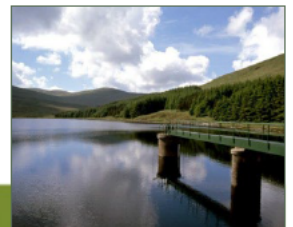


Financial Data RIGs Commentary Template RP6 October 2017 to March 2024



Electricity Financial Data RIGS Commentary Template

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1. Introduction

1.1 Overview

- 1.1.1 A commentary template provides the opportunity for the Licensees to explain why costs/volumes have been incurred, any movements between different time periods, and the reasons for variations between forecast costs/volumes and outturn. As set out in the associated Guidance Notes, the commentary will be used in conjunction with the wider reporting framework (including the Financial Data RIGs Reporting Workbook), to understand the structures and operations of the Licensee, to inform the next price control and to monitor performance against the current price control assumptions.
- 1.1.2 A full and frank commentary should reduce the number of follow up questions and time spent by both the Authority (UR) and Licensee staff.
- 1.1.3 This document has been created such that the Licensee shall insert their comments in the sections identified below in yellow. No additional or freeform document need be created but instead we request the Licensee insert an appropriate chapter heading and commentary box in the body of this document where it is necessary to provide additional commentary.
- 1.1.4 Backup documents referenced in the commentary should be attached as Annexes to the submission of this commentary. An electronic copy of any Annex shall be provided. The file name used for the electronic copy of any Annex should include a reference to the relevant section of the commentary and be structured so that the order of the file name is the order they appear in the commentary.

2. Commentary tables for the Reporting Workbook

2.1 Introduction

2.1.1 For the Financial Data Reporting RIGs workbook we set out the categories of commentary as follows:

2.1.2 Additional Information

The comments in this section relate to the Financial Data RIGs workbook '2017-24 Financial Data RIGs v1.0' which shows Financial Data RIGs information for NIE Networks, in relation to the RP6 period October 2017 to March 2024, against the relevant licence terms contained in Annex 2 of the Transmission and Distribution licences.

The information shown in the Financial Data RIGs is stated on an IAS 19 basis to align with how allowances have been set and to enable reconciliations to the Regulatory Accounts.

The figures included in the capital allowances section of the Financial Data worksheet (rows 415 to 431) contain actual figures from October 2017 to March 2022 and estimated figures thereafter.

NIE Networks recognises that both the UR and NIE Networks will continue to learn through the development of RIGs and welcomes any feedback for consideration in future submissions.

Any figures quoted in this document are in nominal prices unless otherwise stated.

2.2 The Navigation ('Nav') worksheet

2.2.1 Key, version submission control and worksheet sections

This worksheet helps us to navigate the workbook. It contains two sections: the Version submission control; and Worksheets, each of which are described below.

This worksheet contains details of the submission date, the version number and the document name.

2.3 The Change Log worksheet

2.3.1 All

This worksheet records any changes to the workbook

Changes to prior year data

Financial Data Worksheet

4.37 Additional allowed capex - ACDR_Xt

The figure in cell S144 has changed from £1.527m to £1.655m to reflect a small correction to the allowance for future networks – NMS allowance profiling.

6.15 Allowed opex other amount - AOOt

Cell S235 now includes an allowance of £0.213m in relation to apprenticeship levy costs for 2022/23 approved by the regulator on 13 September 2023 under the COLt term.

Cell S400 now includes an allowance of £0.244m in relation to injurious affection costs for 2022/23 approved by the regulator on the 4 October 2023 under the IAAt term.

Cell S401 now includes an allowance of £0.027m in relation to apprenticeship levy costs for 2022/23 approved by the regulator on the 13 September 2023 under the change of law (COLt) term

6.3 Qualifying opex expenditure amount - QOEt

New rows have been included (rows 205 and 369) to show £760k (£750k Distribution and £10k Transmission) of exceptional miscellaneous Income [REDACTED]

11 Correction factor amount – Kt

Cells S246 and S407 which show the average specified rate now reflect actual data. The figures have changed from a forecast of 4.896% to an actual figure of 5.063%.

Capital Allowances

Capital allowance data in rows 415 to 431 has been updated (where appropriate) to reflect actual figures for the period 2017/18 to 2021/22.

2.4 Financial Data RIGS worksheet

2.4.1 RP6 Distribution variance analysis

Please explain the variations between determined costs/volumes and outturn.

Please also explain why costs/volumes have been incurred and any movements between different time periods.

A full and frank commentary should reduce the number of follow up questions and time spent by both the Authority (UR) and Licensee staff.

This explanation should include commentary on each of the paragraph headings in 'column C' of the 'Financial Data' RIGs and the breakdown of each of these as appropriate.

3.4 Maximum regulated distribution revenue for the regulatory reporting year –

The value for the BD_t term (which represents uncollected revenue) is nil for the period October 2017 to March 2024.

4.17 Qualifying capex expenditure amount – This represents actual capital expenditure costs (direct and indirect) allocated to the Distribution, Metering and 5-year Distribution RABs for the period October 2017 to March 2024.

