



Regulatory Financial Performance Reporting (RFPR) Commentary

Electricity North West Limited

31 March 2021

Contents

1. Executive summary	3
1.1. Board Introduction.....	3
1.2. Company performance	5
1.3. Future Outlook - Leading the transition to the zero carbon economy and innovation	8
2. Key Financial Performance measures.....	10
3. Key operational performance measures	11
3.1. Safety	11
3.2. Reliability and availability.....	12
3.3. Environment.....	13
3.4. Connections.....	14
3.5. Customer Satisfaction	15
3.6. Social Obligations.....	16
4. Overview of regulatory performance	17
4.1. RoRE.....	17
4.2. Allowed Revenue	18
4.3. Output incentive performance – earned basis	18
4.4. Totex performance.....	19
4.5. Innovation performance.....	20
4.6. Financing and Net Debt position	23
4.7. Taxation.....	26
4.8. RAV	27
4.9. Dividends.....	27
4.10.Pensions	28
5. Data assurance statement	29
6. Appendices	30
6.1. Appendix 1 - Enduring Value Methodology	30
6.2. Appendix 2 - Net Debt Forecasting Assumptions	33
6.3. Appendix 3 - Methodology notes for completion of Net Debt and Financing tables.....	34
7. Glossary	35

1. Executive summary

1.1. Board Introduction

The Board are pleased to present the Regulatory Financial Performance Reporting (RFPR) for Electricity North West Limited (ENWL) covering the first six years of performance in RIIO-ED1 and the outlook for the remainder of ED1.

The last year has been a year like no other: the COVID-19 pandemic has impacted on all our lives. Throughout the year, our colleagues have worked to maintain essential electricity supplies to schools, hospitals, supermarkets, other essential services and to homes, recognising the reliance placed on electricity by home workers. We have recognised the additional challenges the pandemic has brought to many of our customers and provided additional support to our customers in vulnerable circumstances, doubling our spend in this area. Our colleagues have adapted to all the changes the pandemic has created, often going the extra mile to support those customers who need it most, developing new ways of working and taking pride in the service we deliver to all of our customers. Our resourcing strategy has aimed to maximise the productivity of our direct workforce bringing work in house while flexing the work issued to our contractors. The Board's thanks, therefore, are very much directed to our staff and to the leadership team at ENWL.

The pandemic impacted our collected revenues in the year to 31 March 2021 as electricity demand over the network fell, as businesses faced temporary shut-downs or reductions in activity. In response to this reduction in cash flows, some elements of the planned capital programme have been deferred into the coming financial year, although over 90% of the original capital plan has been delivered. To the extent that we did not collect all our allowed revenues in the year, the regulatory framework adjusts collections in future years, and therefore this does not impact our cash flows in the longer term.

Notwithstanding the impact of reduced revenues, ENWL's operational and financial performance has continued to be strong for the year ended 31 March 2021, delivering the lowest ever level of safety lost time incidents, sustaining high levels of network reliability and achieving our highest ever level in customer satisfaction. We consistently hold our customers' and stakeholders' needs at the heart of our thinking. Our enhanced and strengthened stakeholder engagement through the Sustainability, Vulnerability and CEO Panels is actively securing detailed insights into customers, and influencing our decision making. A customer centric programme of investments in recent years has secured these measurable performance improvements, while also delivering cost efficiencies that are shared with our customers as bill reductions.

Quite apart from the external challenges of managing the pandemic and ferocious storms, the company has sought to be proactive in the increasingly dynamic outlook for the electricity sector – notably at the local distribution level (i.e. where ENWL does its business). At the National level BEIS released its Energy White Paper in December 2020 in which it focused on the digitalisation of networks and “electricity becoming the common energy currency”. In the same month the Committee of Climate Change provided its 6th Carbon Budget assessment, with more focus on regional initiatives. ENWL will play its part in responding to these policy directions; we also have more local challenges set down by Greater Manchester, Cumbria and Lancashire.

The low carbon future and the regional acceleration presents both challenges and opportunities for the business and has become central to our strategic thinking. In particular, our investment in innovation, flexible capacity programmes and next generation network management enable us to undertake the activities of Distribution System Operation (DSO), which is critical to operating in the low carbon environment. It will also ensure that we meet the ambition of a low carbon future at an affordable cost, whilst working to ensure that no customers are left behind.

We would also draw attention to work in two key areas:

1. We are actively collaborating on a range of ‘civic duty’ matters: covering issues as diverse as domestic violence training, home energy efficiency advice, and working with the Co-operative Society, Citizens Advice (Manchester) and United Utilities on an energy saving scheme. We also have a fascinating ‘Madina Institute’ project which focuses on a mosque-based community scheme to help the most vulnerable.

2. We continue to be recognised as a centre for innovation: our electricity voltage scheme (QUEST) recently received full Ofgem funding of £8m, and we are working with Cadent Gas on developing integrated total energy pathways to net zero, using electricity and hydrogen. During the year we commenced the commercial roll out of our innovative Smart Street project, which improves the efficiency of the network and appliances in customers’ homes and businesses, directly reducing customers energy consumption and bills, all without customers needing to act. Customers benefiting from this innovation see a reduction in energy use by up to 9% and bills reducing by potentially up to £70 per year for residential customers. This saving is almost equivalent to ENWL’s network charges to domestic customers.

We are in little doubt about how important our role is in delivering the net zero future, and we look forward to assisting the North West regions input into this year’s COP-26 United Nations Climate Change Conference and beyond.

This document should be read in conjunction with the ENWL Annual Report and Consolidated Financial Statements for the year ended 31 March 2021:

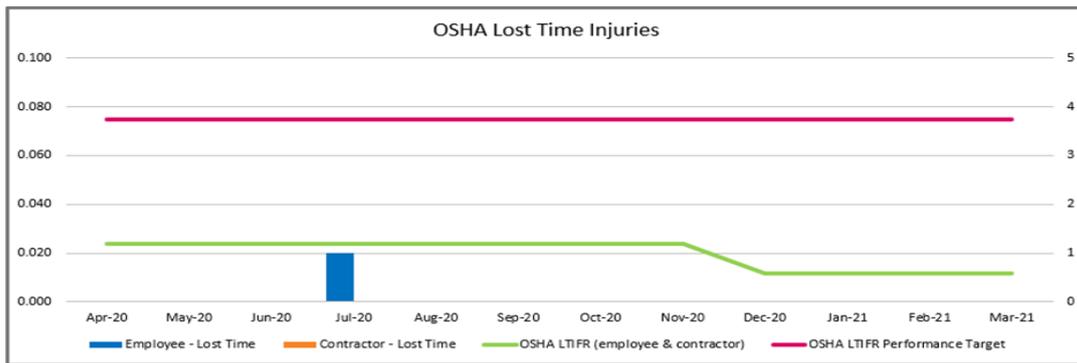
<https://www.enwl.co.uk/globalassets/investor-relations/documents/financial-reports/enw-limited/electricity-north-west-limited-annual-report-and-financial-statements-31-march-2021.pdf>

1.2. Company performance

Safety performance

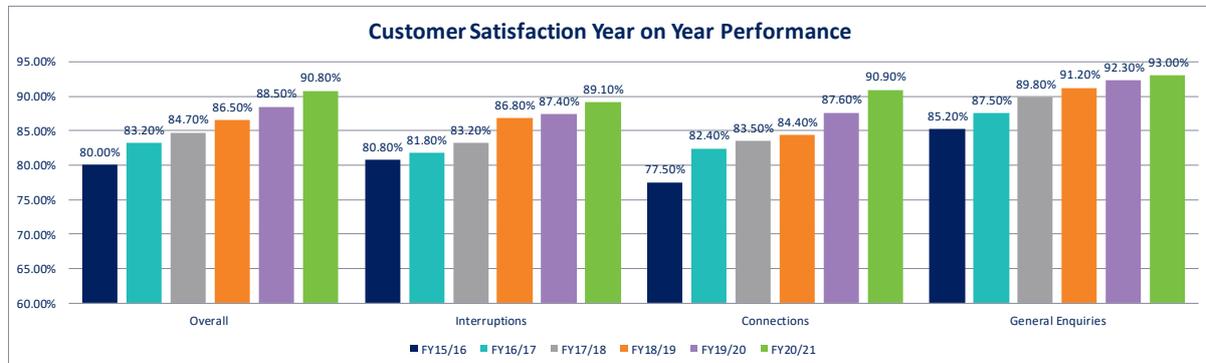
The continued focus on the safety culture has resulted in a sustained reduction in lost time injuries and recordable injury rate.

Our lost time injury (LTI) frequency rate (#/100,000hrs) for FY21 was 0.012 (FY20: 0.024), having had just one lost time injury during the year (2020: 2) this was a best ever performance. Our total recordable injury rate position increased slightly to 0.18 (FY20: 0.13). We continue to work with our contractors on their safe systems of work. The graph below shows the LTIs in FY21 for both employees and contractors, with just one employee LTI.



