

RP7 - NIE Networks Price Control 2025-2031

Final Determination Annex E
Detailed Expenditure Allowances
30 October 2024



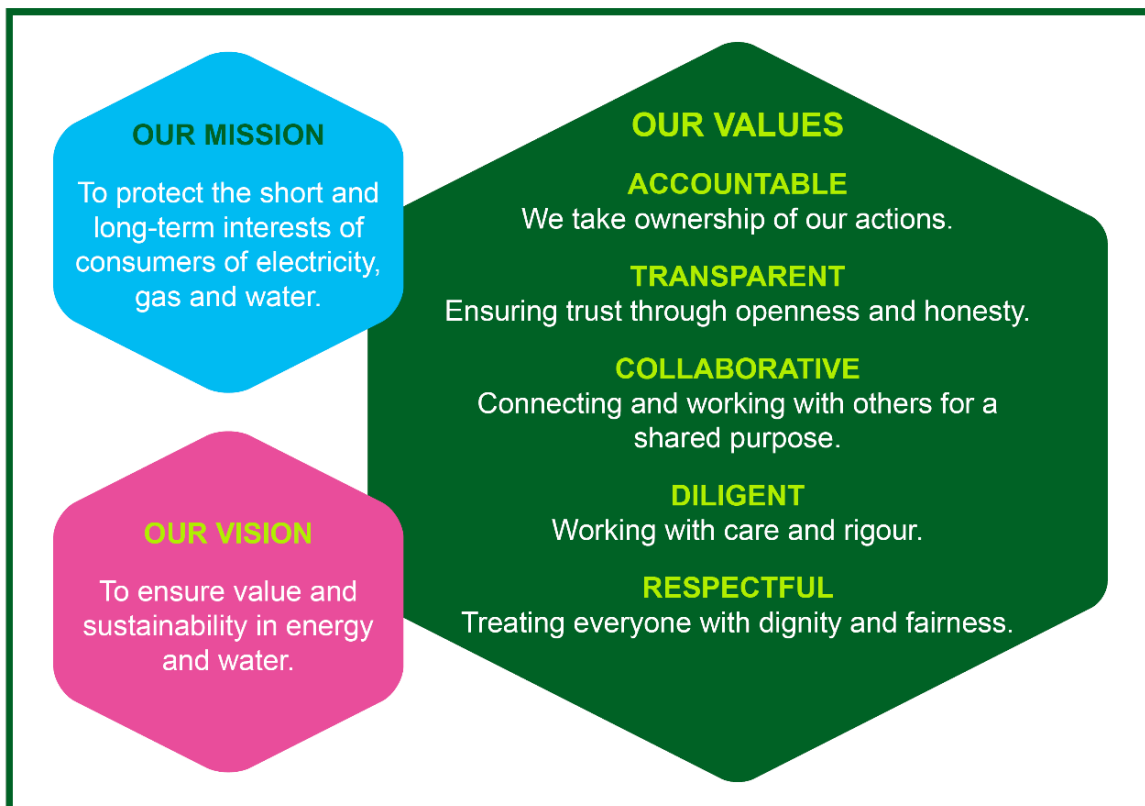
About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive and two Executive Directors lead teams in each of the main functional areas in the organisation: CEO Office; Price Controls; Networks and Energy Futures; and Markets and Consumer Protection. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.



Abstract

The purpose of this annex is to provide a high-level summary of the total cost requests of the company and the subsequent allowances. These costs are split between the distribution and transmission businesses respectively.

This annex is only for summary purposes. Further detail on our cost proposals is set out in the main document and relevant supporting annexes.

Audience

NIE Networks, consumers, consumer representatives, consumer groups, other regulated companies in the energy industry, government, and other bodies with an interest in the energy industry.

Consumer impact

NIE Networks has a pivotal role in terms of 'keeping the lights on'. Both the effectiveness and efficiency of NIE Networks are key to industry and domestic consumers. The RP7 price control aims to set an efficient revenue cap to enable NIE Networks to deliver quality outputs that customers need.

NIE Networks' costs are a material and controllable element of electricity tariffs and RP7 investment decisions are expected to underpin improvements in service delivery for consumers.

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Executive Summary

The purpose of this annex is to provide a high-level summary of the total cost requests of the company and the subsequent total expenditure (totex) allowances. These costs are split between the distribution and transmission businesses respectively.

Unlike the draft determination, this annex also covers licence allowances. It sets out the licence table allowances on a pre-efficiency and real price effect (pre-RPE) basis. A reconciliation is also provided between the totex allowance and what is included in the licence figures.

This annex is only for summary purposes. Further detail on our cost proposals is set out in the main document and relevant supporting annexes.

