# UK Power Networks Regulatory Financial Performance Reporting

September 2024
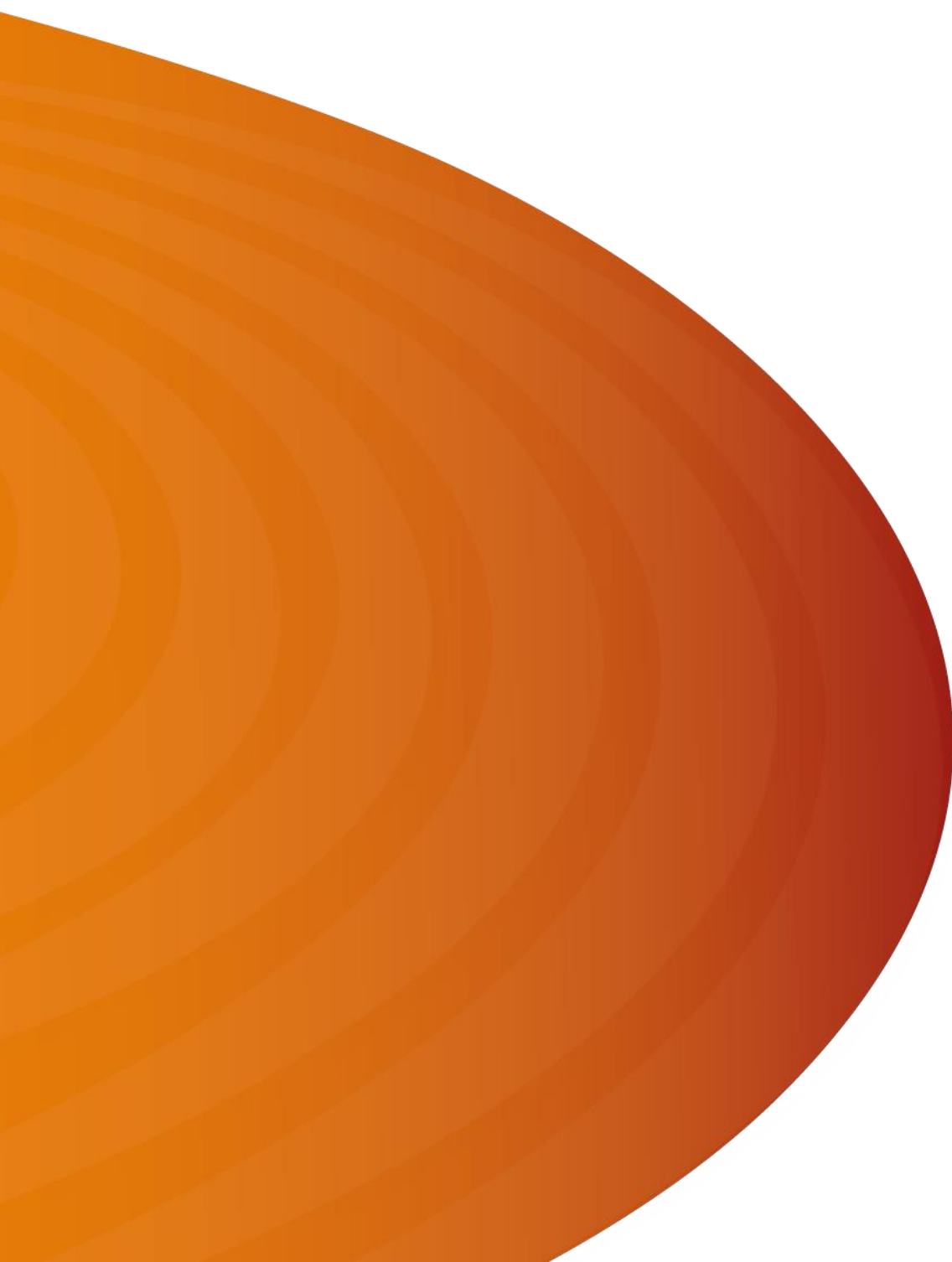
# Contents

# 1. Executive Summary

2023/24 was another excellent year for UK Power Networks. UK Power Networks ranked 1st in Ofgem's Broad Measure of Customer Satisfaction with a 94% customer satisfaction: our best ever score whilst remaining the lowest cost DNO.

Our highest priority is the safety of employees, supply chain, and members of the public.

Regrettably, however three of our employees and contractors sustained Lost Time Injuries (LTIs) where the employees concerned needed to take at least one day off work. Although this represents an industry leading safety performance, we have zero tolerance of accidents in the workplace, so three accidents are three too many. We remain focused on ensuring safety is the highest priority and in response to the increase in LTIs in the year have implemented additional safety measures including enhancements to our behavioural safety performance (Stay Safe) programme as well as greater levels of field inspections and improved communications.

