

Schedule 17 EHV CHARGING METHODOLOGY (FCP MODEL)

Allocation of operating expenditure by network level

25.5 The DNO Party allocates operating expenditure in the 2007/2008 RRP [and the Forecast Business Plan Questionnaire LR1 submission](#) by network level. The RRP already allocates some operating expenditure by network level. For categories of expenditure for which the table below reports “MEAV” in the column headed “Allocation key”, the DNO Party allocates, on the basis of modern equivalent asset values, the difference between total operating expenditure and the operating expenditure that is allocated to network levels.

Table: Allocation rules

	Allocation key	Percentage capitalised	Direct cost indicator
Load related new connections & reinforcement (net of contributions)	See paragraph 25.6A of this Schedule 17 MEAV	100.0%	1
Non-load new & replacement assets (net of contributions)	MEAV	100.0%	1
Non-operational capex	MEAV	23.5%	1
Faults	MEAV	23.5%	1
Inspections, & Maintenance	MEAV	23.5%	1
Tree Cutting	MEAV	23.5%	1
Network Policy	MEAV	52.57%	
Network Design & Engineering	MEAV	52.57%	
Project Management	MEAV	52.57%	
Engineering Mgt & Clerical Support	MEAV	52.57%	
Control Centre	MEAV	52.57%	
System Mapping - Cartographical	MEAV	52.57%	
Customer Call Centre	MEAV	52.57%	
Stores	MEAV	52.57%	
Vehicles & Transport	MEAV	52.57%	

IT & Telecoms	Do not allocate	52.57%	
Property Mgt	Do not allocate	52.57%	
HR & Non-operational Training	MEAV	52.57%	
Health & Safety & Operational Training	MEAV	52.57%	
Finance & Regulation	MEAV	52.57%	
CEO etc	MEAV	52.57%	
Atypical cash costs	Do not allocate		1
Pension deficit payments	Do not allocate	57.7%	1
Metering	Do not allocate		1
Excluded services & de minimis	Do not allocate		1
Relevant distributed generation (less contributions)	Do not allocate		1
IFI	Do not allocate		1
Disallowed Related Party Margins	Do not allocate		1
Statutory Depreciation	Do not allocate		1
Network Rates	Do not allocate		1
Transmission Exit Charges	Deduct from revenue		1
Pension deficit repair payments by related parties	Do not allocate		1
Non activity costs and reconciling amounts	Do not allocate		1

26.5A RRP costs described as “Load related new connections & reinforcement (net of contributions)” are allocated as follows:

- (a) Reinforcement costs are allocated to network tiers using data from table 2.4 of the 2007/2008 RRP.
- (b) Load related connections’ direct costs (net of customer contributions) are allocated to network tiers using data from the FBPQ LR1 table. This table identifies customer contributions in respect of direct costs (by network tier) and

indirect costs. For the purpose of this allocation it is the customer contributions that relate to direct costs that are netted off against those costs. Where this allocation results in a negative value for a network tier (i.e. where customer contributions for direct costs are greater than the direct costs) they are replaced with zero. Customer contributions in excess of direct costs are added to the customer contributions relating to indirect costs.

- (c) For each network tier, costs reported as “Load related new connections & reinforcement (net of contributions)” are the sum of costs for general reinforcement and the net direct costs for load based connections.
- (d) Total activity costs reported under 2007/2008 RRP table 1.3 are not used in the allocation of these costs. Therefore, unallocated costs relating to “Load related new connections & reinforcement (net of contributions)” are set to zero.
- (e) Customer contributions (reported in FBPO LR1) relating to indirect costs (including surpluses in customer contributions for direct costs) are treated as allowed revenue in the "DNO final allocation" worksheet in the price control disaggregation model). They are allocated to network tiers using the opex cost driver (determined using the "Calc DNO opex allocation" worksheet in the price control disaggregation model).

Insert a new term in the Definitions section (Paragraph 3, Annex 1 of Schedule 17) as follows:

Forecast Business Plan Questionnaire or FBPO the questionnaire that the DNO Party is required to submit under the Regulatory Instructions and Guidance issued by the Authority under the DNO Party's Distribution Licence.

