

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).
- 2.6 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	means, at any time and in respect of a Regulatory Year, the DNO Party'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 DNO Party); 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).
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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
Allowed load related capex	£m 20/21 prices		FM1_A1
Allowed non-load related capex - asset replacement	£m 20/21 prices		FM1_A2
Allowed non-load related capex - other	£m 20/21 prices		FM1_A3
Allowed faults	£m 20/21 prices		FM1_A4
Allowed tree cutting	£m 20/21 prices		FM1_A5
Allowed 100% 'revenue pool' expenditure	£m 20/21 prices		FM1_A6
Allowed controllable opex	£m 20/21 prices		FM1_A7
Total RIIO-2 capitalisation rate allocation 1 allowances	£m 20/21 prices		FM1_A = FM1_A1 + FM1_A2 + FM1_A3 + FM1_A4 + FM1_A5 + FM1_A6 + FM1_A7
Actual load related capex	£m 20/21 prices	ALCt	FM1_B1
Actual non-load related capex - asset replacement	£m 20/21 prices	ANCAt	FM1_B2
Actual non-load related capex - other	£m 20/21 prices	ANCOt	FM1_B3
Actual faults	£m 20/21 prices	AFAt	FM1_B4
Actual tree cutting	£m 20/21 prices	ATCt	FM1_B5
Actual 100% 'revenue pool' expenditure	£m 20/21 prices	ARPt	FM1_B6
Actual controllable opex	£m 20/21 prices	ACOt	FM1_B7
Total actual expenditure in capitalisation rate allocation 1	£m 20/21 prices		FM1_B = FM1_B1 + FM1_B2 + FM1_B3 + FM1_B4 + FM1_B5 + FM1_B6 + FM1_B7
RIIO-2 Funding Adjustment Rate (often referred to as 'sharing factor')	%	SF	SF
Post-TIM totex Allocation 1	£m 20/21 prices		FM1.1 = (FM1_B - FM1_A) x SF + FM1_A if FM1_B > 0 FM1.1 = FM1_A otherwise
RIIO-2 allocation 1 Capitalisation rate	%		CR1
Fast Pot Allocation 1	£m 20/21 prices		FM1 = (1 - CR1) x FM1.1
Allowed load related capex	£m 20/21 prices		FM2_A1
Allowed non-load related capex - asset replacement	£m 20/21 prices		FM2_A2
Allowed non-load related capex - other	£m 20/21 prices		FM2_A3
Allowed faults	£m 20/21 prices		FM2_A4
Allowed tree cutting	£m 20/21 prices		FM2_A5
Allowed 100% 'revenue pool' expenditure	£m 20/21 prices		FM2_A6
Allowed controllable opex	£m 20/21 prices		FM2_A7
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
Actual load related capex	£m 20/21 prices	ALCUt	FM2_B1
Actual non-load related capex - asset replacement	£m 20/21 prices	ANCAUt	FM2_B2
Actual non-load related capex - other	£m 20/21 prices	ANCOUt	FM2_B3

Actual faults	£m 20/21 prices	AFAUt	FM2_B4
Actual tree cutting	£m 20/21 prices	ATCUt	FM2_B5
Actual 100% 'revenue pool' expenditure	£m 20/21 prices	ARPUt	FM2_B6
Actual controllable opex	£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	PT8
Pension Scheme Established Deficit repair expenditure	£m 20/21 prices	EDE _t	PT9
Connection Reform Costs	£m 20/21 prices	CR _t	PT10
Failed Supplier Recovered Costs	£m 20/21 prices	SRC _t	PT11
Shetland Variable Energy Costs (SSEH only)	£m 20/21 prices	SEC _t	PT12
Assistance for high-cost distributors adjustment (SSEH only)	£m 20/21 prices	HB _t	PT13
Pass-through	£m 20/21 prices	PTt	PT = PT1 + PT2 + PT3 + PT4 + PT5 + PT6 + PT7 + PT8 + PT9 + PT10 - PT11 + PT12 - PT13
Base Revenue	£m 20/21 prices		A = FM + DPN + RTN + PT
Return Adjustment	£m 20/21 prices	RTNA_t	RTNA

