

DCP 325

Reviewing the requirements of Sections 35A ('Provision of Cost Information'), 35B ('Production of the Annual Review Pack'), Schedule 15 ('Cost Information Table') and Schedule 20 ('Production of the Annual Review Pack')

Legal Text

Add a new definition in Clause 1 as follows:

<u>Cost Information Review Pack or CIRP</u>	<u>has the meaning given to that term in Paragraph 2.1 of Schedule 20.</u>
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Delete the 'Annual Review Pack or ARP' definition from Clause 1 as follows:

Annual Review Pack or ARP	has the meaning given to that term in Paragraph 1.1 of Schedule 20.
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Delete Clause 35A (Provision of Cost Information) as follows:

~~**35A. — PROVISION OF COST INFORMATION**~~

~~35A.1 — This Clause 35A shall only apply where the Company is a DNO Party.~~

~~35A.2 — By the fifth Working Day of May, August, November and February in each year, the Company shall complete a copy of table 1 in Schedule 15 and send the completed table to the Secretariat.~~

~~35A.3 — By the fifth Working Day of May, August, November and February in each year, the Company shall complete a copy of table 2 in Schedule 15 and send the completed table to the Secretariat.~~

~~35A.4 — By the fifth Working Day of May, August, November and February in each year, the Company shall complete a copy of table 3 in Schedule 15 and send the completed table to the Secretariat.~~

~~35A.5 — On each occasion that the Company sends a completed table to the Secretariat pursuant to Clause 35A.2, the Company shall also send an accompanying written commentary to assist in the understanding of the data presented within the table (including an explanation of the reasons behind any changes made to estimates since the last such table was prepared).~~

~~35A.6 — The Secretariat shall, within three Working Days of receiving each table and commentary provided pursuant to this Clause 35A, publish such table and commentary on the Website.~~

~~35A.7 The Company shall ensure that, within 20 Working Days of sending a table 2 to the Secretariat in accordance with Clause 35A.3, a meeting is convened (which may be held by telephone conference) to which all Supplier Parties and IDNO Parties are invited. At such meeting, the Company shall provide an oral commentary to assist those attending to understand the data presented within the most recently submitted tables 1, 2 and 3 (including an explanation of the reasons behind any changes made to estimates since the last such tables were prepared). The Company shall ensure that the Supplier Parties and the IDNO Parties attending the meeting are given the opportunity to ask questions regarding the tables, and the Company shall use reasonable endeavours to provide a response to those questions.~~

Add the following new Clause 35A (Provision of Cost Information Review Pack) after Clause 35:

35A. PROVISION OF COST INFORMATION REVIEW PACK

- 35A.1 This Clause 35A shall only apply where the Company is a DNO Party.
- 35A.2 The Cost Information Review Pack (or CIRP) is to be published on behalf of each DNO Party, and updated where necessary, in accordance with this Clause 35A.
- 35A.3 By the final day of May, September and the month of final publication of tariffs in each year, each DNO Party shall provide an updated copy of the CIRP, including Table 1 and Table 2 (as defined in Schedule 20), to the Secretariat using the document templates identified in Schedule 20.
- 35A.4 On each occasion that the DNO Party provides an updated CIRP to the Secretariat pursuant to Clause 35A.3, the DNO Party shall also provide an accompanying written commentary to assist in the understanding of the data presented within Table 1 and Table 2 and an explanation of the reasons behind any changes made to the CIRP (in the Tables or otherwise) since the last CIRP was prepared.
- 35A.5 The Secretariat shall, within three Working Days of receiving the updated CIRP and accompanying written commentary pursuant to Clause 35A.4, publish the updated CIRP and accompanying written commentary on the Website.
- 35A.6 The Secretariat shall, on the first Thursday which falls no less than 15 Working Days following publication of an updated CIRP and accompanying written commentary in accordance with Clause 35A.5, convene a meeting (which may be held by telephone conference) to which all Supplier Parties and IDNO Parties are invited. At such meeting, the DNO Party shall provide an oral commentary to assist those attending to understand the data presented within its most recently submitted Tables within the CIRP and an explanation of the reasons behind any

changes made to the CIRP (in the Tables or otherwise) since the last CIRP was prepared. The DNO Party shall ensure that the Supplier Parties and the IDNO Parties attending the meeting are given the opportunity to ask questions regarding their updated CIRP, and the DNO Party shall use reasonable endeavours to provide a response to those questions related to its updated CIRP.

35A.7 Where the Use of System Charges to be charged by the DNO Party from April in any year differ from the indicative charges set out in the DNO Party's CIRP published pursuant to Clause 35A.5, then the DNO Party shall (at least 40 days prior to the date from which such charges are to have effect) resubmit an updated CIRP to the Secretariat.

35A.8 The Secretariat shall, within five days of receiving any updated CIRP pursuant to Clause 35A.7, publish the updated CIRP on the Website.

