

Annex 2 - Distribution Charge Restriction Conditions

1. Definitions

1.1. In this Annex:

“Allowed Related Party Margin”

means the part (if any) of any Related Party Margin that provides for a reasonable and transparently calculated allowance for depreciation and return on capital in relation to assets to the extent that these are employed by the Related Party in the provision of relevant services to the Licensee and not otherwise included in the calculation of the Maximum Regulated Distribution Revenue or recoverable through the Licensee’s connection charges.

“Approved Generation Cluster Infrastructure”

means infrastructure that has been approved by the Authority for the purposes of the arrangements set out in the Connection Charging Statement for funding generation cluster infrastructure partly through the Licensee’s RAB.

“Average Specified Rate”

means the arithmetic mean of the daily base rates of Danske Bank Limited (or such other bank as the Authority shall specify from time to time) current from time to time during the period in respect of which the calculation falls to be made.

“Connection Charging Statement”

means the statement of charges for connection to the Licensee’s distribution system as prepared by the Licensee and approved by the Authority under Condition 32 hereof which is effective for the relevant period.

“Deferred Revenue Expenditure”

means expenditure which is classified as capital expenditure for accounting purposes (because it gives rise to economic benefits over more than one year) but is not capital expenditure for tax purposes (because it does not create a sufficiently identifiable asset). For example, Deferred Revenue Expenditure

may include the replacement of age-expired network components when (for tax purposes) the network as a whole is seen as a single asset.

“Demonstrably Inefficient or Wasteful Expenditure”

means expenditure which the Authority has (in a published decision giving reasons) determined to be demonstrably inefficient and/or wasteful, given the information reasonably available to the Licensee at the time that the Licensee made the relevant decision about that expenditure. For the avoidance of doubt, no expenditure is Demonstrably Inefficient or Wasteful Expenditure simply by virtue of a statistical or quantitative analysis that compares very aggregated measures of the Licensee’s costs with the costs of other companies.

“Distribution Charge Restriction Conditions”

means the paragraphs set out in this Annex 2 as from time to time modified or replaced in accordance therewith or pursuant to Article 14, 14A, 14E or 18 of the Order, under the Energy Order, under the SEM Order or under the Directive Regulations.

“Distribution Charges”

means all charges for the provision of Distribution Services and for Wheeling, but excluding charges levied under the PSO Agreements (as defined in Condition 24A).

“Distribution Services”

means all services provided as part of the Distribution Business other than Excluded Services.

“Enduring Solution”

means the IT system introduced to support competition in the electricity retail market in Northern Ireland, intended to aid complete separation of the customer billing processes and legacy IT systems previously shared by the Licensee and Power NI (in its capacity as an electricity supplier), and to provide a level playing field for all suppliers, unrestricted switching capability for

	customers and support of global aggregation for settlement of the all-island wholesale market.
“ERDC”	means early retirement deficit contributions.
“Excluded Services”	means those services provided as part of the Distribution Business which in accordance with the principles set out in paragraph 13 fall to be treated as Excluded Services.
“Final Determination”	means the report of the Competition Commission (the statutory predecessor to the Competition and Markets Authority) in relation <u>final determination paper, relating</u> to the Licensee’s Distribution Charge Restriction Conditions, as presented to <u>published by</u> the Authority on 26 March 2014 <u>30 June 2017</u> , taken together with its supporting <u>documentation</u> <u>Annexes</u> .
“Fuel Security Event”	means a Fuel Security Event as defined in the Northern Ireland Fuel Security Code, published by the Department of Enterprise, Trade and Investment.
“HMRC”	means HM Revenues and Customs or, in relation to any function of that body referred to in this Annex, such other person as may (whether in relation to the United Kingdom as a whole or Northern Ireland) be allocated the role of performing that function after the commencement of RP5 <u>RP6</u> .
“Licensee’s Allowed Distribution Related Security Costs”	means any cost incurred by the Distribution Business and approved by the Authority (in a published decision) as being an allowed security cost in accordance with the Northern Ireland Fuel Security Code (as that term is therein defined), but excluding any cost which forms part of: <ul style="list-style-type: none"> a) the allowed power procurement business related security costs; or b) the payments to generators in relation to services provided to the power

procurement business during Fuel Security Events.

“Maximum Regulated Distribution Revenue”

means the maximum Regulated Distribution Revenue that the Licensee is entitled to recover in the Regulatory Tariff Year and the Regulatory Reporting Year (as the case may be) as calculated in accordance with the provisions of this Annex.

“Permitted One-Year Percentage”

means 4% of the Maximum Regulated Distribution Revenue.

“Permitted Three-Year Percentage”

means 5% of the Maximum Regulated Distribution Revenue in the second of the Regulatory Tariff years.

“Provision of Law”

means the following, to the extent that it applies to or is binding on the Licensee:

- a) any enactment;
- b) any regulation made by the Council or the Commission of the European Union or any decision taken by the Commission;
- c) any interpretation of law, or finding, contained in any judgment given by a court or tribunal of competent jurisdiction in respect of which:
 - i. the period for making an appeal has expired and;
 - ii. no superior court or tribunal has reached a contrary interpretation or finding; and
- d) any direction of a competent authority other than the Authority or the Department.

“Regulatory Asset Base”

means one of the regulatory asset bases identified at paragraph 4.1.

“Regulatory Instructions and

means the Regulatory Instructions and Guidance provided by the Authority, including guidance notes,

Guidance (RIGs)”

reporting workbooks, commentary templates and assurance templates, as set out by the Authority, to capture various different types of information and data.

“Regulatory Reporting Year”

means a period of twelve months commencing on 1 April in any year and ending on 31 March in the year following its commencement- except for Regulatory Reporting Year t = 2018 where it means a period of six months commencing on 1 October 2017 and ending 31 March 2018.

“Regulatory Reporting Year t”

means the Regulatory Reporting Year which ends in year t, and is therefore to be read such that: a reference to ‘Regulatory Reporting year t = 2013’2018’ is to the Regulatory Reporting Year ending on 31 March 20132018; a reference to ‘Regulatory Reporting Year t-1’ means the Regulatory Reporting Year immediately preceding Regulatory Reporting Year t; and similar expressions are to be construed accordingly.

“Regulatory Tariff Year”

means a period of twelve months commencing on 1 October in any year and ending on 30 September in the immediately following year.

“Regulatory Tariff Year t”

means the Regulatory Tariff Year which ends in year t, and is therefore to be read such that: a reference to ‘Regulatory Tariff Year t = 2013’2018’ is to the Regulatory Tariff Year ending on 30 September 20132018.

“Regulated Distribution Revenue”

means the revenue (measured on an accruals basis) that is derived by the Licensee from Distribution Charges after deduction of value added tax (if any) and any other taxes based directly on the amount of the Distribution Charges.

“Related Party”

means both Affiliates and Related Undertakings of the Licensee as defined in Condition 1 of this

licence. An Affiliate or Related Undertaking shall remain as a Related Party for the whole of the price control period even if it is no longer part of the group due to restructuring.

“Related Party Margin”

The profit or loss recorded on a transaction with an affiliate being the excess or deficit on actual direct costs and indirect costs (excluding financing costs) fairly attributable to the transaction or the charge and the cost of providing that transaction.

For Captive Insurance businesses the margin is to be computed based on the captive’s premium income less reinsurance premiums, claims paid out and movements on technical and IBNR reserves attributable to the Licensee’s business only, i.e. usually reported as the profits/loss on the Technical account. Where a captive insures more than the Licensee, then it’s profit/loss should be computed pro rata to the premiums paid by the Licensee to total premium income in the captive for the year and the movements on technical and IBNR reserves not attributable to the Licensee’s business must first be removed.

“Relevant Change of Law”

means any of the following, to the extent that it applies to or is binding on the Licensee:

- a) the application of any Provision of Law that did not previously have effect;
- b) the amendment of or change to any Provision of Law that did previously have effect; and
- c) the revocation or cessation of any Provision of Law that did previously have effect.

“Reliability Incentive Model”

means the document of that name, prepared and published by the Authority following consultation with the Licensee (which consultation may take place before or after this condition comes into force),

	<u>which sets out the principles and methodology for determining the allowed amount in respect of the reliability incentive.</u>
“RP4”	means the period commencing on 1 April 2007 and ending on 31 March 2012.
“RP5”	means the period commencing on 1 April 2012 and ending on 30 September 2017.
<u>“RP5 Model”</u>	<u>means the document of that name, prepared and published by the Authority following consultation with the Licensee (which consultation may take place before or after this condition comes into force), which sets out the principles and methodology for determining the actual entitlement for RP5 in respect of each of the entitlement lines specified in the document.</u>
“RP6”	means the period commencing on 1 October 2017 and ending on 30 September 2022 <u>31 March 2024</u> .
<u>“RP6 Model”</u>	<u>means the document of that name, prepared and published by the Authority following consultation with the Licensee (which consultation may take place before or after this condition comes into force), which sets out the principles and methodology for determining the actual entitlement for RP6 in respect of each of the entitlement lines specified in the document.</u>
“RPI _t ”	means the Retail Prices Index (CHAW: 1987 = 100) published by the Office for National Statistics (or successor body) for the October month in each Regulatory Reporting Year t and is therefore to be read such that: a reference to ‘RPI t = 2010 <u>2016</u> ’ is to the RPI figure for October 2009 <u>2015</u> .
“Specified Information”	means information (or a category of information) that is so described or defined at paragraph 12.

“Uncollected Revenue”

means

- a) any amount owed to the Licensee in respect of Regulated Distribution Revenue (other than an amount owed to the Licensee by a system operator, such as SONI Limited), which amount remains unpaid for six months after the date it first fell due for payment or which amount the Licensee deems (in accordance with the payment security policy) to be unrecoverable before the expiry of that six months period; plus the reasonable interest attributable to such amount calculated in accordance with the payment security policy; and
- b) where the Licensee is not an affiliate of the system operator (such as SONI Limited, a body corporate registered in Northern Ireland under company number NI038715), any amount owed to the Licensee by that system operator in respect of Regulated Distribution Revenue which is to be included in the uncollected revenue amount in accordance with the payment security policy; plus the reasonable interest attributable to such amount, calculated in accordance with the payment security policy.

“Unit”

means a kilowatt hour.

~~“Wheeled Unit”~~

~~means a unit (whether generated inside or outside Northern Ireland) which enters the total system at any point and is delivered to a place outside Northern Ireland.~~

~~“Wheeling”~~

~~means the transportation of Wheeled Units on any part of the total system.~~

2. Introductory Provisions

2.1. Where, for the purposes of complying with its obligation at paragraph 3.1 in relation to the setting of Distribution Charges, the Licensee forecasts the Maximum Regulated Distribution Revenue for any Regulatory Tariff Year t (or any data relevant to its calculation), it shall:

- a) have regard to any information notified to it by the Authority; and
- b) where directed to do so by the Authority, base its forecast on any such information or make it in accordance with such methodology as the Authority may specify in the direction.

2.2. Unless the contrary is expressly stated:

- a) all monetary figures in this Annex are stated in ~~nominal~~15/16 prices; and
- b) all inputs and calculations for which provision is made in this Annex are to be carried out in nominal prices.

~~2.3. The values marked with an estimation symbol (e) in Table 3, Table 6, Table 7, Table 8, Table 10, Table 12, Table 13 and Appendix 2 are without prejudice to any future licence modifications made or proposed by the Authority to implement a new restriction on the Licensee's Maximum Regulated Distribution Revenue that is effective from 1 October 2017.~~

~~2.4. For the purposes of this Annex, the provisions of paragraph 3 shall be deemed to apply with effect from the commencement of RP5, so that the Maximum Regulated Distribution Revenue shall be calculated from the commencement of RP5 onwards, notwithstanding paragraph 15.~~

~~2.5. The Licensee is prohibited, in the period 26 March 2014 to 30 September 2014, from making changes to Distribution Charges.~~

3. The Maximum Regulated Distribution Revenue

- 3.1. Without prejudice to paragraph 15, the Licensee shall with effect from 1 October 2017 use its best endeavours to set its Distribution Charges so as to ensure that, in each Regulatory Tariff Year t , the Regulated Distribution Revenue shall be equal to the Maximum Regulated Distribution Revenue for that Regulatory Tariff Year calculated in accordance with paragraph 3.3.

- 3.2. The Maximum Regulated Distribution Revenue for the Regulatory Tariff Year ~~$RP5T_t$~~ $RP6T_t$

- 3.3. The Maximum Regulated Distribution Revenue for the Regulatory Tariff Year t shall be calculated as follows:

$$\del{RP5T_t} = (\del{RP5R_t} + \del{RP5R_t}) \quad RP6T_t = (RP6R_t + RP6R_{t+1}) * 0.5$$

Where:

~~$RP5T_t$~~ $RP6T_t$ means the Maximum Regulated Distribution Revenue for the Regulatory Tariff Year t ;

~~$RP5R_t$~~ $RP6R_t$ means the Maximum Regulated Distribution Revenue for the Regulatory Reporting Year t , calculated in accordance with paragraph 3.4.