1. Introduction

- 1.1 As part of the business plan submission, NIE Networks helpfully provided an annex covering the requested expenditure for the RP7 period. This was also contrasted with the expected RP6 outturn figures.
- 1.2 We have replicated the summary tables in this annex to detail the final determination allowances. The structure of the tables largely reflects the approach adopted by the company.
- 1.3 It should be noted that the RP6 costs are based on NIE Networks forecast outturn and includes the RP6 extension year. Actual costs per annum to date can be different from these forecasts.
- 1.4 We have not amended NIE Networks request figures. However, various lines have changed as a result of the query process or the requested IT re-plan submission. Consequently, some allowances may exceed the business plan request or be lower than might be typically expected.
- 1.5 Full detail on the allowances is captured in the individual relevant annexes as follows:
 - a) Annex D – Modelled and Unmodelled Costs (covering Inspections, Maintenance, Faults, Tree cutting (IMFT), indirect costs, rates, licence fees and severe weather).
 - b) Annex P – Direct Capex.
 - c) Annex N – Innovation.
 - d) Annex O – Metering (covering metering and market operations).
 - e) Annex W – IT and Digitalisation.
- 1.6 Detail on the calculation of percentages used to calculate real price effects (RPEs) and efficiency can be found in Annex C – Frontier Shift.
- 1.7 All costs referred to in this document are in 2021-22 prices (October 2021) unless otherwise stated. RP7 cost lines typically exclude real price effects (RPEs) and efficiency savings which are separately identified. Table totals may not sum due to rounding.

2. Distribution Expenditure

Summary

2.1 The business plan request and our allowance for core distribution costs is set out in Table 2.1 and Table 2.2 below.

	Average per annum		Distribution Core Expenditure – NIE Networks Request						RP7
	RP6	RP7	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m/a	£m/a	£m	£m	£m	£m	£m	£m	£m
Distribution network capex	70.8	133.5	118.8	135.2	133.8	134.6	139.3	139.1	800.8
IMFT costs	17.6	23.7	23.6	23.6	23.7	23.8	23.8	23.8	142.3
Indirects	50.3	72.6	68.5	69.0	73.1	74.7	75.1	75.1	435.7
Non-network IT	7.7	19.5	23.3	27.8	27.7	20.4	13.5	4.3	117.1
Market operations	22.8	28.2	28.6	27.3	27.9	28.1	28.2	29.1	169.3
RP7 efficiency savings*	0.0	-16.0	-9.0	-12.4	-15.1	-17.5	-19.9	-21.9	-95.8
Totals	169.3	261.5	253.8	270.6	271.1	264.2	259.9	249.5	1,569.3

Table 2.1: RP7 summary of NIE Networks core distribution expenditure request¹

¹ All financial figures in this annex are stated in 2021-22 (Oct 2021) prices, unless otherwise stated. Figures in tables may not sum due to rounding.

	Average per annum		Distribution Core Expenditure – UR Allowance						RP7
	RP6	RP7	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m/a	£m/a	£m	£m	£m	£m	£m	£m	£m
Distribution network capex	70.8	131.4	127.4	137.3	131.0	131.1	130.8	130.8	788.5
IMFT costs	17.6	20.4	21.1	21.1	20.0	19.9	20.0	20.0	122.1
Indirects	50.3	64.0	63.2	63.1	64.2	64.6	64.5	64.4	384.0
Non-network IT	7.7	19.8	22.1	27.3	26.1	18.8	14.1	10.1	118.5
Market operations	22.8	25.3	25.8	24.5	24.9	25.2	25.2	26.3	152.0
RP7 efficiency savings*	0.0	-16.6	-10.1	-13.4	-15.7	-17.9	-20.2	-22.6	-99.9
Totals	169.3	244.2	249.5	260.0	250.6	241.7	234.4	229.0	1,465.3

Table 2.2: RP7 summary of UR core distribution allowances

- 2.2 For core distribution expenditure, allowances represent 93% of the amount requested. They also signify a 44% uplift from the forecast RP6 run rate. Non-network IT costs are above allowances due to the IT system re-plan and amended cost profile. Greater efficiencies are also anticipated because of the increase in the ongoing efficiency challenge from 0.8% per annum to 1.0% per year.
- 2.3 It should be noted that figures in this table (and others) include forecast allowances for cost lines which will be subject to price control re-openers, as per the business plan approach. These values cannot therefore be translated into ex-ante distribution licence allowances. For example, the capex line includes £6m associated with the forecast innovation fund. However, decisions around this fund will be subject to separate review and determination. The same issue can also be identified for IT allowances.
- 2.4 For other distribution expenditure, the request and final allowances are shown below in Table 2.3 and Table 2.4 respectively. The key difference is the impact of RPEs. Some change has also been made for rates and the expected increase in licence fees. However these are at any rate subject to cost pass-through. A key reason for the reduced run-rate is the fact that the pension deficit obligations have been removed.