Delete Clause 35B (Production of the Annual Review Pack) as follows:

~~35B. — PRODUCTION OF THE ANNUAL REVIEW PACK~~

~~35B.1 — This Clause 35B shall only apply where the Company is a DNO Party.~~

~~35B.2 — The Annual Review Pack (or ARP) is to be published on behalf of each DNO Party, and refreshed where necessary, in accordance with this Clause 35B.~~

~~35B.3 — By 31 December of each year, the Company shall complete the ARP and send the completed ARP to the Secretariat.~~

~~35B.4 — By the third Working Day of January in each year, the Secretariat shall publish on the Website the completed ARP most recently received from each DNO Party.~~

~~35B.5 — Where the Use of System Charges to be charged by the Company from April in any year differ from the indicative charges set out in the Company's ARP published pursuant to Clause 35B.4 in January of that year, then the Company shall (at least 40 days prior to the date from which such charges are to have effect) resubmit an updated ARP to the Secretariat.~~

~~35B.6 — The Secretariat shall, within 5 days of receiving any updated ARP pursuant to Clause 35B.5, publish the updated ARP on the Website.~~

Delete Schedule 15 (Cost Information Table) and replace with 'not used' as follows:

SCHEDULE 15 – NOT USED COST INFORMATION TABLE

1. INTRODUCTION

~~1.1 The purpose of this Schedule 15 is to set out the information to be provided in the tables referred to in Clause 35A.2, 35A.3 and 35A.4.~~

2. COST INFORMATION TEMPLATE

~~2.1 The tables referred to in Clause 35A.2, 35A.3 and 35A.4 shall contain the information detailed in Paragraph 3 below.~~

~~2.2 The Company shall populate this information in the latest version of the Cost Information Template made available on the Website and submit this template to the Secretariat in line with the timelines identified in Clause 35A.~~

~~2.3 Where a Change Proposal amends the Cost Information Template, the new version shall be uploaded to the Website by the Secretariat, within 5 Working Days of the change being approved.~~

~~2.4 The version of the template in use from 25 September 2024 is V1.0.~~

3. TABLES

~~3.1 Table 1, as referred to in Clause 35A.2, shall detail information relating to the Company's Allowed Revenue for Regulatory Year $t+1$ to Regulatory Year $t+4$, calculated in line with the Company's Distribution Licence. Table 1 shall include the detail as follows in this format:~~

~~{TABLE EXHIBIT}~~

~~3.2 Table 2, as referred to in Clause 35A.3, shall contain sensitivities relating to the Company's Allowed Revenue, as determined by each Company. This table shall include the following information in this format:~~

~~{TABLE EXHIBIT}~~

~~3.3 Table 3, as referred to in Clause 35A.4, shall contain the Company's illustrative CDCM tariffs for Regulatory Year $t+2$ based on the Allowed Revenue in Table 1, together with any other updated inputs (if appropriate) to those last used to calculate Use of System Charges. These shall take the format below and be for the same tariffs as per annex 1 of the most recently~~

~~published Relevant Charging Statement.~~

~~[TABLE EXHIBIT]~~

~~3.4 The estimates made by the Company in completing the table set out in this Schedule 15 (including the illustrative tariffs) shall be based on such information as is reasonably available to the Company at the time of such estimate (it being acknowledged that such estimates may be subject to revision from time to time).~~

~~4. GLOSSARY~~

~~4.1 In this Schedule 15 and in the Cost Information Template, except where the context otherwise requires, the expressions in the left hand column of the table below shall have the meanings given to them in the right hand column.~~

~~4.2 Words and expressions used in this Schedule 15 or in the Cost Information Template that are not otherwise defined in this Agreement or this Schedule shall have the meanings given to them in the Company's Distribution Licence.~~

Allowed Revenue	has the meaning given to that term in the Distribution Licence.
CDCM	means the Common Distribution Charging Methodology as set out in Schedule 16.
CDCM Revenue	means the revenue to be recovered from tariffs calculated under the CDCM.
Cost Information Template	means the template to be completed by the Company and submitted to the Secretariat to provide the information required under Clauses 35A.2, 35A.3 and 35A.4.
EDCM & Certain Interconnector Revenue	means, at any time and in respect of a Regulatory Year, the Company's reasonable estimate (at that time) of: (a) the revenue to be recovered from tariffs calculated under the Charging Methodology set out in Schedule 17 or 18 (as applicable to the Company); plus (b) to the extent relevant, the revenue to be recovered from the DNO Party to DNO Party interconnector charges referred to in

~~paragraph 23.4 of the methodology set out in Schedule 17 or 18 (as applicable).~~

Recovered Revenue	has the meaning given to that term in the Distribution Licence.
Regulatory Year	has the meaning given to that term in the Distribution Licence.
Use of System Charges	has the meaning given to that term in the Distribution Licence.

Delete Schedule 20 (Production of the Annual Review Pack) as follows:

SCHEDULE 20 — PRODUCTION OF THE COST INFORMATION REVIEW PACK

1. — INTRODUCTION

~~This Schedule 20, version 14.1, is to be used for the calculation of Use of System Charges which will become effective from, 01 April 2022 and remain effective until superseded by a revised version.~~

~~1.1 — The “Annual Review Pack” or “ARP” is a document to be completed by each DNO Party giving indicative (when first published in accordance with Clause 35B) and final (when updated in accordance with Clause 35B) Use of System Charges to apply pursuant to the Charging Methodology set out in Schedule 16 (the “CDCM”). The pack shall contain detail of historical and forecast CDCM inputs, and a forecast of use of system tariffs for the next 5 years, in accordance with Paragraph 2. The template to be used for the pack shall be ARP model version 7 when issued by the Panel.~~

2. — CONTENT OF THE ARP

~~2.1 — The Annual Review Pack issued by each DNO Party will contain the following:-~~