Our London network outperformed its reliability targets for the year and remains the most reliable network in the sector. However, our Eastern and Southern Eastern networks did not meet their reliability targets. We are taking a careful look at our operations and will be increasing our investment to further improve the reliability of our network.

Sustainability is embedded in our culture. A key focus for UK Power Networks is how we support the UK's ambition to reduce carbon emissions to net zero by 2050 both in connecting renewable energy to our networks and facilitating the uptake of low carbon technologies. Our ambition is to be the most environmentally and socially responsible in the sector and to facilitate the transition to a net zero future.

In April 2023, UK Power Networks launched the only independent DSO by creating an independent Supervisory Board that is responsible for challenging and approving all bad related investment decisions. The group's DSO strategy is to create a dynamic distribution system, with electricity demand and supply flexing in response to distribution-level conditions and market signals. This will lead to a smarter and more highly utilised distribution network, with faster and cheaper access for the low carbon technologies that will be needed for decarbonisation.

We continue to work hard to make UK Power Networks a great place to work and recognise the importance of recruiting, developing and retaining high calibre people. It is through our people that we will achieve success in safety, reliability, customer service, cost efficiency and innovation. Positive employee engagement is key to attracting good people and to continuously improve the work environment. This is achieved by engaging with employees through multiple channels, listening to what they say, acting on their feedback and seeing they are informed about the business.

We have featured on the Best Companies "Top 25 Best Big Companies to Work For" list for 11 consecutive years, ranking number one out of all utility companies. We were ranked in the top 5% globally receiving Investors in People's Platinum status, we have won the Award for Leadership and Management at Investors in People's annual business and HR awards and placed 2nd in the 2023 Top 50 Employers in the UK. These accolades reflect our intent and commitment toward becoming a diverse and inclusive workplace.

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# 2. Key Financial Performance Measures

## Return on Regulatory Equity (RoRE)

UK Power Networks current RIIO-ED2 forecast would generate an operational RoRE of 7.9% based on the latest submitted Price Control Finance Models (PCFMs). This includes the August 2024 update as part of the Annual Iteration Process (AIP). Outperformance of the Ofgem Totex allowances contributes 1.3% to the RoRE with a further 1.1% from our strong performance on the incentive mechanisms.

When including debt and tax performance, UK Power Networks forecast RoRE grows to 9.9%. This is principally due to a tax outperformance in LPN. SPN sees a significant outperformance of the cost of debt allowances due to performance of its index linked debt.

The table below shows our five-year forecast RoRE based on notional gearing:

| RoRE based on Notional Gearing | RIIO-ED2 period | | | |
|---|---|---|---|---|
| | **LPN** | **SPN** | **EPN** | **UKPN** |
| Equity Return on the RAV | 5.5% | 5.5% | 5.5% | 5.5% |
| Totex outperformance | 1.4% | 1.2% | 1.3% | 1.3% |
| Business Plan Incentive | 0.1% | 0.5% | 0.0% | 0.2% |
| Time to connect ODI | 0.1% | 0.0% | 0.1% | 0.1% |
| Broad Measure of Customer Service ODI | 0.3% | 0.2% | 0.3% | 0.3% |
| Interruptions incentive scheme ODI | 0.2% | 0.0% | 0.0% | 0.1% |
| Major connections ODI | 0.0% | 0.0% | 0.0% | 0.0% |
| Consumer Vulnerability ODI | 0.1% | 0.1% | 0.1% | 0.1% |
| Distribution System Operator ODI | 0.3% | 0.3% | 0.3% | 0.3% |
| Collaborative Streetworks ODI (EPN, LPN and SPN only) | 0.1% | 0.0% | 0.1% | 0.1% |
| Network innovation input for RORE | 0.0% | 0.0% | 0.0% | 0.0% |
| Carry-over Network innovation input for RORE | 0.0% | 0.0% | 0.0% | 0.0% |
| Strategic innovation input for RORE | 0.0% | 0.0% | 0.0% | 0.0% |
| Penalties and fines (Other Activities) | 0.0% | 0.0% | 0.0% | 0.0% |
| **RoRE - Operational performance** | **8.2%** | **7.9%** | **7.7%** | **7.9%** |
| Debt performance - at notional gearing | 1.4% | 3.2% | 1.3% | 1.9% |
| Tax performance - at notional gearing | 0.9% | -0.2% | 0.0% | 0.2% |
| **RoRE - including financing and tax** | **10.5%** | **11.0%** | **8.9%** | **9.9%** |