	Average per annum		Other Distribution Expenditure – NIE Networks Request						RP7
	RP6	RP7	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m/a	£m/a	£m	£m	£m	£m	£m	£m	£m
RP7 real price effects	0.0	35.1	22.8	31.7	35.6	37.8	40.6	42.2	210.6
Rates	13.1	11.1	11.6	11.4	11.1	10.9	10.9	10.9	66.7
Licence fees	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	8.6
Pension deficit contributions	16.2	-5.0	-29.7	0.0	0.0	0.0	0.0	0.0	-29.7
Pension ERDC disallowance	-4.3	1.4	8.5	0.0	0.0	0.0	0.0	0.0	8.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	26.4	44.1	14.6	44.6	48.1	50.1	52.9	54.4	264.7

Table 2.3: RP7 summary of NIE Networks other distribution expenditure request

	Average per annum		Other Distribution Expenditure – UR Allowance						RP7
	RP6	RP7	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m/a	£m/a	£m	£m	£m	£m	£m	£m	£m
RP7 real price effects*	0.0	3.1	-3.5	-0.3	2.8	3.2	6.6	10.0	18.8
Rates	13.1	10.7	11.2	11.0	10.7	10.5	10.5	10.5	64.4
Licence fees	1.4	2.3	2.3	2.3	2.3	2.3	2.3	2.3	13.6
Pension deficit contributions	16.2	-2.6	-15.8	0.0	0.0	0.0	0.0	0.0	-15.8
Pension ERDC disallowance	-4.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	26.4	13.5	-5.8	13.0	15.8	16.0	19.4	22.7	80.9

Table 2.4: RP7 summary of UR other distribution expenditure allowances

	Average per annum		Detailed Distribution Core Expenditure – NIE Networks Request						RP7
	RP6	RP7	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m/a	£m/a	£m	£m	£m	£m	£m	£m	£m
Facilitating net zero	29.2	61.7	51.9	56.3	62.8	62.5	68.5	68.3	370.4
A safe, reliable, resilient network	32.8	62.3	59.6	69.5	61.1	62.2	60.8	60.8	374.0
Innovation in all we do	2.0	3.2	1.1	3.2	3.7	3.7	3.7	3.7	19.1
Other non-load	4.7	4.6	4.6	4.6	4.6	4.6	4.6	4.6	27.8
Network access and commissioning	2.2	1.6	1.6	1.6	1.6	1.6	1.6	1.6	9.5
Total distribution capex	70.8	133.5	118.8	135.2	133.8	134.6	139.3	139.1	800.8
Inspections	2.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	31.6
Maintenance	3.4	4.9	4.9	4.9	4.9	4.9	4.9	4.9	29.4
Fault & emergency	9.5	9.2	9.2	9.2	9.2	9.2	9.2	9.2	55.3
Tree-cutting	4.0	5.8	5.8	5.8	5.8	5.8	5.8	5.8	34.7
Severe weather	0.2	0.9	0.9	0.9	0.9	0.9	0.9	0.9	5.6
Network access and commissioning	1.4	0.6	0.6	0.6	0.7	0.7	0.7	0.7	3.9
Income	-3.3	-3.0	-3.2	-3.1	-3.0	-3.0	-3.0	-3.0	-18.2
Total IMF&T	17.6	23.7	23.6	23.6	23.7	23.8	23.8	23.8	142.3
Indirects (general)	47.2	63.6	60.4	61.1	64.5	65.5	65.3	65.2	381.9
IT and telecoms opex	4.2	9.9	9.1	9.0	9.6	10.2	10.8	10.9	59.6
Income relating to indirect activities	-1.0	-1.0	-1.0	-1.0	-1.0	-0.9	-0.9	-0.9	-5.8
Total indirects	50.3	72.6	68.5	69.0	73.1	74.7	75.1	75.1	435.7
Non-network IT: distribution	5.6	11.7	13.1	14.4	14.4	14.7	10.8	2.8	70.3
Non-network IT: market operations	2.1	7.8	10.2	13.4	13.3	5.7	2.7	1.5	46.8
Total non-network IT	7.7	19.5	23.3	27.8	27.7	20.4	13.5	4.3	117.1
Total core costs	146.5	249.3	234.2	255.7	258.3	253.6	251.7	242.3	1,495.8