- ~~(a) — historical CDCM input information for a minimum period of 3 years, and a 5-year forecast of the CDCM inputs, which will (in each case) be provided in a spreadsheet format and contain the CDCM input sheets in a format that can be directly copied into the CDCM model;~~

- ~~(b) — CDCM tariffs and typical bills for each tariff in each year of the 5 year period covered by the Annual Review Pack;~~
- ~~(e) — functionality to allow users the ability to update the forecast CDCM inputs and view the resultant impact on Use of System Charges and typical bills;~~
- ~~(d) — a 5 year forecast of the retail prices index (RPI), and a link between that forecast and any of the CDCM inputs which the DNO Party believes relate to RPI, so that users are able to update the RPI forecast in such a way that it automatically updates the relevant CDCM inputs;~~
- ~~(e) — a commentary on the forecast for each CDCM input via individual comments;~~
- ~~(f) — details of the expected time bands (as referred to in the CDCM model) that will be used in each of the 5 years covered by the Annual Review Pack; and~~
- ~~(g) — details of the historic data over the previous 3 years used in calculating the average values for load characteristics (load factors, coincidence factors, and the estimated proportion of units recorded in each relevant time pattern regime that fall within each distribution time band) and peaking probabilities.~~

~~3. — GENERAL~~

~~3.1 — The forecast CDCM input data will be provided by DNO Parties based on their own perception of how the CDCM input data may change over the 5 year period covered by the Annual Review Pack. The format of the annual review pack will be common, but the actual forecast will be specific to each DNO Party to allow that DNO Party flexibility to express its own views and to provide a realistic forecast.~~

~~3.2 — It is acknowledged that:~~

- ~~(a) — in populating the Annual Review Pack, each DNO Party will make a number of assumptions;~~
- ~~(b) — the information set out in each Annual Review Pack is illustrative in nature, and is only intended as an indication of an expectation at a point in time; and~~
- ~~(e) — actual Use of System Charges may differ significantly from the indicative tariffs set out in the Annual Review Packs, including where there are material changes in the data and assumptions underlying the forecasts,~~

~~and, accordingly, although each DNO Party shall endeavour to ensure the accuracy of the~~

~~information provided in the Annual Review Pack, no DNO Party (or its officers, employees or agents) will be liable for the accuracy of the information contained in the Annual Review Packs.~~

Add the following new Schedule 20 (Production of the Cost Information Review Pack) after Schedule 19:

SCHEDULE 20 – PRODUCTION OF THE COST INFORMATION REVIEW PACK

1. INTRODUCTION

- 1.1 The purpose of this Schedule 20 is to set out the information to be provided to the Secretariat in accordance with Clause 35A.3 and 35A.4.

2. COST INFORMATION REVIEW PACK

- 2.1 The “Cost Information Review Pack” or “CIRP” is a document to be completed by each DNO Party outlining the applicable Use of System Charges (and other related cost information) pursuant to the Charging Methodology set out in Schedule 16 (the “CDCM”). The pack shall contain the information set out under Paragraph 2.2 of this Schedule 20. The latest version made available on the Website of the CIRP Template and templates for Table 1 and Table 2 referred to under Paragraph 2.2(a) and (b) shall be used for the purposes of providing the required information.
- 2.2 The CIRP published by each DNO Party will contain the following information:
- (a) populated copy of the table containing the same items as set out at Appendix A of this Schedule 20 detailing information relating to the DNO Party’s Allowed Revenue for Regulatory Year t-1 to Regulatory Year t+4 ("the Review Period"), calculated in line with the DNO Party’s Distribution Licence ("Table 1");
 - (b) a populated copy of the table containing the same items as set out at Appendix B of this Schedule 20 detailing the sensitivities relating to the DNO Party’s Allowed Revenue, as determined by each DNO Party ("Table 2");
 - (c) historical CDCM input information and forecasts of the CDCM inputs for the Review Period, which will (in each case) be provided in a spreadsheet format and contain the CDCM input sheets in a format that can be directly copied into the CDCM model;
 - (d) CDCM tariffs and typical bills for Regulatory Year t-1 to Regulatory Year t+1

and forecasts for such tariffs and bills for Regulatory Year t+2 to Regulatory Year t+4;

- (e) functionality to allow users the ability to update the forecast CDCM inputs and view the resultant impact on Use of System Charges and typical bills;
- (f) forecast of the price index (PI) for each Regulatory Year of the Review Period (as applicable), and a link between that forecast and any of the CDCM inputs which the DNO Party believes relate to PI, so that users are able to update the PI forecast in such a way that it automatically updates the relevant CDCM inputs;
- (g) details of the expected time bands (as referred to in the CDCM model) that will be used in each year of the Review Period; and
- (h) a commentary on the forecast for each CDCM input via individual comments.

2.3 The forecast of the CDCM inputs for the Review Period will be provided by DNO Parties based on their own perception of how the CDCM input data may change over the Review Period. The format of the CIRP will be common, but the actual forecast will be specific to each DNO Party to allow that DNO Party flexibility to express its own views and to provide a realistic forecast.