Customer service and connections

Significant progress continued to be made in 2020/21, building on the performance improvement in recent years, illustrated in the graph below.



We have continued to improve our customer satisfaction performance again in all areas, achieving a significantly improved overall score of 90.8% for the year (2020: 88.5%) compared to 80% at the start of the regulatory period. Customer complaints fell 7.5% compared to the prior year and complaints resolution performance has also improved, we achieved an 85.7% 24-hour resolution performance (2020: 84.0%).

Supporting customers in vulnerable circumstances is core to our customer strategy. In the last year we doubled our spend on Vulnerable Customer support and introduced Citizens Advice Manchester (CAM) as our Strategic Partner to support fuel poverty, energy efficiency and other conditions which may leave consumers vulnerable in the region as the result of a power cut.

We continue to focus on our priority service register (PSR) customers, providing targeted services to higher risk customers and developing links with other utilities in our region to support and engage with those customers.

Time to quote and time to connect performance has stayed consistent with previous year and is achieving maximum incentive reward for time to quote and only a small shortfall in time to connect measures to maximum incentive reward, despite the tightening of the targets for FY21.

Network reliability and resilience

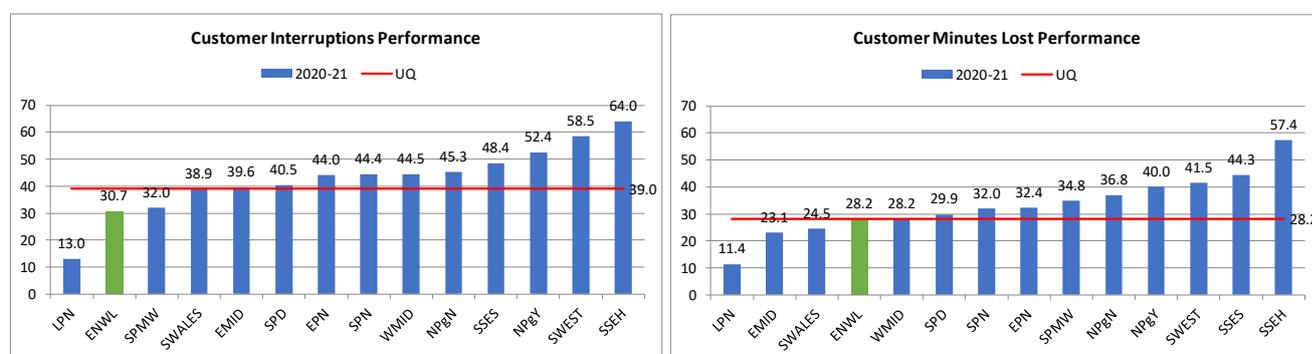
Reliability has always been a key priority for our customers and is likely to become even more important to them as the move to net zero carbon increases our dependency on electricity in all aspects of our lives. Through investment in automation, robust inspection and maintenance programmes and our focus on operational response times we continue to provide industry leading reliability, with a network availability of 99.995%. While we saw a slight increase in the numbers of interruptions in the year, in the main associated with bad weather events, interruptions remain 16% lower than at the start of the regulatory period (April 2015).

In the year ended 31 March 2021, the average number of interruptions per 100 customers (CIs) at 30.7 (2020: 27.8) was slightly behind last year, although it was still our second best ever performance, and significantly outperformed the target of 46.4 set by Ofgem.

The average number of minutes for which customers were without supply during the year (CMLs) to 31 March 2021 was 28.2 (2020: 27.2), which also significantly outperformed the target of 40.8 set by Ofgem. In both cases, these performances have been driven through a combination of investment in automation and in the network, as well as improved processes and focussed management.

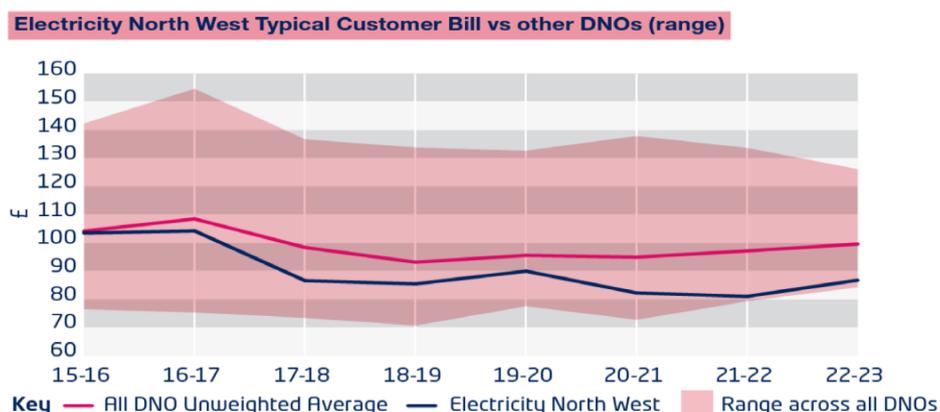
This focus on restoration performance has delivered a record performance in low voltage (LV) restoration times, delivering a 16-minute improvement in average restoration times, reducing our three-year average (2018 to 2020) of 159 to 143 minutes in the year.

Key to delivering reliability to customers is the improvement to the network’s resilience to extreme weather events. This year we have further strengthened our approach to preparing and managing the network during these events as well as continuing our programme of proactive investment. We continue to invest significant funds in flood defences and interconnectivity to provide protection to a 1 in 1000-year flood risk at key sites. This year we experienced two named storms (Bella and Christoph). In storm Christoph we witnessed the highest LV fault volume in over five years, yet in that month experienced one of our best restoration performances.



Delivering value for customers: totex efficiencies

The investments we have made in recent years are allowing us to deliver performance improvements for our customers and to realise cost efficiencies, which we share with our customers. Our share of the average domestic electricity bill for 2020/21 was £82, below the UK average of £95. Since the start of the regulatory period, we have delivered £93 million of efficiency savings (2012/13 prices) which we have shared with our customers, saving our customers £40 million.



Innovation is essential to maintain network performance and reliability levels and to meet the increasing demands on electricity from the decarbonisation of energy, at an affordable cost. Innovation is a core competence of ENWL and we deploy the latest innovative solutions to develop an optimised investment programme and to deliver considerable cost benefits and efficiencies that are then shared with customers. Our innovative projects Customer Load Active System Services (CLASS) and Smart Street are examples of our work to support decarbonisation whilst ensuring customer bills are still affordable.

We have worked hard in the first six years of the price review to deliver cost efficiencies and share that benefit with our customers. By identifying and delivering these efficiencies, we have been able to make significant reinvestment of savings in our operations to deliver improvements for our customers in reliability, resilience and customer service and proactively invest in the next generation Network Management Systems (NMS). This investment, combined with the recent investment in our telecoms network, significant investment in data cleanse activities and Active Network Management (ANM), means the business will be well placed to lead the transition to a DSO.

ENWL has delivered totex outperformance of £93m (2012/13 prices), or 6.7%, in ED1 to date (£84m, 6% after the enduring value timing adjustment) and are forecasting outperformance of £141m, equivalent to 7.5% over the full ED1 period, sharing that benefit with customers. The performance to date reflects efficiencies earned to date of £166m, net of reinvestment of £72m not otherwise reflected in the enduring value adjustment. The latter principally includes the investment in CLASS (£12m), quality of supply (£29m), operational IT spend above allowances to facilitate DSO capability through NMS and ANM (£12.6m), non-operational IT to improve business systems and processes (£21m), and continued investment to support network resilience and business plan commitments (including flooding, blast bag mitigation and network maintenance activities). These investments are all expected to enhance network performance or deliver shared totex efficiencies in the latter years of ED1 and into ED2.

Totex - Comparison to allowances £m (2012/13 prices)	ED1 to	Analysis of drivers by Ofgem category			ED1 total	
	date	Efficiency	Enhancements	Timing	Other	forecast
	Variance					variance
Load Related Costs	45.5	23.0	(4.8)	22.6	4.7	30.6
Non Load Capex (excl. Non Operational Capex)	89.0	147.5	(30.9)	(13.4)	(14.1)	169.7
Non Operational Capex	(25.4)	(0.9)	(20.9)	-	(3.6)	(25.4)
High Value Projects	(0.2)	-	-	(0.2)	-	-
Moorside	-	-	-	-	-	-
Network Operating Costs	(26.8)	4.4	(3.1)	-	(28.1)	(33.7)
Closely Associated Indirects	6.5	(2.0)	(12.4)	-	20.9	7.7
Business Support Costs	7.3	(3.7)	-	-	11.0	(5.1)
Atypicals Non Severe Weather (Totex)	(3.1)	(2.0)	-	-	(1.1)	(3.1)
Costs within Price Control (in Totex)	92.8	166.3	(72.2)	8.9	(10.3)	140.7
Variance to allowances - %	6.7%					7.5%

Our Return on Regulated Equity ('RoRE') on average for the first six years of the ED1 is 7.5% (on an actual gearing basis, post financing and tax). Totex outperformance and output incentives earned by raising performance standards have generated additional returns above the 6% allowed equity return. This operational return is most significantly reduced through financing under performance, with the costs of servicing our debt being higher than Ofgem allow us, with these actual debt service costs reflecting the efficient prices in the debt markets at the time our debt was issued.