Installs, re-certification	7.3	8.3	9.2	7.9	7.9	8.0	8.1	9.0	50.1
Meter reading	4.0	4.3	4.3	4.3	4.3	4.3	4.3	4.3	25.6
Enduring solution opex	5.7	7.0	6.7	6.9	7.0	7.0	7.0	7.0	41.7
IT and telecoms opex	1.2	2.6	2.5	2.4	2.6	2.8	2.8	2.8	15.8
Other	4.6	6.0	6.1	5.9	6.2	6.0	6.0	6.0	36.1
Total market operations	22.8	28.2	28.6	27.3	27.9	28.1	28.2	29.1	169.3
RP7 efficiency savings	0.0	-16.0	-9.0	-12.4	-15.1	-17.5	-19.9	-21.9	-95.8
Total	169.3	261.5	253.8	270.6	271.1	264.2	259.9	249.5	1,569.3

Table 2.5: RP7 detailed breakdown of NIE Networks core distribution expenditure request

	Average per annum		Detailed Distribution Core Expenditure – UR Allowance						RP7
	RP6	RP7	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m/a	£m/a	£m	£m	£m	£m	£m	£m	£m
Facilitating net zero	29.2	65.4	65.4	65.4	65.4	65.4	65.4	65.4	392.2
A safe, reliable, resilient network	32.8	57.3	54.5	63.2	56.6	56.7	56.4	56.4	343.7
Innovation in all we do	2.0	1.8	0.6	1.8	2.1	2.1	2.1	2.1	10.8
Other non-load	4.7	5.4	5.4	5.4	5.4	5.4	5.4	5.4	32.3
Network access and commissioning	2.2	1.6	1.6	1.6	1.6	1.6	1.6	1.6	9.5
Total distribution capex	70.8	131.4	127.4	137.3	131.0	131.1	130.8	130.8	788.5
Inspections	2.3	4.6	4.8	4.8	4.6	4.5	4.5	4.5	27.8
Maintenance	3.4	4.3	4.5	4.4	4.2	4.2	4.2	4.2	25.7
Fault & emergency	9.5	8.0	8.4	8.3	7.9	7.8	7.9	7.9	48.2
Tree-cutting	4.0	5.1	5.3	5.3	5.0	4.9	5.0	5.0	30.4
Severe weather	0.2	0.8	0.8	0.8	0.8	0.8	0.8	0.8	4.8
Network access and commissioning	1.4	0.6	0.6	0.6	0.6	0.6	0.6	0.6	3.4
Income	-3.3	-3.0	-3.2	-3.1	-3.0	-3.0	-3.0	-3.0	-18.2
Total IMF&T	17.6	20.4	21.1	21.1	20.0	19.9	20.0	20.0	122.1
Indirects (general)	47.2	55.6	55.0	55.4	55.6	55.8	55.9	55.8	333.5
IT and telecoms opex	4.2	9.4	9.3	8.7	9.6	9.7	9.5	9.5	56.3
Income relating to indirect activities	-1.0	-1.0	-1.0	-1.0	-1.0	-0.9	-0.9	-0.9	-5.8
Total indirects	50.3	64.0	63.2	63.1	64.2	64.6	64.5	64.4	384.0
Non-network IT: distribution	5.6	12.2	13.3	15.5	11.8	12.8	11.5	8.2	73.1
Non-network IT: market operations	2.1	7.6	8.8	11.9	14.4	6.0	2.5	1.9	45.5
Total non-network IT	7.7	19.8	22.1	27.3	26.1	18.8	14.1	10.1	118.5
Total core costs	146.5	235.5	233.8	248.9	241.4	234.3	229.3	225.4	1413.1

Installs, re-certification	7.3	6.5	7.5	6.0	6.1	6.3	6.2	7.2	39.3
Meter reading	4.0	4.2	4.1	4.1	4.2	4.2	4.2	4.3	25.1
Enduring solution opex	5.7	6.9	6.6	6.9	7.0	7.1	7.1	7.1	41.7
IT and telecoms opex	1.2	2.2	2.2	2.1	2.3	2.3	2.3	2.3	13.4
Other	4.6	5.4	5.4	5.4	5.4	5.4	5.4	5.4	32.6
Total market operations	22.8	25.3	25.8	24.5	24.9	25.2	25.2	26.3	152.0
RP7 efficiency savings	0.0	-16.6	-10.1	-13.4	-15.7	-17.9	-20.2	-22.6	-99.9
Total	169.3	244.2	249.5	260.0	250.6	241.7	234.4	229.0	1,465.3

Table 2.6: RP7 summary of UR detailed core distribution allowances

2.5 A breakdown of the detailed core distribution request and allowances is set out in Table 2.5 and Table 2.6. The proposed allowance represents a 6.6% reduction on the business plan request but a significant (44%) uplift from the RP6 forecast.