2.4 It is acknowledged that:

- (a) in populating the CIRP, each DNO Party will make a number of assumptions;
- (b) the information set out in each CIRP is illustrative in nature, and is only intended as an indication of an expectation at a point in time; and
- (c) actual Use of System Charges may differ significantly from the indicative tariffs set out in the CIRP, including where there are material changes in the data and assumptions underlying the forecasts,

and, accordingly, although each DNO Party shall endeavour to ensure the accuracy of the information provided in the CIRP, no DNO Party (or its officers, employees or agents) will be liable for the accuracy of the information contained in the Cost Information Review Packs.

2.5 The estimates made by the DNO Party in completing the CIRP (including the illustrative tariffs) shall be based on such information as is reasonably available to the DNO Party at the time of such estimate (it being acknowledged that such estimates may be subject to revision from time

to time).

- 2.5 Where a Change Proposal amends the CIRP Template or the templates for Table 1 or Table 2 referred to under Paragraph 2.2(a) and (b), the new versions of such templates shall be uploaded to the Website by the Secretariat within five Working Days of the change being approved.

3. GLOSSARY

- 3.1 In this Schedule 20 and in the CIRP, except where the context otherwise requires, the expressions in the left-hand column of the table below shall have the meanings given to them in the right-hand column.
- 3.2 Words and expressions used in this Schedule 20 or in the CIRP that are not otherwise defined in this Agreement or this Schedule shall have the meanings given to them in the DNO Party's Distribution Licence.

CDCM	means the Common Distribution Charging Methodology as set out in Schedule 16.
CDCM Revenue	means the revenue to be recovered from tariffs calculated under the CDCM.
CIRP Template	means the CIRP model template version 1 when issued by the Panel and as amended from time to time in accordance with the Change Control process.
EDCM & Certain Interconnector Revenue	<p>means, at any time and in respect of a Regulatory Year, the DNO Party's reasonable estimate (at that time) of:</p> <p>(a) the revenue to be recovered from tariffs calculated under the Charging Methodology set out in Schedule 17 or 18 (as applicable to the DNO Party); plus</p> <p>(b) to the extent relevant, the revenue to be recovered from the DNO Party-to-DNO Party interconnector charges referred to in paragraph 23.4 of the methodology set out in Schedule 17 or 18 (as applicable).</p>

APPENDIX A – TABLE 1

Table 1 shall contain the items and calculations described in the following table in accordance with paragraph 2.2(a) of this Schedule 20:

Item	Units	Constants	Formula Description
<u>Allowed load related capex</u>	<u>£m 20/21 prices</u>		<u>FM1_A1</u>
<u>Allowed non-load related capex - asset replacement</u>	<u>£m 20/21 prices</u>		<u>FM1_A2</u>
<u>Allowed non-load related capex - other</u>	<u>£m 20/21 prices</u>		<u>FM1_A3</u>
<u>Allowed faults</u>	<u>£m 20/21 prices</u>		<u>FM1_A4</u>
<u>Allowed tree cutting</u>	<u>£m 20/21 prices</u>		<u>FM1_A5</u>
<u>Allowed 100% 'revenue pool' expenditure</u>	<u>£m 20/21 prices</u>		<u>FM1_A6</u>
<u>Allowed controllable opex</u>	<u>£m 20/21 prices</u>		<u>FM1_A7</u>
<u>Total RIIO-2 capitalisation rate allocation 1 allowances</u>	<u>£m 20/21 prices</u>		<u>FM1_A = FM1_A1 + FM1_A2 + FM1_A3 + FM1_A4 + FM1_A5 + FM1_A6 + FM1_A7</u>
<u>Actual load related capex</u>	<u>£m 20/21 prices</u>	<u>ALCt</u>	<u>FM1_B1</u>
<u>Actual non-load related capex - asset replacement</u>	<u>£m 20/21 prices</u>	<u>ANCAt</u>	<u>FM1_B2</u>
<u>Actual non-load related capex - other</u>	<u>£m 20/21 prices</u>	<u>ANCOt</u>	<u>FM1_B3</u>
<u>Actual faults</u>	<u>£m 20/21 prices</u>	<u>AFAt</u>	<u>FM1_B4</u>
<u>Actual tree cutting</u>	<u>£m 20/21 prices</u>	<u>ATCt</u>	<u>FM1_B5</u>
<u>Actual 100% 'revenue pool' expenditure</u>	<u>£m 20/21 prices</u>	<u>ARPt</u>	<u>FM1_B6</u>
<u>Actual controllable opex</u>	<u>£m 20/21 prices</u>	<u>ACOt</u>	<u>FM1_B7</u>
<u>Total actual expenditure in capitalisation rate allocation 1</u>	<u>£m 20/21 prices</u>		<u>FM1_B = FM1_B1 + FM1_B2 + FM1_B3 + FM1_B4 + FM1_B5 + FM1_B6 + FM1_B7</u>
<u>RIIO-2 Funding Adjustment Rate (often referred to as 'sharing factor')</u>	<u>%</u>	<u>SF</u>	<u>SF</u>
<u>Post-TIM totex Allocation 1</u>	<u>£m 20/21 prices</u>		<u>FM1.1 = (FM1_B - FM1_A) x SF + FM1_A if FM1_B > 0</u> <u>FM1.1 = FM1_A otherwise</u>
<u>RIIO-2 allocation 1 Capitalisation rate</u>	<u>%</u>		<u>CR1</u>
<u>Fast Pot Allocation 1</u>	<u>£m 20/21 prices</u>		<u>FM1 = (1 - CR1) x FM1.1</u>
<u>Allowed load related capex</u>	<u>£m 20/21 prices</u>		<u>FM2_A1</u>
<u>Allowed non-load related capex - asset replacement</u>	<u>£m 20/21 prices</u>		<u>FM2_A2</u>
<u>Allowed non-load related capex - other</u>	<u>£m 20/21 prices</u>		<u>FM2_A3</u>
<u>Allowed faults</u>	<u>£m 20/21 prices</u>		<u>FM2_A4</u>
<u>Allowed tree cutting</u>	<u>£m 20/21 prices</u>		<u>FM2_A5</u>
<u>Allowed 100% 'revenue pool' expenditure</u>	<u>£m 20/21 prices</u>		<u>FM2_A6</u>
<u>Allowed controllable opex</u>	<u>£m 20/21 prices</u>		<u>FM2_A7</u>

