

## SONI TSO price control 2020-2025

### **Business Plan Data Template (v1.0) – Supporting note**

12/03/2019

This note accompanies version 1.0 of the business plan data template (BPDT) for the 2020-25 SONI TSO price control. It sets out a brief overview of the structure and contents of the template.

This note and the BPDT are intended to provide SONI and other stakeholders with information on our business plan data requirements for the 2020-25 price control, and to support further engagement with SONI and other stakeholders. This version of the BPDT could be subject to further refinement to take account of comments and feedback received as part of this engagement.

This BPDT draws on the following:

- The current (2015-20) regulatory reporting pack (RRP) template;
- the final BPDT for the 2015-20 price control; and
- targeted modifications and additions to these templates to reflect UR's approach as set out in its Approach document for the TSO control.

The table below provides further information on each tab of the BPDT, and highlights areas where it deviates from the current RRP and BPDT for the 2015-20 price control.

Tab	Overview	Comments
Key	Cell colour codes	Uses the same colour scheme as the RRP template
Index	Index of tables in the template with hyperlinks	
Change log	This table will act as a log of changes to the template following publication on 13/03/2019	
<b>TABLE 1 - Build-up of the SONI TSO price control</b>	This sheet sets out an overview of the price control for SONI	<p>This sheet provides a high-level overview of SONI's forecast regulated revenues, broken down into allowances remunerated in-year, RAB depreciation, remuneration for financing costs and risk, and incentive income. The table also an overview of SONI's RAB and breaks down SONI's revenues by type of income (e.g. TUoS, SSS, Moyle).</p> <p>We expect that these figures are based on SONI's central forecast of its expenditure allowances (across all expenditure categories), including allowances that may be determined within period (e.g. TNPPs).</p> <p>The purpose of this sheet is to provide SONI's "best" view of its revenues and</p>

Tab	Overview	Comments
		the evolution of its RAB over the price control period.
<b>TABLE 2A - Mapping of costs to services (expenditure remunerated in year)</b>	This sheet provides a breakdown of expenditure remunerated in-year by cost recovery type and by service/activity.	<p>The breakdowns by cost remuneration method and services are required to implement the UR's approach as set out in its Approach document for the TSO control.</p> <p>The list of services/activities are to be proposed by SONI, drawing on input from the UR and stakeholders.</p> <p>We expect that the figures in this table should be consistent with the figures set out in Table 1.</p>
<b>TABLE 2B - Mapping of costs to services (RAB additions)</b>	This sheet provides a breakdown of SONI's proposed RAB additions by RAB category, cost recovery type and by service/activity.	<p>The breakdowns by cost remuneration method and services are required to implement the UR's approach as set out in its Approach document for the TSO control.</p> <p>The list of services/activities are to be proposed by SONI, drawing on input from the UR and stakeholders.</p> <p>We expect that the figures in this table should be consistent with the figures set out in Table 1.</p>
<b>TABLE 3 - SONI TSO finance parameters</b>	This sheet sets out various finance parameters including WACC parameters, Inflation indices, margin on collection agent activities and PCG remuneration	<p>We expect SONI to provide information in this table based on a notional efficient TSO.</p> <p>The template requests CPI and RPI forecasts, in addition to CPIH. These would be useful in demonstrating the impact on the WACC of using CPIH rather than RPI/CPI.</p> <p>We expect that SONI would use this table to set out its proposals for margin-based remuneration (if any) and its proposals for remuneration of any PCG.</p> <p>This table does not include rows for remuneration for asymmetric risk (as in the CMA FD). A provision for SONI to propose such remuneration (if appropriate) is included in Table 1.</p>
<b>TABLE 4 - SONI TSO RAB overview</b>	This sheet provides an overview of SONI's RAB broken down into different types based on remuneration mechanisms.	Further to the high-level view of the RAB in this table, we would expect SONI to provide supporting calculations for the figures used in this table in a separate spreadsheet or tab.