(note: this row is not active. It will be linked to ReturnAdj for closeout)			
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	ODI1
Broad Measure of Customer Service ODI	£m 20/21 prices	BMCS _t	ODI2
Interruptions incentive scheme ODI	£m 20/21 prices	IQ _t	ODI3
Major connections ODI	£m 20/21 prices	MC _t	ODI4
Consumer Vulnerability ODI	£m 20/21 prices	CVI _t	ODI5
Distribution System Operator ODI	£m 20/21 prices	DSOI _t	ODI6
Dig, Fix and Go ODI (ENWL only)	£m 20/21 prices	DFG _t	ODI7
Collaborative Streetworks ODI (EPN, LPN and SPN only)	£m 20/21 prices	CSW _t	ODI8
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})]

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:

Item	Units	Constants	Formula Description
Forecast Calculated Revenue from Table 1	£m 20/21 prices		R
Tariffs set for year	drop-down		Y/N
Possible Changes To Calculated Revenue			
<i>Description</i>			
	£m 20/21 prices		A1
	£m 20/21 prices		A2
	£m 20/21 prices		A3
	£m 20/21 prices		A4
	£m 20/21 prices		A5
	£m 20/21 prices		A6
	£m 20/21 prices		A7
	£m 20/21 prices		A8
	£m 20/21 prices		A9
	£m 20/21 prices		A10
Total - Potential Change in Calculated Revenue	£m 20/21 prices		A11 = Sum (A1:A10)
Calculated Revenue including Possible Changes Above	£m 20/21 prices		RA = R + A11
Real to nominal prices conversion factor (splice index for RIIO-2)	scalar	PI _t / PI ₂₀₂₀₂₁	PI _t / PI ₂₀₂₀₋₂₁
Combined RPI-CPIH price index (financial year average) (aka Price Index term)	scalar	PI _t	PI
Calculated Revenue Including Possible Changes	£m nominal	R _t x PI _t / PI _{2020/21}	CA = RA x PI _t / PI ₂₀₂₀₋₂₁
Correction term	£m nominal	K _t	KA
Forecasting penalty	£m nominal	FP _t	FP
Legacy Allowed Revenue	£m nominal	LAR _t	LAR
Allowed Revenue Including Possible Changes	£m nominal	AR_t (part C)	ARA1 = CA + KA + FP + LAR
Recovered Revenue Including Possible Changes	£m nominal	RR_t	RRA1
Revenue under/(over) recovery Including Possible Changes	£m nominal		D = ARA1 - RRA1
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 Including Possible Changes	£m nominal	K_t	KA = Dt-1 + (1 + TVMt-1)]
Percentage change in inflation	% Change		P1
Allowed Revenue Including Possible Changes to Calculated Revenue and Inflation Change	£m nominal		ARA2 = ARA1 * (1 + P1)
Reduction In K for Inflation Change	£m nominal		KA1 _t = (ARA2 _{t-1} - ARA1 _{t-1}) * (1 + TVMt-1)
New Allowed Revenue inc Inflation Change	£m nominal		ARA3 = ARA2 + KA1

Percentage change in Recovered Revenue	% Change		P2
Recovered Revenue including Possible Recovered Revenue Change	£m nominal		$RR2 = RR1 * (1 + P2)$
Reduction In K for Recovered Revenue Change	£m nominal		$KA2t = (RR2t-1 - RR1t-1) * (1 + TVMt-1)$
New Recovered Revenue inc Recovered Revenue Change	£m nominal		RR3 = RR2 (tariffs set) or RR3 = ARA4 (tariffs not set)
New Allowed Revenue inc Recovered Revenue Change	£m nominal		ARA4 = ARA1 + KA2