Schedule 18 EHV CHARGING METHODOLOGY (LRIC MODEL)

Allocation of operating expenditure by network level

25.5 The DNO Party allocates operating expenditure in the 2007/2008 RRP [and the Forecast Business Plan Questionnaire LR1 submission](#) by network level. The RRP already allocates some operating expenditure by network level. For categories of expenditure for which the table below reports “MEAV” in the column headed “Allocation key”, the DNO Party allocates, on the basis of modern equivalent asset values, the difference between total operating expenditure and the operating expenditure that is allocated to network levels.

Table: Allocation rules

	Allocation key	Percentage capitalised	Direct cost indicator
Load related new connections & reinforcement (net of contributions)	See paragraph 25.6A of this Schedule 18 MEAV	100.0%	1
Non-load new & replacement assets (net of contributions)	MEAV	100.0%	1
Non-operational capex	MEAV	23.5%	1
Faults	MEAV	23.5%	1
Inspections, & Maintenance	MEAV	23.5%	1
Tree Cutting	MEAV	23.5%	1
Network Policy	MEAV	52.57%	
Network Design & Engineering	MEAV	52.57%	
Project Management	MEAV	52.57%	
Engineering Mgt & Clerical Support	MEAV	52.57%	
Control Centre	MEAV	52.57%	
System Mapping - Cartographical	MEAV	52.57%	
Customer Call Centre	MEAV	52.57%	
Stores	MEAV	52.57%	
Vehicles & Transport	MEAV	52.57%	

IT & Telecoms	Do not allocate	52.57%	
Property Mgt	Do not allocate	52.57%	
HR & Non-operational Training	MEAV	52.57%	
Health & Safety & Operational Training	MEAV	52.57%	
Finance & Regulation	MEAV	52.57%	
CEO etc	MEAV	52.57%	
Atypical cash costs	Do not allocate		1
Pension deficit payments	Do not allocate	57.7%	1
Metering	Do not allocate		1
Excluded services & de minimis	Do not allocate		1
Relevant distributed generation (less contributions)	Do not allocate		1
IFI	Do not allocate		1
Disallowed Related Party Margins	Do not allocate		1
Statutory Depreciation	Do not allocate		1
Network Rates	Do not allocate		1
Transmission Exit Charges	Deduct from revenue		1
Pension deficit repair payments by related parties	Do not allocate		1
Non activity costs and reconciling amounts	Do not allocate		1

26.5A RRP costs described as “Load related new connections & reinforcement (net of contributions)” are allocated as follows:

- (f) Reinforcement costs are allocated to network tiers using data from table 2.4 of the 2007/2008 RRP.
- (g) Load related connections’ direct costs (net of customer contributions) are allocated to network tiers using data from the FBPO LR1 table. This table identifies customer contributions in respect of direct costs (by network tier) and indirect costs. For the purpose of this allocation it

is the customer contributions that relate to direct costs that are netted off against those costs. Where this allocation results in a negative value for a network tier (i.e. where customer contributions for direct costs are greater than the direct costs) they are replaced with zero. Customer contributions in excess of direct costs are added to the customer contributions relating to indirect costs.

- (h) For each network tier, costs reported as “Load related new connections & reinforcement (net of contributions)” are the sum of costs for general reinforcement and the net direct costs for load based connections.
- (i) Total activity costs reported under 2007/2008 RRP table 1.3 are not used in the allocation of these costs. Therefore, unallocated costs relating to “Load related new connections & reinforcement (net of contributions)” are set to zero.
- (j) Customer contributions (reported in FBPO LR1) relating to indirect costs (including surpluses in customer contributions for direct costs) are treated as allowed revenue in the "DNO final allocation" worksheet in the price control disaggregation model). They are allocated to network tiers using the opex cost driver (determined using the "Calc DNO opex allocation" worksheet in the price control disaggregation model).

Insert a new term in the Definitions section Paragraph 3, Annex 1 of Schedule 18, as follows:

Forecast Business Plan Questionnaire or FBPO the questionnaire that the DNO Party is required to submit under the Regulatory Instructions and Guidance issued by the Authority under the DNO Party's Distribution Licence.