<u>Item</u>	<u>Units</u>	<u>Constants</u>	<u>Formula Description</u>
<u>Total RIIO-2 capitalisation rate allocation 2 allowances</u>	<u>£m 20/21 prices</u>		$\text{FM2_A} = \text{FM2_A1} + \text{FM2_A2} + \text{FM2_A3} + \text{FM2_A4} + \text{FM2_A5} + \text{FM2_A6} + \text{FM2_A7}$
<u>Actual load related capex</u>	<u>£m 20/21 prices</u>	<u>ALCUt</u>	<u>FM2_B1</u>
<u>Actual non-load related capex - asset replacement</u>	<u>£m 20/21 prices</u>	<u>ANCAUt</u>	<u>FM2_B2</u>
<u>Actual non-load related capex - other</u>	<u>£m 20/21 prices</u>	<u>ANCOUt</u>	<u>FM2_B3</u>
<u>Actual faults</u>	<u>£m 20/21 prices</u>	<u>AFAUt</u>	<u>FM2_B4</u>
<u>Actual tree cutting</u>	<u>£m 20/21 prices</u>	<u>ATCUt</u>	<u>FM2_B5</u>
<u>Actual 100% 'revenue pool' expenditure</u>	<u>£m 20/21 prices</u>	<u>ARPUt</u>	<u>FM2_B6</u>
<u>Actual controllable opex</u>	<u>£m 20/21 prices</u>	<u>ACOUt</u>	<u>FM2_B7</u>
<u>Total actual expenditure in capitalisation rate allocation 2</u>	<u>£m 20/21 prices</u>		$\text{FM2_B} = \text{FM2_B1} + \text{FM2_B2} + \text{FM2_B3} + \text{FM2_B4} + \text{FM2_B5} + \text{FM2_B6} + \text{FM2_B7}$
<u>RIIO-2 Funding Adjustment Rate (often referred to as 'sharing factor')</u>	<u>%</u>	<u>SF</u>	<u>SF</u>
<u>Post-TIM totex Allocation 2</u>	<u>£m 20/21 prices</u>		$\text{FM2.1} = (\text{FM2_B} - \text{FM2_A}) \times \text{SF} + \text{FM2_A} \text{ if } \text{FM2_B} > 0$ <u>FM2.1 = FM2_A otherwise</u>
<u>RIIO-2 allocation 2 Capitalisation rate</u>	<u>%</u>		<u>CR2</u>
<u>Fast Pot Allocation 2</u>	<u>£m 20/21 prices</u>		$\text{FM2} = (1 - \text{CR2}) \times \text{FM2.1}$
<u>Fast money</u>	<u>£m 20/21 prices</u>	<u>FMt</u>	$\text{FM} = \text{FM1} + \text{FM2}$
<u>Post-vesting pre-RIIO depreciation</u>	<u>£m 20/21 prices</u>		<u>DPN1</u>
<u>RIIO-1 depreciation</u>	<u>£m 20/21 prices</u>		<u>DPN2</u>
<u>RIIO-2 depreciation</u>	<u>£m 20/21 prices</u>		<u>DPN3</u>
<u>Depreciation</u>	<u>£m 20/21 prices</u>	<u>DPNt</u>	$\text{DPN} = \text{DPN1} + \text{DPN2} + \text{DPN3}$
<u>Vanilla WACC</u>	<u>annual real %</u>		<u>RTN1</u>
<u>Single year discount factor</u>	<u>scalar</u>		<u>RTN2</u>
<u>Closing RAV</u>	<u>£m 20/21 prices</u>		<u>RTN3</u>
<u>Opening RAV (after transfers)</u>	<u>£m 20/21 prices</u>		<u>RTN4</u>
<u>Discounted closing RAV</u>	<u>£m 20/21 prices</u>		<u>RTN5</u>
<u>NPV-neutral RAV return base</u>	<u>£m 20/21 prices</u>		<u>RTN6</u>
<u>Return</u>	<u>£m 20/21 prices</u>	<u>RTNt</u>	$\text{RTN} = \text{RTN1} + \text{RTN2} + \text{RTN3} + \text{RTN4} + \text{RTN5} + \text{RTN6}$
<u>Licence Fee Payments</u>	<u>£m 20/21 prices</u>	<u>LFt</u>	<u>PT1</u>
<u>Prescribed Rates</u>	<u>£m 20/21 prices</u>	<u>RBt</u>	<u>PT2</u>
<u>Pass-through Transmission Connection Point Charges</u>	<u>£m 20/21 prices</u>	<u>TBt</u>	<u>PT3</u>
<u>Smart Meter Communication Licensee Costs</u>	<u>£m 20/21 prices</u>	<u>SMCt</u>	<u>PT4</u>
<u>Smart Meter Information Technology Costs</u>	<u>£m 20/21 prices</u>	<u>SMITt</u>	<u>PT5</u>