Return on Regulatory Equity (RoRE)	Cumulative to FY21	RIIO-ED1 forecast
Allowed equity return	6.0%	6.0%
Totex outperformance	1.8%	2.1%
Incentive revenues	2.2%	2.4%
RoRE - Operational (notional)	10.0%	10.5%
Debt performance	(1.7%)	(1.7%)
Tax performance	(0.2%)	(0.2%)
RoRE - post financing (notional)	8.0%	8.6%
Adjustment to actual equity	(0.6%)	(0.7%)
RoRE - post financing (actual equity basis)	7.5%	7.8%

1.3. Future Outlook - Leading the way to a low carbon future

The move to a low carbon economy continues to gather pace, driven by both UK and regional government commitment to driving down carbon emissions. Our local stakeholders are setting more challenging targets than the UK as a whole, with targets of becoming carbon neutral by 2038 for Greater Manchester and similar targets being established for Cumbria and Lancashire.

As we move towards this low carbon future, new electrical demands for electric vehicle charging, heat pumps and increased local renewable generation will necessitate changes in the way we operate the network. These changes will minimise the cost of decarbonisation by avoiding huge increases in investment requirements, mitigating the increase in consumer bills. We will operate our network more dynamically to ensure the appropriate flow and availability of power where and when it is needed in our region.

The low carbon future and the regional acceleration presents both challenges and opportunities for the business and has become central to our strategic thinking. In particular, our investment in innovation, flexible capacity programs and next generation network management enable us to undertake the activities of a DSO, which is critical to operating in the low carbon environment. It will

also ensure that we meet the ambition of a low carbon future at an affordable cost, whilst working to ensure that no customers are left behind.

Our commitments to enable our communities to take part in the move to net zero, meant we have been working very closely with our key stakeholders across the region. We have produced decarbonisation pathways for Greater Manchester, Cumbria and Lancashire. Developed in collaboration with Cadent Gas and Northern Gas Networks (the regional gas network operators in our area) these pathways provide clear policy insights and time bounded actions for identified parties to consider on the pathway to net zero. Our pathways work informs decision making and investment planning, both within our business and within our stakeholders' operations, for the adoption of low carbon technologies.

Several major infrastructure investments are now underway that support the Greater Manchester and Lancashire areas to provide increased capacity (notably the South Manchester Enterprise Zone area and Samlesbury Aerospace Enterprise Zone in Lancashire).

2. Key Financial Performance measures

£m 12/13		Cumulative to 2021	RIIO-1 period
<i>Customer share of Totex performance</i>		35.1	58.9
<i>NWO share of Totex performance</i>		48.7	81.7
Totex out(under)performance, after EV adjustment		83.8	140.5
Output incentives		71.8	102.0
Cost of Debt out(under)performance at actual gearing (pre tax)		(57.3)	(79.6)
Regulated tax out(under) performance at actual gearing (not adjusted for financing)		0.3	7.4
		Average to 2021	Average RIIO-1 period
Equity RAV		594.7	608.7
Average Net Debt (per Regulatory Definition)		936.1	940.3
Adjusted RAV - including (EV) adjustments		1,530.8	1,549.0
RoRE based on actual gearing		7.5%	7.8%

In the first six years of the RIIO ED1 period we delivered £83.8m totex outperformance post enduring value adjustments (2012/13 prices), £35.1m of which is shared with our customers. We are forecasting to share £58.9m of outperformance with our customers over the full RIIO ED1 period.

We have committed significant investment in a number of projects in ED1 to enhance the customer experience. This investment has contributed to improved performance in the areas of customer satisfaction, connections time to connect and the reliability of our network. As a result, we have earned £71.8m of output incentive revenue for the first six years and this good performance is expected to continue for the remainder of ED1.

We believe that when evaluating and understanding our returns against allowance, the cost of debt and taxation are important components. Our cost of debt is higher than our allowance - we expect to underperform our cost of debt allowance by £79.6m for ED1 (on a pre-tax adjustment basis). The debt and hedging instruments were set up with interest rates competitively negotiated at the time.

The key financial performance measures discussed are in more detail in section 4.

3. Key operational performance measures

		2016	2017	2018	2019	2020	2021
Safety	Lost time incident frequency rate	0.06	0.10	0.04	0.05	0.02	0.01
Reliability and availability	Customer Interruptions (CI)	36.7	32.9	33.2	33.6	28.0	30.7
	Customer Minutes Lost (CML)	32.5	33.7	34.6	33.0	27.1	28.2
Environment	Business carbon footprint, excl. losses (BCF) (tCO2e)	23,133	21,012	20,599	20,417	18,051	14,090
Connections	Time to Quote (LVSSA)	4.00 days	2.96 days	3.7 days	3.7 days	2.5 days	2.6 days
	Time to Quote (LVSSB)	7.43 days	7.92 days	8.25 days	6.8 days	4.9 days	5.0 days
	Time to Connect (LVSSA)	30.36 days	31.91 days	31.72 days	32.9 days	27.8 days	27.8 days
	Time to Connect (LVSSB)	36.88 days	31.67 days	34.28 days	35.7 days	27.6 days	28.8 days
Customer satisfaction	Customer Satisfaction Survey						
	Overall	80.0%	83.2%	84.7%	86.5%	88.5%	90.8%
	Complaints metric	7.65	3.45	2.29	2.06	1.89	1.75
	Complaints resolved in 24 hours	51%	77%	82%	82%	84%	86%
Social obligations	Stakeholder Engagement and Consumer Vulnerability Score	6.9	6.4	5.75	4.54	6.03	6.61

3.1. Safety

This is an industry that operates with hazards, and therefore the attention to safety needs to be top of the agenda. Central to our risk mitigation activities are operational safety, asset safety and environmental performance. There is an ongoing focus on promoting a safety culture and the year ended 31 March 2021 saw the lowest level of lost time incidents.

COVID-19

Our priorities in dealing with the exceptional challenges posed by COVID-19 continue to be ensuring the safety of our colleagues, including a focus on mental wellbeing, and the safety of our customers all whilst maintaining the reliability of supply and building resilience for the future.

We have taken steps to protect those of our colleagues who are considered by government to be particularly vulnerable to the effects of the virus. All employees, to the extent their roles permit them to do so effectively, remain working from home, and our procedures for safe working have been kept under close review throughout the pandemic.

Operational safety

The Company ensures that all people are well trained and able to operate safely, backed by policy driven procedures and compliance assurance, alongside a behavioural approach that seeks to ensure that all staff and contractors approach any task with a strong behavioural attitude to safety. The continued focus on the safety culture has resulted in a sustained reduction in lost time injuries and recordable injury rate.

We finished the year ended 31 March 2021 with a lost time injury frequency rate 0.012 (2019: 0.024) having had just one lost time injury in the year (2020: 2). Our total recordable injury rate was 0.18 (2020: 0.13).

As our safety journey continues, we are increasingly focused on the quality of, and learning from, the primary leading indicators of safety performance, being safety observations and positive challenges, rather than focusing on the volume of these. Safety observations in the year were recorded at 9,286 (2020: 11,621), plus 1,878 positive challenges (2020: 2,048).

Asset safety

The safety of the Company's employees, contractors and the public from the inherent risks of electrical assets is assured through the Company's ongoing asset investment programme and the associated asset risk management policies which define the programme scope. Safety related investments are reported regularly to the Board.

During the year ended 31 March 2021 the Company made further progress in our ED1 programmes of work designed to reduce further the risks associated with link box failure and rising and lateral mains (RLM) in multi occupancy properties.

Our link box inspection programme assesses the risk of the asset and then where necessary an intervention such as blast mitigation protection, replacement or removal of the asset is undertaken.

We continue to use innovation to target the potential risks associated with electricity supplies in multi occupancy properties, referred to as rising and lateral mains (RLMs). We have installed innovative monitoring equipment which helps identify abnormalities and inform replacement prioritisation.

3.2. Reliability and availability

Reliability continues to be a key priority for our customers, and is likely to become even more important to them as the move to net zero carbon increases our dependency on electricity in all aspects of our lives. Through investment in automation, robust inspection and maintenance programmes and our focus on operational response times we continue to provide industry leading reliability, with a network availability of 99.995%. Whilst we saw a slight increase in numbers of interruptions in the year, in the main associated with bad weather events, interruptions remain 16% lower than at the start of the regulatory period.

In the year ended 31 March 2021, the average number of interruptions per 100 customers (CIs) continues to be industry leading at 30.7 (2020: 27.8). Performance was slightly behind last year, although it was still our second best ever performance significantly outperforming the Ofgem target.

The average number of minutes for which customers were without supply during the year (CMLs) to 31 March 2021 was 28.2 (2020: 27.2), which also outperformed the Ofgem target.