Tab	Overview	Comments
		<p>The figures should be based on SONI's best forecasts of RAB additions and depreciation during the period. We expect that these figures would include SONI's forecasts of RAB additions that may be requested and determined within-period.</p> <p>For the avoidance of doubt, forecast TNPP RAB additions should be included in the appropriate RAB category based on the proposed remuneration mechanism (e.g. RAB additions allowed up to agreed cap)</p>
<p><b>TABLE 5A - Detailed revenues and costs (actual company)</b></p> <p><b>TABLE 5B - Detailed revenues and costs (notional efficient TSO)</b></p>	<p>These two tables provides information about SONI TSO's revenues, costs and profits.</p> <p>These tables are adapted from the business plan template for the 2015-20 price control.</p>	<p>The tables 5A and 5B are identical in structure.</p> <p>Table 5A would contain data based on SONI's actual financial structure. This means that interest, depreciation, profits and tax should be consistent with SONI's regulatory accounts for the TSO business.</p> <p>Table 5B would contain information based on a notional efficient TSO.</p> <p>In both cases, the figures on costs and revenues should be based on SONI's best forecasts, taking account of the impact of any allowances/costs that may be requested/determined within-period.</p>
<p><b>TABLE 6A - Balance sheet (actual company)</b></p> <p><b>TABLE 6B - Balance sheet (notional efficient TSO)</b></p>	<p>These two tables will contain SONI TSO's balance sheet.</p> <p>These tables are adapted from the business plan template for the 2015-20 price control.</p>	<p>Tables 6A and 6B are identical in structure.</p> <p>Tables 6A would contain data based on SONI's actual financial structure and should be consistent with SONI's regulatory accounts.</p> <p>Table 6B would contain information based on a notional efficient TSO.</p> <p>In both cases, the figures should be based on SONI's best forecasts, taking account of the impact of any allowances/costs that may be requested/determined within-period. It should also reflect SONI's forecasts for equity or debt raised or repaid and dividends.</p>
<p><b>TABLE 7A - Cash flow statement (actual company)</b></p>	<p>These two tables will contain SONI TSO's cash flow statement.</p>	<p>Tables 7A and 7B are identical in structure.</p> <p>Tables 7A would contain data based on SONI's actual financial structure and should be consistent with SONI's regulatory accounts.</p>

Tab	Overview	Comments
<b>TABLE 7B - Cash flow statement (notional efficient TSO)</b>	These tables are adapted from the business plan template for the 2015-20 price control.	<p>Table 7B would contain information based on a notional efficient TSO.</p> <p>In both cases, the figures should be based on SONI's best forecasts, taking account of the impact of any allowances/costs that may be requested/determined within-period. It should also reflect SONI's forecasts for equity or debt raised or repaid and dividends.</p>
<b>TABLE 8 - Financial ratios</b>	This table will contain SONI's proposed financial ratios. We would expect SONI to propose appropriate financial ratios to support its business plan submission.	Ratios are to be presented based on both actual and notional company structures.
<b>TABLE 9 - RPE and productivity assumptions underpinning cost forecasts</b>	This table will set out SONI's assumptions about Real Price Effects (RPEs) and productivity growth.	<p>This table should set out the assumptions made by SONI in arriving at its cost/expenditure forecasts provided elsewhere in the template.</p> <p>For the avoidance of doubt, the RPE and productivity estimates in this table are not additional cost items to be added to allowed expenditure.</p> <p>The template is presented at a disaggregated level to allow SONI flexibility to apply different RPE and productivity growth assumptions for individual services, if such differentiation is appropriate. We do not expect SONI to necessarily present different numbers for each service area. But there may be differences across areas that SONI may wish to capture (e.g. RPEs may be different for services that largely comprise revenue collection for transmission network charges compared, to other some areas).</p>
<b>TABLE 10 - Staff costs and numbers included within allowance for Bt (Based on table T2 of the RRP)</b>	This table will set out SONI's staffing numbers and costs relevant to Bt elements of the SONI price control.	<p>This table is drawn from SONI's RRP template.</p> <p>The staff numbers in this table are to be provided on a full time equivalent (FTE) basis. Where staff work part-time or are allocated between different other group activities, we would expect the figures to reflect the proportion of full time that is allocated to SONI TSO.</p>
<b>TABLE 11 - Staff costs and numbers excluded from allowance for Bt</b>	This table will set out SONI's staffing costs relevant to all other	This table is drawn from SONI's RRP template.