Save that for $RP6T_{t=2018}$, the Maximum Regulated Distribution Revenue shall be calculated as follows:

$$RP6T_{t=2018} = ((RP5R_{t=2018} + RP6R_{t=2018}) + (RP6R_{t=2019})) * 0.5$$

Where:

$RP5R_{t=2018}$ means the Maximum Regulated Distribution Revenue for the period 1 April 2017 to 30 September 2017, calculated in accordance with paragraph 3.4 of Annex 2 of the licence in effect on 14 August 2017.

- 3.4. The Maximum Regulated Distribution Revenue for the Regulatory Reporting Year - ~~$RP5R_t$~~ $RP6R_t$

- 3.5. For the purposes of paragraph 3.3, the Maximum Regulated Distribution Revenue for the Regulatory Reporting Year t shall be calculated as follows:

$$\del{RP5R_t} \quad RP6R_t = DEP_t + RET_t + BD_t + \del{RI_t} + O_t + P_t + \del{COI_t} + TAX_t - RPSI_t + K_t$$

Where:

DEP_t means the depreciation amount in Regulatory Reporting Year t , calculated in accordance with paragraph 4;

RET_t means the return amount in Regulatory Reporting Year t , calculated in accordance with paragraph 5;

BD_t is the allowed opex amount (if any) in Regulatory Reporting Year t , for Uncollected Revenue, being the amount appropriate for the Licensee to recover in that Regulatory Reporting Year, in respect of Uncollected Revenue, less any amount or part of an amount treated as Uncollected Revenue in respect of a preceding Regulatory Reporting Year t that has been paid to the Licensee in Regulatory Reporting Year t ;

RI_t is the allowed amount (if any) in Regulatory Reporting Year t , being the amount the Authority determines in a published decision to be appropriate for the Licensee to recover in respect of the reliability incentive in that Regulatory Reporting Year t , as calculated by the Authority under and in accordance with the Reliability Incentive Model;

O_t means the opex amount in Regulatory Reporting Year t , calculated in accordance with paragraph 6;

P_t means the pension deficit amount in Regulatory Reporting Year t , calculated in accordance with paragraph 7;

~~COI_t means the costs of the investigation amount in Regulatory Reporting Year t , calculated in accordance with paragraph 8;~~

TAX_t means the tax amount due in Regulatory Reporting Year t , calculated in accordance with paragraph 9;

$RPSI_t$ means the revenue protection services incentive amount, in Regulatory Reporting Year t , calculated in accordance with paragraph 10;

K_t means the correction factor amount (whether a positive or negative number) calculated in accordance with paragraph 11.

4. The Regulatory Asset Bases - RAB_X_t

- 4.1. For the purposes of this Annex, there shall be, as set out in Table 1 below, the following Regulatory Asset Bases:

Table 1 - The Distribution Business Regulatory Asset Bases

RAB name	RAB_X
Distribution RAB	RAB_{DN}
Enduring Solution RAB	RAB_{ES}
Metering RAB	RAB_{MTRN}
Rathlin RAB	RAB_{RT}
FEMO RAB	RAB_{FE}
N12007 RAB	RAB_{N1}
5 Year D.RAB	RAB_{D5Y}

- 4.2. In this Annex, each Regulatory Asset Base is identified as a **RAB**, and RAB_X refers to a Regulatory Asset Base for which X represents the suffix assigned to that RAB at paragraph 4.1.

4.3. The Opening Regulatory Asset Base - $ORAB_X_t$

- 4.4. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X , the opening Regulatory Asset Base, $ORAB_X_t$, being the value of that Regulatory Asset Base at the beginning of Regulatory Reporting Year t, shall be defined as:

$$ORAB_X_t = OE_X_t + OADD_X_t$$

Where:

OE_X_t being the opening value of existing assets, calculated in accordance with paragraph 4.5; and

$OADD_X_t$ being the opening value of additional assets, calculated in accordance with paragraph 4.13.

4.5. The opening value of existing assets - OE_X_t

- 4.6. For the purposes of this Annex, in respect of Regulatory Reporting Year $t = 2013, 2018$, for each RAB_X, the opening value of existing assets ($OE_{X_{2013}, X_{2018}}$) shall be calculated as follows:

$$OE_{X_{2013}} = OE_{2010, X_{2013}} * RPI_{2013} / RPI_{2010} X_{2018} = CE_{X_{2018}} + CADD_{X_{2018}}$$

Where:

$OE_{2010, X_{2013}} - CE_{X_{2018}}$ is, for each RAB_X, the ~~opening~~ closing value of existing assets, ~~in a 2010 price base, for each RAB_X and~~ for ~~the~~ Regulatory Reporting Year $t = 2013, 2018$ (30 September 2017), as calculated in accordance with paragraph 4.9 of Annex 2 of the Licence in effect on 14 August 2017.

$CADD_{X_{2018}}$ is:

- (a) for each RAB_X other than RAB_D5Y and RAB_MTRN, the closing value of additional assets for Regulatory Reporting Year $t = 2018$ (30 September 2017), as calculated in accordance with paragraph 4.15 of Annex 2 of the Licence in effect on 14 August 2017; and
- (b) for RAB_D5Y, the closing value of additional assets for Regulatory Reporting Year $t = 2018$ (30 September 2017), as calculated in accordance with paragraph 4.15 of Annex 2 of the Licence in effect on 14 August 2017, save that such calculation shall be equal to the amount on the basis that the allowed capex for RAB_D5Y for Regulatory Reporting Year $t = 2018$ (30 September 2017) specified in Table 2 below, Table 6 of Annex 2 of the Licence in effect on 14 August 2017 was increased by £3.567m (nominal).

Table 2 – The Distribution Business opening value of existing assets (£ million, 2010 prices)

RAB_X	$OE_{2010, X_{2013}}$
RAB_DN	782.36
RAB_ES	21.21
RAB_MTRN	14.49
RAB_RT	3.96

RAB_FE	6.12
RAB_NI	19.21
RAB_D5Y	0.00

(c) for RAB_MTRN, the closing value of additional assets for Regulatory Reporting Year t = 2018 (30 September 2017), as calculated in accordance with paragraph 4.15 of Annex 2 of the Licence in effect on 14 August 2017, save that such calculation shall be on the basis that the allowed capex for RAB_MTRN for Regulatory Reporting Year t = 2018 (30 September 2017) specified in Table 6 of Annex 2 of the Licence in effect on 14 August 2017 was increased by £1.507m (15/16 prices).

- 4.7. For the purposes of this Annex, in each Regulatory Reporting Year t other than t = ~~2013~~2018, and for each RAB_X the opening value of existing assets (OE_{X_t}) shall be calculated as follows:

$$OE_{X_t} = (CE_{X_{t-1}}) * RPI_t / RPI_{t-1}$$

Where:

CE_{X_t} is the closing value of existing assets, calculated in accordance with paragraph 4.9.

- 4.8. The closing value of existing assets - CE_{X_t}

- 4.9. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, the closing value of existing assets (CE_{X_t}) being the value of the existing assets in that RAB at the end of Regulatory Reporting Year t, shall be calculated as follows:

$$CE_{X_t} = OE_{X_t} - FDEP_{X_t}$$

Where:

OE_{X_t} is the opening value of existing assets calculated in accordance with paragraph 4.5; and

$FDEP_{X_t}$ is the fixed depreciation amount, calculated in accordance with paragraph 4.11.

- 4.10. The fixed depreciation amount - $FDEP_{X_t}$

- 4.11. For the purposes of this Annex, in each Regulatory Reporting Year t , and for each RAB_X, the fixed depreciation amount (~~Fdep~~~~FDEP~~_X $_t$) means the amount representing depreciation of assets acquired pre ~~31 March 2012~~30 September 2017 and shall be calculated as follows:

$$\text{FDEP_X}_t = \text{FDEP_2010RP6_X}_t * \text{RPI}_t / \text{RPI}_{2010} / \text{RPI}_{2016}$$

Where:

~~FDEP_2010RP6_X $_t$~~ is, for each RAB_X, the fixed depreciation amount, in a 2010-price base, for each RAB_X and for each Regulatory Reporting Year t , and shall be equal as calculated by the Authority in accordance with provisions of the RP5 and RP6 Models, as notified to the amounts specified in Table 3 below~~Licensee by the Authority.~~

~~Table 3 – The Distribution Business fixed depreciation amount per RAB_X for each Regulatory Reporting Year t (£ million, 2010 prices)¹~~

Year	t=2013	t=2014	t=2015	t=2016	t=2017	t=2018
RAB_X						
RAB_DN	40.47	39.11	37.64	36.37	34.95	17.02 + 17.02e
RAB_ES	2.12	2.12	2.12	2.12	2.12	1.06 + 1.06e
RAB_MTRN	1.63	1.63	1.63	1.63	1.63	0.82 + 0.82e
RAB_RT	0.14	0.14	0.14	0.14	0.14	0.07 + 0.07e
RAB_FE	2.72	2.72	0.68	-	-	-
RAB_NI	6.83	6.83	3.49	2.07	-	-

save that for regulatory reporting year t = 2018 (half year) in which it will be calculated by the Authority in accordance with provisions of the RP5 and RP6 Models, as notified to the Licensee by the Authority.

- 4.12. The opening value of additional assets - OADD_X $_t$

¹ See paragraph 2.3 regarding figures in this table marked with an estimation symbol (e).

4.13. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB $_X$, the opening value of additional assets (**OADD $_X$**) shall be:

- a) 0 (zero) in Regulatory Reporting Year $t = 2013$ ~~2018~~; and
- b) in each subsequent Regulatory Reporting Year t , calculated as follows:

$$\text{OADD}_X = (\text{CADD}_{X_{t-1}}) * \text{RPI}_t / \text{RPI}_{t-1}$$

Where:

CADD $_X$ means the closing value of additional assets in the previous Regulatory Reporting Year, calculated in accordance with paragraph 4.15.

4.14. **The closing value of additional assets - CADD $_X$**

4.15. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB $_X$, the closing value of additional assets (**CADD $_X$**) shall be calculated as follows:

$$\text{CADD}_X = \text{OADD}_X + \text{QCE}_X - \text{DIQCE}_X + \text{PTCE}_X - \text{DIPTCE}_X - \text{DEPADD}_X - \text{CD}_X + \text{CI}_X$$

Where:

OADD $_X$ means the opening value of additional assets calculated in accordance with paragraph 4.13;

QCE $_X$ means the qualifying capex expenditure amount, calculated in accordance with paragraph 4.17;

DIQCE $_X$ means the demonstrably inefficient qualifying capex expenditure amount, calculated in accordance with paragraph 4.19

PTCE $_X$ means the pass through capex expenditure amount, calculated in accordance with paragraph 4.21;

DIPTCE $_X$ means the demonstrably inefficient pass through capex expenditure amount, calculated in accordance with paragraph 4.23;

DEPADD $_X$ means the depreciation amount for additional assets, calculated in accordance with paragraph 4.25;

CD $_X$ means the capex disposal amount, calculated in accordance with paragraph 4.28; and

CI $_X$ means the capex incentive amount, calculated in accordance with paragraph 4.30.

4.16. **The qualifying capex expenditure amount - QCE $_X$**

4.17. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X , the qualifying capex expenditure amount (QCE_{X_t}) shall:

- a) be the value of capex incurred by the Licensee (excluding any costs included in the calculation of $PTCE_{X_t}$) reasonably allocated or attributed to:
 - i. the Distribution Business;
 - ii. the Regulatory Reporting Year t ; and
 - iii. RAB_X ; and
- b) exclude any amounts reasonably allocated or attributed to any of the following:
 - i. pension deficit repair contributions;
 - ii. the net costs (or net contributions) relating to: activities or services subject to the Licensee's connection charges such that the exclusion is consistent with the Licensee's Connection Charging Statement; or any other activities or services that are treated as Excluded Services for the purposes of this Annex;
 - iii. any costs recharged by the Licensee to associated businesses or related parties;
 - iv. any positive Related Party Margin (but excluding any Allowed Related Party Margin) that is charged to the Licensee by a Related Party;
 - v. any costs incurred by the Licensee as part of the PSO Agreement or otherwise recoverable under the restriction on the Licensee's PSO Charges;
 - ~~vi. costs of external advisers incurred by the Licensee in relation to the Competition Commission inquiry which resulted in the Final Determination;~~
 - ~~vii-vi.~~ any Uncollected Revenue; and
 - ~~viii-vii.~~ other costs of any description which the Authority may determine in a published decision from time to time are manifestly unreasonable to include in the qualifying capex expenditure amount.