In both cases, these performances have been driven through a combination of investment in automation and in the network, as well as improved processes and focussed management.

Key to delivering reliability to customers is the improvement to the network's resilience to extreme weather events. This year we have further strengthened our approach to preparing and managing the network during these events as well as continuing our programme of proactive investment. We continue to invest significant funds in flood defences and interconnectivity to provide protection to a 1 in 1000-year flood risk at key sites. This year we experienced two named storms (Bella and Christoph). In storm Christoph we witnessed the highest LV fault volume in over 5 years, yet in that month experienced one of our best restoration performances.

Most customers enjoy excellent levels of reliability, but we recognise that there is variability in the level of service experienced by some. A few customers experience a level of service significantly worse than average, usually by virtue of their location or due to localised network issues. During the year we have continued to invest in schemes to aim to reduce long term the numbers of worst served customers, with the number of customers meeting this Ofgem definition remaining low at 774 in the year ended 31 March 2021 (2020: 268).

Health Index

A major part of our reliability strategy is to intervene on higher risk assets before they fail. This is informed by a process of condition-based risk assessment in line with the CNAIM. Our targets for risk reduction through this programme were published by Ofgem in February 2016 and equate to 11.5m risk points over ED1.

In 2020/21, we delivered 0.6m risk points through our programme of targeted replacement and refurbishment activities to generate a cumulative six-year total of 9m risk points, or 78% of our RIIO-ED1 target.

Non-connections GSoPs

The total number of failures increased slightly from the prior year. There was a total of 2,507 12 hour failures in the year. Customers who were due a payment for the failure are proactively contacted by telephone or sent a letter to confirm their eligibility, of the total amount 73% of customers have claimed this payment, an improvement of 2% in comparison to last year.

The volume of customers impacted by a Planned Supply Interruption in the year increased slightly from last year however there has been a decrease in the number of failures due of this regulation (538 last year to 344 this year).

Performance in making and keeping appointments (EGS8) saw a decrease in customers impacted, however we have seen an increase in the number of failures due to making and keeping appointments which has also increased the number of Late Payments (EGS9) due. These areas were both impacted by the effects of COVID 19 on entering customers properties.

3.3. Environment

Environmental protection continues to be one of our core values, and we remain committed to achieving the highest possible standards of environmental performance. The year ended 31 March 2021 saw the lowest ever level of carbon emissions, in part due to the operational changes the business has adopted through the COVID pandemic. However, other opportunities to reduce our carbon footprint and to embed some of these savings permanently continue to be targeted.

We minimise emissions and spills, and are investing to remove potentially damaging equipment, and enhance the environment by undergrounding overhead cables. The continual improvement and focus on carbon reduction initiatives enabled us to achieve the recertification of Environmental Management System ISO 14001 and Energy Management System certified to ISO 50001. The recertification was recommended by external auditors, Alcumus, following COVID compliant remote surveillance in May and October 2020.

In terms of our own direct impact on the environment our principal performance indicator is the level of equivalent carbon dioxide emissions. This measure covers the environmental impact from the use

of fossil fuels in vehicles and generators and energy in buildings, as well as the impact of Sulphur Hexafluoride (SF₆), which is a strong greenhouse gas, historically used as insulation in electrical equipment. Our policy is to continue to install modern SF₆ equipment with lower leakage rates. Over the RIIO-ED1 period we plan to reduce our leakage rate by over 20% from a rate of 0.38% (as a proportion of the mass in service) in 2013 to 0.30% by 2023. In 2020/21 a total of 65.26kg was lost from our system; this loss equates to 0.39% of the total mass in service (2020: 0.48%).

The Company's business carbon footprint (excluding losses) for the year was 14,090 tCO₂e, which is a significant reduction of 22% from the previous year (2020: 18,051 tCO₂e), which was itself a reduction on the previous year (2019: 20,417 tCO₂e). Included in these figures is the impact of a decrease of 16% in emissions of SF₆.

We made a commitment to our customers to reduce carbon emissions, measured in tonnes of CO₂ equivalent, by 10% from a 2014/15 base year by 2020. Through targeted investment in the efficiency of our buildings and other efficiency measures, and as a result of reduced emissions due to the COVID-19 restrictions, the level of emissions has actually been reduced by 42% from 2014/15 levels (24,415 tCO₂e) to 14,090 tCO₂e in the year ended 31 March 2021.

During the year the Company continued to implement energy efficiency measures, through the refurbishment of its buildings, and the replacement of fleet vehicles and company cars with more efficient vehicles.

A total of 16,850,605 kWh of electricity, equal to 3,929 tCO₂e, was purchased by the Company for its own use, including for the purposes of transportation. The tCO₂e was calculated by multiplying the total consumption in kWh by the UK Government Conversion Factors for greenhouse gas emissions.

There was 26,046,936 kWh of energy consumed from the combustion of gas and consumption of fuel for operational transport. This is calculated by multiplying the litres of gas oil and diesel consumed by the conversion factor provided in the UK Government Conversion Factors for greenhouse gas emissions.

3.4. Connections

Performance delivered under the connections time to quote and time to connect measures continued to be strong and exceed the Ofgem targets, despite the tightening of these targets. With the challenges posed by the COVID-19 restrictions our performance is slightly lower than in prior year however we have still managed to achieve maximum reward in most categories. We have also developed similar voluntary targets as part of our Incentive for Customer Engagement (ICE) commitments. Whilst for ENWL, ICE penalties can only apply to two small market segments out of the nine relevant segments (ENWL having passed the competition tests in the other seven categories), stakeholder engagement is important to us.

We have continued to focus on our Guaranteed Standards of Performance for connections during the year and have maintained a strong performance in this area. The number of failures in FY21 was 39 compared a prior year number of 23. This gave us a 99.998% GSoP result, close to our business plan target of 100%.

3.5. Customer Satisfaction

Delivering excellent customer service is a priority for the Company. Customer satisfaction levels have improved year-on-year throughout RIIO-ED1, achieving an overall score of 90.8% in 2021 (2020: 88.5%) a highest ever score for the Company. The relative ranking among the DNOs was 12th (2020: 12th) with all DNOs showing performance at very similar levels.

The Company is committed to improve further customer satisfaction levels, with clear actions in place that are monitored regularly by the Executive Leadership team. The actions focus around simplification, compliance with the customer journey, improvement in systems and resourcing strategies.

We maintain a Priority Service Register (PSR) to identify those customers who are most dependent on our services. In the year ended 31 March 2021, we have continued to promote our PSR and have developed our strategy to offer more targeted services to higher risk customers, for example those who are medically dependant on electricity. Investment in staff training has also been a focus in order to help facilitate this.

The continued growth of the PSR is testament to the work we have done in raising awareness of the PSR across the region. We have just over one million customers on our PSR. This tells us that almost 20% of our customer base consider that they need extra support during a power cut. Support is provided through our dedicated Customer Welfare Team, over 20 external specialist support agencies, multiple partners and all our customer facing teams.

In delivering for our priority customers we have managed to reach out to over 544,517 customers this year (2020: 481,000) which exceeded our target. These communications were carried out through multiple channels including letters, email and telephony.

We recognise our role in helping to tackle fuel poverty and the particular challenges this brings in our region. During the year we have engaged with a variety of partners in a bid to offer extra support to the customers in our region who are impacted by fuel poverty.

Through the introduction of referral partnerships, we are now helping to provide our customers with advice on issues such as energy saving and income maximisation, as well as offering debt advice, replacement white goods, free energy efficiency measures and referral to other relevant services.

The number of complaints we receive has reduced significantly during the year, with complaint volumes down 3.3% compared to the prior year. We track the time taken to resolve complaints when we do receive them. The overall complaints performance within the year continued to outperform the Ofgem penalty incentive and reflects a significant year on year reduction, with a complaint metric of 1.76 (2020: 2.00), with 85.7% of complaints resolved in 24 hours (2020: 84.0%), placing us at 8th position in the DNO league table. This complaint metric reflects the percentage of complaints resolved within 24 hours, combined with the percentage of complaints resolved within 31 days.

3.6. Social Obligations

ENWL is committed to ongoing stakeholder engagement and recognises that such engagement enhances the Company's ability to achieve its aims and objectives and to provide the highest level of service, at a price customers can afford.

This year we seen a significant increase in engagement as our usual RIIO-ED1 involvement with our stakeholders and advisory panels was supplemented by engagement around RIIO-ED2.

Ofgem has stated that it is committed to giving customers a stronger voice in setting outputs and shaping and assessing the ED2 business plans. The Company recognised that in addition to existing customer service research and stakeholder engagement, we could further improve customer and consumer engagement for the business plan. We broadened out our research for customers (those who pay electricity bills) and consumers (those who use electricity) and recognised the opportunity to complement this with qualitative and quantitative feedback from customers and consumers.

This year we had more than 20,000 interactions with customers and consumers bolstered by new channels such as our online community and deliberative public panel. The RIIO-ED2 business plan development has also been challenged by two phases of willingness to pay research and acceptability testing which has been overseen and challenged by our independent Customer Engagement Group (CEG). The CEG has met twelve times throughout the year and have provided valuable insight as we have developed our business plan.