2.6 The change between business plan, draft and final determination is detailed below.

	Average per annum		Distribution Expenditure – Request vs Allowance						RP7
	RP6	RP7	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m/a	£m/a	£m	£m	£m	£m	£m	£m	£m
Business Plan	195.7	305.6	268.4	315.2	319.2	314.3	312.8	303.9	1,833.8
Draft Determination	195.7	255.6	231.0	266.6	270.3	260.3	256.4	249.0	1,533.6
Final Determination	195.7	257.7	243.7	273.0	266.4	257.7	253.7	251.8	1,546.2

Table 2.7: RP7 summary of NIE Networks distribution expenditure request vs UR allowance

2.7 Whilst costs have increased between draft and final determination, the amended RPE allowance has offset the increases somewhat.

3. Transmission Expenditure

Summary

3.1 The RP7 business plan request our allowance for core transmission costs is set out below in Table 3.1 and Table 3.2 respectively.

	Average per annum		Transmission Core Expenditure – NIE Networks Request						RP7
	RP6	RP7	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m/a	£m/a	£m	£m	£m	£m	£m	£m	£m
Transmission network capex	27.6	97.9	80.8	99.5	127.3	127.4	80.7	71.6	587.4
IMFT costs	1.7	2.1	2.2	2.2	2.1	2.0	2.0	2.0	12.5
Indirects	7.9	11.7	10.9	11.1	11.9	12.0	12.1	12.1	70.1
Non-network IT	0.6	1.9	2.2	2.4	2.4	2.4	1.8	0.5	11.6
RP7 efficiency savings	0.0	-1.8	-1.0	-1.3	-1.8	-2.1	-2.3	-2.5	-10.9
Total	37.8	111.8	95.1	113.9	141.8	141.8	94.3	83.7	670.7

Table 3.1: RP7 summary of NIE Networks core transmission expenditure request

	Average per annum		Transmission Core Expenditure – UR Allowance						RP7
	RP6	RP7	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m/a	£m/a	£m	£m	£m	£m	£m	£m	£m
Transmission network capex	27.6	97.2	80.1	98.5	126.7	126.9	80.2	71.1	583.5
IMFT costs	1.7	1.7	1.9	1.9	1.6	1.6	1.6	1.6	10.1
Indirects	7.9	10.3	10.0	10.2	10.4	10.3	10.3	10.3	61.6
Non-network IT	0.6	2.0	2.2	2.6	2.0	2.1	1.9	1.4	12.1
RP7 efficiency savings	0.0	-1.9	-1.0	-1.3	-1.9	-2.1	-2.3	-2.6	-11.3
Totals	37.8	109.4	93.2	111.8	138.9	138.7	91.7	81.8	656.1

Table 3.2: RP7 summary of UR core transmission allowances

- 3.2 For core transmission expenditure, allowances represent 98% of the amount requested. However much of the forecast capex relates to D5 projects which are not determined within this price control. Rather they are decided on an individual project basis.
- 3.3 For other transmission expenditure the request and allowances are detailed in Table 3.3 and Table 3.4. Again, the key difference is the allowance for RPEs with some minor changes to rates and licence fees. A key reason for the reduced run-rate is the fact that the pension deficit obligations have been removed in RP7.

	Average per annum		Other Transmission Expenditure – NIE Networks Request						RP7
	RP6	RP7	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m/a	£m/a	£m	£m	£m	£m	£m	£m	£m
RP7 real price effects	0.0	4.1	2.5	3.3	4.4	4.7	4.7	4.8	24.5
Rates	3.8	4.4	3.9	4.1	4.4	4.6	4.6	4.7	26.3
Licence fees	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	2.1
Pension deficit contributions	4.9	-1.5	-9.1	0.0	0.0	0.0	0.0	0.0	-9.1
Pension ERDC disallowance	-1.3	0.4	2.5	0.0	0.0	0.0	0.0	0.0	2.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	7.8	7.7	0.2	7.8	9.1	9.7	9.7	9.8	46.4

Table 3.3: RP7 summary of NIE Networks other transmission expenditure request

	Average per annum		Other Transmission Expenditure – UR Allowance						RP7
	RP6	RP7	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m/a	£m/a	£m	£m	£m	£m	£m	£m	£m
RP7 real price effects	0.0	0.4	-0.4	0.0	0.3	0.4	0.8	1.2	2.3
Rates	3.8	4.2	3.8	4.0	4.2	4.4	4.5	4.5	25.4
Licence fees	0.4	0.6	0.6	0.6	0.6	0.6	0.6	0.6	3.4
Pension deficit contributions	4.9	-0.8	-4.7	0.0	0.0	0.0	0.0	0.0	-4.7
Pension ERDC disallowance	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	7.8	4.4	-0.7	4.5	5.1	5.4	5.8	6.2	26.4