4.18. **Demonstrably inefficient qualifying capex expenditure - $DIQCE_{X_t}$**

4.19. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X , demonstrably inefficient qualifying capex expenditure ($DIQCE_{X_t}$) shall be the part (if any) of QCE_{X_t} that is Demonstrably Inefficient or Wasteful Expenditure.

4.20. **The pass through capex expenditure amount - $PTCE_{X_t}$**

4.21. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X , the pass through capex expenditure amount ($PTCE_{X_t}$), shall:

- a) be the value of capex incurred by the Licensee (excluding QCE_{X_t}) reasonably allocated or attributed to:

- i. the Distribution Business;
- ii. the Regulatory Reporting Year t; and
- iii. RAB_X; and

b) be calculated as follows:

$$PTCE_{X_t} = CLD_{X_t} + CC_{X_t}$$

Where:

~~CLD_{X_t}~~ means the capex legacy Dt amount calculated in accordance with paragraph 4.23; and

CC_{X_t} means the capex connections amount in Regulatory Reporting Year t and for each RAB_X, being the net costs (or net contributions) relating to activities or services subject to the Licensee's connection charges such that the inclusion is consistent with the Licensee's Connection Charging Statement as approved by the Authority, and where contributions from connecting parties are included on a cash basis. The capex connections amount shall exclude the cost of alterations to existing connections and shall only include costs of the following types of connection:

- ~~iv. new domestic and smaller businesses eligible for a subsidy and where the application for connection was prior to 1st October 2012;~~
- ~~v.i. housing sites with 12 or more domestic premises; and~~
- ~~vi.ii. Approved Generation Cluster Infrastructure; and~~
- ~~vii. all other connections governed by the Licensee's Connection Charging Statement.~~

~~4.22. The capex legacy Dt amount - CLD_{X_t}~~

~~4.23. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, CLD_{X_t} is the capex legacy Dt amount incurred by the Licensee that the Authority determines in a published decision, insofar as the Licensee has incurred these costs in line with the original approval terms, for each of the items referenced in Table 4 below:~~

~~Table 4 The Distribution Business capex legacy Dt items (£ million, 2010 prices)~~

Legacy Dt items	Approval reference date	Total maximum RP5 spend
33kV reinforcement	21 October 2013	1.9
Enduring Solution project	18 June 2013	5.9

4.24.4.22. Demonstrably inefficient pass through capex expenditure - DIPTCE_t

4.25.4.23. For the purposes this Annex, in each Regulatory Reporting Year t and for each RAB_X, demonstrably inefficient pass through capex expenditure (DIPTCE_t) shall be the part (if any) of PTCE_t that is Demonstrably Inefficient or Wasteful Expenditure.

4.26.4.24. The depreciation amount for additional assets - DEPADD_t

4.27.4.25. For the purposes of paragraph 4.15, in each Regulatory Reporting Year t and for each RAB_X, the depreciation amount for additional assets (DEPADD_t) shall be calculated as follows:

- a) in Regulatory Reporting Year t=~~2013~~:2018 (half year)

~~DEPADD_t = 0.5 * DEPN_t~~ DEPADD_t will be calculated by the Authority in accordance with provisions of the RP5 and RP6 Models, as notified to the Licensee by the Authority.

- b) in each other Regulatory Reporting Year t :

$$DEPADD_t = 0.5 * DEPN_t + (DEPADD_{t-1} + 0.5 * DEPN_{t-1}) * RPI_t / RPI_{t-1}$$

subject to a limitation on the value of DEPADD_t to ensure that the cumulative depreciation (up to and including Regulatory Reporting Year t) in respect of any past value of DEPN_X does not represent excessive depreciation given the depreciation and RAB policies reflected in this Annex, including the RPI indexation of the RAB.

4.28.4.26. For the purposes of paragraph 4.25, DEPN_t is the full year depreciation for net assets added to RAB_X in Regulatory Reporting Year t and shall be calculated as follows:

$$DEPN_t = (QCE_t - DIQCE_t + PTCE_t - DIPTCE_t - CD_t + CI_t) * DEPR_X$$

Where:

QCE_t means the qualifying capex expenditure amount, calculated in accordance with paragraph 4.17;

DIQCE_t means the demonstrably inefficient qualifying capex expenditure amount, calculated in accordance with paragraph 4.19;

PTCE_t means the pass through capex expenditure amount, calculated in accordance with paragraph 4.21;

- DIPTCE_{X_t}** means the demonstrably inefficient pass through capex expenditure amount, calculated in accordance with paragraph 4.23;
- CD_{X_t}** means the capex disposal amount, calculated in accordance with paragraph 4.28;
- CI_{X_t}** means the capex incentive amount, calculated in accordance with paragraph 4.30; and
- DEPR_X** is the depreciation rate for each RAB_X as set out in Table 2 below:

Table 2 - The Distribution Business depreciation rate for each RAB_X

RAB _X	Depreciation rate
RAB_DN	3%
RAB_ES	10%
RAB_MTRN	6.66667667%
RAB_RT	3%
RAB_FE	20%
RAB_NI	20%
RAB_D5Y	20%

4.29.4.27. The capex disposal amount - CD_{X_t}

4.30.4.28. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, the capex disposal amount (CD_{X_t}) shall be calculated as follows:

$$CD_{X_t} = OCD_{X_{t-5}} * RPI_t / RPI_{t-5}$$

Where:

OCD_{X_t} means the outturn capex disposal amount, during Regulatory Reporting Year t, the value of which constituted part of RAB_X, being the proceeds of the disposal of any relevant asset/s (including Land, Buildings, Plant, Equipment, but not comprising Land Bank premises or scrap) minus any costs of such disposal that were reasonably incurred by the Licensee.

4.31.4.29. The capex incentive amount - CI_{X_t}

~~4.32.~~4.30. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, the capex incentive amount (CI_X_t) is a sum designed to share equally between the Licensee and customers the value of any outperformance or underperformance of the Licensee against its capex allowances and shall be calculated as follows:

$$CI_X_t = (-AC_X_t D5Y_t + AC_DN_t + AC_MTRN_t + ACIA_X_t + ACES_X_t + ACDR_X_t + ACCOL_X_t - (QCE_X_t - DIQCE_X_t)) * 50\%$$

Where:

~~Where:~~

~~AC_X_tD5Y_t~~ is the allowed capex for RAB_D5Y as set out at paragraph ~~4.34 (and 4.31);~~

~~AC_DN_t~~ is the allowed capex for RAB_DN calculated in accordance with paragraph ~~4.36 in the case of AC_MTRN_t;~~4.33;

~~AC_MTRN_t~~ is the allowed capex for RAB_MTRN calculated in accordance with paragraph ~~4.40;~~

ACIA_X_t is the allowed capex (if any) in respect of Regulatory Reporting Year t, for injurious affectation claims, that the Authority determines in a published decision to be appropriate for the Licensee to recover, where X corresponds to the suffix which is assigned to RAB_X at paragraph 4.1;

~~ACCOL_X_t is the allowed capex (if any) for changes of law, in an amount determined by the Authority to be appropriate in accordance with paragraph 4.45;~~

ACES_X_t is the allowed capex (if any) in respect of Regulatory Reporting Year t, for the Enduring Solution system, being the additional amount that the Authority determines in a published decision to be appropriate for the Licensee to recover in respect of significant changes in the specification of the service that the Licensee is required to provide in relation to the Enduring Solution market opening system, where X corresponds to the suffix which is assigned to RAB_X at paragraph 4.1;

~~ACDR_X_t is the allowed capex (if any) in an amount determined by the Authority (in a published decision giving reasons) to be appropriate in accordance with paragraph 4.36;~~

~~ACCOL_X_t is the allowed capex (if any) for changes of law, in an amount determined by the Authority to be appropriate in accordance with paragraph 4.53;~~

QCE_X_t is the qualifying capex expenditure amount determined in accordance with paragraph 4.16; and

DIQCE_X_t means the demonstrably inefficient qualifying capex expenditure amount calculated in accordance with paragraph 4.19.

~~4.33.~~4.31. Allowed capex for 5 Year D.RAB - AC_X_tD5Y_t

4.34.4.32. For the purposes of this Annex, in each Regulatory Reporting Year t, and for ~~each~~ RAB_X other than ~~RAB_MTRN_D5Y~~ the allowed capex (AC_{X_t}) amounts shall be calculated as follows:

$$AC_{X_t D5Y_t} = AC_{20102016_X_t} * RPI_t / RPI_{2016}$$

~~Where:~~

Where:

$AC_{20102016_X_t}$ is the allowed capex amount, in a ~~20102016~~ price base, for ~~each~~ RAB_XD5Y and for each Regulatory Reporting Year t, and shall be equal to the amounts specified in ~~Table 6~~ Table 3 below.

Table 3 - The Distribution Business allowed capex per RAB_XD5Y for each Regulatory Reporting Year t (£ million, ~~20102016~~ prices)²

Year	t=2018	t=2019	t=2020	t=2021	t=2022	t=2023	t=2024
RAB_D5Y	8.451	11.069	9.016	7.071	6.483	5.941	7.974

4.33. Allowed capex for Distribution RAB - AC_{DN_t}

4.34. For the purposes of this Annex, in each Regulatory Reporting Year t and for RAB_DN, the allowed capex (AC_{DN_t}) shall be calculated as follows

$$AC_{DN_t} = (ACA_{DN_t} + UVA_t) * RPI_t / RPI_{2016}$$

Where:

ACA_{DN_t} is the allowed capex amount, in a 2016 price base, for RAB_DN and for each Regulatory Reporting Year t, and shall be equal to the amounts specified in Table 4 - The Distribution Business allowed capex for RAB_DN for each Regulatory Reporting Year t (£ million, 2016 prices) below.

UVA_t is the allowed capex in respect of the underreaves volume driven allowance and shall be determined in accordance with paragraph 4.35

² See paragraph 2.3 regarding figures in this table marked with an estimation symbol (e).

Table 4 - The Distribution Business allowed capex for RAB_DN for each Regulatory Reporting Year t (£ million, 2016 prices)

<u>Year</u>	<u>t=2018</u>	<u>t=2019</u>	<u>t=2020</u>	<u>t=2021</u>	<u>t=2022</u>	<u>t=2023</u>	<u>t = 2024</u>
<u>RAB_DN</u>	<u>31.772</u>	<u>63.005</u>	<u>62.470</u>	<u>61.940</u>	<u>61.414</u>	<u>60.893</u>	<u>60.376</u>

<u>The Year</u>	<u>t=2013</u>	<u>t=2014</u>	<u>t=2015</u>	<u>t=2016</u>	<u>t=2017</u>	<u>t=2018</u>
<u>RAB_X</u>						
<u>-RAB_DN</u>	<u>41.62</u>	<u>44.10</u>	<u>58.01</u>	<u>57.48</u>	<u>57.13</u>	<u>28.32 + 28.32e</u>
<u>-RAB_D5Y</u>	<u>7.03</u>	<u>8.70</u>	<u>6.94</u>	<u>6.87</u>	<u>6.83</u>	<u>3.39 + 3.39e</u>

4.35. undereaves volume driven allowance (UVA_t) shall be calculated as follows

$$\text{UVA}_t = \text{UV}_t * \text{UAU}_{2016}$$

Where:

UV_t means the volume of properties with undereaves services and/or mains replaced, in respect of Regulatory Reporting Year t, as reported to the Authority by the Licensee and which shall not exceed a total of 19,500 properties in RP6 price control period; and

UAU₂₀₁₆ is the undereaves allowance unit cost, in 2016 price base, in respect of Regulatory Reporting Year t, and shall be equal to the amounts specified in Table 5 below

Table 5 - The Distribution Business undereaves allowance unit cost for UAU₂₀₁₆ for each Regulatory Reporting Year t (£, 2016 prices)

<u>Year</u>	<u>t=2018</u>	<u>t=2019</u>	<u>t=2020</u>	<u>t=2021</u>	<u>t=2022</u>	<u>t=2023</u>	<u>t = 2024</u>
<u>UAU₂₀₁₆</u>	<u>411.86</u>	<u>408.36</u>	<u>404.89</u>	<u>401.46</u>	<u>398.05</u>	<u>394.67</u>	<u>391.32</u>

4.36. Additional allowed capex - $ACDR_{X_t}$

4.37. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X , the additional allowed capex ($ACDR_{X_t}$) is any amount that the Authority determines, in a published decision, to be appropriate for the expected incremental efficient costs of:

- a) any nominated distribution project;
- b) trials undertaken to assess and demonstrate innovative future investment in the Distribution System;
- c) any project to address load growth due to the introduction of low carbon technologies; and,
- d) any project to address congestion on the 33kV network for purposes relating to connections made, or to be made, between the Distribution System and any premises owned or occupied by the owner or operator of an electricity generation set ('generation connections').

