National Grid Electricity Transmission

Regulatory Financial Performance Report Narrative

July 2021

Contents

National Grid Electricity Transmission RFPR submission narrative – 2020/21

Introduction

The main purpose of this report is to provide a useful summary of National Grid Electricity Transmission's (NGET) financial and operational performance and represents 'Year 8' of the eight-year RIIO1 regulatory period. This report will explain the enduring Value Adjustments and their impact on RIIO1 Financial Performance, provide statements that the appropriate level of data assurance has been met and explain any material changes in performance when compared to the 2019/20 submission.

Given the current requirements of the Regulatory Reporting Pack (RRP) narratives overlap with those of the RFPR narrative, published Cost & Outputs RRP narrative is referenced to avoid duplication.

RoRE

Overview

The Return on Regulatory Equity (RoRE) figure is a key measure by which Ofgem compares operational and financing performance across Network Operators (NWOs). This encompasses the costs and allowances associated with a RIIO1 regulated business, including Totex, Financing, Tax, Incentive performance and company funded Innovation costs. A key concept in the RoRE calculation is enduring value. This aims to show the full value the regulated company has earnt during the price control period and therefore adjusts for allowances and incentives that are not related to RIIO1 performance and known true-ups that will impact RIIO1 performance during the RIIO1 close out process.

NGET RoRE on a notional basis

The table below compares the RORE presented in NGET's 2019/20 RFPR submission to the 2020/21 RFPR submission. The overall NGET RoRE has decreased marginally by 0.09% to 10.58%. The decrease is primarily due to tax and financing performance.

	RIIO1 RORE in 2020/21	**RIIO1RORE in 2019/20**
	%	**%**
Allowed return	7.00	7.00
Totex performance	2.00	2.03
IQI	0.29	0.29
Incentives & innovation	0.23	0.21
Operational RoRE	9.51	9.52
Financing and tax	1.06	1.15
Total RoRE	10.58	10.67

Revenue

(2020/21 Price base)

Allowed Revenues are directly sourced from the Revenue RRP submitted to Ofgem.

Collected revenue and the maximum allowed revenue (MAR) for 2020/21 is explained below and is based upon the Revenue RRP where the MAR differs to the RFPR tables due to the assumed levels of forecast output incentives yet to be directed by Ofgem i.e Stakeholder Engagement Reward. Further information on incentives can be found in the Output Incentive Performance section below.

Maximum Allowed Revenue

Licence Term	2019/20 £m (2019/20 prices)	2019/20 £m (Restated to 20/21 Price Base)	2020/21 £m (2020/21 prices)	Comments (all 2020/21 prices unless otherwise stated)
Base Revenue (BR)	1,643.8	1,670.5	1,639.6	• £18.8m year on year decrease in base allowances under the price control, hard coded in the licence according to Ofgem's final proposals (PU). • £6.1m decrease in PCFM variable value (MOD). Detailed MOD commentary included in Final Proposals Base Revenue against Adjusted Base Revenue section. • £6.0m decrease in RPI inflation true-up (TRU) as a result of the movement between forecast and actual RPI in 2020/21 compared to the movement in 2019/20.
Pass Through (PT)	34.6	35.1	39.0	• Business rates, licence fees and inter transmission SO compensation are trued up against the ex-ante allowances with a two year lag. The value from 2019/20 to 2020/21 has increased by £2.7m. • Temp Physical Disconnection Term costs are trued up within year. The true up value increased by £1.2m between 19/20 and 20/21. • Due to the legal separation of the ESO and NGET there are no longer any pass through costs for the 2 Scottish TOs and 17 OFTOs included within NGET MAR.
Incentives (OIP)	16.2	16.4	16.3	• A breakdown of incentive performance and associated narrative is provided below and includes performance of £4.2m for the reliability incentive, £0.2m for SF6 incentive and