We have also continued to embed and enhance stakeholder engagement for RIIO-ED1 working closely with our independently chaired Consumer Vulnerability and Sustainability Panels alongside our strategic Chief Executive Advisory Panel. The panels have met 33 times this year giving 57 hours of engagement to the Company.

These panels and our three Regional Advisory Panels, held annually in Greater Manchester, Lancashire and Cumbria have helped inform our Executive team and business decision-making for both ED1 and our future ED2 business plan. This year our panels were held virtually for the first time.

This year we also launched our first ever stakeholder satisfaction survey. Over 200 participants responded achieving excellent representation across our mapped stakeholder community. The survey measured overall satisfaction, attitudes towards the relationship held, future engagement preferences and improvement areas. The results indicated a strong correlation between the frequency of engagement, stakeholders' familiarity with our business and overall mean satisfaction (81%). This research told us that our engagement is inclusive, meaningful and mutually beneficial, During COVID-19 engagement has been migrated online and become more frequent and stakeholders have indicated they would like to continue with this model in the future with only 3% indicating they wished to engage less often.

To support adherence to these initiatives, the Company has engaged auditors for a non-financial assurance of its Stakeholder Engagement and Customer Vulnerability Submission and its commitment to Accountability Principles for Sustainable Development (AA1000APS).

Our SECV score for 2020/21 has recently been confirmed at 6.61, a 0.58 point improvement on the prior year (6.03). Performance has increased by 2.07 since 2018/19 and consequently improved our league table position from 12th to 5th. We now have an effective and dynamic stakeholder engagement process that enhances our business planning and decision making, and are pleased to see that Ofgem recognise this fact.

4. Overview of regulatory performance

4.1. RoRE

<i>RoRE based on Actual Gearing</i>	Cumulative to 2021 £m	RIIO-1 period £m
Allowed Equity Return	5.4%	5.3%
Totex outperformance	1.4%	1.7%
IQI Reward	0.2%	0.2%
Output Incentives	2.0%	2.1%
Other	0.0%	0.0%
RoRE - Operational performance	9.0%	9.3%
Debt performance - at actual gearing	-1.3%	-1.3%
Tax performance - at actual gearing	-0.2%	-0.2%
RoRE - including financing and tax	7.5%	7.8%

The legitimacy of the returns made in the energy networks sector remains an area of focus. As a result we continue to disclose our Return on Regulated Equity ('RoRE') in our most recent Annual Report and Financial Statements. Our RoRE on average for the first six years of ED1 is 7.5%, on an actual gearing basis. For the first six years our totex outperformance contributes 1.4% and the output incentives that we have earned add a further 2.0%. This is offset by the adverse impact of -1.5% financing and tax performance, being important components in both shareholder returns and customer understanding.

Based on our current view the RoRE on average for the RIIO ED1 period is broadly flat, forecasted to be 7.8% compared to 7.7% in the 2020 RFPR. The small increase in Totex outperformance from the prior year is mainly due to the impact of the confirmation of the extension of the Smart Meter Rollout mechanism to the end of ED1.

Current ED1 inflation forecasts between the 2020 and 2021 RFPR's remain broadly consistent having been revised markedly lower since the 2019 RFPR following the onset of the Covid-19 pandemic.

Debt performance is sensitive to inflation. For inflation-linked debt (including fixed debt swapped to inflation-linked using derivatives), lower inflation is largely neutral, with lower indexation and accretion charges broadly offset by a lower 'inflation in interest' adjustment.

This is not true however for fixed nominal debt. These debt costs are, by nature, fixed and any reduction in inflation forecasts will only reduce the 'inflation in interest' adjustment, thereby increasing the 'real' debt costs.

By contrast, the debt allowance is only minimally impacted by changes in annual inflation forecasts, partly due to its historic tromboning construct and partly due to the use of more stable 10yr breakeven rates when calculating real allowances.

Economically, this highlights the inherent inflation risk retained by networks and the associated risk reduction from holding inflation linked debt, either from direct inflation linked issuances or through the use of derivatives.

We note that the 'inflation in interest' adjustment continues to be calculated based on the average gross debt position rather than the average net debt position. This is inconsistent with other elements of the calculation, with net financing costs effectively including cash interest income at nominal

(unadjusted for inflation), with cash interest expense at real (adjusted for inflation). The effect of using net debt would be to reduce the 'cumulative to 2021' RoRE position from 7.5% to 7.2% and the ED1 position from 7.8% to 7.5%, on an 'actual gearing' basis.

4.2. Allowed Revenue

<i>Nominal prices</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>
	2016	2017	2018	2019	2020	2021
	£m	£m	£m	£m	£m	£m
Nominal Base Revenue	403.6	409.4	389.9	399.0	410.3	416.2
Incentive revenue adjustment	8.4	15.8	17.2	16.7	15.8	17.0
Adjustments for Allowed Pass-Through items	-	-	(0.9)	(0.8)	(4.2)	(3.9)
Network Innovation Allowance	2.5	2.9	2.7	2.8	2.9	2.9
Low Carbon Networks Fund revenue adjustment	1.6	0.1	0.3	0.7	0.1	(0.3)
DPCR4 residual distribution losses incentive and Growth Term	(11.6)	(10.7)	-	-	-	-
Correction factor	-	(30.6)	11.1	4.2	(3.8)	(0.3)
Allowed Network Revenue	404.6	448.1	398.1	414.1	428.7	432.2

2021 allowed revenue at £432.2m represents a 0.01% increase in allowed revenues compared to 2020. The underlying base revenue position in constant 2012/13 prices is broadly flat year-on-year.

Our incentive revenue forecast is reviewed in detail in Section 4.3.

4.3. Output incentive performance – earned basis

<i>12/13 prices</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Forecast</i>	<i>Forecast</i>	Cumulative to 2021 £m	RIIO-1 period £m
	2016	2017	2018	2019	2020	2021	2022	2023		
	£m	£m								
Broad measure of customer service	(0.2)	0.5	1.5	2.0	2.5	2.6	3.0	3.2	8.9	15.1
Interruptions-related quality of service	10.3	9.6	7.8	8.0	11.0	9.9	11.0	11.0	56.6	78.6
Incentive on connections engagement	-	-	-	-	-	-	-	-	-	-
Time to Connect Incentive	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	5.8	7.7
Losses discretionary reward scheme	-	0.6	-	-	-	-	-	-	0.6	0.6
Post-Tax Earned Incentive revenue	11.1	11.6	10.3	10.9	14.4	13.4	15.0	15.2	71.8	102.0

The output incentives are linked to delivering improved service levels to customers in the areas they value most and is also an important component of RoRE. In the first six years of the price control they contribute 2.0% of RoRE on average with the Interruptions Incentive Scheme (IIS) incentive contributing the most reward, through improving reliability levels to customers.

The output incentives are dependent on our key operational performance metrics as discussed in the Key Operational Performance Measures section above. We forecast those incentives to contribute around 2.1% of RoRE (on actual gearing basis) for the full price control. Importantly the rewards we earn under these incentives have been set by Ofgem so that the rewards, reflected in our RoRE reflect the benefits delivered to customers so customers are net beneficiaries of our incentive performance. We invest both financial resources and management time to achieve these outcomes for customers. We continue to strive to deliver improved service levels for our customers, committing additional investment to do so, influenced by our programme of stakeholder engagement.

4.4. Totex performance

	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Forecast	Forecast		
12/13 prices	2016	2017	2018	2019	2020	2021	2022	2023	Cumulative	RIO-1
	£m	£m	£m	£m	£m	£m	£m	£m	to 2021	period
									£m	£m
Latest Totex actuals/forecast	230.5	195.4	226.6	232.7	212.7	201.7	219.4	213.6	1,299.6	1,732.7
Totex allowance including forecast allowed adjustments and uncertainty mechanisms	237.4	226.9	228.9	231.2	231.5	236.5	247.8	233.2	1,392.4	1,873.4
Totex out(under)performance	6.9	31.5	2.3	(1.4)	18.8	34.8	28.4	19.6	92.8	140.7
Customer share of out(under) performance	2.9	13.2	1.0	(0.6)	7.9	14.6	11.9	8.2	38.9	58.9
NWO share of performance	4.0	18.3	1.3	(0.8)	10.9	20.2	16.5	11.4	53.9	81.8
Total enduring value adjustments	(3.3)	(20.4)	1.9	28.6	(0.4)	(15.4)	7.1	1.7	(8.9)	(0.2)
Enduring Value: Customer share of performance	(1.4)	(8.5)	0.8	12.0	(0.2)	(6.5)	3.0	0.7	(3.7)	(0.1)
Enduring Value: NWO share of performance	(1.9)	(11.9)	1.1	16.6	(0.2)	(9.0)	4.1	1.0	(5.2)	(0.1)
Total out(under) performance (including enduring value adjustments)										
Customer share of performance	1.5	4.6	1.8	11.4	7.7	8.1	14.8	8.9	35.1	58.9
NWO share of performance	2.1	6.4	2.5	15.8	10.7	11.3	20.6	12.4	48.7	81.7
Total	3.6	11.1	4.2	27.1	18.4	19.4	35.4	21.3	83.8	140.5

Totex spend for the year ending 31 March 2021 was £201.7m compared to an Ofgem allowance of £236.5m in 2012/13 prices. In the first six years of the RIIO ED1 period we spent £1,299.6m on operating and managing the network; this is compared to an allowance of £1,392.4m, 7% lower than allowance before taking delivery of outputs into account. Making the appropriate adjustments for timing of delivery compared to the original Business Plan submitted in 2013 is therefore important to assess performance. An Enduring Value adjustment of -£8.9m has been included to take into account such timing differences, generating underlying totex outperformance of £83.8m. Of these savings, £35.1m is returned to customers. The ED1 forecast period shows expected outperformance of £140.5m. The performance to date reflects efficiencies earned of £166m, net of reinvestment of £72m not otherwise reflected in the enduring value adjustment.