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The table below shows our five-year forecast RoRE based on actual gearing

| RoRE based on Actual Gearing | RIIO-ED2 period | | | |
| --- | --- | --- | --- | --- |
| | LPN | SPN | EPN | UKPN |
| Equity Return on the RAV | 5.6% | 5.5% | 4.9% | 5.3% |
| Totex outperformance | 1.5% | 1.2% | 1.1% | 1.2% |
| Business Plan Incentive | 0.1% | 0.5% | 0.0% | 0.2% |
| Time to connect ODI | 0.1% | 0.0% | 0.1% | 0.1% |
| Broad Measure of Customer Service ODI | 0.3% | 0.3% | 0.3% | 0.3% |
| Interruptions incentive scheme ODI | 0.2% | 0.0% | 0.0% | 0.1% |
| Major connections ODI | 0.0% | 0.0% | 0.0% | 0.0% |
| Consumer Vulnerability ODI | 0.1% | 0.1% | 0.1% | 0.1% |
| Distribution System Operator ODI | 0.3% | 0.3% | 0.3% | 0.3% |
| Collaborative Streetworks ODI (EPN, LPN and SPN only) | 0.1% | 0.0% | 0.0% | 0.1% |
| Network innovation input for RORE | 0.0% | 0.0% | 0.0% | 0.0% |
| Carry-over Network innovation input for RORE | 0.0% | 0.0% | 0.0% | 0.0% |
| Strategic innovation input for RORE | 0.0% | 0.0% | 0.0% | 0.0% |
| Penalties and fines (Other Activities) | 0.0% | 0.0% | 0.0% | 0.0% |
| **RoRE - Operational performance** | **8.3%** | **8.0%** | **6.9%** | **7.6%** |
| Debt performance - at actual gearing | 1.2% | 3.2% | 1.3% | 1.8% |
| Tax performance - at actual gearing | 1.0% | -0.2% | -0.1% | 0.2% |
| **RoRE - including financing and tax** | **10.5%** | **11.0%** | **8.1%** | **9.5%** |

## Allowed Revenue

The Allowed Revenue is the amount of money that is to be collected by each DNO in respect of Use of System charges for a given year. The amount of Allowed Revenue that can be collected is determined by a set of formulae, performance measures and values that are set out in our licence. The values included in the RFPR are taken from the annual Cost Volume and Revenue Return submitted to Ofgem at the end of July. This collates all of the relevant information set out in the licence which is then brought together to establish the final Allowed Revenue for the given year. The Allowed Revenue is compared to the actual revenue collected from our customers in the year and any over/under-recovery is calculated and carried over to subsequent years' calculations.

In 2023/24, UK Power Networks' Allowed Revenue as reported in the RFPR and Revenue Return amounted to £1,333.7m in 2020/21 Prices.

| 2023/24 Allowed Revenue (R2) in 2020/21 prices | LPN | | SPN | | EPN | | UKPN | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Calculated revenue (as published) | £ | 383.4 | £ | 397.1 | £ | 568.4 | £ | 1,349.0 |
| Legacy Allowed Revenue | -£ | 24.3 | £ | 7.0 | £ | 2.6 | -£ | 14.7 |
| K Correction Factor | -£ | 5.0 | -£ | 0.8 | £ | 5.1 | -£ | 0.6 |
| Forecasting penalty (ED only) | £ | - | £ | - | £ | - | £ | - |
| **Allowed Network Revenue** | **£** | **354.2** | **£** | **403.4** | **£** | **576.1** | **£** | **1,333.7** |
| **Collected Regulated Network Revenue (per latest PCFM)** | **£** | **333.4** | **£** | **343.8** | **£** | **506.0** | **£** | **1,183.2** |
| (Under) / Over recovery | -£ | 20.8 | -£ | 59.6 | -£ | 70.1 | -£ | 150.5 |

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## Totex Outperformance

After the first year of RIIO-ED2, UK Power Networks has spent £139.5 million less than the Ofgem allowance (as per the updated PCFM following the 2023/24 Cost Volume and Revenue submission).

Load related expenditure is lower than forecast in the Business Plan with lower than anticipated connections inside price control costs and volumes.

Non-Load related expenditure has been consistent in year one of RIIO-ED2 with our RIIO-ED1 yearly average. We continue to ensure we deliver on all of our NARMs commitments over the price control period whilst challenging ourselves to work more efficiently to meet Ofgem's challenging allowed unit costs.

Network Operating Costs (NOCs) are overspent against the Ofgem allowance due to higher than allowed fault costs. We have experienced higher than average fault volumes in 2023/24 than forecast in our Business Plan submission. The forecast volumes informed our allowance and contributed to the overspend in year one.

| UKPN Totex  (2020/21 Prices £m) | UKPN | | LPN | | SPN | | EPN | |
|---|---|---|---|---|---|---|---|---|
| Actuals | £ | 870.3 | £ | 223.5 | £ | 249.7 | £ | 397.2 |
| Allowance | £ | 1,009.8 | £ | 268.2 | £ | 274.2 | £ | 467.4 |
| Out/Underperformance £m | -£ | 139.5 | -£ | 44.7 | -£ | 24.5 | -£ | 70.2 |
| Out/Underperformance % | | -14% | | -17% | | -9% | | -15% |

## Incentives and Other Revenue

UK Power Networks continues to perform well across the board with regards to Ofgem's incentive mechanisms. One key area of focus moving into 2024/25 is our Interruptions incentive scheme (IIS) performance. As noted previously, our London network continues to achieve industry leading reliability however our Eastern and South Eastern networks have not met our own high standards.