				£11.8m for the customer and stakeholder satisfaction incentive.
Network Innovation Allowance (NIA)	6.8	6.9	6.5	• NIA Revenue is broadly in line year on year. Following ESO separation, the allowance has been split between NGET at 0.5% and ESO at 0.2% of NGET's Base Revenue as per licence conditions. • Under the NIA rollover mechanism, there are 12 NIA projects rolling over to completion within 2021/22 but funded under RIIO-1 2020/21 NIA Allowance. This is explained further within the Innovation section of the narrative.
Network Innovation Competition Funding (NICF)	0.0	0.0	0.0	• The NICF Revenue term moved to ESO in 2019/20 following separation.
Transmission Investment for Renewable Generation (TIRG)	0.0	0.0	0.0	• TIRG was a mechanism for funding electricity transmission projects specifically for connecting renewable generation. From 16/17 onwards, the depreciated actual cost is transferred into the RAV and TIRG is therefore zero.
Financing Cost (FIN-t)	(9.8)	(9.9)	(8.7)	• Following legal separation this term has been introduced to allow transfer of working capital funds from NGET to ESO.
Correction Term (K)	25.2	25.6	(16.1)	• The 2020/21 number reflects the over recovery from 2018/19 (adjusted for interest). This compares to an under recovery in 2019/20 for 2017/18.
Total MAR	**1716.9**	**1744.7**	**1676.6**	

Collected Revenue

Transmission Network Revenue is £1,691.8m (including Pre vesting) compared to the final MAR of £1,676.6m, this results in an over-recovery of £15.2m. Table comparing tariff setting and final MAR (Maximum Allowed Revenue) and collected income is below:

Item	£m	Commentary
TNUoS Charge Setting Forecast	1,691.1[1]	MAR figure set for charge setting on 31st January 2020 for the year 2020/21
TNUoS Revenue Collected	1,691.8	Actual Revenue collected in 2020/21

[1] https://www.nationalgrideso.com/charging/transmission-network-use-system-tnuos-charges

MAR	1,676.6	MAR as per the 2020/21 Revenue RRP submission
Over/(Under) Collection	15.2	Over collection amount that will be adjusted via the K term in the 2021/22 Allowed Revenues under the RIIO2 licence

TNUoS Charge setting forecast of £1,691.1m was set for charges on 31st January 2020 for the year 2020/21. 2020/21 charges were set to recover Maximum Allowed Revenue of £1,691.1m. TNUoS tariffs were set to recover £1,661.3m with the expectation that £29.8m would be recovered from pre-vesting connection charges. In 2020/21, £1,661.4m was recovered from use of system and terminations, and £30.5m from pre-vesting income.

Reconciliation to Statutory accounts

The reconciliation to Statutory Accounts is based on NGET's underlying accounting records, which report revenues separately between reported operating segments. As such the reconciling items disclosed in the table are sourced from NGET's accounting records with no specific allocation or methodology adjustments for the RFPR tables.

The change in accounting standards to IFRS 15 *Revenue from Contracts with Customers* was implemented in 2018/19 and reduced statutory revenue for NGET in 2018/19. This created an additional reconciling item between statutory and collected revenue. This has resulted in a reduction in statutory revenue for agency income, and a change in timing of revenue recognition for connections and diversions. Prior to the legal separation of ESO at the start of 2020/21 financial year, the statutory accounts included revenues associated with ESO and had to be adjusted in preparing the RFPR tables. As NGET's financial years 2019/20 and 2020/21 does not include these revenues the reconciliation has been simplified.