Table 3.4: RP7 summary of UR other transmission allowances

	Average per annum		Detailed Transmission Core Expenditure – NIE Networks Request						RP7
	RP6	RP7	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m/a	£m/a	£m	£m	£m	£m	£m	£m	£m
<i>Uncertainty Mechanisms (D5 Projects)</i>									
Facilitating net zero	0.0	71.1	67.9	85.6	92.6	93.2	48.3	39.2	426.9
A safe, reliable, resilient network	19.3	11.1	0.0	0.0	16.6	16.6	16.6	16.6	66.5
<i>Ex-ante Allowances</i>									
A safe, reliable, resilient network	7.8	15.3	12.5	13.5	17.7	17.2	15.4	15.4	91.8
Network access and commissioning	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	2.3
Total distribution capex	27.6	97.9	80.8	99.5	127.3	127.4	80.7	71.6	587.4
Inspections	0.3	0.6	0.6	0.6	0.6	0.6	0.6	0.6	3.8
Maintenance	1.1	1.6	1.6	1.6	1.6	1.6	1.6	1.6	9.4
Fault & emergency	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	3.4
Tree-cutting	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	2.5
Network access and commissioning	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.5
Income	-0.9	-1.2	-1.1	-1.1	-1.2	-1.3	-1.3	-1.3	-7.2
Total IMF&T	1.7	2.1	2.2	2.2	2.1	2.0	2.0	2.0	12.5
Indirects (general)	7.4	10.4	9.7	10.0	10.7	10.7	10.7	10.7	62.5
IT and telecoms opex	0.7	1.6	1.5	1.5	1.6	1.7	1.8	1.8	9.8
Income relating to indirect activities	-0.2	-0.4	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-2.2
Total indirects	7.9	11.7	10.9	11.1	11.9	12.0	12.1	12.1	70.1
Non-network IT: transmission	0.6	1.9	2.2	2.4	2.4	2.4	1.8	0.5	11.6
RP7 efficiency savings	0.0	-1.8	-1.0	-1.3	-1.8	-2.1	-2.3	-2.5	-10.9
Total	37.8	111.8	95.1	113.9	141.8	141.8	94.3	83.7	670.7

Table 3.5: RP7 detailed breakdown of NIE Networks core transmission expenditure request

	Average per annum		Detailed Transmission Core Expenditure – UR Allowance						RP7
	RP6	RP7	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m/a	£m/a	£m	£m	£m	£m	£m	£m	£m
<i>Uncertainty Mechanisms (D5 Projects)</i>									
Facilitating net zero	0.0	71.1	67.9	85.6	92.6	93.2	48.3	39.2	426.8
A safe, reliable, resilient network	19.3	11.1	0.0	0.0	16.6	16.6	16.6	16.6	66.4
<i>Ex-ante Allowances</i>									
A safe, reliable, resilient network	7.8	14.7	11.8	12.5	17.1	16.7	14.9	14.9	88.0
Network access and commissioning	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	2.3
Total distribution capex	27.6	97.2	80.1	98.5	126.7	126.9	80.2	71.1	583.5
Inspections	0.3	0.5	0.5	0.5	0.5	0.5	0.5	0.5	3.1
Maintenance	1.1	1.4	1.5	1.5	1.4	1.4	1.4	1.4	8.4
Fault & emergency	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	3.1
Tree-cutting	0.3	0.3	0.4	0.4	0.3	0.3	0.3	0.3	2.1
Network access and commissioning	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.5
Income	-0.9	-1.2	-1.1	-1.1	-1.2	-1.3	-1.3	-1.3	-7.2
Total IMF&T	1.7	1.7	1.9	1.9	1.6	1.6	1.6	1.6	10.1
Indirects (general)	7.4	9.1	8.8	9.1	9.2	9.1	9.2	9.2	54.6
IT and telecoms opex	0.7	1.5	1.5	1.4	1.6	1.6	1.6	1.6	9.2
Income relating to indirect activities	-0.2	-0.4	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-2.2
Total indirects	7.9	10.3	10.0	10.2	10.4	10.3	10.3	10.3	61.6
Non-network IT: transmission	0.6	2.0	2.2	2.6	2.0	2.1	1.9	1.4	12.1
RP7 efficiency savings	0.0	-1.9	-1.0	-1.3	-1.9	-2.1	-2.3	-2.6	-11.3
Total	37.8	109.4	93.2	111.8	138.9	138.7	91.7	81.8	656.1

Table 3.6: RP7 detailed breakdown of UR core transmission expenditure allowances

- 3.4 A breakdown of the detailed core transmission request and allowances is set out in Table 3.5 and Table 3.6. The proposed allowance represents a 2.2% reduction on the business plan request. However, as previously stated, around £493m of these costs (the first two lines of Table 3.5 and Table 3.6) are subject to the D5 price control re-opener.
- 3.5 When these costs are removed the reduction is around 8% of the transmission request. Reductions are focused across most of the lines with the exception of non-network IT costs.
- 3.6 The change between business plan, draft and final determination for transmission is detailed below.