During the year we maintained our frontier position in Customer Service, achieving a score of 94% in Ofgem's Broad Measure of Customer Satisfaction (BMoCS) for the year ended 31 March 2024. Over the last ten years we have seen a 12% increase in the group's BMoCS score and significant improvement against the industry average, highlighting the focus and continued improvement on customer service.

In May 2023, we officially launched the UK's first independent Distribution System Operator (DSO). The DSO team combines the best of the DNO with new skills and perspectives. We set up the DSO to provide confidence that investment decisions are truly made in the best interest of current and future bill-paying customers. We are extremely proud to have received a score of 9.06 in the DSO stakeholder satisfaction survey and 8.91 in the performance panel. We are leading the industry in our performance panel score and this is a reflection of the hard work and dedication UK Power Networks put in to ensure our DSO sits at the forefront of the energy sector.

# Regulatory Financial Performance Reporting 2023-2024

Set out below is the summary of UK Power Networks 2023/24 Incentive Revenue (2020/21 Prices) by DNO:

| LPN Output Incentives (per latest PCFM) 2020/21 Prices | Cumulative to 2024 | | RIIO-2 period | |
|---|---|---|---|---|
| Business Plan Incentive | £ | 1.0 | £ | 4.8 |
| Time to connect ODI | £ | 0.5 | £ | 2.7 |
| Broad Measure of Customer Service ODI | £ | 2.4 | £ | 12.1 |
| Interruptions incentive scheme ODI | £ | 1.2 | £ | 6.5 |
| Major connections ODI | £ | - | £ | - |
| Consumer Vulnerability ODI | £ | - | £ | 4.2 |
| Distribution System Operator ODI | £ | 2.4 | £ | 12.1 |
| Collaborative Streetworks ODI (EPN, LPN and SPN only) | £ | 0.8 | £ | 3.8 |
| **Earned Output Incentive revenue as per PCFM** | **£** | **8.3** | **£** | **46.1** |

| SPN Output Incentives (per latest PCFM) 2020/21 Prices | Cumulative to 2024 | | RIIO-2 period | |
|---|---|---|---|---|
| Business Plan Incentive | £ | 4.1 | £ | 20.7 |
| Time to connect ODI | £ | 0.3 | £ | 1.3 |
| Broad Measure of Customer Service ODI | £ | 1.9 | £ | 9.7 |
| Interruptions incentive scheme ODI | -£ | 3.1 | -£ | 0.5 |
| Major connections ODI | £ | - | £ | - |
| Consumer Vulnerability ODI | £ | - | £ | 5.2 |
| Distribution System Operator ODI | £ | 2.5 | £ | 12.5 |
| Collaborative Streetworks ODI (EPN, LPN and SPN only) | £ | 0.2 | £ | 0.8 |
| **Earned Output Incentive revenue as per PCFM** | **£** | **5.9** | **£** | **49.7** |

| EPN Output Incentives (per latest PCFM) 2020/21 Prices | Cumulative to 2024 | | RIIO-2 period | |
|---|---|---|---|---|
| Business Plan Incentive | £ | - | £ | - |
| Time to connect ODI | £ | 0.8 | £ | 4.1 |
| Broad Measure of Customer Service ODI | £ | 3.7 | £ | 18.7 |
| Interruptions incentive scheme ODI | -£ | 4.0 | £ | 1.8 |
| Major connections ODI | £ | - | £ | - |
| Consumer Vulnerability ODI | £ | - | £ | 8.2 |
| Distribution System Operator ODI | £ | 3.9 | £ | 19.6 |
| Collaborative Streetworks ODI (EPN, LPN and SPN only) | £ | 0.6 | £ | 3.1 |
| **Earned Output Incentive revenue as per PCFM** | **£** | **5.0** | **£** | **55.3** |

| | | | | |
|---|---|---|---|---|
| **UKPN Total Earned Output Incentive revenue 2020/21 Prices** | **£** | **19.2** | **£** | **151.2** |

# 3. Key Operational Performance Measures

## 3.1 Return on Regulated Equity (RoRE)

The operational return on regulated equity (RoRE) in 2023/24 is 8.7% based on notional gearing.

The key drivers of the operational RoRE performance are our totex outperformance, which contributes 2.7% in 2023/24. Through our incentive mechanism outperformance, UK Power Networks has seen an increase to the base RoRE of 0.8%.