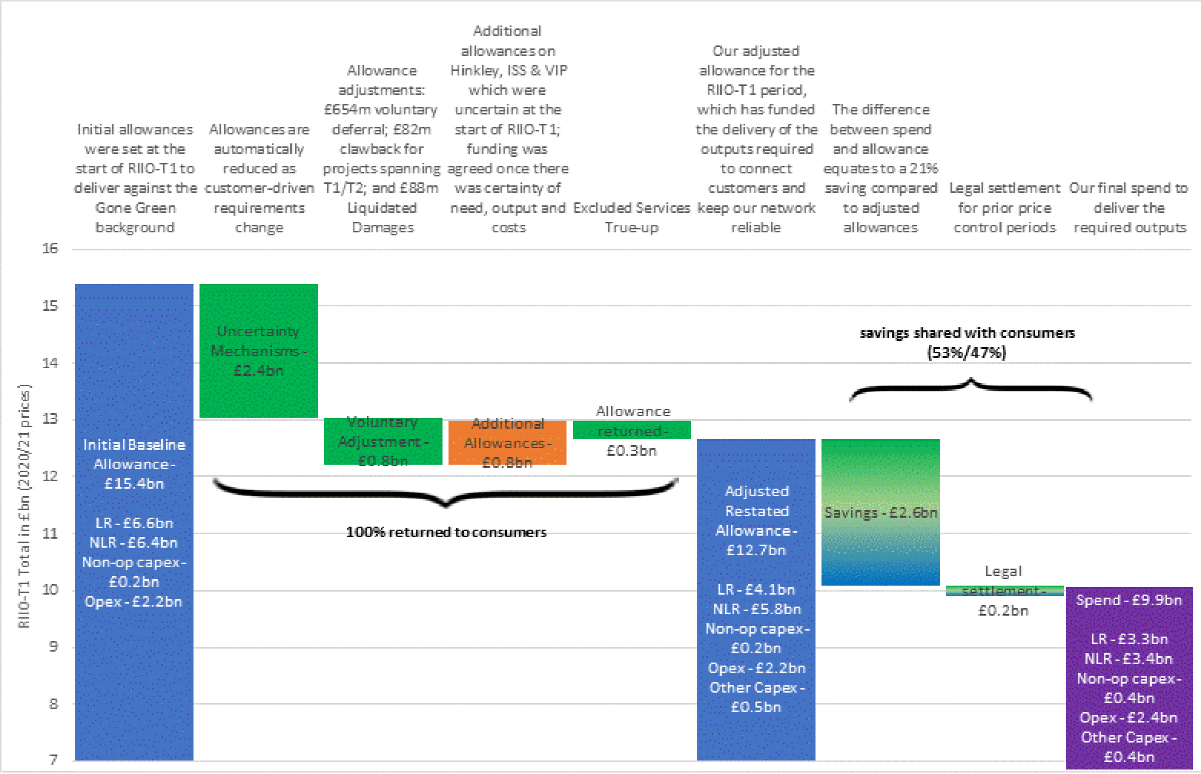
Totex performance

(2020/21 Price base)

RRP21 Performance Overview

NGET's overall total expenditure for the RIIO1 period is £9.9bn against allowances of £12.7bn, including the adjustment of £291.2m for forecast excluded services true-up, £81.9m for a clawback of RIIO1 allowances relating to projects spanning the T1/T2 price control period and £88.1m that NGET intends to return to consumers following receipt of liquidated damages relating to delivery of the Western HVDC link. This total results in costs which are £2.8bn below allowances, of which £185.8m results from cartel settlements relating to spend in prior price control periods.

The graphic below shows the eight-year Totex forecast for the Transmission Owner business and highlights how the price control mechanism has worked for end consumers. When customer needs change, NGET will amend plans accordingly and with the use of uncertainty mechanisms that are designed to automatically reflect the change through allowances. This means that consumer bills will not be as high as they were forecast to be at the start of RIIO1. In addition, the Totex Incentive Mechanism has incentivised NGET to innovate and deliver more efficiently. The action of the totex sharing factor has reduced customer charges by a further £1.4bn, which will lower the consumer bill.



R4 Totex table

The R4 Totex table begins with Totex forecasts per the Cost & Outputs RRP in row 12 and Allowances as per the Legacy MOD1 PCFM (as agreed with Ofgem in November 2020) in row 13. Enduring value adjustments are then applied which includes taking into account assumptions included in the RRP which are not included in the PCFM.

Enduring value adjustments

(2009/10 Price base)

The overarching principle of enduring value adjustments is to recognise performance that relates to the RIIO1 period, the methodologies are explained below. The lettering below references to the lettering within the RFPR R4 Totex tab.

a) The following assumptions are made within the Cost & Outputs RRP submission:
   - Where a decision is yet to be made on VIP (Visual Impact Provision) and LEI (Landscape Enhancement Initiatives), allowances are assumed equal to the spend.
   - Strategic Wider Works (SWW) construction allowances (for projects not included in the baseline) are set at 100% of the actual expenditure included in the RRP and phased in-line with actual and forecast expenditure.
   - Allowances for the Western HVDC Link are included per the licence.
   - Allowances for the Hinkley Sea-bank SWW project have been included as per the 17th July 2020 Ofgem consultation.
   - Load related UM projects delivering an output in RIIO1 receive allowances in line with the current Unit Cost Allowance (UCA) funding mechanism.
   - Actual and future load related UM projects delivering an output in RIIO2 years 1 and 2 will receive allowances in-line with the current UCA funding mechanism. Note this

differs from the allowances presented in the PCFM which are based on the licence definition and fixed per the forecast of outputs presented in the 2017/18 RRP submission. Presenting the allowances in this way in the RRP provides a more accurate view of the actual allowances for outputs being delivered.