	Average per annum		Transmission Expenditure – Request vs Allowance						RP7
	RP6	RP7	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m/a	£m/a	£m	£m	£m	£m	£m	£m	£m
Business Plan	45.6	119.5	95.3	121.7	150.9	151.5	104.0	93.5	716.9
Draft Determination	45.6	113.2	90.0	115.4	143.9	144.4	97.7	88.0	679.2
Final Determination	45.6	113.7	92.5	116.3	144.0	144.1	97.5	88.0	682.4

Table 3.7: RP7 summary of NIE Networks transmission expenditure request vs UR allowance

- 3.7 Whilst costs have increased between draft and final determination, the amended RPE allowance has offset the increases somewhat.

4. Totex Conclusions

4.1 In overall terms RP7 represents a significant increase on RP6, whether looking at the business plan request or final determination allowances.

	Totex Expenditure – NIE Networks Request						RP7
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m	£m	£m	£m	£m	£m	£m
Distribution	268.7	315.3	319.3	314.4	313.1	304.2	1,834.1
Transmission	95.2	121.7	151.0	151.3	103.9	93.5	716.9
Total	363.8	437.0	470.3	465.7	417.0	397.7	2,551.0

Table 4.1: RP7 summary of NIE Networks totex expenditure request

	Totex Expenditure – UR Allowance						RP7
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m	£m	£m	£m	£m	£m	£m
Distribution	243.7	273.0	266.4	257.7	253.7	251.8	1,546.2
Transmission	92.5	116.3	144.0	144.1	97.5	88.0	682.5
Total	336.2	389.3	410.4	401.8	351.2	339.8	2,228.7

Table 4.2: RP7 summary of UR totex expenditure allowance

- 4.2 The final determination of £2.23bn represents an 87.4% allowance on the £2.55bn request. It should however be noted that much of this allowance is not set ex-ante but will be decided via uncertainty mechanisms.
- 4.3 Figures have been presented in this fashion for comparability purposes in order to mirror what has been done in the NIE Networks business plan. It is important to note that these allowances cannot be assumed to be figures which will be written into the licence modifications.
- 4.4 The final determination represents a small totex uplift from the £2.21bn allowed at the draft determination. Whilst there have been significant increases in capital allowances and certain network operating costs, the overall totex increase has been limited by the changing position of the RPE assessment.

5. Licence Tables

Distribution

5.1 For the RP7 licence, the figures included will differ from totex allowances. This is for a variety of reasons set out in the reconciliation section. The distribution licence allowances (pre-efficiency and RPE) are as follows:²

	Distribution Licence Table 3 - AC_D5Yt						RP7
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m	£m	£m	£m	£m	£m	£m
AC_FD_D5Y	26.283	32.210	6.607	6.406	6.097	6.047	83.649

Table 5.1: RP7 5-year distribution RAB allowance

	Distribution Licence Table 4 - AC_DNt						RP7
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m	£m	£m	£m	£m	£m	£m
AC_FD_DN	143.567	152.990	145.853	145.841	145.346	145.280	878.878

Table 5.2: RP7 40-year distribution RAB allowance

	Distribution Licence Table 6 - AC_D10Yt						RP7
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m	£m	£m	£m	£m	£m	£m
RAB_FD_D10Y	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Table 5.3: RP7 10-year distribution RAB allowance

	Distribution Licence Table 7 - FMFAt & SMFAt						RP7
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m	£m	£m	£m	£m	£m	£m
FMFAt	1.172	1.188	1.315	1.193	1.104	1.100	7.073
SMFAt	2.171	1.898	1.858	1.885	1.916	2.138	11.865

Table 5.4: RP7 first metering and secondary metering fixed allowance

² N.B. RP7 totals are not included in the licence but shown in this annex for completeness.