The RoRE post finance and tax increases to 15.4% in 2023/24 based on notional gearing.

UK Power Networks' interest cost performance is dependent on actual outturn inflation. UK Power Networks debt portfolio is 74% fixed rate debt and 26% index linked debt, in line with the regulatory assumption of 75% fixed rate debt and 25% index linked debt. Consequently, in years where inflation is below the long run average used in determining the fixed rate debt interest costs, UK Power Networks will underperform its cost of debt allowance and vice versa when inflation is above the long run inflation average.

## 3.2 Reconciliation to Revenue and Profit

Allowed Revenues have been calculated in line with the relevant licence conditions to reflect actual economic data, incentive performance and actual pass-through costs. They have been further adjusted in accordance with the annual iteration process to reflect adjustments for items such as the cost of debt, pension deficit performance and spending against cost allowances. The actual revenue collected over the year one of RIIO-ED2 represents a 11% under recovery

## 3.3 Totex – Reconciliation

In year one of RIIO-ED2, UK Power Networks has outperformed the totex allowances by 14% as per our 2023-24 CVR submission. This includes updating the allowances as per the latest Annual Iteration PCFM which we submitted to Ofgem on 31st August 2024.

## 3.4 Incentives and Other Revenue

*All values below expressed in 2020/21 Prices*

As part of our strong performance on the Business Plan incentive, UK Power Networks received £25.5m of reward. This represents frontier performance for the industry, a reflection of the quality of our Business Plan submission.

In 2023/24, we have seen strong performances on both Broad Measure of Customer Service and DSO incentives. This represents incentive revenue earnt of £8.1m and £8.8m respectively. In both categories, UK Power Networks leads the electricity distribution industry which is an achievement we are incredibly proud of as an organisation. We anticipate that this strong performance will continue for the remainder of RIIO-ED2.

As noted above in section two, performance on the interruptions incentive scheme does not meet our own high standards and will be an area of Management focus into year two of the price control.

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## 3.5  Financing and Net Debt position

Over the RIIO-ED2 period, UK Power Networks expects to outperform the cost of debt allowance and contribute an increase to the RoRE of 1.9%. The performance varies across the period as discussed above and is dependent on both the actual inflation and cost of debt allowance values out turning in line with Ofgem's assumptions.

The table below sets out the gearing position at the end of RIIO-ED2.

| UKPN Gearing % | LPN | SPN | EPN |
|---|---|---|---|
| 2023/24 Actual Regulatory Gearing | 56% | 59% | 53% |

| UKPN Gearing % | LPN | SPN | EPN |
|---|---|---|---|
| 2027/28 Forecast Regulatory Gearing | 65% | 63% | 58% |

## 3.6  Regulated Asset Value (RAV)

As UK Power Networks has outperformed the Ofgem allowance, the latest totex has been reflected in the RAV.  This has been derived by flowing the adjusted totex through the PCFM to calculate a revised RAV and then using this to determine the relevant additions and depreciation adjustments. As a result, average closing RAV by the end of the price control is expected to be £10.2bn in nominal prices.

## 3.7 Taxation and Tax Reconciliation

Tax has been calculated using the provisional CT600 for 2023/24. These are due for filing no later than March 2025. Regulatory adjustments have been made to account for the timing differences of collected revenue.

The forecast tax liability is based on our internal modelling which reflects the latest forecast view of the CT600 liability for 2024/25 and beyond.

As per the RIGs, no tax reconciliation was due for Electricity Distribution companies in 2023/24. This will form part of the RFPR submission in 2024/25 Regulatory year.

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### 3.8 Financial Resilience & Corporate Governance

The chart below visually represents the corporate ownership structure of UK Power Networks Holdings Limited.

UK Power Networks is held by CKI, Power Assets and CK Asset. Both CKI and Power Assets hold 40% of interest in the company respectively; while CK Asset holds a 20% interest.