- Actual and future load related UM projects delivering an output in RIIO2 years 3 and beyond do not have confirmed allowances included, but funding is anticipated as part of the RIIO1 close out process.
- Termination claims for wider works, demand and generation volume drivers (TPWW/TPG/TPD) will be settled based on the values submitted in the Cost & Outputs RRP.

b) Western Link Allowance Rephasing:

Allowances are rephased in line with expenditure as referenced at the Mid Period Review. This better matches allowances to the level of incurred or forecasted expenditure, providing a more accurate view of in-year performance. Re-phasing does not affect the overall level of allowances recognised over the RIIO1 period, thus does not materially impact the RORE.

c) Western Link Liquidated Damages:

NGET has received pre-commissioning liquated damages in relation to Western Link which are included as a credit to totex within the Cost & Outputs RRP. The current expectation is that these will be returned to consumers in full hence the enduring Value adjustment removes the benefit.

d) Western Link Performance:

There are ongoing discussions between NGET and Ofgem regarding the treatment of performance in relation to Western Link, this adjustment removes RIIO1 performance until an agreement is reached.

e) Cartel Settlements:

Legal Settlements received relating to cable cartel are included within the Cost & Outputs RRP Totex as a credit. These receipts do not affect allowances. The largest settlement received in the RIIO1 period to date was for £94.7m in 2014/15, an additional £31.5m has been received in 2020/21. The enduring value adjustment removes the benefit of these receipts in RIIO1 to be consistent with previous Ofgem RORE calculations. The rationale for not considering these receipts as RIIO1 performance is that the expenditure to which the settlement relates pre-dated RIIO1.

f) Excluded Services True up:

In line with the assumptions in Final Proposals, exit connection revenues and costs are subject to a true-up mechanism. Within the Cost & Outputs RRP submission the allowance table does not allow for NGET to adjust allowances for this type of work. An estimate of the true-up value is included within enduring value estimates which aligns with the view provided in the Cost & Outputs RRP narrative.

g) RIIO1+2 Load Related Output Performance:

Actual and future load related UM projects delivering an output in RIIO2 years 1 and 2 have allowances set to actual and forecast spend in RIIO1. This judgment ensures that performance is only recognised when outputs have been delivered.

h) Non-Load Asset Allowances:

This enduring value adjustment removes allowances for Asset health-driven work that was forecast to be delivered during in RIIO1 as part of RRP19 (the basis for our RIIO2 submission) but has since slipped into RIIO2. The adjustment has been made to align allowances to when work which has not been funded as part of RIIO2 allowances, is planned to be delivered.

i) RIIO1/RIIO2 Offset:

This adjustment is reflective of the Final Determinations value included in the RIIO2 PCFM and Licence per SpC 3.38. This is made up of two elements, both of which are associated to allowances in RIIO1; a clawback adjustment for Non-Load allowances partially offset by additional Load Related allowances.

j) ISS:

This enduring value adjustment removes allowances for ISS work that was forecast to be delivered during in RIIO1 as part of RRP19 (the basis for our T2 submission) but has since slipped into RIIO2. The adjustment has been made to align to when work which has not been funded as part of RIIO2 allowances will be delivered.

k) Re-phasing Allowances:

NGET re-phases allowances compared to those in the PCFM. This better matches allowances to the level of incurred or forecasted expenditure, providing a more accurate view of in-year performance. NGET has presented the impact of the re-phasing allowances as a single line on the R4 totex tab. This is appropriate as re-phasing does not affect the overall level of allowances recognised over the RIIO1 period, thus does not materially impact the RoRE.

Output Incentive Performance

Historic incentive performance is directly sourced from the Revenue RRP submitted to Ofgem. NGET's incentive performance for 2020/21 is explained below. Forecast incentives are based on average of historic performance during RIIO1 to date unless otherwise stated.