<u>Item</u>	<u>Units</u>	<u>Constants</u>	<u>Formula Description</u>
<u>Ring Fence Costs</u>	<u>£m 20/21 prices</u>	<u>RFt</u>	<u>PT6</u>
<u>Supplier of Last Resort Net Costs</u>	<u>£m 20/21 prices</u>	<u>SLRt</u>	<u>PT7</u>
<u>Valid Bad Debt Claims</u>	<u>£m 20/21 prices</u>	<u>IBDA_t</u>	<u>PT8</u>
<u>Pension Scheme Established Deficit repair expenditure</u>	<u>£m 20/21 prices</u>	<u>EDE_t</u>	<u>PT9</u>
<u>Failed Supplier Recovered Costs</u>	<u>£m 20/21 prices</u>	<u>SRC_t</u>	<u>PT10</u>
<u>Shetland Variable Energy Costs (SSEH only)</u>	<u>£m 20/21 prices</u>	<u>SEC_t</u>	<u>PT11</u>
<u>Assistance for high-cost distributors adjustment (SSEH only)</u>	<u>£m 20/21 prices</u>	<u>HB_t</u>	<u>PT12</u>
<u>Pass-through</u>	<u>£m 20/21 prices</u>	<u>PT_t</u>	<u>PT = PT1 + PT2 + PT3 + PT4 + PT5 + PT6 + PT7 + PT8 + PT9 - PT10 + PT11 - PT12</u>
<u>Base Revenue</u>	<u>£m 20/21 prices</u>		<u>A = FM + DPN + RTN + PT</u>
<u>Return Adjustment</u> (note: this row is not active. It will be linked to ReturnAdj for closeout)	<u>£m 20/21 prices</u>	<u>RTNA_t</u>	<u>RTNA</u>
<u>Equity issuance costs</u>	<u>£m 20/21 prices</u>	<u>EIC_t</u>	<u>EIC</u>
<u>Business plan incentive</u>	<u>£m 20/21 prices</u>	<u>BPI_t</u>	<u>BPI</u>
<u>Time to connect ODI</u>	<u>£m 20/21 prices</u>	<u>TTC_t</u>	<u>ODI1</u>
<u>Broad Measure of Customer Service ODI</u>	<u>£m 20/21 prices</u>	<u>BMCS_t</u>	<u>ODI2</u>
<u>Interruptions incentive scheme ODI</u>	<u>£m 20/21 prices</u>	<u>IQ_t</u>	<u>ODI3</u>
<u>Major connections ODI</u>	<u>£m 20/21 prices</u>	<u>MC_t</u>	<u>ODI4</u>
<u>Consumer Vulnerability ODI</u>	<u>£m 20/21 prices</u>	<u>CVI_t</u>	<u>ODI5</u>
<u>Distribution System Operator ODI</u>	<u>£m 20/21 prices</u>	<u>DSOI_t</u>	<u>ODI6</u>
<u>Dig, Fix and Go ODI (ENWL only)</u>	<u>£m 20/21 prices</u>	<u>DFG_t</u>	<u>ODI7</u>
<u>Collaborative Streetworks ODI (EPN, LPN and SPN only)</u>	<u>£m 20/21 prices</u>	<u>CSW_t</u>	<u>ODI8</u>
<u>Output delivery incentive</u>	<u>£m 20/21 prices</u>	<u>ODI_t</u>	<u>ODI = ODI1 + ODI2 + ODI3 + ODI4 + ODI5 + ODI6 + ODI7 + ODI8</u>
<u>Other revenue allowances</u>	<u>£m 20/21 prices</u>	<u>ORA_t</u>	<u>ORA</u>
<u>Directly Remunerated Services</u>	<u>£m 20/21 prices</u>	<u>DRS_t</u>	<u>DRS</u>
<u>Calculated revenue (before tax)</u>	<u>£m 20/21 prices</u>		<u>B = A + RTNA + EIC + BPI + ODI + ORA + DRS</u>
<u>Tax allowance</u>	<u>£m 20/21 prices</u>	<u>TAX_t</u>	<u>TAX</u>
<u>Tax allowance adjustment</u>	<u>£m 20/21 prices</u>	<u>TAXA_t</u>	<u>TAXA</u>
<u>Calculated revenue</u>	<u>£m 20/21 prices</u>		<u>R = B + TAX + TAXA</u>
<u>Real to nominal prices conversion factor (splice index for RIIO-2)</u>	<u>scalar</u>	<u>PI_t / PI₂₀₂₀₋₂₁</u>	<u>PI_t / PI₂₀₂₀₋₂₁</u>
<u>Combined RPI-CPIH price index (financial year average) (aka Price Index term) PI_t</u>	<u>scalar</u>	<u>PI_t</u>	<u>PI</u>
<u>Calculated revenue</u>	<u>£m nominal</u>	<u>R_t x PI_t / PI_{2020/21}</u>	<u>C = R x PI_t / PI_{2020/21}</u>
<u>Correction term</u>	<u>£m nominal</u>	<u>K_t</u>	<u>K</u>
<u>Forecasting penalty</u>	<u>£m nominal</u>	<u>FP_t</u>	<u>FP</u>
<u>Legacy Allowed Revenue</u>	<u>£m nominal</u>	<u>LAR_t</u>	<u>LAR</u>
<u>Allowed revenue</u>	<u>£m nominal</u>	<u>AR_t (part C)</u>	<u>AR = C + K + FP + LAR</u>