All three of UK Power Networks licensees are owned 100% by UK Power Networks Holdings Limited.
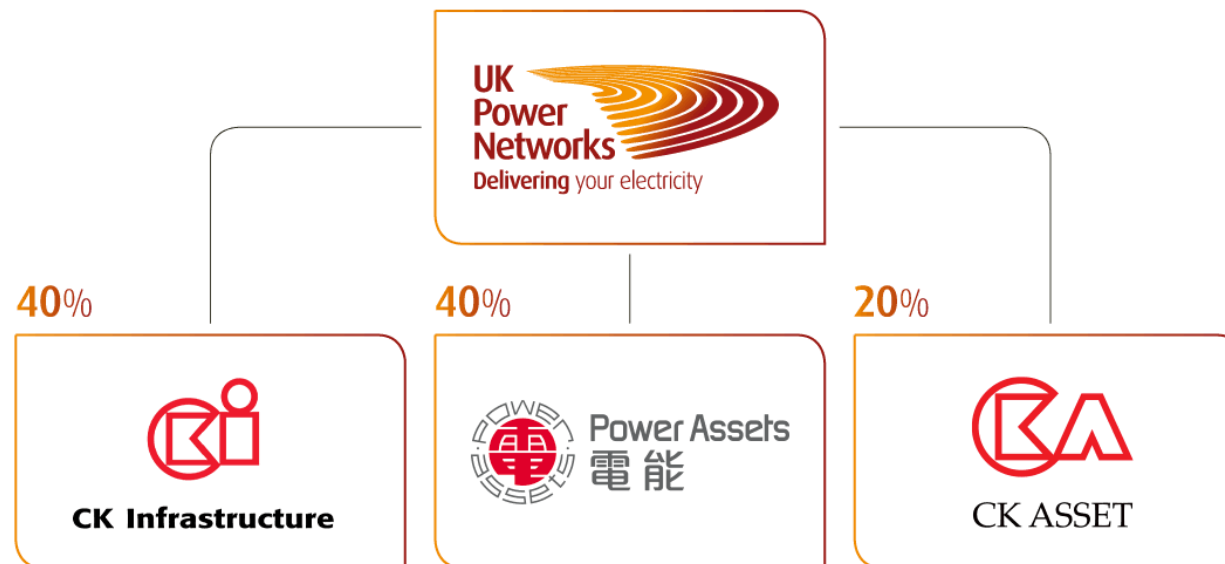
## Decision Making and Board Committees

The parent company for the group in the UK is UK Power Networks Holdings Limited, and the UK corporate structure is set out in above with ownership stakes expressed as a percentage. The Board of UK Power Networks Holdings Limited sets the policies for itself and its subsidiaries, including on the following matters: purpose, values and strategy; Board Director nominations; Board Director evaluation; Executive remuneration; and dividend policy. The Board has established a number of Committees to assist in the execution of its duties and to allow detailed consideration of complex issues.

### Audit Committee

The Audit Committee assists the Board with its responsibilities for financial reporting, maintaining an efficient system of internal control and internal and external audit processes. Using risk assessment methodology and taking into account the company's activities, internal audit determines an annual audit programme that is reviewed by the Audit Committee.

### Risk Management and Compliance Committee

The Risk Management and Compliance Committee assists the Board with its responsibilities in relation to risk management and overseeing compliance with obligations determined by statute, legislation, regulation, contract or agreement. The management of risk is fundamental to the company's business and to building shareholder value. The Board is responsible for approval of the risk management strategy while management is responsible for implementing the Board's strategy and for developing policies and procedures to identify, manage and mitigate risks across the business.

### Treasury Committee

The Treasury Committee oversees the treasury strategy, policy and procedure development and ensures that all treasury risks are identified, measured and controlled in a manner consistent with corporate strategy and treasury policy.

### Remuneration Committee

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the company's policies and structure in relation to the remuneration of senior management and employees of the company by reference to corporate goals and objectives resolved by the Board from time to time.

### Environmental, Social and Governance Committee

The ESG Committee's primary function is to assist the Board in ensuring that the company has a suitable and sufficient strategy in place to deliver the key ESG based commitments in the company's RIIO-ED2 final business plan submission. The Committee also provides oversight of the future development of strategy and policy as the external ESG environment evolves, and reports performance against ESG targets on a consolidated basis.

## Composition of committees

The Committee will be comprised of any member of the Board or their alternates (any of whom may be present in person or by the telephone) and such other person or persons as the Board may appoint to serve on the Committee. The appointment of new members and the removal or replacement of members shall be subject to approval by the Board and the majority of the members of the Committee should be independent of management functions.

The Committee shall elect a Chairperson for each of its meetings and the Chairperson shall be a member of the Board (or their alternate). The Committee shall be quorate when at least two Board members (or their alternates) from different shareholders are present in person or by telephone.

All members of the Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements and at least one member of the Committee shall have relevant and recent accounting or related financial management expertise. The Committee may invite other participants to the meeting as deemed necessary. The Chief Executive Officer will ensure that appropriate members of the senior management team are in attendance at meetings.