	Distribution Licence Table 10 - AOt						RP7
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m	£m	£m	£m	£m	£m	£m
AO_FD	58.208	57.507	51.890	52.344	52.756	52.846	325.550

Table 5.5: RP7 distribution opex allowance

	Distribution Licence Table 12 - Pt						RP7
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m	£m	£m	£m	£m	£m	£m
Historic Deficit Repair	-15.800	0.000	0.000	0.000	0.000	0.000	-15.800
ERDC ³ Disallowance	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Pension deficit amount	-15.800	0.000	0.000	0.000	0.000	0.000	-15.800

Table 5.6: RP7 distribution pension allowances

Transmission

5.2 The transmission licence allowances are as follows:

	Transmission Licence Table 3 - AC_TNt						RP7
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m	£m	£m	£m	£m	£m	£m
RAB_FD_TN	18.460	19.420	23.971	23.382	21.636	21.634	128.503

Table 5.7: RP7 40-year transmission RAB allowance

	Transmission Licence Table 4 - AC_RNt						RP7
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m	£m	£m	£m	£m	£m	£m
RAB_FD_RN	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Table 5.8: RP7 renewables transmission RAB allowance

	Transmission Licence Table 5 - AC_T5Yt						RP7
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m	£m	£m	£m	£m	£m	£m
RAB_FD_T5Y	2.240	2.613	0.363	0.341	0.342	0.343	6.243

Table 5.9: RP7 5-year transmission RAB allowance

³ ERDC = Early retirement deficit contributions.

	Transmission Licence Table 7 AOt						RP7
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m	£m	£m	£m	£m	£m	£m
AO_FD	5.652	5.492	4.740	4.659	4.694	4.704	29.940

Table 5.10: RP7 transmission opex allowance

	Transmission Licence Table 9 - Pt						RP7
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m	£m	£m	£m	£m	£m	£m
Historic Deficit Repair	-4.700	0.000	0.000	0.000	0.000	0.000	-4.700
ERDC Disallowance	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Pension deficit amount	-4.700	0.000	0.000	0.000	0.000	0.000	-4.700

Table 5.11: RP7 transmission pension allowances

Reconciliation

5.3 The difference between the licence and the totex allowances is set out below.

	Reconciliation Table						RP7
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Totals
	£m	£m	£m	£m	£m	£m	£m
Licence Totals	237.3	273.3	236.6	236.1	233.9	234.1	1,451.2
Totex Totals	351.2	404.3	424.9	418.2	366.3	353.8	2,318.7
Difference	113.9	131.0	188.3	182.2	132.4	119.7	867.5
Less Rates - D	11.2	11.0	10.7	10.5	10.5	10.5	64.4
Less Licence Fees - D	2.3	2.3	2.3	2.3	2.3	2.3	13.6
Less IT Costs - D	0.0	0.0	3.3	3.4	3.2	3.2	13.2
Less Non-Network IT - D	0.0	0.0	26.0	18.8	14.1	10.1	69.0
Less Meter Installs - D	5.3	4.1	4.2	4.4	4.3	5.1	27.4
Less Metering IT - D	0.0	0.0	1.2	1.3	1.3	1.3	5.0
Less Secondary Network Reinforcement - D	20.7	20.7	20.7	20.7	20.7	20.7	124.3
Less Service Cut Outs - D	0.1	0.1	0.1	0.1	0.1	0.1	0.5
Less Under Eaves - D	2.1	2.1	2.1	2.1	2.1	2.1	12.8
Less NIF ⁴ Re-Opener - D	0.0	0.6	1.2	1.2	1.5	1.6	6.0
Less Rates - T	3.8	4.0	4.2	4.4	4.5	4.5	25.4
Less Licence Fees - T	0.6	0.6	0.6	0.6	0.6	0.6	3.4
Less D5 Costs - T	67.9	85.6	109.2	109.8	64.9	55.8	493.2
Less IT Costs - T	0.0	0.0	0.5	0.6	0.5	0.5	2.2
Less Non-Network IT - T	0.0	0.0	1.9	2.1	1.9	1.4	7.3
Total Difference	113.9	131.0	188.3	182.2	132.4	119.7	867.5

Table 5.12: Totex and licence reconciliation

5.4 For licence fees and rates, these are subject to a cost pass through mechanism whereby NIE Networks are remunerated depending on actual spend. A variety of the cost lines (meter installs, under eaves etc) are subject to volume drivers. In this scenario the company are remunerated depending on the level of activity undertaken.

Certain IT cost lines are subject to a re-opener allowance for years 3-6 of the price control. This is due to uncertainty around the IT business plan because of the impact of smart meters. Finally, other lines have a separate re-opener mechanism to facilitate allowances throughout the price control. Amongst others, this includes the D5 mechanism for transmission projects required by SONI and the network innovation fund (NIF) for innovative project applications.

⁴ NIF = Network Innovation Fund.