4.38. The value of $ACDR_{X_t}$ in each Regulatory Reporting Year t and for each RAB_X shall be that which the Authority considers appropriate, and for these purposes:

- a) no allowance may be determined in respect of any outputs or costs that are funded through through any other provision of this Annex;
- b) an allowance may be determined in respect of a nominated distribution project to address distribution load and replacement only if the project has been identified in the Final Determination as falling within the scope of this category;
- c) the total additional allowance which may be determined for trials undertaken to assess and demonstrate innovative future investment in the Distribution System shall not, taken together with the total additional allowance that may be determined by the Authority pursuant to paragraph 4.25(b) of the successor transmission licence, exceed £6.36 million in 2015/16 prices.
- d) an allowance may be determined in respect of any project to address load growth due to the introduction of low carbon technologies only if the expenditure is required in Regulatory Reporting Years $t = 2022, 2023$ or 2024 , and the investment has been determined by the Authority in a published decision in advance of Regulatory Reporting Year $t = 2022$, or such later time as the Authority may determine in a published decision;
- e) an allowance may be determined in respect of any project to address congestion on the 33kV network for purposes relating to generation connections only where the expenditure is not required for other reasons relating to load growth or asset replacement;
- f) the Licensee shall provide such information, including in such manner, format and within such period, as may be required by the Authority (and notified to the Licensee) for the purposes of making its determination; and

- g) the Authority may follow such procedure as it considers appropriate prior to making its determination, including by providing for any audit, assessment or consultation in respect of the project submission; and
- h) the Authority may make its determination subject to conditions with which the Licensee shall be required to comply, including in particular conditions as to any monitoring, audit and reporting in relation to the project or trial, the delivery date or milestones to be achieved in relation to the project or trial and the consequences (including financial consequences in respect of the amount set out in the determination) for non-compliance with the delivery date or milestones.

4.35.4.39. Allowed capex for Metering RAB - AC_MTRN_t

4.36.4.40. For the purposes of this Annex, in each Regulatory Reporting Year t and for RAB_MTRN , the allowed capex (AC_MTRN_t) shall be calculated as follows:

$$AC_X_t = -(FMFA_t + SMFA_t + MVA_t) * RPEPF_t$$

Where:

- $FMFA_t$ means the first metering fixed allowance, in Regulatory Reporting Year t , and shall be calculated in accordance with paragraph 4.42;
- $SMFA_t$ means the second metering fixed allowance, in Regulatory Reporting Year t , and shall be calculated in accordance with paragraph 4.44;
- MVA_t means the metering volume driven allowance, in Regulatory Reporting Year t , and shall be calculated in accordance with paragraph 4.45; and
- $RPEPF_t$ is the real price effect & productivity factor for each Regulatory Reporting Year t , and shall be calculated in accordance with paragraph 4.52.

4.37.4.41. First metering fixed allowance ($FMFA_t$)

4.38.4.42. For the purposes of paragraph 4.40, the first metering fixed allowance ($FMFA_t$) shall be calculated as follows:

$$FMFA_t = FMFA_{2010,2016_t} * RPI_t / RPI_{2010}RPI_{2016}$$

Where:

- $FMFA_{2010,2016_t}$ means the first metering fixed allowance amount, in a 2010/2016 price base, for each Regulatory Reporting Year t , and shall be equal to the amounts specified in specified in Table 6 -below.

Table 6 - The Distribution Business first metering fixed allowance for each Regulatory Reporting Year t (£ million, 2010/2016 prices)³

Year Term	t=2013 018	t=2014 019	t=2015 020	t=2016 021	t=2017 022	t=2018 023	t=2024
First metering fixed allowance (FMFA _{2010/2016,t})	0.62346 2	0.61792 4	0.61192 4	0.60692 4	0.60292 4	0.298+ 0.298e9 24	0.924

4.39.4.43. Second metering fixed allowance (SMFA_t)

4.40.4.44. For the purposes of paragraph 4.40.4.36, the second metering fixed allowance (SMFA_t) shall be calculated as follows:

$$SMFA_t = SMFA_{2010/2016,t} * RPI_t / RPI_{2010/2016}$$

Where:

SMFA_{2010/2016,t} means the second metering fixed allowance amount, in a 2010/2016 price base, for each Regulatory Reporting Year t, and shall be equal to the amounts specified in specified in Table 7 below.

Table 7 - The Distribution Business second metering fixed allowance for each Regulatory Reporting Year t (£ million, 2010/2016 prices)⁴

Year Term	t=2013 018	t=2014 019	t=2015 020	t=2016 021	t=2017 022	t=2018 023	t=2024
Second metering fixed allowance (SMFA _{2010/2016,t})	0.25067 6	0.2501. 351	0.6801. 351	0.3301. 351	0.3301.3 51	0.165+ 0.165e1 .351	1.351

4.41.4.45. Metering volume driven allowance (MVA_t)

4.42.4.46. For the purposes of paragraph 4.40, the metering volume driven allowance (MVA_t) shall be calculated as follows:

³ See paragraph 2.3 regarding figures in this table marked with an estimation symbol (e).

⁴ See paragraph 2.3 regarding figures in this table marked with an estimation symbol (e).

$$MVA_t = \sum_{All_C} (MV_{C_t} * MAU_{\text{20102016}_{C_t}}) * RPI_t / \text{RPI}_{2010} \text{RPI}_{2016}$$

Where:

$$\sum_{All_C}$$

means the summation of each metering category C listed in ~~Table 9 below~~; Table 8 - The Distribution Business metering allowance unit cost for each metering category C (2016 prices) below

MV_{C_t}

means the volume of Metering units installed, ~~certified~~ (whether as a new Metering unit or ~~recertified~~ replacement or adjustment of an existing Metering unit) in respect of Regulatory Reporting Year t, for each category C listed in ~~Table 9 below~~; and

$MAU_{\text{20102016}_{C_t}}$

is the metering allowance unit cost, in a ~~20102016~~ price base, in respect of Regulatory Reporting Year t, for each metering category C listed in ~~Table 9 below~~; Table 8 - The Distribution Business metering allowance unit cost for each metering category C (2016 prices) below

~~Table 9 - The Distribution Business metering allowance unit cost for each metering category C (2010 prices)~~

Metering category C <u>Table 8 - The Distribution Business metering allowance unit cost for each metering category C (2016 prices)</u> Metering category C	Metering allowance unit cost (MAU_20102016_C_t) ⁵
Certification <u>Meter Installs/Changes: Credit</u>	£0 (zero) in Regulatory Reporting Years t = 2013 and t = 2014; £23.72 in each other Regulatory Reporting Year t. <u>£21.11</u>
<u>Meter Installs/Changes: Keypad</u>	<u>£73.66</u>
<u>Meter Installs/Changes: Commercial</u>	<u>£137.54</u>
Recertification <u>/certification: Credit</u>	£0 (zero) in Regulatory Reporting Years t = 2013 and t = 2014; £23.72 in each other Regulatory Reporting Year t. <u>£31.98</u>
<u>Recertification: Keypad</u>	<u>£85.17</u>
<u>Recertification: Commercial</u>	<u>£270</u>
Commercial recertification <u>Recertification: Commercial: 110/33kv Bulk Supply Point and Sub-Station metering</u>	£0 (zero) in Regulatory Reporting Years t = 2013 and t = 2014; £242.00 in each other Regulatory Reporting Year t. <u>£2,724</u>
<u>Recertification: Commercial: Power Stations >100MW Metering</u>	<u>£13,333</u>
Keypad recertification <u>Recertification: Commercial: Generator metering <100MW and >1MW</u>	£0 (zero) in Regulatory Reporting Years t = 2013 and t = 2014; £76.51 in each other Regulatory

⁵ For the avoidance of doubt the reference to 'each other Regulatory Reporting Year t' in this table is without prejudice to any future licence modifications made or proposed by the Authority to implement a new restriction on the Licensee's Maximum Regulated Distribution Revenue that is effective from 1 October 2017.

	Reporting Year- t, £3,029
Keypad other <u>Recertification: Commercial: HV Demand customer Metering >1MW</u>	£72.001,005
SOSA <u>Recertification: Commercial: HV Demand customer Metering <1MW</u>	£27.80481
<u>Recertification: Commercial: Teleswitch/Telemeter replacement programme</u>	£205.0055
<u>Recertification: Commercial: Northern Ireland Customer Load Profiles</u>	£123
<u>Meter Replacement for theft</u>	£117

4.47. Meter Replacement for Theft

4.48. For the purposes of the metering volume driven allowance (MVA_t), the metering unit allowance cost:

- a) set out in Table 8 for the metering category C 'Meter Replacement for theft' shall only be to 7,700 Metering units in aggregate for the RP6 period, or such higher number as the Authority may determine under paragraph 4.50.b) below, falling within that metering category C; and
- b) shall be £0 for each additional Metering unit falling within that metering category C 'Meter Replacement for theft.'

4.49. The Licensee:

- a) may request the Authority to determine an increase to the number, as set out in paragraph 4.48.a), of Metering units falling within metering category C 'Meter Replacement for theft' to which the metering allowance cost in Table 8 shall apply; and
- b) where it submits such a request, shall provide its reasons for making the request and all such supporting information as the Licensee considers may be reasonably required by the Authority for the purposes of considering the request.

4.50. Where the Authority receives a request under paragraph 4.49.a), it may:

- a) request such further information from the Licensee as it may reasonably require for the purposes of considering the request; and

- b) determine that the number of Metering units falling within metering category C 'Meter Replacement for theft' to which the metering allowance cost in Table 8 shall apply is a number which is greater than 7,700 in aggregate for the RP6 period.

4.43.4.51. **The real price effect & productivity factor (RPEPF_t)**

4.44.4.52. For the purposes of paragraph 4.40, the real price effect & productivity factor (RPEPF_t) shall, for each Regulatory Reporting Year t shall be equal to the values set out in Table 9 below.

Table 9 - The Distribution Business real price effect & productivity factor for each Regulatory Reporting Year t⁶

Year	Real price effect & productivity factor (RPEPF _t)
t= <u>20132018</u>	<u>0.97800098309</u>
t= <u>20142019</u>	<u>0.96822097475</u>
t= <u>20152020</u>	<u>0.95950696647</u>
t= <u>20162021</u>	<u>0.95087095826</u>
t= <u>20172022</u>	<u>0.94516595013</u>
t= <u>20182023</u>	<u>0.936659</u> or <u>0.936659e0.94206</u>
t= <u>2024</u>	<u>0.93406</u>

⁶ See paragraph 2.3 regarding figures in this table marked with an estimation symbol (e).

4.45.4.53. The allowed capex amount for changes of law - $ACCOL_{X_t}$

4.46.4.54. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X , the allowed capex amount for changes of law ($ACCOL_{X_t}$), being the Relevant Change of Law capex amount (being a positive or negative figure), determined by the Authority, for the purposes of this paragraph, in accordance with paragraphs 4.55 to 4.58.

4.47.4.55. For the purposes of paragraph 4.54, the calculation of $ACCOL_{X_t}$ shall occur when the Authority has determined that:

- a) there has been or will be a Relevant Change of Law;
- b) there has been or will be an amount (whether a positive or negative figure) that is directly attributable to the Relevant Change of Law; and
- c) having regard to all the circumstances, it is appropriate to include the amount within the calculation of $ACCOL_{X_t}$ in order to ensure that the financial position and performance of an efficient Licensee will be, so far as is reasonably practicable, the same as if the Relevant Change of Law had not taken place.

4.48.4.56. The Authority may make a determination in accordance with paragraph 4.55:

- a) on an application made to it by the Licensee; or
- b) otherwise, following consultation with the Licensee.
- ~~a) on an application made to it by the Licensee; or~~
- ~~b)a) otherwise, following consultation with the Licensee.~~

4.49.4.57. An application made to the Authority by the Licensee pursuant to paragraph 4.55 shall contain or be accompanied by all relevant details of the anticipated cost or revenue, and such other information as the Authority may require and, unless the Authority otherwise consents, may not be given later than the first day of April in the year immediately preceding the first of the Regulatory Reporting Years in respect of which the Licensee wishes that cost or revenue to be included in the calculation of $ACCOL_{X_t}$.

4.50.4.58. Where the Authority determines that an anticipated cost or revenue is appropriate for inclusion in the calculation of $ACCOL_{X_t}$ in one or more Regulatory Reporting Years, it shall specify the value to be attributed to that cost or revenue in respect of each Regulatory Reporting Year.

4.51.4.59. The depreciation amount - DEP_t

4.52.4.60. For the purposes of this Annex, in each Regulatory Reporting Year t , the depreciation amount (DEP_t) shall be calculated as follows:

$$DEP_t = \sum_{AllRAB_X} (DEPADD_X_t + FDEP_X_t)$$

Where:

\sum_{AllRAB_X} means the summation of the values for all Regulatory Asset Bases;

$DEPADD_X_t$ means the depreciation amount for additional assets for each RAB_X , calculated in accordance with paragraph 4.24; and

$FDEP_X_t$ means the fixed depreciation amount for each RAB_X , calculated in accordance with paragraph 4.11.