This year the Electricity Transmission business has again continued to deliver strongly on the five primary RIIO1 output areas: Safety, Reliability, Customer Satisfaction, Connections and Environment.

Network Reliability Incentive

The total energy not supplied in 2020/21 was 0MWh. When compared with the incentive neutral point of 316 MWh, this year's performance was very strong, with total incentivised lost energy much less than that of 2019/2020 (54.5 MWh). This result is an outperformance compared to the neutral point (c83%) and represents an overall level of network **reliability of** 99.99997%, which stakeholders say continues to be so important to them.

The 2020/21 earned incentive will be received through Allowed Revenue in 2022/23 and is estimated to be £3.1m in 09/10 prices.

Customer & Stakeholder Satisfaction Output

This is supported by two separate elements of financial incentive:

- Customer and Stakeholder Satisfaction survey (CSAT/SSAT); and
- Stakeholder Engagement incentive scheme (SER).

This year saw an unprecedented step change in how organisations engage and serve their customers and stakeholders, due to the impact of Covid-19. NGET is extremely proud to have successfully continued their performance improvement since separation from the ESO in 2018/19 despite these challenges. The scores have increased to 8.4 from last year's 8.2 (up from the average for RIIO1 of 7.7) and 1.0pts up from 7.4 at the start of the RIIO1 period. This improvement reflects the continued focus and hard work across the whole transmission business to both understand and improve the way NGET provides the experience its customers need. The stakeholder satisfaction score (SSAT) has also increased from 8.6 to 8.9 due to the quality of operational engagement and focus on their collective transition to Net Zero. NGET ends this RIIO1 period 1.3pts up from the starting score of 7.6 received in 2013/14.

In 2020/21, the universal challenge that Covid-19 created provided an opportunity to reach out to customers and stakeholders to see how they were coping and whether they required NGET's assistance. NGET sought permission to survey at a time when customers felt ready and able to provide it. NGET also adapted how it engaged and worked together virtually, but also continued to focus on the areas that mattered most to customers and where they were losing the most satisfaction points out of ten. NGET built on the success of the improvement made in its Outage Management processes in 2019/20, rolling out the changes made that year across all impacted customers this year. NGET also focused attention on how it was set up to deliver the end to end connection journey to fully prepare for a new way of working in RIIO2, continuing this whilst expanding its reach across more customer and stakeholder contacts than in 2019/20.

The Stakeholder Engagement Reward (SER) that relates to 2020/21 is scheduled to be directed by Ofgem later in calendar year 2021. The forecast SER is based on average of historic performance.

The 2020/21 earned incentive for all aspects of Customer and Stakeholder Satisfaction incentive will be received through Allowed Revenue in 2022/23 and is estimated to be £13.5m in 09/10 prices.

SF6 Emissions

SF6 leakage from NGET's equipment has reduced from 12,464kg to 11,700kg predominantly due to a targeted plan of leak repairs, leading to an improvement in leak rates in the second half of 2020/21 as COVID restrictions were relaxed.

During the first quarter of 2020/21 there was an increased number SF6 top-ups carried out as a result of the response to COVID-19. The travel restrictions impacted contractors and Original Engineering Manufacture (OEM) parts getting to site in the early part of the year, particularly where they were travelling from mainland Europe. There was also an increased number of precautionary top-ups on assets where there were concerns that further restrictions could impact on the ability to routinely visit substations.

The SF6 top-up assurance programme has continued as good practice, ensuring that SF6 recorded on site matches with the record retained within NGET's core information systems. Any identified data inconsistencies against their internal SF6 policies have led to remedial action. There are no SF6 exceptional event applications approved by the Authority for 2020/21.

At Dungeness Substation a pre-RIIO1 asset was modified following damage from an asset failure which resulted in alterations to the SF6 holding. This change has been reflected in the Cost &

Outputs RRP table 6.5 as a negative disposal in 2020/21 to ensure the additional inventory is not reported throughout the RIIO1 period. There have been other minor non-material changes to the SF6 Inventory in prior RIIO1 years as reported through normal business procedures.