Distribution capex additions (Direct and Indirect) for this period were **£535.720m** and includes **£30.502m** of Green Recovery costs, **£3.156m** of LCT costs, **£3.180m** relating to severe weather events and **£0.499m** of RP5 carry over expenditure. An analysis of direct Distribution capex, for the period October 2017 to March 2024, is set out in the 'Reporting' worksheet within the RP6 Network Investment RIGs with a detailed breakdown of the RP5 carry over spend shown in the 'RP5 carryover works' worksheet.

Metering capex additions of **£42.627m** includes both the direct capex costs associated with the installation, certification and recertification of meters along with capitalised overhead and indirect costs.

Capex additions for the Distribution 5-year RAB are **£79.163m**, which includes;

- Tree cutting costs of **£23.615m**.
- Expenditure of **£5.415m** on innovation trials, **£0.393m** on Green Recovery - EV Managed Charging Innovation, **£2.455m** on ESQCR tree cutting costs and DSO Transition costs of **£2.021m** which are detailed in the 'Reporting' worksheet within the RP6 Network Investment RIGs.
- Non-Network IT spend of **£40.854m**.
- Expenditure associated with the IT project for the introduction of contestability in the electricity network connections business of **£1.956m**. The allowance for this project was **£4.753m** (Nominal Prices). Expenditure of **£2.784m** was incurred during RP5 which means that total spend up to March 2024 is **£4.741m** (**£2.784m + £1.956m**).
- Capex costs incurred to March 2024 on the TIBCO system separation project of **£2.454m**. Approval of **£2.560m** (20/21 prices) was granted by the UR in September 2021.

4.19 & 4.23 Demonstrably inefficient qualifying capex expenditure – This is zero as no capex expenditure has been deemed demonstrably inefficient or wasteful for the period October 2017 to March 2024.

4.21 Pass through capex expenditure amount – This represents net connections costs (capex less contributions) associated with housing sites with twelve or more domestic premises. The net capex amount from October 2017 to March 2024 is **£25.825m** and represents construction activity in the housing market over that period.

4.28 Capex disposal amount – This relates to proceeds from the disposal of any relevant asset (including land, buildings, plant, equipment but not comprising Landbank premises or scrap) minus any costs of such disposal reasonably incurred. Asset disposals are deducted from the RAB five years after the disposal occurs.

There were net proceeds from the sale of assets in 2012/13 of **£0.032m**, **£0.049m** in 2014/15, **£0.004m** in 2020/21 and **£0.015m** in 2021/22 which related to the sale of land at substation sites. Net proceeds from the sale of assets in 2022/23 of **£1.306m** [REDACTED]

4.32 Allowed capex for 5 Year D.RAB – This represents allowed capex of **£2.257m** (15/16 prices) for the TIBCO System Separation Project. This is an IT project to separate the integrated retail market systems due to the divergence of the markets in NI and ROI. Approval of **£2.560m** (20/21 prices) capex costs was granted by the UR in September 2021.

4.35 Volume of properties with undereaves service – This represents the number of undereave services units replaced during the period October 2017 to March 2024 of **19,066**. The allowance for undereave work is determined by multiplying these units by the pre-determined unit rate shown in row 136.

4.37 Additional allowed capex – This represents any amount that the Authority determines, in a published decision, to be appropriate for the expected incremental efficient costs of: a) any nominated distribution project; b) trials undertaken to assess and demonstrate innovative future investment in the Distribution System; c) any project to address load growth due to the introduction of low carbon technologies; and, d) any project to address congestion on the 33kV network for purposes relating to connections made, or to be made, between the Distribution System and any premises owned or

occupied by the owner or operator of an electricity generation set ('generation connections')

The figures for the period are **£79.722m** (nominal prices). This relates to;

1. Green Recovery costs of **£52.094m** (nominal prices) or £36.349m (15/16 prices) or £41.224m (20/21 prices) approved by the UR in May 2022, with actual costs shown in row 53.
2. LCT Re-opener costs of **£5.320m** (nominal prices) or £3.955m (15/16 prices) approved by the UR in July 2021.
3. An innovation trial allowance granted by the UR in July 2018 of **£7.086m** (nominal prices) or £6.359m (15/16 prices) with actual costs shown in row 65.
4. Green Recovery - EV Managed Charging Innovation costs of **£2.235m** (nominal prices) or £1.540m (15/16 prices) of the £1.747m (20/21 prices) approved by the UR in February 2022, with actual costs shown in row 66
5. **£4.006m** (nominal prices) or £3.110m (19/20 prices) DSO Transition – HV/LV monitoring costs approved by the UR in April 2021, with actual costs shown in row 72.
6. **£5.333m** (nominal prices) or £3.663m (15/16 prices) of the £10.057m (22/23 prices) LV Monitors allowance granted in February 2023.
7. **£3.648m** (nominal prices) or £2.883m (15/16 prices) or £3.465m (20/21 prices) DSO Transition – NMS upgrade (phase 2) costs approved by the UR in April 2021, with actual costs shown included in row 68.

4.46 Metering volumes – This represents actual meter volumes for the period October 2017 to March 2024 associated with meter installations/changes, meter recertification and the meter replacement for theft programme. These figures align with the information in rows 97 to 111 (columns D to J) of the 'M1a – Metering Services' worksheet contained in the Metering RIGs reporting workbook.