5. The return amount - RET_t

- 5.1. For the purposes of this Annex, in Regulatory Reporting Year t , the return amount (RET_t) is calculated as follows:

$$RET_t = \left(\sum_{AllRAB_X} (ORAB_X_t + CRAB_X_t) / 2 \right) * AVWACC_t$$

Save that for Regulatory Reporting Year $t = 2018$, RET_t shall be 50% of the amount calculated in accordance with the above formula for that year

Where:

\sum_{AllRAB_X} means the summation of the values for every Regulatory Asset Base, RAB_X ;

$ORAB_X_t$ means the opening Regulatory Asset Base in respect of each RAB_X in Regulatory Reporting Year t , has the value established in accordance with paragraph 4.4;

$CRAB_X_t$ means the closing Regulatory Asset Base in respect of each RAB_X in Regulatory Reporting Year t , and is equal to:

$$CE_X_t + CADD_X_t$$

Where:

CE_X_t , is the closing value of existing assets, and has the value calculated in accordance with paragraph 4.9; and

$CADD_X_t$ is the closing value of additional assets, and has the value calculated in accordance with paragraph 4.15.

$AVWACC_t$ means the adjusted vanilla weighted average cost of capital in Regulatory Reporting Year t , and shall be calculated as follows:

$$AVWACC_t = \frac{VWACC_t}{\sqrt{(1 + VWACC_t)}}$$

Where:

$VWACC_t$ means the vanilla weighted average cost of capital in Regulatory Reporting Year t and has a value equal to 4.10%.
the value specified in Annex I of the Final Determination Paper (in accordance with the provisions of Annex H of the Final Determination), as

amended from time to time by the Authority in accordance with the provisions of Annex I and notified to the Licensee.

6. The opex amount - O_t

- 6.1. For the purposes of paragraph 3.5, in each Regulatory Reporting Year t , the opex amount (O_t) shall be calculated as follows:

$$O_t = QOE_t - DIQOE_t + PTOE_t - DIPTOE_t + OI_t$$

Where:

- QOE_t means the qualifying opex expenditure amount, calculated in accordance with paragraph 6.3;
- $DIQOE_t$ means the demonstrably inefficient qualifying opex expenditure amount, calculated in accordance with paragraph 6.5;
- $PTOE_t$ means the pass through opex expenditure amount, calculated in accordance with paragraph 6.7;
- $DIPTOE_t$ means the demonstrably inefficient pass through opex expenditure amount, calculated in accordance with paragraph 6.9; and
- OI_t means the opex incentive amount in Regulatory Reporting Year t , calculated in accordance with paragraph 6.11.

6.2. The qualifying opex expenditure amount - QOE_t

- 6.3. For the purposes of this Annex, in each Regulatory Reporting Year t , the qualifying opex expenditure amount (QOE_t), shall:

- a) be the value of opex incurred by the Licensee (excluding $PTOE_t$) reasonably allocated or attributed to:
 - i. the Distribution Business; and
 - ii. the Regulatory Reporting Year t ; and
- b) exclude any amounts reasonably allocated or attributed to any of the following:
 - i. pension deficit repair contributions;
 - ii. the net costs (or net contributions) relating to: activities or services subject to the Licensee's connection charges such that the exclusion is consistent with the Licensee's Connection Charging Statement; or any other activities or services that are treated as Excluded Services for the purposes of this Annex;
 - iii. any costs recharged by the Licensee to associated businesses or related parties;
 - iv. any positive Related Party Margin (but excluding any Allowed Related Party Margin) that is charged to the Licensee by a Related Party;
 - v. any costs incurred by the Licensee as part of the PSO Agreement or otherwise recoverable under the restriction on the Licensee's PSO Charges;

~~vi. costs of external advisers incurred by the Licensee in relation to the Competition Commission inquiry which resulted in the Final Determination;~~

~~vii-vi.~~ any Uncollected Revenue; and

~~viii-vii.~~ other costs of any description which the Authority may determine in a published decision from time to time are manifestly unreasonable to include in the qualifying opex expenditure amount.

6.4. Demonstrably inefficient qualifying opex expenditure - $DIQOE_t$

6.5. For the purposes this Annex, in each Regulatory Reporting Year t , $DIQOE_t$ shall be the part (if any) of QOE_t that is Demonstrably Inefficient or Wasteful Expenditure.

6.6. Pass through opex expenditure amount - $PTOE_t$

6.7. For the purposes of this Annex, in each Regulatory Reporting Year t , the pass through opex expenditure amount ($PTOE_t$) shall:

- a) be the value of opex incurred by the Licensee (excluding QOE_t) reasonably allocated or attributed to:
 - i. the Distribution Business; and
 - ii. the Regulatory Reporting Year t ; and
- b) be calculated as follows:

$$PTOE_t = OLF_t + \text{OLD}_t - OC_t$$

Where:

OLF_t is the opex licence fee amount in Regulatory Reporting Year t , being the licence fee apportioned or allocated to or required from the Licensee under Condition 7 of this Licence;

~~OLD_t is the opex legacy D_t amount, calculated in accordance with paragraph 6.9; and~~

OC_t means the opex connections amount in Regulatory Reporting Year t , being the net costs (or net contributions) relating to activities or services subject to the Licensee's connection charges such that the inclusion is consistent with the Licensee's Connection Charging Statement as approved by the Authority, and where contributions from connecting parties are included on a cash basis. The opex connections amount shall exclude the cost of alterations to existing connections and shall only include costs of the following types of connection:

- ~~i. new domestic and smaller businesses eligible for a subsidy and where the application for connection was prior to 1st October 2012;~~
- ~~ii.i. housing sites with 12 or more domestic premises;~~
- ~~iii.ii. Approved Generation Cluster Infrastructure; and~~
- ~~iv. all other connections governed by the Licensee's Connection Charging Statement.~~

~~6.8. The opex legacy D_t amount – OLD_t~~

~~6.9. For the purposes of this Annex, in each Regulatory Reporting Year t , OLD_t is the opex legacy D_t amount incurred by the Licensee that the Authority determines in a published decision, insofar as the Licensee has incurred these costs in line with the original approval terms, for each of the items referenced in Table 11 below:~~

~~Table 11 – The Distribution Business opex legacy D_t amounts (2010 prices)~~

Legacy D_t items	Approval reference date(s)	Total maximum RP5 spend
Network Management System	29 May 2012 and 28 Jan 2013	£3.3 million
Smart Grid trial	10 June 2011	£0.1 million
Market opening legacy systems cost	19 June 2012	£0.5 million
Enduring Solution – transitional costs	24 January 2013	£0.7 million
Enduring Solution project	18 June 2013	£0.2 million

~~6.10.6.8. Demonstrably inefficient pass through opex expenditure - $DIPTOE_t$~~

~~6.11.6.9. For the purposes of this Annex, in each Regulatory Reporting Year t , $DIPTOE_t$ shall be the part (if any) of $PTOE_t$ that is Demonstrably Inefficient or Wasteful Expenditure.~~

~~6.12.6.10. The opex incentive amount - OI_t~~

~~6.13.6.11.~~ For the purposes of this Annex, in each Regulatory Reporting Year t , the opex incentive amount (OI_t) is a sum designed to share equally between the Licensee and customers the value of any outperformance or underperformance of the Licensee against its opex allowances and shall be calculated as follows:

$$OI_t = (AO_t + AOO_t - (QOE_t - DIQOE_t)) * 50\%$$

Where:

AO_t is the allowed opex amount calculated in accordance with paragraph 6.13;

AOO_t is the allowed opex other amount calculated in accordance with paragraph 6.15;

QOE_t is the qualifying opex expenditure amount calculated in accordance with paragraph 6.3; and

$DIQOE_t$ is the demonstrably inefficient qualifying opex expenditure amount calculated in accordance with paragraph 6.5.

~~6.14.6.12.~~ Allowed opex amount - AO_t

~~6.15.6.13.~~ For the purposes of this Annex, in each Regulatory Reporting Year t , the allowed opex (AO_t) amounts shall be calculated as follows:

$$AO_t = AO_{\text{2010,2016}_t} * RPI_t / \text{RPI}_{\text{2010}} \text{RPI}_{\text{2016}}$$

Where:

$AO_{\text{2010,2016}_t}$ means the allowed opex amount, in a ~~2010~~2016 price base, for each Regulatory Reporting Year t , and shall be equal to the amounts specified in specified in Table 10 below:

Table 10 - The Distribution Business allowed opex amount for each Regulatory Reporting Year t (£ million, ~~2010~~2016 prices)⁷

Year Term	t= 2013 <u>2018</u>	t= 2014 <u>2019</u>	t= 2015 <u>2020</u>	t= 2016 <u>2021</u>	t= 2017 <u>2022</u>	t= 2018 <u>2023</u>	t= <u>2024</u>
Allowed opex amount ($AO_{\text{2010,2016}_t}$)	42.19 <u>29.296</u>	42.60 <u>57.903</u>	41.04 <u>57.368</u>	40.48 <u>56.872</u>	40.25 <u>56.377</u>	20.02 <u>20.02e5</u> <u>5.912</u>	<u>55.447</u>

~~6.16.6.14.~~ Allowed opex other amount - AOO_t

⁷ See paragraph 2.3 regarding figures in this table marked with an estimation symbol (e).

~~6.17.6.15.~~ For the purposes of this Annex, in each Regulatory Reporting Year t , the allowed opex other amount (AOO_t), being the amounts for other opex items listed immediately below, shall be calculated as follows:

$$AOO_t = ES_t + IA_t + RR_t + COL_t$$

Where:

ES_t is the allowed opex (if any) amount in Regulatory Reporting Year t , for the Enduring Solution, being the additional amount that the Authority determines in a published decision, to be appropriate for the Licensee to recover in that Regulatory Reporting Year in respect of any significant changes in the specification of the service that the Licensee is required to provide in relation to the Enduring Solution market opening system;

IA_t is the allowed opex (if any) amount in Regulatory Reporting Year t , for injurious affectation, being the amount that the Authority determines in a published decision to be appropriate for the Licensee to recover in respect of injurious affectation claims in that Regulatory Reporting Year;

~~RR_t is the allowed opex (if any) amount in Regulatory Reporting Year t , for regulatory reporting, being the additional amount that the Authority determines in a published decision to be appropriate for the Licensee to recover in that Regulatory Reporting Year, in respect of regulatory reporting costs; and~~

and

COL_t is the allowed opex (if any) amount for changes of law, in an amount determined by the Authority to be appropriate in accordance with paragraph 6.16.

~~6.18.6.16.~~ ~~—————~~ The allowed opex amount for changes of law - COL_t

~~6.19.6.17.~~ For the purposes of this Annex, in each Regulatory Reporting Year t , the allowed opex amount for changes of law (COL_t), being the Relevant Change of Law opex amount (being a positive or negative figure) determined by the Authority, for the purposes of this paragraph, in accordance with paragraphs 6.18 to 6.21.

~~6.20.6.18.~~ For the purposes of paragraph 6.17, the calculation of COL_t shall occur when the Authority has determined that:

- a) there has been or will be a Relevant Change of Law;
- b) there has been or will be an amount (whether a positive or negative figure) that is directly attributable to the Relevant Change of Law; and
- c) having regard to all the circumstances, it is appropriate to include the amount within the calculation of COL_t in order to ensure that the financial position and performance of an

efficient Licensee will be, so far as is reasonably practicable, the same as if the Relevant Change of Law had not taken place.

~~6.21.~~6.19. The Authority may make a determination in accordance with paragraph 6.18:

- ~~a) on an application made to it by the Licensee; or~~
- ~~b) otherwise, following consultation with the Licensee.~~
- a) on an application made to it by the Licensee; or
- b) otherwise, following consultation with the Licensee.

~~6.22.~~6.20. An application made to the Authority by the Licensee pursuant to paragraph 6.18 shall contain or be accompanied by all relevant details of the anticipated cost or revenue, and such other information as the Authority may require and, unless the Authority otherwise consents, may not be given later than the first day of April in the year immediately preceding the first of the Regulatory Reporting Years in respect of which the Licensee wishes that cost or revenue to be included in the calculation of COL_t .

~~6.23.~~6.21. Where the Authority determines that an anticipated cost or revenue is appropriate for inclusion in the calculation of COL_t in one or more Regulatory Reporting Years, it shall specify the value to be attributed to that cost or revenue in respect of each Regulatory Reporting Year.