As per the SF6 methodology statement, prior year SF6 reported inventory values can be adjusted if required. Prior year adjustments have been made in the 2020/21 Cost and Outputs table. The changes were mainly due to proactive data quality improvement activities.

The 2020/21 earned incentive will be received through Allowed Revenue in 2022/23 and is estimated to be £0.6m in 09/10 prices.

Environmental Discretionary Rewards

Ofgem will direct the Environmental Discretionary for 2020/21 later in calendar year 2021, the value included in the RFPR for 2020/21 has been forecast as £0.4m based on an EDR historic average. The value for 2019/20 has changed from £0m in the 2019/20 RFPR submission to £1.5m as the value was directed by Ofgem in March 2021.

Innovation

(2020/21 Price base)

Network Innovation Allowance

Eligible NIA Expenditure is the net costs per 2020/21 Cost & Outputs RRP. This includes internal expenditure but excludes Bid Preparation Costs for the Network Innovation Competition Fund. In line with NIA Governance, Eligible NIA Expenditure is reported net of external funding. NIA annual summaries are published on the National Grid Electricity Transmission website[2].

In 2020/21 NGET spent £7.2m of its' £8.2m allowable NIA expenditure. 45 eligible NIA projects were progressed that aligned to the innovation strategy. NGET had 12 further projects, completed the previous year, that incurred cost this financial year as part of their closure.

MTTE and Visor NIC projects are led by other licensees and NGET does not receive direct NIC funding. By agreement NGET invoices the other licensees for the NGET input into these projects.

Network Innovation Competition

The 2020/21 NIC funding was directed by Ofgem on 12 February 2021, NGET was awarded no funding.

In 2020/21 NGET spent £8.4m on the Offgrid Substation Environment for the Acceleration of Innovation Technologies Project (known as Deeside). The project is in progress and is set to deliver the construction works and innovation project trials by October 2021, forecast is within the project budget. More information on Deeside can be found on NGET's website[3].

[2] https://www.nationalgridet.com/imagining-tomorrow/innovation
[3] https://www.nationalgridet.com/deeside-project

Financing and net debt

(2009/10 Price base)

Overview

Overall assumed regulatory finance cost at actual gearing for RIIO1 is forecast at £488.4m (including adjustments to be applied for performance assessment), this compares to allowances for the same period of £976.4m thus resulting in £488.0m performance on an actual gearing basis. The cost of debt allowance has reduced since 2019/20 as a result of the change in the PCFM cost of debt from 1.58% to 1.09%.

On a notional basis, assumed regulatory finance cost for RIIO1 is forecast at £518.2 (including adjustments to be applied for performance assessment) resulting in £458.0m performance at notional gearing. The post-tax view of this difference is £367.8m.

Financing allowances

The financing allowance for RIIO1 has decreased marginally from £976.8m to £976.2m. This is due to a slightly lower RIIO1 RAV forecast than in the 2020 submission.

Financing

(Nominal Price base)

Financing cost per regulatory definition have decreased year-on-year by £34.8m to £183.7m. Total RIIO1 Financing costs are forecast to be £1,805.7m.

Net debt

(Nominal Price base)

Regulatory net debt as at 31st March 2021 has increased by £388.1m to £8,036.4m compared to 31st March 2020. Regulatory gearing has remained stable at 55.7%. The increase in net debt reflects the changes in external loans and bonds and loans to/from other companies as detailed below.

External loans and bonds have increased from last year, from £7,293.5m to £8,441.3m, largely as a result of 8 new issuances in the year partially offset by 3 maturities in the year.

Loans from other group companies have decreased by £284.9m to £364.9m year on year and loans to other group companies have increased by £538.3m to £539.0m. This movement is as a result of NGET's cash requirements.

New issuances in the year were largely fixed rate debt, replacing matured RPI linked debt. This is part of a longer-term strategy to rebalance NGET's portfolio away from RPI linked debt. The forecast for new issuances aligns with NGET's policy of maintaining debt levels close to the notional regulatory gearing level of 60%.

Derivatives

(Nominal Price base)

NGET's year to year derivative position has moved from £135.6m in 2020 to £103.9m in 2021, primarily due to NGET having rationalised the derivative portfolio in year, as part of ongoing portfolio planning, which has contributed to changes in year to year values.