4.53 Allowed capex amount – This represents allowances given under the capex change of law term (ACCOL_X_i). Approval was granted in July 2020 for £0.364m

(nominal prices) or **£0.332m** (15/16 prices) in relation to General Data Protection Regulation (GDPR) expenditure.

6.3 Qualifying opex expenditure amount – The amount of **£411.625m** from October 2017 to March 2024 comprises Indirect & IMF expenditure, ongoing Enduring Solution IT costs, Meter reading, other Market Operations costs, severe weather costs, severance costs, storm costs and business rates less O&M, tort, scrap and miscellaneous income. Exceptional income of £0.750m has been included in 2023/24

[REDACTED]

6.5 & 6.9 Demonstrably inefficient qualifying opex expenditure – This is zero as no opex expenditure has been deemed to be demonstrably inefficient or wasteful for the period October 2017 to March 2024.

6.7 Pass through opex expenditure – The amount of **£10.937m** includes the Distribution allocation (80%) of UR licence fee costs and net connection operating costs associated with housing sites with 12 or more domestic premises.

6.15 Allowed opex other amount – These relates to additional RP6 approvals by the UR. Approvals for the period October 2017 to March 2018 were in relation to, **£28k** of injurious affection costs which were approved on the 8 January 2019 under the IA_t term and **£106k** of apprenticeship levy costs which were approved on the 13 June 2018 under the change of law COL_t term.

Approvals for the period April 2018 to March 2019 were in relation to, **£175k** of apprenticeship levy costs which were approved on the 30 June 2020 under the COL_t term.

Approvals for the period April 2019 to March 2020 were in relation to, **£179k** of apprenticeship levy costs which were approved on the 26 October 2020 under the COL_t term.

Approvals for the period April 2020 to March 2021 were in relation to, **£177k** of apprenticeship levy costs which were approved on the 14 March 2022 under the COL_t term.

Approvals for the period April 2021 to March 2022 were in relation to, **£176k** of apprenticeship levy costs which were approved on the 24 October 2022 under the COL_t term. Approvals for this period also include **£87k** (£82.5k 20/21 prices) of TIBCO Licence fee costs which were approved on the 29 September 2021 and **£205k** (21/22 prices) of TIBCO additional support charges approved on 16 September 2022 under the NES_t term.

Approvals for the period April 2022 to March 2023 were in relation to **£213k** of apprenticeship levy costs which were approved on the 13 September 2023 under the COL_t term. Approvals for this period also include **£240k** (£198k 20/21 prices) of TIBCO Licence fee costs which were approved on the 29 September 2021 and **£469k** (£411k 21/22 prices) of TIBCO additional support charges approved on 16 September 2022 under the NES_t term.

Approvals for the period April 2023 to March 2024 were in relation to **£254k** (£198k 20/21 prices) of TIBCO Licence fee costs which were approved on the 29 September 2021 and **£497k** (£411k 21/22 prices) of TIBCO additional support charges approved on 16 September 2022 under the NES_t term.

10.1 Revenue protection service revenue – This represents income received in relation to activities to detect and deter cases of illegal abstraction of electricity (and electricity theft) and to collect money owed in relation to that illegal abstraction.

11 Correction factor amount – This shows actual regulated Distribution revenue received from Suppliers for the period October 2017 to March 2024. It also sets out the average specified rate to be applied to any over/under recoveries on the correction factor amount. These rates are based on the arithmetic mean of the daily base rates of Danske Bank Ltd. The figure shown in 2023/24 of 5.25% represents a forecast average rate for 2024/25 and is therefore subject to change.

Additional documentation submitted.

No comment required.

2.4.2 RP6 Transmission variance analysis

Please explain the variations between determined costs/volumes and outturn.

Please also explain why costs/volumes have been incurred and any movements between different time periods.

A full and frank commentary should reduce the number of follow up questions and time spent by both the Authority (UR) and Licensee staff.

This explanation should include commentary on each of the paragraph headings in 'column C' of the 'Financial Data' RIGs and the breakdown of each of these as appropriate.

3.4 Maximum regulated Transmission revenue for the regulatory reporting year –
The value for the BD_t term (which represents uncollected revenue) is nil for the period October 2017 to March 2024.

4.17 Qualifying capex expenditure amount – This represents capital expenditure costs (direct and indirect) allocated to the Transmission, Renewables and 5-year Transmission RABs.

Transmission capex additions for the period October 2017 to March 2024 is **£81.346m** and includes **£4.843m** of RP5 carry over expenditure. An analysis of direct Transmission capex, from October 2017 to March 2024, is set out in the 'Reporting' worksheet within the RP6 Network Investment RIGs with a detailed breakdown of the RP5 carry over spend shown in the 'RP5 carryover works' worksheet.