7. The pension deficit amount - P_t

- 7.1. For the purposes of this Annex, in each Regulatory Reporting Year t , P_t means the pension deficit amount, including the ERDC amount in Regulatory Reporting Year t , and shall be calculated as follows:

$$P_t = P_{\text{2010}, \text{2016}_t} * RPI_t / RPI_{\text{2010}, \text{2016}}$$

Where:

$P_{\text{2010}, \text{2016}_t}$ means the pension deficit amount, in a 2010/2016 price base, for each Regulatory Reporting Year t , and shall be equal to the amounts specified in specified in Table 11 below:

Table 11 - The Distribution Business pension deficit amount for each Regulatory Reporting Year t (£ million, 2010/2016 prices)⁸

Period Term	t= <u>2013</u> <u>2018</u>	t= <u>2014</u> <u>2019</u>	t= <u>2015</u> <u>2020</u>	t= <u>2016</u> <u>2021</u>	t= <u>2017</u> <u>2022</u>	t= <u>2018</u> <u>2023</u>	t= <u>2024</u>
Historic Deficit Repair	12.60 <u>6.723</u>	12.60 <u>13.467</u>	12.60 <u>13.476</u>	12.60 <u>13.464</u>	12.60 <u>13.478</u>	6.30 <u>6.30e13.497</u>	<u>13.591</u>
ERDC Disallowance	<u>(1.756)</u>	<u>(3.5959</u> <u>5)</u>	<u>(3.5959</u> <u>7)</u>	<u>(3.5959</u> <u>4)</u>	<u>(3.59597</u> <u>)</u>	<u>(3.59603</u> <u>)</u>	(1.79) <u>(1.79)e(3.627)</u>
Pension deficit amount ($P_{\text{2010}, \text{2016}_t}$)	<u>4.966</u>	<u>9.02-873</u>	<u>9.02-879</u>	<u>9.02-870</u>	<u>9.02-881</u>	<u>9.02-895</u>	4.51 <u>4.51e9.963</u>

⁸ See paragraph 2.3 regarding figures in this table marked with an estimation symbol (e).

8. The costs of the investigation amount (COI_t)

8.1. For the purposes of paragraph 3.5, in each Regulatory Reporting Year t , the costs of the investigation amount (COI_t), shall be calculated as follows:

$$COI_t = COI_{2010_t} * RPI_t / RPI_{2010}$$

8. NOT USED

~~Where:~~

~~COI_{2010_t} means the costs of the investigation amount, in a 2010 price base, and shall be equal to zero in every Regulatory Reporting Year t except for Regulatory Reporting Year $t = 2014$ where it shall be equal to £1.023 million.~~

9. The Tax Amount - TAX_t

- 9.1. For the purposes of paragraph 3.5, in Regulatory Reporting Year t , the tax amount (TAX_t) is calculated as follows in nominal prices:

$$TAX_t = TR_t / (1 - TR_t) * (RET_t + DEP_t - INT_t - CA_t)$$

Where:

- TR_t means the corporation Tax Rate applicable in Northern Ireland in Regulatory Reporting Year t , as specified from time to time by HMRC;
- RET_t means the return amount in Regulatory Reporting Year t , calculated in accordance with paragraph 5.1;
- DEP_t means the depreciation amount in Regulatory Reporting Year t , calculated in accordance with paragraph 1.1;
- INT_t means an amount equal to the Interest on the value of the average of all Regulatory Asset Bases, in Regulatory Reporting Year t and shall be calculated as follows:

$$INT_t = \frac{\left(\sum_{AllRAB_X} (ORAB_X_t + CRAB_X_t) \right)}{2} * G * NCOD$$

Save that for Regulatory Reporting Year $t = 2018$, INT_t shall be 50% of the amount calculated in accordance with the above formula for that year.

Where:

\sum_{AllRAB_X} means the summation of the values for all Regulatory Asset Bases;

$ORAB_X_t$ is the value of the opening Regulatory Asset Base for each RAB_X in Regulatory Reporting Year t , calculated in accordance with paragraph 4.4;

$CRAB_X_t$ is the value of the closing Regulatory Asset Base for each RAB_X in Regulatory Reporting Year t , calculated in accordance with paragraph 5.1;

G means notional gearing and has the value of 45%;

$NCOD$ means the notional nominal cost of debt in Regulatory Reporting Year t and has a value equal to the value specified in Annex I of 6.45%; the Final Determination (in accordance with the provisions of Annex H of the Final Determination), as amended from time to time by the

Authority in accordance with the provision of Annex I and notified to the Licensee; and

CA_t

means, in each Regulatory Reporting Year t , an amount equal to the value of regulatory capital allowances in accordance with guidelines published by HMRC for the purposes of calculating Maximum Regulated Distribution Revenue in respect of that Regulatory Reporting Year, calculated on a notional basis, under the hypothetical assumptions that:

- i. the regulatory capital allowances are, while considering ii, iii, and iv immediately below, the capital allowances that would be applicable if the Licensee's opex in Regulatory Reporting Year t were to be equal to O_t and the Licensee's capex in Regulatory Reporting Year t were to be equal to:

$$\sum_{AIRAB_X} (QCE_X_t - DIQCE_X_t + PTCE_X_t - DIPTCE_X_t - CD_X_t + CI_X_t)$$

Save that for Regulatory Reporting Year $t = 2018$, CA_t shall be 50% of the amount calculated in accordance with the above formula for that year.

Where:

$$\sum_{AIRAB_X}$$

means the summation of the values for all Regulatory Asset Bases;

QCE_X_t

means the qualifying capex expenditure amount, calculated in accordance with paragraph 4.17;

$DIQCE_X_t$

means the demonstrably inefficient qualifying capex expenditure amount, calculated in accordance with paragraph 4.19;

$PTCE_X_t$

~~means X_t means~~ the pass through capex expenditure amount, calculated in accordance with paragraph 4.21;

$DIPTCE_X_t$

means the demonstrably inefficient pass through capex expenditure amount, calculated in accordance with paragraph 1.1.a)i;

CD_X_t

means the capex disposal amount, calculated in accordance with paragraph 4.28; and

CI_X_t

means the capex incentive amount, calculated in accordance with paragraph 4.30; and

- ii. the regulatory capital allowances are the maximum capital allowance available to the Licensee, irrespective of whether or not the Licensee chooses to utilise such allowances in full;

- iii. if the Licensee opts to defer capital allowance claims in respect of any capital allowance in any given year, the amount of capital allowance available in any subsequent year excludes any amounts for which claims were so deferred (to avoid double counting any capital allowance);
- iv. the regulatory capital allowances should include an appropriate allowance in relation to Deferred Revenue Expenditure which is, subject to i, ii, and iii above and vi below, consistent with the Licensee's treatment of such expenditure for the purposes of its tax submissions to HMRC;
- v. the regulatory capital allowances are, subject to i, ii, iii above and vi below, calculated in a manner that is consistent with the Licensee's tax submissions to HMRC; and

~~vi. the opening written down values are as specified in Table 14 below:~~

vi. Table 14 – The Distribution Business opening, for each of the tax capital allowance values (£ million, nominal prices) categories specified in the RP6 Model, are those which are calculated by the Authority in accordance with provisions of the RP5 Model, as notified to the Licensee by the Authority.

Category	Opening RP5-written down value
General Pool	54.42
Long life asset pool	287.42
Deferred revenue	111.61⁹

⁹ The gross value of capital additions before RP5 was £123.82million

10. The revenue protection services incentive amount - $RPSI_t$

- 10.1. In each Regulatory Reporting Year, the revenue protection services incentive amount, $RPSI_t$, shall be calculated as follows:

$$RPSI_t = RPSR_t * 50\%$$

Where:

$RPSR_t$ means the revenue protection services revenue (being a positive amount or zero (0)), in Regulatory Reporting Year t , being the sums recovered or earned by the Licensee during that Regulatory Reporting Year from the provision of revenue protection services, which shall together include in particular:

- i. any money recovered by the Licensee from an electricity consumer in the exercise of the Licensee's powers in relation to illegal abstraction of electricity;
- ii. any money recovered by the Licensee from third parties to cover the cost of the network repairs or other repairs associated with illegal abstraction; and
- iii. any income generated by the Licensee from the provision of revenue protection services to third parties.

11. The correction factor amount - K_t

11.1. For the purposes of paragraph 3.5 ~~and for the closure of the RP5 period,~~ the correction factor amount (K_t) shall be calculated as follows:

- a) in Regulatory Reporting Year $t = 20132018 i.e. regulatory reporting year ending 31 March 2018:$

$$K_t = \frac{K_{RP4}}{K_{RP5}}$$

Where:

~~K_{RP4}~~ K_{RP5} means the closing K factor for RP5 i.e. 30 September 2017 which will be calculated by the ~~RP4 price control at 31st March 2012 and has the value~~Authority in accordance with provisions of ~~£10.611 million~~the RP5 Model, as notified to the Licensee by the Authority.

- b) in Regulatory Reporting Years $t = 20142019, $t = 20152020, $t = 20162021 and $t = 2017$ ~~and 2022~~, $t = 20182023, $t = 2024$:$$$$

$$K_t = \left(\frac{RP5_t}{RP6_{t-1}} - \frac{ARP5_t}{ARP6_{t-1}} \right) * (1 + I_t) + RP4CI_t$$

Where:

~~$RP5_t$~~ $RP6_{t-1}$ means the Maximum Regulated Distribution Revenue, in Regulatory Reporting Year $t-1$;

~~$ARP5_t$~~ $ARP6_{t-1}$ means the actual Regulated Distribution Revenue recovered through Distribution Charges in Regulatory Reporting Year $t-1$, ~~save that for each Regulatory Reporting Year $t=2013$ & $t=2014$ actual Regulated Distribution Revenue will be increased by £12 million (nominal prices);~~; and

I_t means the Average Specified Rate; ~~and~~

~~$RP4CI_t$~~ means the amounts due to the Licensee under the capex efficiency incentive that applied under the RP4 price control and is equal to £1.326 million in year $t=2015$ and zero thereafter.

12. Information to be provided to the Authority in connection with the Distribution Charge Restriction Conditions

12.1. Introduction

12.2. In addition to, and without prejudice to, the provisions of Condition 8 of the Licence, the Licensee shall, in relation to the Distribution Charge Restriction Conditions, furnish the Authority with Specified Information as set out in this paragraph 12.

12.3. Specified Information

12.4. The Licensee shall, subject to other provisions set out in the Licence and in this paragraph 12, provide to the Authority the following Specified Information:

- a) forecasts and/or estimates in accordance with paragraph 12.6, with regards to the setting of Distribution Charges;
- b) any explanation and/or statement as to whether or not the provisions at paragraph 12.11 are likely to be applicable, with regards to the restriction of Distribution Charges;
- c) information to comply with the Authority's Regulatory Instructions and Guidance (RIGs) in accordance with paragraph 12.15;
- d) information which provides a reconciliation of the values published in the accounting statements (referred to at Condition 2 of the Licence) for opex and capex with:
 - i. the qualifying opex expenditure amount (QOE_t) and the pass through opex expenditure amount ($PTOE_t$);
 - ii. the qualifying capex expenditure amount (QCE_{X_t}) for each RAB_X and the pass through capex expenditure amount ($PTCE_{X_t}$) for each RAB_X; and
 - iii. the cost information provided to comply with the Authority's RIGs in accordance with paragraph 12.15;
- e) information regarding pension deficits, in accordance with paragraph 12.20;
- f) information on historical revenues, including:
 - i. all data used in the calculation of the Licensee's Maximum Regulated Distribution Revenue, in accordance with paragraph 12.21;
 - ii. the revenue derived from Excluded Services (showing separately the revenue from each category of excluded service) in accordance with paragraph 13.6;
- g) information on network investment projects and volumes, including:
 - i. a forecast of the network investment for the ~~RP6~~RP7 price control period, in accordance with paragraph 12.25; and

- ii. information on pre-funded costs, in accordance with paragraph 12.26;
 - iii. information on outturn **RP5RP6** projects and volumes, and planned **RP5RP6** projects and volumes in accordance with paragraph 12.29; and
 - h) information on the Licensee's ESQCR compliance, in accordance with paragraph 12.32;
 - i) information on tax, in accordance with paragraph 12.34; and
 - j) the statutory accounts of any Related Party, in accordance with paragraph 12.37.
- 12.5. Unless otherwise specified in this Annex or the Licence, the Specified Information listed at paragraph 12.4 shall be submitted:
- a) for the time period as the Authority may reasonably require and as may be specified in directions issued by the Authority;
 - b) by a date as the Authority may reasonably require and as may be specified in directions issued by the Authority;
 - c) in a format as the Authority may reasonably require and as may be specified in directions issued by the Authority; and
 - d) to the relevant employees of the Authority and to the electricity_network_reporting@uregni.gov.uk mailbox or subsequent equivalent mailbox.
- 12.6. **Forecasts / estimates with regards to setting Distribution Charges**
- 12.7. Where any change is intended to be made in Distribution Charges regulated under paragraph 3, the Licensee shall not later than 14 days prior to the time of publication of such change, provide the Authority with:
- a) a written forecast of the Maximum Regulated Distribution Revenue, together with its components, in respect of each Regulatory Reporting Year t upon which the intended change would affect;
 - b) a written estimate of the Maximum Regulated Distribution Revenue, together with its components, in respect of each Regulatory Reporting Year prior to the first Regulatory Reporting Year t upon which the intended change would affect; and
 - c) a written forecast of the over- or under-recovery in all future Regulatory Tariff Years for which the Licensee forecasts an over- or under- recovery.
- 12.8. If within 3 months of the commencement of any Regulatory Tariff Year t the Licensee has not made any such change in charges as is referred to in paragraph 12.7, the Licensee shall provide the Authority with:

- a) a written forecast of the Maximum Regulated Distribution Revenue, together with its components, in respect of each Regulatory Reporting Year upon which Regulatory Tariff Year t has an effect; and
 - b) a written forecast of the over- or under-recovery in all future Regulatory Tariff Years for which the Licensee forecasts an over- or under- recovery.
- 12.9. Any forecast or estimate provided in accordance with paragraph 12.7 or 12.8 shall be accompanied by such information as regards the assumptions underlying the forecast or estimate as may be necessary to enable the Authority to be satisfied that the forecast or estimate has been properly prepared on a consistent basis.
- 12.10. In addition, any forecast or estimate provided in accordance with paragraph 12.7 or 12.8 shall be published by the Licensee on the Licensee's website.
- 12.11. **Restriction of Distribution Charges**
- 12.12. If, in respect of any Regulatory Tariff Year commencing on or after 1 October 2017, the Regulated Distribution Revenue exceeds the Maximum Regulated Distribution Revenue by more than the Permitted One-Year Percentage, the Licensee shall furnish an explanation to the Authority, and in the next following Regulatory Tariff Year, the Licensee shall not effect any increase in Distribution Charges unless it has demonstrated to the reasonable satisfaction of the Authority that the Regulated Distribution Revenue would not be likely to exceed the Maximum Regulated Distribution Revenue in that following Regulatory Tariff Year.
- 12.13. If, in respect of any three successive Regulatory Tariff Years commencing on or after 1 October 2017, the sum of the amounts by which the Regulated Distribution Revenue has exceeded the Maximum Regulated Distribution Revenue, is more than the Permitted Three-Year Percentage, then in the next following Regulatory Tariff Year the Licensee shall, if required by the Authority, adjust its Distribution Charges such that the Regulated Distribution Revenue would not be likely, in the judgement of the Authority, to exceed the Maximum Regulatory Distribution Revenue in that next following Regulatory Tariff Year.
- 12.14. Not later than six weeks after the commencement of each Regulatory Tariff Year, the Licensee shall send to the Authority a statement as to:
- a) whether or not the provisions of:
 - i. paragraph 12.12 are likely to be applicable in consequence of the Regulated Distribution Revenue in the preceding Regulatory Tariff Year; and/ or

- ii. paragraph 12.13 are likely to be applicable in consequence of the Regulated Distribution Revenue in the preceding 3 Regulatory Tariff Years; and
- b) the Licensee's best estimate as to the cumulative over- or under- recovery at the last day of the most recently ended Regulatory Tariff Year.

12.15. Information to comply with Authority's Regulatory Instructions and Guidance (RIGs)

12.16. The Licensee shall, furnish the Authority with any information required to comply with the Authority's RIGs, as may change from time to time.

12.17. The Licensee shall ensure that the RIGs information referred to at paragraph 12.16 includes estimations of the Licensee's confidence in that information and is certified by a relevant director.

12.18. The Licensee shall, publish on the Licensee's website, the information supplied in accordance with paragraph 12.16, subject to the minimum redactions considered necessary by the Authority to protect commercially sensitive information.

12.19. Pension deficits

12.20. The Licensee shall, furnish the Authority with relevant information regarding any pension deficits, splitting accordingly the historic deficit (assuming a cut-off date of 31 March 2012) and incremental deficit.

12.21. Historical data used in the calculation of the Licensee's Maximum Regulated Distribution Revenue

12.22. The Licensee shall, furnish the Authority with all historical data used to calculate the Maximum Regulated Distribution Revenue as set out in the formulas in this Annex.

12.23. The Licensee shall, for the period from 1 ~~April 2012~~October 2017, publish, on the Licensee's website and in the Licensee's accounting statements referred to in Condition 2 of the Licence, the data referred to at 12.22.

12.24. Forecast network investment in the ~~RP6~~RP7 price control period

12.25. The Licensee shall, on an annual basis submit to the Authority the Licensee's estimate of the expected investments, volumes and projects for the ~~RP6~~RP7 price control period.

12.26. Information on pre-funded costs

12.27. The Licensee shall, on an annual basis submit to the Authority an estimate of the pre-funded costs, being the network investments, volumes and projects required in periods after RP5 which can be attributed to the cancellation, reduction or deferral of any investments, volumes or projects that the ~~Competition Commission~~Authority assumed as part of the cost assessment underpinning its Final Determination (the planned investments, volumes and projects).

12.28. The Licensee shall submit to the Authority, on an annual basis, to supplement the information referred to at paragraph ~~12.27~~12.27, reconciliations of the information referred to at paragraph ~~12.27~~12.27 to the planned investments, volumes and projects specified ~~at Appendix 1 and Appendix 2 below~~in the Final Determination Paper.

12.29. Information on the outturn ~~RP5~~RP6 investments, projects and volumes, and planned ~~RP5~~RP6 investments, projects and volumes

12.30. The Licensee shall, on an annual basis, for the ~~RP5~~RP6 period, submit to the Authority:

- a) information on outturn investments, volumes and projects; and
- b) information on planned investments, volumes and projects.

12.31. The Licensee shall submit to the Authority, on an annual basis, to supplement the information referred to at paragraph ~~12.30~~12.30, reconciliations of the information referred to at paragraph ~~12.30~~12.30 to the planned investments, volumes and projects, specified ~~at Appendix 1 and Appendix 2 below~~in the Final Determination Paper.

12.32. Reporting on the Licensee's ESQCR compliance

12.33. The Licensee shall, report on the Licensee's ESQCR compliance, with additional details on the Licensee's patrolling activity, including a split of low voltage work into low voltage undergrounds and low voltage overhead lines.

12.34. Information on tax

12.35. The Licensee shall, no later than 12 months after the end of each Regulatory Reporting Year, prepare and submit to the Authority an annual report, in a form to be approved by the Authority, setting out:

- a) audited tax reports that enable a full reconciliation between:
 - i. information submitted to HMRC on the Licensee's tax affairs; and
 - ii. information used for the calculation of the tax element of the Licensee's Maximum Regulated Distribution Revenue, as calculated at paragraph 9 of this Annex;
- b) information submitted to HMRC on the Licensee's tax affairs;
- c) information used for the calculation of the tax element of the Licensee's Maximum Regulated Distribution Revenue, as calculated at paragraph 9 of this Annex; and
- d) any retrospective adjustments in respect of previous years together with any restatement of 12.35.a), 12.35.b) and 12.35.c).

12.36. The Licensee shall, on an annual basis, publish on the Licensee's website the information supplied under 12.35.a) and, to the extent that it relates to information supplied under 13.35.a), under 13.35.d), -subject to the minimum redactions, considered necessary by the Authority, to protect commercially sensitive information.

12.37. The statutory accounts of any Related Party

12.38. The Licensee shall, no later than 10 months after the end of each Regulatory Reporting Year, prepare and submit to the Authority the financial statements of any Related Party, for the Regulatory Reporting Year, with whom the Licensee has had a transaction in that Regulatory Reporting Year.

13. Excluded Services for purposes of Distribution Business

- 13.1. There may be treated as Excluded Services provided by the Distribution Business such services in respect of which charges are made which:
- a) do not fall within paragraph 13.2; and
 - b) may (subject to paragraph 13.7) be determined by the Licensee as falling under one of the principles set out in paragraphs 13.3 to 13.5.
- 13.2. No service provided as part of the Distribution Business shall be treated as an excluded service insofar as it relates to the provision of services remunerated under use of system charges in accordance with Condition 32 including (without prejudice to the foregoing):
- a) the transport of electricity;
 - b) the carrying out of works for the installation of electric lines or electrical plant (not otherwise payable in the form of connection charges) for the purpose of maintaining or upgrading the Licensee's distribution system;
 - c) the carrying out of works or the provision of maintenance or repair or other services for the purpose of enabling the Licensee to comply with Conditions 19, 26 and 27, the Electricity Supply Regulations (Northern Ireland) 1991 as amended by the Electricity Supply (Amendment) Regulations (Northern Ireland) 1993 or any regulations made under Article 32 of the Order or any other enactment relating to safety or standards applicable in respect of the Distribution Business;
 - d) the provision, installation and maintenance of any meters, switchgear or other electrical plant ancillary to the grant of use of system.
- 13.3. The whole or an appropriate proportion (as the case may be) of the charges of the type described in paragraph 3 of Condition 32 and borne by any person as connection charges in respect of connections made after the grant of this Licence may be treated as Excluded Services.
- 13.4. There may be treated as an excluded service charge for the relocation of electric lines or electrical plant and the carrying out of works associated therewith pursuant to a statutory obligation (other than under Article 12(2) of the Order) imposed on the Licensee.
- 13.5. There may be treated as an excluded service any service of a type not referred to above which:
- a) consists in the provision of services for the specific benefit of a third party requesting the same; and

- b) is not made available as a normal part of the Distribution Business remunerated by use of system charges, including (without prejudice to the foregoing):
 - i. special metering (including “time of day” metering) to facilitate energy saving programmes for the benefit of customers requesting the same;
 - ii. prepayment metering equipment;
 - iii. charges for moving mains, services or meters forming part of the Licensee’s distribution system to accommodate extension, re-design or re-development of any premises on which the same are located or to which they are connected; and
 - iv. the provision of electric lines and electrical plant (a) insofar as the same are required for the specific purpose of enabling the provision of top-up or standby or (b) to provide a higher degree of security than is required for the purposes of complying with Condition 19.
- 13.6. The Licensee shall following the end of each Regulatory Reporting Year furnish to the Authority, as being one of the items of Specified Information referred to in paragraph 12.3, details specifying separately the nature of all services provided as part of the Distribution Business and treated as Excluded Services by the Licensee during the course of such year and stating the revenues derived in respect of each such service so treated.
- 13.7. Where the Authority is satisfied that it is reasonable in all the circumstances that any service treated by the Licensee as being or not being an excluded service should not be so treated, the Authority shall issue directions to that effect. Any such directions may, where a service is directed to be treated as an excluded service, contain such conditions as the Authority shall see fit in relation to the charges which the Licensee may make for such excluded service and the other terms and conditions upon which the Licensee may provide such excluded service. In accordance with the terms of such directions, such service shall cease to be treated as an excluded service with effect from the date of issue of such directions or such earlier date as may be specified in the directions.

14. Allowances in respect of security costs

14.1. At any time during a Fuel Security Event, the Authority may (having regard to its duties under the Energy Order) by means of directions:

- a) suspend or modify for the unexpired term of the Fuel Security Event the Distribution Charge Restriction Conditions or any part or parts thereof; or
- b) introduce for the unexpired term of the Fuel Security Event new Distribution Charge Restriction Conditions,

in either case, so as to make such provision as in the opinion or estimation of the Authority is requisite or appropriate to enable the Licensee to recover by means of appropriate equitable increases in the charges made in the course of the Distribution Business an amount estimated as being equal to the Licensee's allowed distribution related security costs during such event, and the Licensee shall comply with the terms of any directions so issued.

14.2. Subject to paragraphs 14.3 and 14.5, the Licensee shall in any Regulatory Reporting Year be entitled to recover an aggregate amount equal to the Licensee's allowed distribution related security costs in that year or (insofar as not previously recovered) any previous year, by means of appropriate equitable increases in the charges made by the Licensee in the course of the Distribution Business.

14.3. Paragraph 14.2 shall not apply insofar as such Licensee's allowed distribution related security costs:

- a) were otherwise recovered by the Licensee; or
- b) were taken into account by the Authority in setting charge restriction conditions by means of directions issued under paragraph 14.1.

14.4. The Licensee shall following the end of each Regulatory Reporting Year provide to the Authority details in respect of that Regulatory Reporting Year of:

- a) the aggregate amounts charged under paragraph ~~14.2~~ 14.2 on account of the Licensee's allowed distribution related security costs; and
- b) the bases and calculations underlying the increases in charges made by the Licensee in the course of the Distribution Business under paragraph 14.2.