RAV

(2009/10 Price base)

The RAV table utilises the Legacy MOD1 PCFM, as agreed with Ofgem in November 2020, to calculate the adjusted RAV balances. The Opening RAV, Transfer, RAV for net additions (after disposals) and Depreciation lines are based upon the Legacy MOD1 PCFM updated with Totex per the Cost & Outputs RRP submission.

To calculate the impact of enduring value adjustments and updates allowances, the Legacy MOD1 PCFM is updated to include; Totex actuals and forecasts per the Cost & Outputs RRP, forecast allowances per Cost & Outputs RRP and enduring Value adjustments. The enduring value adjustments are a detailed in *Assumptions and enduring value adjustments* section above.

Note the enduring value adjustments includes some close out adjustments, but not all, for example the adjustment to RAV required to take into account for Disposals within the RIIO1 period is not included. The Disposals adjustment is referenced in the Close Out Appendix of the Cost & Outputs RRP narrative.

The closing RAV in 2021 has decreased from £10,537.1m in the 2020 submission, to £10,348.3m in the current year submission. The primary reason for the change is the inclusion of additional enduring value judgments within the RFPR, which defer allowances into RIIO2 to align with spend and works delivery.

Tax

(2009/10 Price base)

The forecast tax allowance for 2020/21 is £90.8m and forecast tax outperformance is £4.3m at actual gearing and £5.3m at notional gearing levels. Higher accounting profits in 2020/21 have led to an increased tax charge.

The cumulative tax performance at notional gearing is (0.2)% for the period through to 2020/21 and is also (0.1)% at actual gearing. This negative performance is primarily as a result of forecasting variances, partially offset by the ‘dead-band’ benefit received on lower corporation tax rates.

The forecast tax allowance is derived from the PCFM after applying the enduring value adjustments detailed in R4 Totex.

Dividends Paid and Current policy

(2020/21 Price base)

NGET’s approach to dividend policy is to make distributions which align with regulatory target capital structures taking into consideration credit metrics and medium-term cash requirements.

The Board approved a Final Dividend of £434.0m paid in July 2020, this was the first year that Transmission and System Operator dividend policies were separated. The dividend paid was

£445.5m lower than the £879.5m in 2019/20 (uplifted to 2020/21 price base), which included dividend attributable to the sale of the Electricity System Operator of £130.6m.

Pensions

(2009/10 Price base)

Pension deficit payments were broadly in line with the prior years. The only notable change is the adjustment of £0.7m for the Pension Payment History Allowance (PPH), which is forecast for the remaining periods of RIIO1. The pension scheme valuation is performed tri-annually, the valuation presented in the 2020/21 RFPR is therefore an update to the valuation presented for 2019/20. The next scheme valuation is due during 2023/24.

Data Assurance Statement

The RFPR submissions have been completed in line with the Ofgem Data Assurance Guidelines (DAG) process. This mandates a fully documented 2 level review process. The overall submission and regulatory judgments have been signed off at Director level.

In summary, the following assurances were completed:

1. Assurance Template completed by Data Provider
2. First Level Reviewer
3. Second Level Reviewer
4. Independent Expert Reviewer/ Internal Data Audit
5. Manager & Senior Manager
6. Director Sign Off

Appendix

Table Changes / Restatements

Data tab

Within the Data tab National Grid has updated the 2020/21 Financial Year Average RPI and Year End RPI and the M3 New Forecasts RPI per the May 2021 publication as agreed with Ofgem.

R5 Output Incentives

The 2019/20 Stakeholder Engagement Reward values was not directed until November 2020, as noted above, hence was previously based on forecast.

There has been a small change (<£0.1m) in the 2016/17 SF6 Emissions incentive due to historic leakage updates and RPIF updates.

In previous submissions the approach for forecasting Environmental Discretional Reward was £0m given there had been no incentive awarded since 2014/15. However, NGET received an incentive reward associated to 2019/20 and therefore the forecasting approach for 2020/21 has been updated to reflect an average of historic years performance.

R10 Tax

The 2018/19 Tax liability per latest CT600 (row 12) has been restated this year from £113.1m to £112.5m due to a resubmission of the CT600 as a result of claiming for additional work on research and development expenditure.