<u>Item</u>	<u>Units</u>	<u>Constants</u>	<u>Formula Description</u>
<u>Recovered Revenue</u>	<u>£m nominal</u>	<u>RR_t</u>	<u>RR</u>
<u>Revenue under/(over) recovery</u>	<u>£m nominal</u>		<u>D = AR - RR</u>
<u>Vanilla weighted average cost of capital</u>	<u>annual real %</u>	<u>WACC_t</u>	<u>WACC</u>
<u>Inflation (from year t to t+1)</u>	<u>annual %</u>	<u>PI_{t+1}/PI_t</u>	<u>E [= PI_{t+1}/PI_t]</u>
<u>Nominal time value of money</u>	<u>annual nominal %</u>	<u>TVM_t</u>	<u>TVM = (1 + WACC) x (1 + E) - 1</u>
<u>Correction Term</u>	<u>£m nominal</u>	<u>K_t</u>	<u>K [= D_{t-1} + (1 + TVM_{t-1})]</u>

APPENDIX B – TABLE 2

Table 2 shall contain the items and calculations described in the following table in accordance with paragraph 2.2(b) of this Schedule 20:

<u>Item</u>	<u>Units</u>	<u>Constants</u>	<u>Formula Description</u>
<u>Forecast Calculated Revenue from Table 1</u>	<u>£m 20/21 prices</u>	-	<u>R</u>
<u>Tariffs set for year</u>	<u>drop-down</u>	-	<u>Y/N</u>
<u>Possible Changes To Calculated Revenue</u>			
<u>Description</u>			
-	<u>£m 20/21 prices</u>	-	<u>A1</u>
-	<u>£m 20/21 prices</u>		<u>A2</u>
-	<u>£m 20/21 prices</u>		<u>A3</u>
-	<u>£m 20/21 prices</u>		<u>A4</u>
-	<u>£m 20/21 prices</u>		<u>A5</u>
-	<u>£m 20/21 prices</u>		<u>A6</u>
-	<u>£m 20/21 prices</u>		<u>A7</u>
-	<u>£m 20/21 prices</u>		<u>A8</u>
-	<u>£m 20/21 prices</u>		<u>A9</u>
-	<u>£m 20/21 prices</u>		<u>A10</u>
<u>Total - Potential Change in Calculated Revenue</u>	<u>£m 20/21 prices</u>	-	<u>A11 = Sum (A1:A10)</u>
<u>Calculated Revenue including Possible Changes Above</u>	<u>£m 20/21 prices</u>	-	<u>RA = R + A11</u>
<u>Real to nominal prices conversion factor (splice index for RIIO-2)</u>	<u>scalar</u>	<u>PI_t / PI₂₀₂₀₋₂₁</u>	<u>PI_t / PI₂₀₂₀₋₂₁</u>
<u>Combined RPI-CPIH price index (financial year average) (aka Price Index term)</u>	<u>scalar</u>	<u>PI_t</u>	<u>PI</u>
<u>Calculated Revenue Including Possible Changes</u>	<u>£m nominal</u>	<u>R_t x PI_t / PI_{2020/21}</u>	<u>CA = RA x PI_t / PI₂₀₂₀₋₂₁</u>
<u>Correction term</u>	<u>£m nominal</u>	<u>K_t</u>	<u>KA</u>
<u>Forecasting penalty</u>	<u>£m nominal</u>	<u>FP_t</u>	<u>FP</u>
<u>Legacy Allowed Revenue</u>	<u>£m nominal</u>	<u>LAR_t</u>	<u>LAR</u>
<u>Allowed Revenue Including Possible Changes</u>	<u>£m nominal</u>	<u>AR_t (part C)</u>	<u>ARA1 = CA + KA + FP + LAR</u>
<u>Recovered Revenue Including Possible Changes</u>	<u>£m nominal</u>	<u>RR_t</u>	<u>RRA1</u>
<u>Revenue under/(over) recovery Including Possible Changes</u>	<u>£m nominal</u>	-	<u>D = ARA1 - RRA1</u>
<u>Vanilla weighted average cost of capital</u>	<u>annual real %</u>	<u>WACC_t</u>	<u>WACC</u>
<u>Inflation (from year t to t+1)</u>	<u>annual %</u>	<u>PI_{t+1}/PI_t</u>	<u>E [= PI_{t+1}/PI_t]</u>
<u>Nominal time value of money</u>	<u>annual nominal %</u>	<u>TVM_t</u>	<u>TVM = (1 + WACC) x (1 + E) - 1</u>
<u>Correction Term Including Possible Changes</u>	<u>£m nominal</u>	<u>K_t</u>	<u>KA = Dt-1 + (1 + TVM_{t-1})</u>
<u>Percentage change in inflation</u>	<u>% Change</u>		<u>P1</u>
<u>Allowed Revenue Including Possible Changes to Calculated Revenue and Inflation Change</u>	<u>£m nominal</u>		<u>ARA2 = ARA1 * (1 + P1)</u>