## Board Directors

The tables below list the directors and sufficiently independent directors for both UK Power Networks Holdings Limited and all DNOs. The board of directors for Eastern Power Networks, London Power Networks and South Eastern Power Networks are uniform.

| UK Power Networks Holdings Limited | | |
|---|---|---|
| **Director Name** | **Director Status** | **Appointment Date** |
| Andrew John Hunter | Shareholder Appointed Non-Executive Director (Chairman) | 21 June 2010 |
| Hing Lam Kam | Shareholder Appointed Non-Executive Director | 21 June 2010 |
| Neil Douglas McGee | Shareholder Appointed Non-Executive Director | 20 July 2010 |
| Basil Scarsella | Executive Director | 24 November 2010 |
| Loi Shun Chan | Shareholder Appointed Non-Executive Director | 11 January 2011 |
| Duncan Nicholas Macrae | Shareholder Appointed Non-Executive Director | 8 June 2011 |
| Kee Ham Chan | Shareholder Appointed Non-Executive Director | 11 September 2012 |
| Charles Chao Chung Tsai | Shareholder Appointed Non-Executive Director | 28 February 2014 |
| Edmond Wai Leung Ho | Shareholder Appointed Non-Executive Director | 14 April 2022 |
| Simon Ka Keung Man | Shareholder Appointed Non-Executive Director | 14 April 2022 |
| Jenny Ka Man Yu | Shareholder Appointed Non-Executive Director | 1 July 2023 |
| Chiu Ng | Shareholder Appointed Non-Executive Director | 15 April 2024 |

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| Eastern/London/South Eastern Power Networks PLC | | |
|---|---|---|
| **Director Name** | **Director Status** | **Appointment Date** |
| Andrew John Hunter | Shareholder Appointed Non-Executive Director (Chairman) | 29 October 2010 |
| Neil Douglas McGee | Shareholder Appointed Non-Executive Director | 29 October 2010 |
| Basil Scarsella | Executive Director | 24 November 2010 |
| Hing Lam Kam | Shareholder Appointed Non-Executive Director | 24 November 2010 |
| Duncan Nicholas Macrae | Shareholder Appointed Non-Executive Director | 8 June 2011 |
| Loi Shun Chan | Shareholder Appointed Non-Executive Director | 10 September 2012 |
| Kee Ham Chan | Shareholder Appointed Non-Executive Director | 10 September 2012 |
| Charles Chao Chung Tsai | Shareholder Appointed Non-Executive Director | 28 February 2014 |
| Christopher Clarke | Sufficiently Independent Director | 31 March 2014 |
| Paul Jeffery | Sufficiently Independent Director | 31 March 2014 |
| Jenny Ka Man Yu | Shareholder Appointed Non-Executive Director | 1 July 2023 |

## UK Power Networks Executive Remuneration policy

One of UK Power Networks' core company values is to be a respected corporate citizen and as such, clarity and transparency regarding executive remuneration is imperative. Therefore, UK Power Networks adopts a remuneration committee to implement policies and procedures related to employee remuneration and benefits. Its primary function is to assist the Board in fulfilling its oversight responsibility with respect to the adoption of principles and standards for executive remuneration and benefits. The Committee will also recommend to the Board any changes and/or amendments that may be considered appropriate in respect of the policy guidelines regarding the overall remuneration and benefits package of the Company's employees.

With the exception of Christopher Clarke, Paul Jeffery and Basil Scarsella, the individuals referred to above did not receive remuneration specific to their duties as directors of Eastern Power Networks plc, London Power Networks plc and South Eastern Power Networks plc.

As the Chief Executive Officer of the group, Basil Scarsella occupied a senior position as an executive director within UK Power Networks and was remunerated accordingly. The remuneration of Basil Scarsella is determined by a Remuneration Committee established by the Board of UK Power Networks Holdings Limited. The elements of this remuneration were as follows:

- Base salary
- Pension and other benefits
- UK Power Networks' annual incentive plan
- UK Power Networks' long-term incentive plan

There are direct links between the performance of UK Power Networks, including customer service, and Basil Scarsella's base salary and incentive plans which are discretionary as determined by the shareholders of UK Power Networks Holdings Limited.

The annual incentive plan provides a corporate bonus scheme which continues to promote the themes of safety, customer service, the environment, network reliability and financial performance. The overall effect is to create a balanced scorecard of measures to incentivise improved performance across all areas of operation.

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In assessing the outcome for the year, many of the targets relate to published financial accounts, published regulatory standards of performance and other statutory returns, which are covered by appropriate levels of quality assurance including external audits where applicable.

As Chief Executive Officer, Basil Scarsella holds no shares within any of UK Power Networks' three Licensees.

## 3.9 Pensions & Other Activities

The latest available pension scheme valuation was carried out on 31 March 2022. The valuation is triennial and hence 2022 is the latest available valuation.

For the Pension Payment History Allowance (PPH), the latest update to these values was in October 2023. This update however, only provided new values for 2025 onwards and 2024 has been based on the previous update in October 2019.

Guaranteed standard payments for 2023/24 have been sourced from the CVR return. No forecast has been provided for Guaranteed standard payments are we do not forecast an "acceptable" level of failure which would result in a payment being made.

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# 4. Data Assurance

## Data Assurance Statement

In line with UK Power Networks' Data Assurance Guidelines commitment, each table within the RFPR has been reviewed by a data owner, an accountable owner and a member of the Executive Management Team.