Capex allocated to the Renewables RAB for the period October 2017 to March 2024 is **£73.311m** (nominal prices) and comprises expenditure on the following D5 Projects:

- a) Coolkeeragh - Magherafelt pre-construction **£3.961m**
- b) Coolkeeragh - Magherafelt construction **£39.354m**
- [REDACTED]**
- d) Ballylumford - Eden pre-construction **£1.200m**
- e) Ballylumford - Eden construction **£13.880m**

- f) Omagh Tamnamore 3rd Circuit **£0.897m**
- g) North South Interconnector pre-construction **£1.125m**
- h) Ballylumford 110 kV switchgear pre-construction **£0.424m**
- i) Castlereagh - Knock construction **£0.863m**
- j) Airport Road pre-construction **£0.097m**
- k) Omagh – Dromore pre-construction **£0.872m**
- l) Omagh – Dromore construction **£4.166m**
- m) Additional Shunt Reactors construction (1st Allowance) **£1.739m**
- n) Additional Shunt Reactors construction (2nd Allowance) **£0.038m**
- o) Transmission Power Quality Monitoring **£0.405m**
- p) Coolkeeragh – Magherafelt protection scheme **£0.386m**
- q) Ballylumford Switchboard Enabling Works **£2.974m**
- r) Castlereagh – Tandragee 110Kv Switchgear Replacement **£0.003m**
- s) Energising Belfast – Castlereagh and Finaghy Enabling Works **£0.173m**

a) Coolkeeragh - Magherafelt pre-construction – Pre-construction costs for the Coolkeeragh to Magherafelt 275kV Conductor Asset Replacement (phase 1) of £0.564m (15/16 prices) was approved on 25 March 2015. An additional pre-construction allowance (phase 2) of £3.627m (18/19 prices) or £3.308m (15/16 prices) was granted on the 5 February 2019 giving a total pre-construction allowance of £3.872m ([£0.564m +£3.308m] in 15/16 prices).

Total RP5 spend was £0.438m in nominal prices (£0.425m 15/16 prices) with spend for the period October 2017 to March 2024 of **£3.961m** in nominal prices (£3.526m 15/16 prices). This gives a total spend of £4.398m (£0.438m + £3.961m) in nominal prices or £3.951m (£0.425m + £3.526m) in 15/16 prices.

Overall, there is an allowance of £3.872m (15/16 prices) against which £3.951m (15/16 prices) has been incurred.

b) Coolkeeragh - Magherafelt construction – Construction costs for the 275kV overhead line between Coolkeeragh PS - Magherafelt 275/110kV substation of

£41.733m (20/21 prices) or £36.798m (15/16 prices) was approved on 17 December 2020.

Expenditure for the RP6 period to March 2024 was **£39.354m** in nominal prices (£30.709m in 15/16 prices).

- d) Ballylumford Eden pre-construction** – Pre-construction costs of £1.390m (18/19 prices) or £1.268m (15/16 prices) in respect of Ballylumford – Eden 110kV overhead line works was approved on 28 January 2020.

Actual spend for the RP6 period to March 2024 was **£1.200m** (nominal prices) or £1.005m (15/16 prices).

- e) Ballylumford Eden construction** – Construction costs of £15.650m (20/21 prices) or £13.799m (15/16 prices) in respect of the Ballylumford – Eden 110kV double circuit overhead line refurbishment was approved on 16 December 2021.

Actual spend for the RP6 period to March 2024 was **£13.880m** (nominal prices) or £9.778m (15/16 prices).

- f) Omagh Tamnamore 3rd Circuit** – Construction costs for the Omagh to Tamnamore 3rd Circuit - £21.865m (15/16 prices) were approved by the UR on 23 October 2015. An additional approval of £0.546m (23/24 prices) or £0.375m (15/16 prices) was granted by the UR on 1 August 2023 in respect of the buy-out of SONI's pre-construction RAB costs by NIE Networks. This makes the total approved costs to be £22.240m (£21.865m +£0.375m) in 15/16 prices.

Total spend during RP5 was £21.196m (£20.747m in 15/16 prices) and spend for the period October 2017 to March 2024 is **£0.897m** (£0.696m in 15/16 prices). This equates to £22.093m in nominal prices or £21.444m (£20.747m + £0.696m) in 15/16 prices.

g) North South Interconnector pre-construction – Pre-construction expenditure of £2.874m (20/21 prices) or £2.534m (15/16 prices) was approved by the UR on 2 April 2021.

Costs of £1.651m (nominal prices) or £1.401m (15/16 prices) in relation to the North South Interconnector have been incurred to date. The expenditure of £1.651m comprises £0.527m of costs incurred during RP5 and **£1.125m** relating to the period October 2017 to March 2024.

h) Ballylumford 110 kV switchgear pre-construction – Approval of £0.620m (15/16 prices) was granted on 7 September 2018 for pre-construction costs in respect of Ballylumford 110kV switchgear replacement.

Actual spend for the period October 2017 to March 2024 was **£0.424m** (nominal prices) or £0.352m in 15/16 prices.

i) Castlereagh - Knock construction – Approval of £1.018m (19/20 prices) or £0.910m (15/16 prices) for construction spend on the Castlereagh Main to Knock Main 110kV circuits was granted on 23 July 2020.

Actual spend for the period October 2017 to March 2024 was **£0.863m** (nominal prices) or £0.727m (15/16 prices).

j) Airport Road pre-construction – Pre-Construction costs in relation to the Airport Road 110kv/33kv substation project of £0.631m (nominal prices), or £0.563m in 15/16 prices, was approved on 7 August 2019.