14.5. Where the Authority is satisfied that the Licensee has recovered amounts in excess of the Licensee's allowed distribution related security costs, the Authority may issue directions requiring the Licensee to take such steps as may be specified to reimburse customers of the

Distribution Business for the excess amounts charged to them, and the Licensee shall comply with any directions so issued.

- 14.6. No amounts charged by the Licensee under this paragraph 14 (whether or not subsequently required to be reimbursed) shall be taken into account for the purpose of applying the distribution charge restriction provisions of paragraph 3.

15. Duration of the charge restriction conditions

- 15.1. Subject to the following paragraphs of this Annex, the Distribution Charge Restriction Conditions shall apply so long as the Licence continues in force.
- 15.2. The Distribution Charge Restriction Conditions outlined in paragraph ~~3.2~~3.2 do not apply to tariff years from 1 October ~~2017~~2024 onwards. In the absence of modifications to those provisions, the licensee shall not be able to increase (in nominal terms) any of the tariffs or charges contributing to its Regulated Distribution Revenue above the levels applicable on 1 October ~~2016~~2023.
- 15.3. **Disapplication**
- 15.4. The Distribution Charge Restriction Conditions shall cease to have effect (in whole or in part, as the case may be) if the Licensee delivers to the Authority a request (a “Disapplication Request”) made in accordance with paragraph 15.6 and:
- a) the Authority agrees in writing to the request; or
 - b) the application of this Annex (or any part of it) is terminated by a notice (a “Disapplication Notice”) given by the Licensee in accordance with paragraph 15.6.c) and not withdrawn.
- 15.5. Save where the Authority agrees otherwise, no disapplication following delivery of a Disapplication Request pursuant to paragraphs ~~15.4 to 15.10~~15.4 to 15.10 shall have effect earlier than the date (the “Disapplication Date”) which is the later of:
- a) the date occurring 18 months after delivery of the Disapplication Request; and
 - b) ~~30 September 2017~~31 March 2024.
- 15.6. A Disapplication Request pursuant to paragraphs ~~15.4~~15.4 to ~~15.10~~15.10 shall:
- a) be in writing addressed to the Authority;
 - b) specify this Annex or any part of it to which the request relates (excluding in either case paragraphs ~~15.4 to 15.10~~);15.4 to 15.10); and
 - c) state the date from which the Licensee wishes the Authority to agree that the Annex or specified part of it shall cease to have effect.
- 15.7. A Disapplication Notice pursuant to paragraphs ~~15.4~~15.4 to 15.10:
- a) may be given in the circumstances described in either paragraph ~~15.8~~15.8 or 15.9;
 - b) may be withdrawn at any time prior to the Disapplication Date; and

- c) where it is given, shall:
 - i. be in writing addressed to the Authority;
 - ii. specify this Annex or any part of it (which shall comprise only such part as was specified in the Disapplication Request) to which the notice relates; and
 - iii. state the date from which the Licensee wishes the notice to take effect, which shall not be earlier than the Disapplication Date.

15.8. The circumstances described in this paragraph are that, by the beginning of the period of six months which will end with the Disapplication Date, the Authority has not in response to the Disapplication Request published a decision under Article 14(8) of the Order to modify:

- a) this Annex (or any part of it) to which the request relates; or
- b) paragraphs ~~15.4 to 15.10~~ 15.4 to 15.10, so as to remove the right of the Licensee to give to the Authority a Disapplication Notice in respect of the relevant Disapplication Request.

15.9. The circumstances described in this paragraph are that:

- a) by no later than the beginning of the period of six months which will end with the Disapplication Date, the Authority has in response to the Disapplication Request published a decision of a type referred to in paragraph 15.8 above;
- b) the Licensee has exercised its right to appeal to the CMA against that decision in accordance with Article 14B of the Order;
- c) the CMA has, in respect of the provisions to which the Disapplication Request relates:
 - i. quashed the decision of the Authority under Article 14E(2)(a) of the Order; and
 - ii. neither remitted the matter back to the Authority under Article 14E(2)(b) of the Order nor substituted its own decision for that of the Authority under Article 14E(2)(c) of the Order; and
- d) no more than 30 days has elapsed since the date on which the CMA quashed the decision of the Authority.

15.10. A Disapplication Request or Disapplication Notice served under paragraphs ~~15.4~~ 15.4 to 15.10 may be served in respect of a specified geographic area.

~~Appendix 1 – The Distribution Business: planned investments, volumes and projects capitalised to RAB (2010-
prices)~~

Project ID	Project name	Asset name / further information	Predefined output	Direct	Indirect	Allowed capex
-						-
D06	Distribution Tower Lines	Refurbishment 26km Tower Lines	Specified number of units, as per BPQ	£1.33 million	£0.07 million	£1.40 million
-						-
D07	33kV Overhead Lines	Re-engineer	Specified number of units, as per BPQ	£6.11 million	£2.41 million	£8.52 million
-		Refurbish	Specified number of units, as per BPQ			-
-		TAR	N/A			-
-						-
D08	11kV Overhead Lines	Re-engineer	Specified number of units, as per BPQ	£34.52 million	£13.64 million	£48.16 million
-		Refurbish	Specified number of units, as per BPQ			-
-		TAR	N/A			-
-						-
D09	LV Lines	Refurbishment – Urban and rural	Specified number of units, as per BPQ	£9.86 million	£3.90 million	£13.76 million
-		TAR	N/A			-
-		Line Undergrounding (Direct Access)	Specified number of units, as per BPQ			-
-		Line Undergrounding (Land locked)	Specified number of units, as per BPQ			-
-						-
D10	Undereaves	Replace 0.4kV services (undereaves)	Specified number of units, as per BPQ	£8.84 million	£3.50 million	£12.34 million
-						-
D11	LV cut-outs	Replace house service cut-outs at 8000 properties	Specified number of units	£1.79 million	£0.09 million	£1.88 million
-						-
D13	Primary Plant	Indoor Switchgear (33kV)	Specified number of units	£27.72 million	£1.43 million	£29.14 million
-		Outdoor switchgear - Circuit Breaker (33Kv)	Specified number of units			-
-		Outdoor switchgear – replacement of complete Mesh (with indoor switchboard)	Specified number of units			-
-		Outdoor switchgear – replacement of Mesh equipment (33kV)	Specified number of units			-

-		Primary switchgear (33kV, 11kV & 6.6kV)	Specified number of units	-		
-		Building refurbishment	Specified number of units	-		
-		Civil works to primary substations	N/A	-		
-		Primary substation lease renewal	N/A	-		
-				-		
D14	Primary Transformers	Replace 33/11kV Transformer (upto 6.25MVA)	Specified number of units	£8.96 million	£0.46 million	£9.42 million
-		Replace 33/11kV Transformer (upto 12.5MVA)	Specified number of units			-
-		Replace 33/11kV Transformer (upto 18.75MVA)	Specified number of units			-
-		Replace 33/6.6kV Transformer (upto 18.75MVA)	Specified number of units			-
-		Replace 33/6.6kV Transformer (upto 20/25MVA)	Specified number of units			-
-						-
D15	Secondary Substations	Replace RMU	Specified number of units	£35.89 million	£1.85 million	£37.74 million
-		Replace complete S/S	Specified number of units			-
-		Replace complete S/S and temp	Specified number of units			-
-		Replace switchboard	Specified number of units			-
-		Replace OH fed GMT	Specified number of units			-
-		Replace H pole S/S	Specified number of units			-
-		H pole: TX change only	Specified number of units			-
-		H pole: replace LV cab	Specified number of units			-
-		Replace 4 pole structure	Specified number of units			-
-		Replace 4 pole structure defects	Specified number of units			-
-		Replace sectionlisers	Specified number of units			-
-		Replace minipillars	Specified number of units			-

-		Inspection programme	N/A			-
-		Replace LV wall-mounted fuseboard	Specified number of units			-
-		Ancillary systems	N/A			-
-						-
D16	Distribution Cables	Refurbishment of 4 x 33kV fluid-filled circuits	Specified number of units	£4.40 million	£0.23 million	£4.63 million
-		Refurbishment of hydraulic systems	N/A			-
-		Sheath renewal	N/A			-
-		Replacement of oil sections OL147 & 148	Specified improvement at specified location(s)			-
-		Purchase of hydraulic leak-detection equipment	N/A			-
-		Replacement of L42T connections	Specified number of units			-
-		Purchase and installation of on-line condition-monitoring equipment	Specified improvement at specified location(s)			-
-		Refurbishment/replacement outdoor terminations	N/A			-
-		Replace 15km of HV cable	Specified number of units			-
-		Replace 14.5km of LV cable	Specified number of units			-
-		Replace 6km of VB-main cable	Specified number of units			-
-						-
D17	Fault & emergency ¹⁰	N/A	N/A	£0.00 million	£12.40 million	£12.40 million
-						-
D18	Distribution Reactive ¹¹	N/A	N/A	£0.00 million	£8.38 million	£8.38 million
-						-
D20	Design & Consultancy	N/A	N/A	£0.00 million	£5.97 million	£5.97 million
-						-
D39	SCADA	N/A	N/A	£1.16 million	£0.06 million	£1.22 million
-						-
D41	Operational Telecoms network	N/A	N/A	£2.13 million	£0.11 million	£2.24 million

⁴⁰ This category of expenditure shall not be included in the calculation of pre-funded costs for price controls subsequent to RP5.
⁴¹ This category of expenditure shall not be included in the calculation of pre-funded costs for price controls subsequent to RP5.

-						-
D43	ESQCR – Distribution	Full survey and asset register	A full ESQCR asset register and associated reporting	£8.92 million	£0.00 million	£8.92 million
-						-
D49	Smart Grid	Condition monitoring	Specified number of units	£2.67 million	£0.14 million	£2.81 million
-						-
D50	Substation Flooding Enforcement (D)	Permanent protection several distribution substations	Specified number of units	£0.76 million	£0.04 million	£0.80 million
-						-
D51	Public Realms	Replacement / urban regeneration	N/A	£0.76 million	£0.04 million	£0.80 million
-						-
D56	Capitalised Tree Cutting	N/A	N/A			£28.54 million
-						-
D57	Distribution load related allowance ¹²	N/A	N/A	£22.88 million	£2.15 million	£25.02 million
-						-
D101	Non-recoverable alterations	N/A	N/A	£13.67 million	£4.43 million	£18.09 million
-						-
N/A	Non-network capex: ICT	IT infrastructure, telecoms infrastructure and business applications	As per BPQ but after FD adjustments			£9.54 million
-						-
N/A	NIE Powerteam assets used for capex	N/A	N/A			£3.25 million
-						-
N/A	NIE Powerteam tools and equipment used for capex, plus non-network capex: premises	N/A	N/A			£0.96 million
-						-
N/A	Network investment embedded in managed service charge	N/A	N/A			£5.16 million
-						-

¹² This category of expenditure shall not be included in the calculation of pre-funded costs for price controls subsequent to RP5.

N/A	Metering capex	Metering certification, recertification and other work.	Allowed capex subject to volumes of metering work completed (see paragraph 4.35 of Annex 2)	£33.84 million
-				-
N/A	Other costs apportioned to Distribution RAB	N/A	N/A	£25.34 million
-				-
Total distribution investments capitalised to RAB ¹³				£360.24 million

¹³ The total of £360.24million equals the allowed capex in Table 6 for the RP5 period (£326.42million) plus metering capex of £33.84million (subject to rounding).

Appendix 2 – The Distribution Business: planned investments allowed as opex for each Regulatory Reporting Year t (2010 prices)¹⁴

Year	t=2013	t=2014	t=2015	t=2016	t=2017	t=2018
Category						
Benchmarked indirect, Inspections, Maintenance, Faults & Tree-cutting costs (excl connections)- allocated to opex	£22.33 million	£22.04 million	£21.82 million	£21.65 million	£21.56 million	£10.70 million + £10.70e million
Business Rates	£10.71 million	£10.80 million	£10.80 million	£10.88 million	£10.97 million	£5.48 million + £5.48e million
Enduring Solution	£5.60 million	£5.43 million	£4.98 million	£4.56 million	£4.34 million	£2.16 million + £2.16e million
Meter-reading	£3.28 million	£3.24 million	£3.20 million	£3.18 million	£3.17 million	£1.57 million + £1.57e million
Other cost allowances	£1.69 million	£2.52 million	£1.65 million	£1.64 million	£1.63 million	£0.81 million + £0.81e million
Other income allowances	-£1.42 million	-£1.42 million	-£1.42 million	-£1.42 million	-£1.42 million	-£0.71 million – £0.71e million
Total¹⁵	£42.19 million	£42.60 million	£41.04 million	£40.48 million	£40.25 million	£20.02 million + £20.02e million

¹⁴ See paragraph 2.3 regarding figures in this table marked with an estimation symbol (e).

¹⁵ The totals in this row match the allowed opex amounts in Table 12.