Each table in the RFPR has an assurance statement which details how the table was compiled together and has been signed by the accountable owner. The data and commentary were populated in line with the latest RFPR guidance issued by Ofgem. As instructed by Ofgem, the RPI assumptions for 2024 onwards have been updated in the templates.

An independent assurance provider conducted an accuracy check on UK Power Networks' RFPR data table files to confirm that figures are aligned with source data. They also reviewed the associated commentary document to assess that it accurately reflects the data in the data tables.
Following this review, all issues have been resolved and closed.

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# 5. Appendices

## R1 – RoRE

- **Reconciliation with the RFPR template**
  N/A

- **Enduring Value Adjustment**

  UK Power Networks has made no enduring value adjustments across any of the reporting tables. Our current expectation is that we will not need to account of any enduring value adjustments but should this change, this will be reflected in future RFPR submissions.

- **Basis of any estimates and allocations**
  N/A

- **Other Relevant Information**

  As per our narrative with Ofgem, UK Power Networks has input rows in R1 – RoRE to allow for the Collaborative Streetworks Incentive to be accounted for in the RoRE calculation.


## R2 – Reconciliation to Revenue and Profit

- **Reconciliation with the RFPR template**
  N/A

- **Enduring Value Adjustment**
  N/A

- **Basis of any estimates and allocations**

  Other Turnover items have been accumulated in accordance with the RIGs and the AUPs provided by Ofgem. Whilst the AUPs are not mandatory this year, the underlying principals have been followed.

  All adjustments and reconciling items have been accumulated from our statutory accounts and supporting records.

- **Other Relevant Information**

  Data in cells E13-E18 has been taken from the latest published PCFM in December 2023.

  Data in cell E25 has been taken from the latest submitted PCFM following the AIP dry run in August 2024.

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## R3 – Reconciliation to Totex

- **Reconciliation with the RFPR template**
  N/A

- **Enduring Value Adjustment**
  N/A

- **Basis of any estimates and allocations**
  N/A

- **Other Relevant Information**

  Data in cells where the template references "Latest PCFM" has been taken from the latest submitted PCFM following the AIP dry run in August 2024.

  As noted in the templates, UKPN has reconciled Totex for all three DNOs using cell CI86 of C1 - Cost Matrix 2024 of the July 2024 CVR submission

## R4 – Incentives and Other Revenue

- **Reconciliation with the RFPR template**
  N/A

- **Enduring Value Adjustment**
  N/A

- **Basis of any estimates and allocations**
  N/A

- **Other Relevant Information**

  Data in cells where the template references "Latest PCFM" has been taken from the latest submitted PCFM following the AIP dry run in August 2024.

## R5 – Financing

- **Reconciliation with the RFPR template**
  N/A

- **Enduring Value Adjustment**
  N/A

- **Basis of any estimates and allocations**
  N/A

- **Other Relevant Information**
  N/A

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# Regulatory Financial Performance Reporting 2023-2024

## R6 - Net Debt

- **Reconciliation with the RFPR template**
  N/A

- **Enduring Value Adjustment**
  N/A

- **Basis of any estimates and allocations**
  N/A

- **Other Relevant Information**

## R7 – RAV

- **Reconciliation with the RFPR template**
  N/A

- **Enduring Value Adjustment**
  N/A

- **Basis of any estimates and allocations**
  N/A

- **Other Relevant Information**

  Data in cells where the template references "Latest PCFM" has been taken from the latest submitted PCFM following the AIP dry run in August 2024.

## R8 - Tax

- **Reconciliation with the RFPR template**

  Forecast regulated tax liability for 2023/24 has been populated using the latest view of the CT600 liability due to be submitted no later than March 2025. Regulatory adjustments have then been overlaid for the latest view of Regulatory tax liability.

  Tax Allowance per latest PCFM has been taken from the latest submitted PCFM following the AIP dry run in August 2024.

- **Enduring Value Adjustment**
  N/A

- **Basis of any estimates and allocations**

  Tax Adjustments have been made to account for the latest view of tax liability as per the latest submitted PCFM following the AIP dry run in August 2024

- **Other Relevant Information**

# Regulatory Financial Performance Reporting 2023-2024

## R9 - Corporate Governance

- **Reconciliation with the RFPR template**
  N/A

- **Enduring Value Adjustment**
  N/A

- **Basis of any estimates and allocations**
  N/A

- **Other Relevant Information**

  Dividends have been populated in the RFPR in line with the dividends disclosed in the statutory accounts

## R10 – Pensions & Other Activities

- **Reconciliation with the RFPR template**
  N/A

- **Enduring Value Adjustment**
  N/A

- **Basis of any estimates and allocations**
  N/A

- **Other Relevant Information**

  The pension data is as per information previously submitted to Ofgem in both the Pensions and CVR submissions in July 2024

  Guaranteed Standards are also as reported in the July 2024 CVR return.

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