Expenditure of **£0.097m** (nominal prices) or £0.080m (15/16 prices) was incurred in the period October 2017 to March 2024.

k) Omagh – Dromore pre-construction – Pre-construction costs in relation to the Omagh Main to Dromore 110kv overhead line uprating project of £0.924m (19/20 prices) or £0.826m (15/16 prices) was approved on 14 April 2021.

Expenditure of **£0.872m** (nominal prices) or £0.650m (15/16 prices) was incurred in the period October 2017 to March 2024.

l) Omagh – Dromore construction – Construction costs in relation to the Omagh Main to Dromore 110kv overhead line uprating project of £5.330m (21/22 prices) or £4.433m (15/16 prices) was approved on 24 September 2022.

Expenditure of **£4.166m** (nominal prices) or £2.928m (15/16 prices) was incurred in the period October 2017 to March 2024.

- m) Additional Shunt Reactors (1st Allowance)** – Construction costs in relation to the installation of fixed shunt reactors at Tamnamore Main and Tandragee Main of £2.139m (19/20 prices) or £1.912m (15/16 prices) was approved on 25 February 2021.

Expenditure of **£1.739m** (nominal prices) or £1.307m (15/16 prices) was incurred in the period October 2017 to March 2024.

- n) Additional Shunt Reactors (2nd Allowance)** – Construction costs in relation to additional Shunt Reactors at Castlereagh Main and Tamnamore Main of £4.600m (22/23 prices) or £3.351m (15/16 prices) was approved by the regulator on 25 July 2023.

Expenditure of **£0.038m** (nominal prices) or £0.026m (15/16 prices) was incurred in the period October 2017 to March 2024.

- o) Transmission PQ Monitoring** – Construction costs in relation to Transmission Power Quality Monitoring of £0.797m (20/21 prices) or £0.703m (15/16 prices) was approved on 1 October 2021.

Expenditure of **£0.405m** (nominal prices) or £0.286m (15/16 prices) was incurred in the period October 2017 to March 2024.

- p) Coolkeeragh – Magherafelt protection scheme** – Construction costs of £0.258m (20/21 prices) or **£0.227m** (15/16 prices) was approved on 6 October 2021.

Expenditure of **£0.386m** (nominal prices) or £0.266m (15/16 prices) was incurred in the period October 2017 to March 2024.

- q) Ballylumford Switchboard enabling works** – Construction costs of £3.868m (22/23 prices) or £2.818m (15/16 prices) was approved on 10 May 2023.

Expenditure of **£2.974m** (nominal prices) or £2.043m (15/16 prices) was incurred in the period October 2017 to March 2024.

- r) **Castlereagh - Tandragee 110Kv Switchgear Replacement** – Construction costs of £7.017m [£3.509m in RP6 and £3.509m in RP7] (22/23 prices) was approved on 18 May 2023 in relation to the uprate of 110kV circuit breakers at Castlereagh Main and Tandragee Main substations.

Expenditure of **£0.003m** (nominal prices) or £0.002m (15/16 prices) was incurred in the period October 2017 to March 2024.

- s) **Energising Belfast – Castlereagh and Finaghy Enabling Works** – Costs of £4.872m (23/24 prices) were approved on 16 November 2023 in relation to enabling works at Castlereagh substation and Finaghy Main.

Expenditure of **£0.173m** (nominal prices) or £0.119m (15/16 prices) was incurred in the period October 2017 to March 2024.

Capex in the Transmission 5-year RAB of **£4.782m** comprises non-network IT spend of £2.935m and tree cutting costs of £1.847m.

4.19 & 4.23 Demonstrably inefficient qualifying capex expenditure – This is zero as no capex expenditure has been deemed demonstrably inefficient or wasteful for the period October 2017 to March 2024.

4.21 Pass through capex expenditure amount – This represents the Net Connection amount (capex less contributions) of **£3.115m** associated with the construction of clusters. These amounts are included within the Renewables RAB.

Use of shared asset charge – This represents the allowance of **£3.225m** (21/22 prices), granted by the UR in December 2021 [REDACTED]

4.28 Capex disposal amount – This is zero as there were no Transmission capex disposals during the period

4.33 Additional allowed capex – This sets out the phasing of additional capital expenditure allowances from October 2017 to March 2024 which have been approved

by the UR. These additional allowances amount to **£78.061m** in 15/16 prices (£102.695m in nominal prices). Actual costs associated with these are detailed in Section 4.17. These allowances relate to:

- a) Coolkeeragh - Magherafelt Pre-construction (phase 1) **£0.139m** (£0.564m approval less RP5 spend of £0.425m). Coolkeeragh - Magherafelt Pre-construction (phase 2) **£3.308m**
- b) Coolkeeragh - Magherafelt Construction **£36.798m**
[REDACTED]
- d) Ballylumford - Eden Pre-construction **£1.268m**
- e) Ballylumford - Eden Construction **£13.799m**
- f) Omagh Tamnamore 3rd Circuit **£1.493m**. (£22.240m approval less RP5 spend of £20.747m)
- g) North South Interconnector pre-construction **£2.534m**
- h) Ballylumford 110 kV switchgear Pre-construction **£0.620m**
- i) Castlereagh Knock Construction **£0.910m**
- j) Airport Road Pre-construction **£0.563m**
- k) Omagh / Dromore Pre-construction **£0.826m**
- l) Omagh / Dromore Construction **£4.433m**
- m) Additional Shunt Reactors (1st Allowance) **£1.912m**
- n) Additional Shunt Reactors (2nd Allowance) **£1.862m**
- o) Transmission Power Quality Monitoring Construction **£0.703m**
- p) Coolkeeragh - Magherafelt Protection Scheme **£0.227m**
- q) Ballylumford Switchboard Enabling Works - **£2.818m**
- r) Castlereagh - Tandragee 110Kv Switchgear replacement **£1.278m**
- s) Energising Belfast – Castlereagh and Finaghy Enabling Works - **£1.907m**

4.36 Allowed capex amount – This relates to additional capex allowances under the capex change of law term ACCOL_X_t. This is zero as no amounts have been approved under this term.

6.3 Qualifying opex expenditure amount – The amount is **£53.089m** for the period to March 2024 comprising Indirect & IMF expenditure and business rates less O&M, tort and other miscellaneous income. Exceptional income of £0.010m has been included in 2023/24 [REDACTED]

6.5 & 6.9 Demonstrably inefficient qualifying opex expenditure – This is zero as no opex expenditure has been deemed demonstrably inefficient or wasteful for the period October 2017 to March 2024.

6.7 Pass through opex expenditure – The amount of **£2.442m** includes the Transmission allocation (20%) of UR licence fee costs and net connections operating costs associated with clusters.

6.15 Allowed opex other amount – These relates to additional RP6 approvals by the UR. The approval for the period October 2017 to March 2018 was in relation to **£13k** of apprenticeship levy costs approved by the regulator on the 13 June 2018 under the change of law (COL_t) term.

The amounts included for the period April 2018 to March 2019 relate to **£101k** of injurious affection costs approved by the regulator on the 2 August 2019 under the IA_t term and **£16k** of apprenticeship levy costs approved by the regulator on the 30 June 2020 under the change of law (COL_t) term.

The amounts included for the period April 2019 to March 2020 relate to **£316k** of injurious affection costs approved by the regulator on the 8 December 2020 under the IA_t term and **£16k** of apprenticeship levy costs approved by the regulator on the 26 October 2020 under the change of law (COL_t) term.

The amounts included for the period April 2020 to March 2021 relate to **£80k** of injurious affection costs approved by the regulator on the 5 November 2021 under the IA_t term

and **£18k** of apprenticeship levy costs approved by the regulator on the 14 March 2022 under the change of law (COL_t) term.

The amounts included for the period April 2021 to March 2022 relate to **£267k** of injurious affection costs approved by the regulator on the 22 December 2022 under the IA_t term and **£25k** of apprenticeship levy costs approved by the regulator on 24 October 2022 the under the change of law (COL_t) term.

Approvals for the period April 2022 to March 2023 relate to **£244k** of injurious affection costs approved by the regulator on the 4 October 2023 under the IA_t term and **£27k** of apprenticeship levy costs approved by the regulator on the 13 September 2023 under the change of law (COL_t) term.

Approvals for the period April 2023 to March 2024 relate to **£31k** of injurious affection costs approved by the regulatory on the 23 July 2024 under the IA_t term.

11 Correction factor amount – this shows actual Transmission service charge revenue received from the SONI business for the period October 2017 to March 2024. It also sets out the average specified rate to be applied to any over/under recoveries on the correction factor amount. The rates are based on the arithmetic mean of the daily base rates of Danske Bank Ltd. The figure shown in 2023/24 of 5.25% represents a forecast average rate for 2024/25 and is therefore subject to change.

Additional documentation submitted.

No comment required.

2.5 Rec 1 – OPEX

The 'Rec 1 - OPEX' worksheet – reconciles the qualifying operational expenditure shown under Annex 2 to the operating cost figures for Transmission and Distribution shown in the income statement of the regulatory accounts.

There are a number of reconciling items and the Licensee should insert any explanatory notes which explain the reconciling items. The Licensee shall continue this approach for any new reconciling items.

Qualifying opex has been reconciled to the Regulatory accounts for the periods 2017/18 to 2023/24. The 'Rec 4 (17-18)' worksheet provides a reconciliation of the two six-month periods (April to September 17) and (October 17 to March 18) to the 2017/18 regulatory accounts. There are differences between allocations to T&D due to the timing of the publication of the Regulatory accounts and the finalisation of RIGs data.

As agreed with the Utility Regulator for the RP6 period, where an item of opex cannot be allocated directly to either Transmission or Distribution, previous years FD RIGs allocations have been used as the basis of these splits. This means that 2022/23 RIGs allocations have been used for the preparation of 2023/24 regulatory accounts and we will continue to use prior year RIGs allocations for the remainder of the RP6 price control period.

If however a discovery is made when completing the 2023/24 Financial Data RIGs, or any subsequent years of the RP6 price control period, that there is a difference in the allocation of opex between Transmission and Distribution which is greater than 1% of the combined Transmission and Distribution turnover, a written explanation will be provided, which will provide clarity on how the issue has arisen and will be duly signed off by an appropriate person in NIE Networks along with the Financial Data RIGs submission.