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(based on Table 2A of the RRP)	elements (non-Bt) of the SONI price control.	The staff numbers in this table are to be provided on a full time equivalent (FTE) basis. Where staff work part-time or are allocated between different other group activities, we would expect the figures to reflect the proportion of full time that is allocated to SONI TSO.
TABLE 12 - Pensions (based on table T3 of the RRP)	This table will set out SONI's pension costs (ongoing and pension deficit repair).	This table is drawn from SONI's RRP template.
TABLE 13 - Non-staff operating costs remunerated in year (based on table T4 of the RRP)	This sheet will set out SONI's other operating costs (i.e. non-staff)	This table is adapted from SONI's RRP template. The RRP structure has been amended to show a more explicit breakdown of costs recharged to SONI/by SONI. The table structure is flexible, and SONI can add lines for cost items that are not explicitly recognised in the template.
TABLE 14 - Expenditure components of the price control (adapted from table T5 of the RRP)	This sheet will set out a detailed breakdown of SONI's forecast expenditure by remuneration method (e.g. ex ante, approval subject to a cap, approval without cap) and service/activity/item.	<p>This is a substantially expanded version of the "TNPPs and Dt" tab of the RRP. The additional information requested in this table reflects the range of cost remuneration methods and the service-led approach set out in the UR's Approach document for the TSO control.</p> <p>It is intended to provide a comprehensive picture of SONI's regulated expenditure that could be remunerated through its price control.</p> <p>We expect the RRP-based cost tables (10-13) to feed into the figures for the proposed ex ante allowance for the 2020-25 price control (under category A of this tab).</p> <p>For expenditure that is expected to be subject to a cap, we would expect SONI to provide its best forecast of expenditure, and its proposed cap.</p>
TABLE 15 - Capital expenditure projects and staff (adapted from table T6 of the RRP)	This sheet will set out SONI's proposed capital expenditure and associated staffing costs.	This table is a straightforward adaptation of the corresponding RRP tab. The projects listed in Section B are drawn from the RRP template. We would expect SONI to amend this list as appropriate in its submission.
TABLE 16 - Ancillary services (adapted from table T7 of the RRP)	This sheet will set out SONI's forecast expenditure on ancillary services.	This tab is a straightforward adaptation of the corresponding RRP tab.

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<b>TABLE 17 - System data, price control outputs and deliverables</b>	This sheet will provide data on various aspects of SONI's performance as the TSO, including system data, data on quality of service metrics and performance against price control commitments.	This table is deliberately left blank at this stage. We expect SONI to propose appropriate metrics of its performance as part of its business plan submission, drawing on input from stakeholders and the UR.
<b>TABLE 18 - Capital expenditure project business cases</b>	This sheet will provide a full list of SONI's proposed capital expenditure projects for which expenditure allowances are sought as part of the 2020-25 price control.	<p>This is an adapted version of the corresponding table in the 2015-20 business plan template.</p> <p>This table now requires SONI to propose the appropriate RAB category and depreciation treatment for each project. It also seeks information on the legal ownership of assets that may be funded as part of the SONI TSO price control.</p> <p>For the avoidance of doubt, this table should only include expenditure that is proposed to be included in SONI's RAB.</p>
<b>TABLE 19 - SONI TSO asset register (as at 30 June 2019)</b>	This sheet will provide a full asset register for SONI's TSO business.	This is unchanged from the corresponding table in the 2015-20 price control.