The main savings against allowances to date are seen in load and non load expenditure. In respect of load related expenditure, demand increases experienced in the earlier years of ED1 have not warranted the forecast level of reinforcement interventions. We are however starting to see increasing spend in this area as a number of major infrastructure investments, particularly in the Greater Manchester area, commence. We are also generating efficiencies in non load capex as targeted investment has delivered risk point reductions in excess of our linear target (78% of our 11.5m risk point target has been delivered at March 2021), combined with the use of innovative solutions in other investment areas.

There is additional spend compared to allowances in network operating costs (including the impact of storms Desmond and Eva in 2016 and higher volumes of non smart cut out interventions) and in non operational capex to deliver service enhancements and to facilitate business change, offset by savings in indirects and business support costs (which include £10m storm insurance recovery).

We have worked hard in the first six years of the price review to deliver cost efficiencies and to both make judicious reinvestments and to share that benefit with our customers. By identifying and delivering these efficiencies, we have been able to make significant reinvestment in our operations to deliver improvements for our customers in reliability, resilience and customer service and proactively invest in the next generation Network Management Systems (NMS). This investment, combined with the recent investment in our telecoms network, significant investment in data cleanse activities and Active Network Management (ANM), the business will be well placed to lead the transition to a Distribution System Operator (DSO).

Additional investment to date includes the investment in the commercialisation and expansion of CLASS (£12m), quality of supply (£29m), operational IT spend above allowances to support NMS / ANM

(£13m) and non-operational IT to improve business systems and processes (£21m). These are all expected to deliver shared totex efficiencies or performance improvements over the second half of ED1.

The Enduring Value methodology and adjustments are outlined in Appendix 1. The most significant elements of the calculation are the deferral of load related expenditure into the latter years of ED1 offset by advanced delivery of the asset replacement network investment programme. Load related expenditure has been below allowances where in general, demand increases have not warranted the forecast level of reinforcement interventions in the first six years of RIIO-ED1 and schemes have been deferred to allow optimal deployment of innovation and flexible services. We are however now in early delivery stages for a number of major infrastructure investments in the Greater Manchester area which will require significant increases in capacity and we are now seeing significant increases in load spend, which we expect to see continue in the last 2 years of ED1.

4.5. Innovation performance

The challenges faced by electricity network operators such as Electricity North West from the UK's ongoing decarbonisation of heat and transport are significant. A key part of the UK's journey to zero carbon is the revolution of our electricity industry – the way electricity is generated, stored, transported and traded.

As the region's network operator, it's our responsibility to lead the way in this transformation. Through investment and innovation in energy infrastructure, we will help the North West to decarbonise and pave the way for the growth of renewable energy.

Innovation is the 'ideas cauldron' where novel techniques and potential solutions, whether they be technological or commercial, are analysed, developed, trialled and ultimately transformed into practical solutions to deliver a better, zero carbon service for our customers; improve network performance and safety; and deliver ever more efficient ways of working. This is our aim.

Our high-level vision is described in our innovation strategy where we have described our innovation commitments. Our innovation commitments are our promise to our customers and stakeholders, and we intend to measure ourselves against these routinely and share our findings publicly. We plan to keep this strategy up-to-date and relevant, deliver against our industry challenges, encourage innovators to come to us, collaborate with external parties, keep our stakeholders up-to-date, facilitate challenge of our innovation programme and speak to the appropriate parties. Each year, working with our innovation oversight panel, we will publish an innovation update report containing, among other things, information on how we are getting on in meeting our commitments.

All of our innovation projects are aligned with our innovation strategy – to maximise the use of our existing network and combine new technology and creative thinking to provide real solutions to real problems.

Whether it be in response to external trends, the needs and expectations of our customers, or changes in regulatory and government policy, the need for innovation has never been greater. The UK became the first major economy in the world to pass laws to end its contribution to global warming and bring carbon emissions to net zero by 2050. Here in the North West, we are supporting our stakeholders' desires to go further and faster than the national target and deliver net zero even sooner. These changes bring with them uncertainty. Uncertainty as to the energy system and the composition and volume of generation and demand, and uncertainty of technology with continued introduction of

innovations that have the potential to transform much of what we do. As the distribution network operator (DNO) for the North West of England, it is our responsibility to help meet this challenge by managing uncertainty and leading the way in the energy revolution in the North West

We updated our Innovation Strategy in February 2021 to modify our themes to align with the new themes in the National Innovation Strategy - Consumer vulnerability; Net zero and the energy system, Optimised assets & practices; Flexibility and commercial evolution and Whole energy system. In our strategy we also look at 3 main challenges:

- Energy System Transition
- Asset management
- Vulnerability

Each of our innovation projects seek to explore a range of technological and commercial issues and trial solutions to one or more of the problems associated with each of the three key challenges.

We do this by embracing the opportunities provided by:

- New technologies
- New business and commercial models
- Our regulatory framework and incentives.

We continue to seek collaboration with partner organisations to enable us to fully utilise the ideas and industry opportunities available for providing customers with more reliable, more efficient and more cost effective services.

In the last financial year Electricity North West have continued to use innovative solutions within the business to reduce costs and avoid reinforcement.

We continue to be recognised as a centre for innovation: our electricity voltage scheme (QUEST) recently received full Ofgem funding of £8m, and we are working with Cadent Gas on developing integrated total energy pathways to net zero, using electricity and hydrogen. During the year we commenced the commercial roll out of our innovative Smart Street project following the successful award under the Innovation Roll out Mechanism (IRM) scheme of £15.09m (2012/13 prices) or £18.03m (current prices). Once the roll out is completed it will bring energy savings of up to 8% to customers within the deployment areas and as such have a material impact on their costs. The installation of this system will allow for the connection of greater penetrations of LCTs before it becomes necessary to reinforce the network. The Smart Street system should save around £45k per substation in avoided reinforcement costs and is expected to lead to a reduction in CO₂ of ~ 16,700 tonnes within the RIIO-ED1 period. Further details can be found in table E8.

In the year ended 31 March 2021, Ofgem also awarded us £0.5m in discretionary regard for the satisfactory delivery of our Celsius project, which aims to manage potentially excessive temperatures at distribution substations, through retrofit thermal monitoring.

The impact of innovation in the RIIO-ED1 price control is continuing to grow. Some examples are shown below.

CEP 012 Engineered Pole Products (ENATS 43-18)

As an Electricity distribution industry we have been exploring the alternative to creosote preservative for woodpoles as this preservative will be banned at some point. This has been both for preservative and material. The alternative to natural fabricated wood are engineered poles and these different materials were investigated and a report was drafted to understand the technical requirements for design and construction. This allowed ENA TS 43-18 to be drafted which details the quality and design issues for alternative, hollow designed engineered poles that can be used as ad-hoc replacements for existing timber poles in overhead lines that were originally designed in accordance with ENA TS 43-12, 43-30, 43-40, 43-50 and 43-121 It also specifies associated products to be used with the engineered poles.

Improved statistical ratings for distribution overhead lines (ENA EREC P27)

UK probabilistic distribution overhead line ratings have been in place since 1986 and were derived from research (ENA ACE 104) originally carried out at the CEGB's Leatherhead laboratories in the late 1970's/early 1980's, which the output of the original ENA ER P27 was based on. Existing distribution overhead power line ratings are almost thirty years old and have not been formally reviewed regarding their accuracy and reliability and take no account of climate change. An NIA project was completed over 2 years using test rigs set up at WPD stoke. The output report of this work has allowed the update of ENA ER P27.