The following items are excluded when calculating qualifying opex but as they form part of the total operating cost figure in the regulatory accounts they need to be included in the reconciliation:

- (a) **Connection expenditure** – This relates to adjustments to T&D opex to exclude connection costs which do not form part of the RP6 price control.

[REDACTED]

[REDACTED]

[REDACTED]

(e) **Depreciation** – This is ignored when calculating qualifying opex.

(f) **PSO costs** – Costs relating to NIE Land Bank, the Energy Efficiency Program (NISEP) and payments to / from Power NI PPB are ignored when calculating qualifying opex.

(g) **Provision release** – This relates to the release of provisions, which are ignored when calculating qualifying opex.

(i) **Lease Liabilities** – From the regulatory reporting year 2019/20, NIE Networks has adopted the international accounting standard (IFRS 16) which is in relation to leases. This standard was effective for the first time for the regulatory year beginning on 1 April 2019 and replaces IAS 17, 'Leases', and related interpretations. Adopting this new standard meant that the company's financial liabilities associated with future lease commitments were recognised on the balance sheet at 1 April 2019. Lease payments relating to fleet and property costs, which would have previously been accounted for in the P&L account, need to be included within qualifying opex. As these amounts were not included within opex in the regulatory accounts but form part of the reconciliation these items need to be included. Lease interest and lease liability payments included in the cash-flow statement of the regulatory accounts from April 2019 to March 2024 are shown below.

	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
<u>Lease interest</u>					
Transmission	-0.022	-0.027	-0.022	-0.036	-0.062
Distribution	-0.303	-0.318	-0.261	-0.371	-0.644
<u>Lease Liability</u>					
Transmission	-0.207	-0.237	-0.239	-0.262	-0.240
Distribution	-2.837	-2.746	-2.786	-2.714	-2.493

Additional documentation submitted.

No comment required.

2.6 Rec 2 – CAPEX

The 'Rec 2 - CAPEX' worksheet – reconciles the qualifying capital expenditure shown under Annex 2 to the capital expenditure additions included in note 4 and note 6 of the regulatory accounts

There are a number of reconciling items and the Licensee should insert any explanatory notes which explain the reconciling items. The Licensee shall continue this approach for any new reconciling items.

Qualifying capex has been reconciled to the Regulatory accounts for the periods 2017/18 to 2023/24. The 'Rec 4 (17-18)' worksheet provides a reconciliation of the two six-month periods (April to September 17) and (October 17 to March 18) to the 2017/18 regulatory accounts. There are differences between allocations to T&D due to the timing of the publication of the Regulatory accounts and the finalisation of RIGs data.

As agreed with the Utility Regulator for the RP6 period, where an item of capex cannot be allocated directly to either Transmission or Distribution, previous years FD RIGs allocations have been used as the basis of these splits. This means that 2022/23 RIGs allocations have been used for the preparation of 2023/24 regulatory accounts and we will continue to use prior year RIGs allocations for the remainder of the RP6 price control period.

If however a discovery is made when completing the 2023/24 Financial Data RIGs, or any subsequent years of the RP6 price control period, that there is a difference in the allocation of capex between Transmission and Distribution which is greater than 1% of the combined Transmission and Distribution turnover, a written explanation will be provided, which will provide clarity on how the issue has arisen and will be duly signed off by an appropriate person in NIE Networks along with the Financial Data RIGs submission.

The following items are excluded when calculating qualifying capex but as they form part of the total capital expenditure figure in the regulatory accounts they need to be included in the reconciliation:

(a) Customer Contributions – Approved Generation Cluster Infrastructure –

The Capex connections amount - CC_{Xt} figure shown in row 7 is net of contributions relating to clusters. These contributions have been added back in row 11 to reconcile to the gross capex figures in the regulatory accounts.

(b) Connections expenditure: Various other Connections categories – These are excluded from qualifying capex as they do not form part of the RP6 Price Control.

(c) Legacy RP5 Dt Items – These relate to RP5 Legacy Dt adjustments and are excluded as they do not form part of the RP6 price control.

[REDACTED]

(e) Creosote Poles Provision – A provision was created in 2022/23 with respect to future costs associated with the disposal of Creosote treated wood poles. This provision equated to £30.868m, with £7.152m allocated to Transmission and £23.715m allocated to Distribution based on RAB percentage splits. These costs are reviewed each year and amended as appropriate. A review in 2023/24 resulted in an increase in the provision of £0.127m for Transmission and £1.052m for Distribution. These provisions are excluded when calculating qualifying capex.

[REDACTED]

(g) D5 Mechanism Costs – This relates to D5 pre-construction costs that are recorded as operating costs in the regulatory accounts but from a regulatory perspective are recovered as capex in the Renewables RAB. As these costs have

been included in the qualifying capex amount but are classified as opex in the regulatory accounts, they have been deducted in the reconciliation.

(h) Customer Contributions - Housing sites with 12 or more Domestic Premises – The Capex connections amount - CC_X_t figure shown in row 28 is net of contributions relating to 12 or more domestic premises. These contributions have been added back in row 31 to reconcile to the gross capex figures in the regulatory accounts.