<u>Reduction In K for Inflation Change</u>	<u>£m nominal</u>		<u>$KA1t = (ARA2t-1 - ARA1t-1) * (1 + TVMt-1)$</u>
<u>New Allowed Revenue inc Inflation Change</u>	<u>£m nominal</u>	-	<u>$ARA3 = ARA2 + KA1$</u>
<u>Percentage change in Recovered Revenue</u>	<u>% Change</u>		<u>$P2$</u>
<u>Recovered Revenue including Possible Recovered Revenue Change</u>	<u>£m nominal</u>		<u>$RR2 = RR1 * (1 + P2)$</u>
<u>Reduction In K for Recovered Revenue Change</u>	<u>£m nominal</u>		<u>$KA2t = (RR2t-1 - RR1t-1) * (1 + TVMt-1)$</u>
<u>New Recovered Revenue inc Recovered Revenue Change</u>	<u>£m nominal</u>	-	<u>$RR3 = RR2$ (tariffs set) or $RR3 = ARA4$ (tariffs not set)</u>
<u>New Allowed Revenue inc Recovered Revenue Change</u>	<u>£m nominal</u>		<u>$ARA4 = ARA1 + KA2$</u>

Amend Paragraph 54 of Schedule 16 (Common Distribution Charging Methodology) as follows:

- 54 The DNO Party prepares a forecast of allowed revenue for the charging year in accordance with the requirements of the price control conditions and in a manner which is consistent with its volume forecasts and in a format consistent with ~~Table 1 of Schedule 2015~~.

Amend Paragraphs 4, 5, 6A and 11B of Schedule 29 (Calculation of Discount Percentages for the Purpose of Determining Certain LDNO Use Of System Charges Under Schedules 16, 17 and 18) as follows:

- 4 For the calculation of discount percentages used in Schedule 16, in order to determine the allocation to network levels of each element of price control revenue, the DNO Party uses cost allocation drivers calculated from the following sources:
- a) Regulatory Reporting Pack (RRP) data on units distributed and operating expenditure broken down by network level.
 - b) Data that each DNO Party considers appropriately represents the forecast of net capital expenditure and customer contributions for the period 2005/2006-2014/2015, broken down by network level.
 - c) Data from a version of the Forecast Business Plan Questionnaires (FBPQ) that would have been submitted by each DNO Party to the Authority before April 2010.
 - d) Forecast data that each DNO Party considers appropriately represents the gross modern equivalent asset values (replacement costs) for various asset types.
 - e) The value of all notional assets calculated in each DNO Party's EDCM model. This comprises the aggregate of:
 - i. the sum of notional site-specific asset values of all network levels allocated to capacity for all customers in the DNO Party's EDCM model;
 - ii. the sum of notional asset values at all network levels allocated to demand for all customers in the DNO Party's EDCM model;
 - iii. the sum of sole use asset values allocated to demand for all customers in the DNO Party's EDCM model; and
 - iv. the sum of sole use asset values for generation only for all customers in the DNO Party's EDCM model.
 - f) The CDCM notional asset values for each network level as referred to in paragraph 63 of Schedule 16.

- g) The 'Pass-through Smart Meter Communication Licence Costs' from the CDCM target revenue as ~~reflected described~~ in Table 1 of Schedule ~~2015~~, expressed in 2007/08 prices (see paragraphs 11B and 11C below).
- 5 The calculation of discount percentages used in Schedules 17 and 18 is a two-part process. The first part of the process involves the calculation of the percentages used to allocate the DNO Party's Allowed Revenue to each network level. This is done for each element of Allowed Revenue: the operating cost, depreciation and return on RAV elements. These are aggregated over the period 2005/2006 to 2009/2010 (the DPCR4 period). In order to determine the allocation to network levels of each element of price control revenue, the following cost allocation drivers are used:
- a) Data submitted by the DNO Party to the Authority using the format prescribed in the Regulatory Reporting Pack (RRP) on units distributed and operating expenditure broken down by network level (relating to the year 2007/2008).
 - b) Data from a version of the FBPQ that would have been submitted by each DNO Party to the Authority before April 2010.
 - c) Data that each DNO Party considers appropriately represents the forecast of net capital expenditure and customer contributions for the period 2005/2006-2014/2015, broken down by network level.
 - d) Forecast data that each DNO Party considers appropriately represents the gross modern equivalent asset values (replacement costs) for various asset types.
 - e) The 'Pass-through Smart Meter Communication Licence Costs' from the CDCM target revenue as ~~described reflected~~ in Table 1 of Schedule ~~2015~~, expressed in 2007/08 prices (see paragraphs 11B and 11C below).
- 6A The DNO Party allocates the 'Pass-through Smart Meter Communication Licence Costs' from the CDCM target revenue as described in Table 1 of Schedule ~~2015~~ by network level (see paragraphs 11B and 11C below).
- 11B Costs included in the CDCM target revenue as described in Table 1 of Schedule ~~2015 described reflected~~ as 'Passthrough Smart Meter Communication Licence Costs' shall be expressed in 2007/08 prices and shall be added to the final allocation of operating expenditure and be 100% allocated directly to the LV Services level and treated as indirect costs.