VoLL 2

The VoLL2 NIA project was primarily tasked with developing a model that could account for all of the variability in the Value of Lost Load, to prove the concept of estimating VoLL for any sample population, in order to influence different investment decisions. The results of the VoLL2 study suggested that it was possible to develop a model that reflects some of this variability, and that a disaggregated model would be more accurate than the existing uniform approach. Electricity North West self-funded the VoLL3 project and appointed Frazer Nash to establish if it was possible to predict statistically significantly different Willingness to Accept (WTA) values for different Lower Super Output Areas (LSOA), which correlate with the findings of the original VoLL study; and determine if it was possible to predict statistically significantly different WTA values for the same LSOA over time with changing input data. This work highlighted significant uncertainty in the difference in VoLL between LSOAs in the predicted WTA. The majority of the uncertainty appears to arise because the additional research in VoLL 3 identified significant challenges in the ability to cluster individuals with given VoLL attributes and when a single attribute of an LSOA is increased, there is little to effect on the WTA. This demonstrated that WTA is not driven by a single factor but the combination. On the basis of additional research, Electricity North West has been unable to establish a set of values that will materially impact on investment case.

Reflect

Our REFLECT NIA project has introduced a new approach to model uncertainties in EV charging that are related with local characteristics and cannot be currently framed using the Distribution Future Electricity Scenarios (DFES). The developed REFLECT tools have allowed us produce individual normalised EV demand profiles for all Bulk Supply Point (BSP) and primary substations in our license area. These profiles are informed by local data/characteristics per primary substation feeding area, they are different per substation (400+ profiles) and they will be used in our DFES 2021 forecasts to support our first Network Development Plan (NDP) in 2022. Apart from the short-term business as usual benefits in our 132kV and EHV network planning, REFLECT has importantly introduced a

modelling framework that allows DNOs use it to model critical uncertainties beyond EV charging to consider a) probabilities in planning and b) the use of micro-scenarios to enhance the use of scenarios in risk and cost assessments (eg, using our Real Options CBA tool).

4.6. Financing and Net Debt position

£m 12/13	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Forecast	Forecast	Cumulative to 2021 £m	RIIO-1 period £m
	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m		
Assumed regulatory finance cost at actual gearing	38.6	36.2	28.7	29.3	30.9	38.6	30.9	31.0	202.3	264.1
Assumed regulatory finance cost at notional gearing	41.0	38.6	30.7	30.6	32.5	41.9	33.7	33.9	215.2	282.9
Forecast revised Cost of Debt Allowance	24.9	23.8	22.6	20.8	19.5	18.1	16.8	15.4	129.8	162.0
Cost of Debt out(under)performance at actual gearing (pre tax adjustment)	(11.0)	(9.8)	(3.7)	(6.1)	(8.9)	(17.8)	(10.4)	(11.9)	(57.3)	(79.6)
Cost of Debt out(under)performance at notional gearing (pre tax adjustment)	(13.2)	(12.0)	(5.6)	(7.3)	(10.3)	(20.9)	(12.9)	(14.5)	(69.3)	(96.7)
Impact on out(under) performance relating to deviating from notional levels of gearing (pre tax adjustment)	2.2	2.2	1.8	1.2	1.5	3.1	2.5	2.6	12.0	17.1
Notional Gearing	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
Actual Gearing	61.2%	61.0%	60.8%	62.3%	61.8%	59.8%	59.5%	59.4%	61.2%	60.7%
Average Net Debt (per Regulatory Definition)	920.9	922.5	924.2	955.5	956.3	937.1	945.9	959.6	936.1	940.3
Equity RAV	583.8	590.1	596.6	578.0	590.8	629.2	645.0	656.3	594.7	608.7
Adjusted RAV - including latest forecast and Enduring Value adjustments	1,504.7	1,512.6	1,520.8	1,533.5	1,547.1	1,566.3	1,590.9	1,615.9	1,530.8	1,549.0

Our debt structure comprises of the following debt and hedging instruments:

Debt Instruments

- £450m 8.875% fixed rate bond maturing in 2026. An original bond issuance of £200m was transacted in 1995, followed by three re-taps issued at varying premia between July 2001 and February 2002. All issuances have been separately included in the RFPR tables, in-line with the guidance provided.
- £100m 1.4746% +RPI index linked bond maturing in 2046
- £75m 1.656% + RPI index linked loan from EIB maturing in 2024
- £60m 1.51% + RPI index linked loan from EIB maturing in 2024
- £50m 0.38% + RPI index linked loan from EIB maturing in 2032
- £50m 0% +RPI index linked loan from EIB maturing in 2033
- £200m 6.125% fixed rate back to back bond from ENW Finance plc maturing in July 2021 (ENW Finance plc being a special purpose vehicle set up with the sole purpose of raising bond finance for ENWL)
- £300m 1.415% fixed rate back to back bond from ENW Finance plc, issued in July 2020, maturing in 2030
- £82.2m of various intercompany loans at differing fixed nominal rates issued maturing in 2023. All rates were set as third party market rates at the time of issue
- £50m revolving credit facility, of which nil was drawn at year end, and forecast to remain nil at the 2022 year end.

Hedging Instruments

- A set of RPI swaps totalling £200m (receive fixed to 2021, floating to 2038, Pay RPI to 2038, which cumulatively hedge the £200m fixed rate inter-company debt (ref C6) maturing in 2021. After this debt is refinanced, these swaps will continue to hedge the replacement debt until 2038, hence the maturity date of the swaps of 2038 and the change from fixed to floating interest receivable from 2021. These swaps are structured on a PAYG basis, with accretion payable at either five or seven year intervals, dependant on the swap. All interest rates were competitively negotiated at inception of each instrument.
- A set of RPI swaps totalling £100m (Receive fixed to 2026, floating to 2050, pay RPI to 2050) which have the cumulative impact of hedging £100m of the £250m fixed rate debt maturing in 2026. Similar to above, these swaps mature in 2050 and it is our intention to use them to hedge future debt. These swaps are structured on a PAYG basis, with accretion payable at ten year intervals, from 2030.
- From July 2021 the receive leg on the £200m 2038 RPI swaps moves from fixed to floating rate. A new £200m swap was entered into during FY21 which comes into effect from July 2021, which receives fixed and pays floating until 2030. The effect of this combined with the pre-existing £200m 2038 RPI swaps is to maintain the net position of receive fixed and pay RPI until 2030.

Without these hedging instruments, the proportion of nominal fixed and floating debt to index-linked debt would be 66%:34%. With these financing instruments in place, the proportion of nominal fixed and floating debt to index-linked debt is 30%:70%, in line with our treasury policy guidance for the proportion of index-linked debt held by the company, as approved by our Board.

The real interest coupon payable on index-linked financing is aligned with the real debt allowance (and RAV RPI indexation) received under the RIIO framework. Holding a high proportion of index-linked finance minimises the cash flow mismatch between the inflation expectation 'wedge' built into nominal fixed interest payments and the actual, variable RPI outturn.

Forecast Debt issuance summary

Date of Issue	Amount	Interest Rate Assumption	Financing Rationale
ED1			
2022/23	£82.2m	2.47% nominal	Intercompany loans maturing March 2023 refinanced with like for like intercompany loans at an arms length, market rate basis <i>Note : Forecast debt financing in ED2 is provided for information only below and is not included in the RFP data tables</i>
ED2			
2023/24	£350m	2.61% nominal	Refinance of £135m EIB index-linked debt (accreted value c.£190m) plus an additional £160m to cover the incremental debt requirement for target gearing and to finance the ED2 business plan
2024/25	£450m	2.75% nominal	Refinance of £450m 8.875% bonds maturing in 2026 via a bond issue
2025/26	£275m	2.87% nominal	Issuance to cover incremental debt requirement for target gearing and to finance the ED2 business plan

Debt performance

On an actual gearing basis our cost of debt underperformance is £57.3m (2012/13 prices) for the first six years of the price control and expected to be £79.3m (2012/13 prices) cumulatively for RIIO-ED1. Our underperformance is due to the mechanics of the current debt allowance, which give rise to the following:

- We have large embedded debt costs (£450m bond finance raised pre 2005) which pre-date the current trailing average mechanism. As this debt matures in 2026, this represents an ED1 problem, which will only impact three years of ED2.
- Due to our size as a small DNO, we are unable to raise 1/20th of our debt every year to match the current trailing average mechanism allowance, due to minimum issuance sizes in the markets.
- Debt with longer maturities of over 20 years are common within infrastructure, and help us to manage liquidity risk in particular, as well as ensuring market-backed sizes and reducing double handling.
- The pricing of smaller debt issuances is often at a premium to larger, issuances. There is no adjustment for this 'small company premium' within the current debt allowance.
- ENWL is an efficient, well performing company with gearing below notional level, but is rated BBB only. However, the trailing average mechanism uses a blend of iBoxx A and iBoxx BBB indices to estimate reference debt pricing.
- There is no allowance for the debt carry costs of refinancing ahead of debt maturity ("double-handling") within the trailing average mechanism. In order to support our investment grade credit ratings, we need to refinance in advance of our maturities.
- The trailing average mechanism assumes that debt is raised at the average annual pricing level. Debt pricing can fluctuate materially within the year. Again this can create windfall gains or underperformance due to lucky timing rather than good management performance.
- The debt mechanism strips out an estimate of forward RPI from the nominal cost of bonds, at the point of issuance. The RAV is then inflated by actual RPI. In those years where RPI inflation is low, and to the extent that there is no hedging in place, debt underperformance takes place.