(i) Contestability IT Costs – This relates to the IT system costs incurred in the introduction of contestability into the Connections market. These costs are recorded as operating costs in the regulatory accounts but from a regulatory perspective are recovered through the Distribution 5-year RAB. As these costs have been included in the qualifying capex amount but are classified as opex in the accounts, they have been deducted in the reconciliation.

Additional documentation submitted.

No comment required.

2.7 Rec 3 – INCOME

The 'Rec 3 INCOME' worksheet – reconciles the 'Revenue' figures for Transmission and Distribution shown in the income statement of the regulatory accounts to the various income lines in the 'Financial Data' worksheet.

There are a number of reconciling items and the Licensee should insert any explanatory notes which explain the reconciling items. The Licensee shall continue this approach for any new reconciling items.

Income has been reconciled to the Regulatory accounts for the periods 2017/18 to 2023/24. The 'Rec 4 (17-18)' worksheet provides a reconciliation of the two six-month periods (April to September 17) and (October 17 to March 18) to the 2017/18 regulatory accounts.

As agreed with the Utility Regulator for the RP6 period, where an item of income cannot be allocated directly to either Transmission or Distribution, previous years FD RIGs allocations have been used as the basis of these splits. This means that 2022/23 RIGs allocations have been used for the preparation of 2023/24 regulatory accounts and we will continue to use prior year RIGs allocations for the remainder of the RP6 price control period.

If however a discovery is made when completing the 2023/24 Financial Data RIGs, or any subsequent years of the RP6 price control period, that there is a difference in the allocation of income between Transmission and Distribution which is greater than 1% of the combined Transmission and Distribution turnover, a written explanation will be provided, which will provide clarity on how the issue has arisen and will be duly signed off by an appropriate person in NIE Networks along with the Financial Data RIGs submission.

As the following items do not form part of qualifying amounts but are part of income in the regulatory accounts they need to be included in the reconciliation:

- (a) **Amortisation of connection contributions** – This is excluded as it does not form part of the RP6 price control.
- (b) **PSO Income** – PSO Tariff income, Net Landbank subsidy, income from Power NI (PPB), and Income from Power NI (Supply) are excluded as they do not form part of the RP6 price control.

(c) Connections Income – Various other connection categories and alterations – These are excluded as they do not form part of the RP6 price control.
Additional documentation submitted.
No comment required.

2.8 Rec 4 (17-18)

The 'Rec 4 (17-18)' worksheet – reconciles the six-month period April to September 2017 and the six-month period October 17 to March 18 to the 2017/18 regulatory accounts.

There are a number of reconciling items and the Licensee should insert any explanatory notes which explain the reconciling items. The Licensee shall continue this approach for any new reconciling items.

As the first six-month period (April to September 2017) of the NIE Networks 2017/18 regulatory reporting year (April 2017 to March 2018) fell into the RP5 price control period, this information was reported in the RP5 RIGs. The last six-month period (October 2017 to March 2018) forms part of the RP6 price control and is therefore included in the RP6 RIGs.

A reconciliation worksheet has been included which reconciles figures for both six-month periods to the figures contained in the 2017/18 regulatory accounts. This reconciliation is shown in the worksheet 'Rec 4 (17-18)'.

This worksheet sets out a reconciliation of the opex, capex, income and DB pension charge figures for the six-month period April to September 17 (shown in the RP5 RIGs) and the six-month figures for the period October 17 to March 18 (included in the RP6 RIGs) to the 2017/18 regulatory accounts.

Additional documentation submitted.

No comment required.

2.9 Analysis 1 – DB PENSION CHARGE

The 'Analysis 1 - DB PENSION CHARGE' worksheet – This worksheet provides an analysis of the 'Defined Benefit Pensions charge' for Transmission and Distribution as shown within the cashflow statement of the regulatory accounts.

Explanatory notes which explain the analysis should be provided within this document.

An analysis is shown of the DB pension charge less contributions paid figures within the cash-flow statement of the Regulatory accounts for the periods 2017/18 to 2023/24. The 'Rec 4 (17-18)' worksheet provides a reconciliation of the two six month periods (April to September 17) and (October 17 to March 18) to the 2017/18 regulatory accounts.

[REDACTED]

Explanatory items (Transmission and Distribution)

- a) **Pension deficit repair payments** – The cash cost paid by the company to reduce the shortfall in the pension scheme. The deficit payment amounts are agreed at each triennial valuation.

[REDACTED]

- d) **Other Pensions included in Opex** – This includes the administration costs of running the pension scheme; the Pension Protection Fund levy paid to government; and the current service cost charge for active members of the final salary pension scheme. This is calculated based on IAS19 and the assumptions underpinning this are revised each year.

- e) **Other Pension ongoing payments** – The cash costs paid to the pension scheme for the ongoing service of the remaining active participants in the scheme i.e. those employees who still work for the Company. This is updated with each triennial valuation.

f) Unregulated pension deficit & Incremental deficit – Deficit payments relating to unregulated pension schemes and incremental deficits which are incurred after 31 March 2012.
Additional documentation submitted.
No comment required.