

**DCP 479: Update to Schedule 20 (Production of the Cost Information Review Pack)
and the CDCM inputs to maintain alignment with the distribution licence**

Legal Text

Amend Table 1 in Appendix A of Schedule 20 (Production of the Cost Information Review Pack) as follows:

<u>Item</u>	<u>Units</u>	<u>Constants</u>	<u>Formula Description</u>
<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 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>

Total RIIO-2 capitalisation rate allocation 2 allowances	£m 20/21 prices		FM2_A = FM2_A1 + FM2_A2 + FM2_A3 + FM2_A4 + FM2_A5 + FM2_A6 + FM2_A7
<u>Actual load related capex</u>	£m 20/21 prices	ALCUt	FM2_B1
<u>Actual non-load related capex - asset replacement</u>	£m 20/21 prices	ANCAUt	FM2_B2
<u>Actual non-load related capex - other</u>	£m 20/21 prices	ANCOUt	FM2_B3
<u>Actual faults</u>	£m 20/21 prices	AFAUt	FM2_B4
<u>Actual tree cutting</u>	£m 20/21 prices	ATCUt	FM2_B5
<u>Actual 100% 'revenue pool' expenditure</u>	£m 20/21 prices	ARPUt	FM2_B6
<u>Actual controllable opex</u>	£m 20/21 prices	ACOUt	FM2_B7
Total actual expenditure in capitalisation rate allocation 2	£m 20/21 prices		FM2_B = FM2_B1 + FM2_B2 + FM2_B3 + FM2_B4 + FM2_B5 + FM2_B6 + FM2_B7
RIIO-2 Funding Adjustment Rate (often referred to as 'sharing factor')	%	SF	SF
Post-TIM totex Allocation 2	£m 20/21 prices		FM2.1 = (FM2_B - FM2_A) x SF + FM2_A if FM2_B > 0 FM2.1 = FM2_A otherwise
RIIO-2 allocation 2 Capitalisation rate	%		CR2
Fast Pot Allocation 2	£m 20/21 prices		FM2 = (1 - CR2) x FM2.1
Fast money	£m 20/21 prices	FMt	FM = FM1 + FM2
Post-vesting pre-RIIO depreciation	£m 20/21 prices		DPN1
RIIO-1 depreciation	£m 20/21 prices		DPN2
RIIO-2 depreciation	£m 20/21 prices		DPN3
Depreciation	£m 20/21 prices	DPNt	DPN = DPN1 + DPN2 + DPN3
Vanilla WACC	annual real %		RTN1
Single year discount factor	scalar		RTN2
Closing RAV	£m 20/21 prices		RTN3
Opening RAV (after transfers)	£m 20/21 prices		RTN4
Discounted closing RAV	£m 20/21 prices		RTN5
NPV-neutral RAV return base	£m 20/21 prices		RTN6
Return	£m 20/21 prices	RTNt	RTN = RTN1 + RTN2 + RTN3 + RTN4 + RTN5 + RTN6
Licence Fee Payments	£m 20/21 prices	LFt	PT1
Prescribed Rates	£m 20/21 prices	RBt	PT2
Pass-through Transmission Connection Point Charges	£m 20/21 prices	TBt	PT3
Smart Meter Communication Licensee Costs	£m 20/21 prices	SMCt	PT4
Smart Meter Information Technology Costs	£m 20/21 prices	SMITt	PT5
Ring Fence Costs	£m 20/21 prices	RFt	PT6
Supplier of Last Resort Net Costs	£m 20/21 prices	SLRt	PT7

Valid Bad Debt Claims	£m 20/21 prices	IBDA _t	PT ₈
Pension Scheme Established Deficit repair expenditure	£m 20/21 prices	EDE _t	PT ₉
Connection Reform Costs	£m 20/21 prices	CR_t	PT₁₀
Failed Supplier Recovered Costs	£m 20/21 prices	SRC _t	PT ₁₁ 10
Shetland Variable Energy Costs (SSEH only)	£m 20/21 prices	SEC _t	PT ₁₂ 11
Assistance for high-cost distributors adjustment (SSEH only)	£m 20/21 prices	HB _t	PT ₁₃ 12
Pass-through	£m 20/21 prices	PT_t	PT = PT₁ + PT₂ + PT₃ + PT₄ + PT₅ + PT₆ + PT₇ + PT₈ + PT₉ + PT₁₀ - PT₁₁10 + PT₁₂11 - PT₁₃12
Base Revenue	£m 20/21 prices		A = FM + DPN + RTN + PT
Return Adjustment (note: this row is not active. It will be linked to ReturnAdj for closeout)	£m 20/21 prices	RTNA_t	RTNA
Equity issuance costs	£m 20/21 prices	EIC_t	EIC
Business plan incentive	£m 20/21 prices	BPI_t	BPI
Time to connect ODI	£m 20/21 prices	TTC _t	ODI ₁
Broad Measure of Customer Service ODI	£m 20/21 prices	BMCSt	ODI ₂
Interruptions incentive scheme ODI	£m 20/21 prices	IQ _t	ODI ₃
Major connections ODI	£m 20/21 prices	MC _t	ODI ₄
Consumer Vulnerability ODI	£m 20/21 prices	CVI _t	ODI ₅
Distribution System Operator ODI	£m 20/21 prices	DSOI _t	ODI ₆
Dig, Fix and Go ODI (ENWL only)	£m 20/21 prices	DFG _t	ODI ₇
Collaborative Streetworks ODI (EPN, LPN and SPN only)	£m 20/21 prices	CSW _t	ODI ₈
Output delivery incentive	£m 20/21 prices	ODI_t	ODI = ODI₁ + ODI₂ + ODI₃ + ODI₄ + ODI₅ + ODI₆ + ODI₇ + ODI₈
Other revenue allowances	£m 20/21 prices	ORA_t	ORA
Directly Remunerated Services	£m 20/21 prices	DRS_t	DRS
Calculated revenue (before tax)	£m 20/21 prices		B = A + RTNA + EIC + BPI + ODI + ORA + DRS
Tax allowance	£m 20/21 prices	TAX_t	TAX
Tax allowance adjustment	£m 20/21 prices	TAXA_t	TAXA
Calculated revenue	£m 20/21 prices		R = B + TAX + TAXA
Real to nominal prices conversion factor (splice index for RIIO-2)	scalar	PI _t / PI ₂₀₂₀₋₂₁	PI _t / PI ₂₀₂₀₋₂₁
Combined RPI-CPIH price index (financial year average) (aka Price Index term) PI _t	scalar	PI _t	PI
Calculated revenue	£m nominal	R_t x PI_t / PI_{2020/21}	C = R x PI_t / PI_{2020/21}
Correction term	£m nominal	K _t	K

Forecasting penalty	£m nominal	FP _t	FP
Legacy Allowed Revenue	£m nominal	LAR _t	LAR
Allowed revenue	£m nominal	AR_t (part C)	AR = C + K + FP + LAR
Recovered Revenue	£m nominal	RR_t	RR
Revenue under/(over) recovery	£m nominal		D = AR - RR
Vanilla weighted average cost of capital	annual real %	WACC _t	WACC
Inflation (from year t to t+1)	annual %	PI _{t+1} /PI _t	E [= PI _{t+1} /PI _t]
Nominal time value of money	annual nominal %	TVM _t	TVM = (1 + WACC) x (1 + E) - 1
Correction Term	£m nominal	K_t	K [= D_{t-1} + (1 + TVM_{t-1})]

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21 July 2026