It should be noted that in previous RFPs, we have excluded principal indexation on inflation linked bonds and accretion on index-linked derivatives from the value of "Regulatory Net Interest (RIIO-1 definition)". This was based on our understanding of the regulatory requirements and guidance at the time. It has since been clarified by Ofgem during the preparation of draft ED2 Business Plans, that Regulatory Net Interest (RIIO-1 definition) should include bond indexation and swap accretion. We have made adjustments accordingly, including the amended presentation of prior years. Note that this update has had no impact on RoRE, as both bond indexation and swap accretion have always been included in the calculation of financing performance.

Overall, we consider the current cost of debt allowance methodology to favour the 'lucky' – those who have been lucky in their timing of refinancing and issuance, and the 'large' – larger, higher investment rated companies who are able to access the market more frequently with larger amounts.

4.7. Taxation

12/13 prices	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Forecast	Forecast
	2016	2017	2018	2019	2020	2021	2022	2023
	£m	£m	£m	£m	£m	£m	£m	£m
Adjusted/ forecast regulated tax liability with timing differences	24.4	25.6	14.9	19.2	20.6	16.5	11.9	14.3
Revised regulated tax liability for comparison against allowance	23.8	24.9	14.1	18.7	20.1	15.7	10.9	13.3
Net forecast tax allowance	20.9	26.5	20.3	18.9	18.4	18.1	17.2	14.7
Regulated tax out(under) performance at actual gearing (pre adjustment for financing)	(3.5)	0.9	5.4	(0.3)	(2.2)	1.6	5.3	0.3
Regulated tax out(under) performance at notional gearing (pre adjustment for financing)	(2.9)	1.6	6.3	0.2	(1.7)	2.4	6.3	1.4
Impact on out(under) performance deviating from notional levels of gearing (pre adjustment for financing)	(0.6)	(0.7)	(0.9)	(0.5)	(0.5)	(0.8)	(1.0)	(1.0)
Tax performance - at notional gearing (RoRE)	(5.9)	(1.4)	4.4	(1.5)	(3.9)	0.7	2.8	(2.6)

The adjusted forecast regulated tax liability with timing differences has been calculated by taking the actual tax liability (per the CT600) or the forecast tax liability (per the statutory accounts for 2020/21 and per our forecasting model for subsequent years) and adjusting for tax in relation to non-regulated activities or items excluded from the Price Control Financial Model (PCFM).

We have a gearing level which in any given year is typically between three and six percentage points less than the notional gearing level used to calculate the tax allowance and, as a result, each year we report a higher level of tax under-performance at actual gearing level than at notional gearing level.

The revised regulated tax liability for comparison against allowance represents the tax liability that would have arisen had the actual gearing level been at the same level as the notional gearing.

The forecast tax allowance has been calculated using an extended PCFM, including Enduring Value adjustment.

The tax under-performance in FY16, FY19 and FY20 relates to the fact that net revenue was greater than per the PCFM, resulting in a higher actual tax charge compared to the tax allowance.

There was a tax out-performance in FY17, FY18 and FY21. Although actual net revenue was higher than the PCFM in FY17, the collected revenue adjustment resulted in a tax out-performance. In FY18 and FY21, this was due to net revenue being lower than revenue per the PCFM, resulting in a lower tax charge compared to the tax allowance.

The difference in the capital allowances between the PCFM and the actual CT600 will comprise two elements: being the difference between how the capital allowances are calculated between the PCFM and the CT600; and the difference between actual capital expenditure and expected capital expenditure.

For this RFRP we have not split these out due to the complexity involved and the full difference has been included within the revised regulated tax liability for comparison against allowance.

For FY22 and FY23, capital allowances super-deductions have also been in the calculation of both the forecast actual tax liability and the forecast tax allowance. A tax trigger adjustment has been made in the case of the PCFM.

“Tax impact of financing performance (at actual gearing)” has been calculated by taking the actual financing cost (at actual gearing) less the allowance which is derived from the cost of debt multiplied by 65% of the RAV. The result is multiplied by the appropriate tax rate.

“Tax impact of financing performance (at notional gearing)” has been calculated by adjusting actual financing cost for the ratio of the notional to actual gearing difference. This is compared to the allowance derived from the cost of debt multiplied by 65% of the RAV. The result is multiplied by the appropriate tax rate.

4.8. RAV

<i>12/13 prices</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Forecast</i>	<i>Forecast</i>
	2016	2017	2018	2019	2020	2021	2022	2023
	£m	£m						
Opening RAV (before transfers)	1,526.2	1,538.9	1,540.9	1,554.5	1,564.8	1,580.7	1,602.4	1,629.2
Opening RAV (after transfers)	1,526.2	1,538.9	1,540.9	1,554.5	1,564.8	1,580.7	1,602.4	1,629.2
Net additions (after disposals)	159.5	145.3	155.0	157.7	152.0	150.9	160.4	153.0
Net additions (after disposals) - enduring value adjustment	0.9	5.8	(0.5)	(8.1)	0.1	4.4	(2.0)	(0.5)
Total Net Additions	160.4	151.1	154.5	149.5	152.1	155.3	158.4	152.5
Depreciation	(147.7)	(149.1)	(140.6)	(138.9)	(136.3)	(133.6)	(131.6)	(129.9)
Total Depreciation	(147.7)	(149.1)	(140.9)	(139.2)	(136.3)	(133.6)	(131.7)	(130.0)
Adjusted Closing RAV	1,538.9	1,540.9	1,554.5	1,564.8	1,580.7	1,602.4	1,629.2	1,651.7

Regulatory asset value (RAV) effectively reflects the part of totex costs that are not immediately chargeable to the customer via allowed revenue, thereby spreading costs between current and future generations. Our adjusted closing RAV as at 31 March 2021 is £1.6bn in 12/13 prices. This number is expected to increase in comparable price base as we continue to invest in the network. RAV has also been adjusted in table R9 as a result of the adjustment to totex for Enduring value. Please see the enduring value section in Appendix 1 for further details.

4.9. Dividends

<i>Nominal prices</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>
	2016	2017	2018	2019	2020	2021
	£m	£m	£m	£m	£m	£m
Dividend paid as per Statutory Accounts	30.0	81.0	75.6	46.3	38.3	30.7

During the year ended 31 March 2021, the Company declared interim dividends of £30.7m, which were paid in December 2020 (2020: £21.4m). There was no final dividend declared for the year ended 31 March 2020; the final dividend for the year ended 31 March 2019 of £16.9m was paid in June 2019. The Directors have proposed a final dividend of £15.9m for the year ended 31 March 2021.

The coronavirus pandemic created a period of high uncertainty over electricity demand and the collection of allowed revenue. We took the short-term decision to defer some capital investment into future years of ED1 until the outlook became more certain as well as cancelling our year ended March 2020, June 2020 dividend payment. These steps enabled us to play our full part in supporting the industry ‘Small Supplier Liquidity Scheme’, despite a significant reduction in cashflow from customers.

The dividends are paid from the available cash in each financial year at semi-annual intervals, with reference to the forecast business needs, the Group’s treasury policy on liquidity, financing restrictions, applicable law in any given year and the Company’s licence obligations. We continue to

invest in our network, aiming to deliver optimal performance for our stakeholders. We focus on delivering business performance throughout the RIIO-ED1 period that is both strong and continuously improving.

4.10. Pensions

<i>12/13 prices</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>	<i>Actuals</i>
	2016 £m	2017 £m	2018 £m	2019 £m	2019 £m	2020 £m
Established deficit element funded via specific allowances	10.4	10.3	15.1	15.0	15.1	15.7
Established deficit (EDE) allowance as per PCFM	15.8	15.8	15.8	11.6	11.6	11.6

<i>Latest pension scheme valuation (as advised to be used by Ofgem)</i>		<i>31/03/2019</i>
<i>Price base</i>		<i>2018/19</i>
		<i>£m</i>
Total Liabilities attributable to post cut-off date notional sub fund		196.0
Total Liabilities attributable to pre cut-off date notional sub fund		1,282.4
Total Assets attributable to post cut-off date notional sub fund		203.5
Total Assets attributable to pre cut-off date notional sub fund		1,205.4
Deficit in the post Cut-Off Date Notional Sub-Fund		(7.5)
Deficit in the pre Cut-Off Date Notional Sub-Fund		77.0
Licensee element of established deficit		(7.5)
Licensee element of incremental deficit		77.0

Reporting of pension deficit information is aligned with Ofgem’s latest reasonableness review (Nov 2020) which takes place every three years. The updated triennial review is based on a 31 March 2019 valuation.

We continue to monitor the performance of the pension funds with the funding rate at 31 March 2021 being approximately 95.4%.

Formal pension funding documents can be requested from the ENW Pensions Department.

5. Data assurance statement

While we have applied the principles of Ofgem’s data assurance guidance we also note the element of judgement required in preparing the forecasts until the end of the RIIO-ED1 period. We have also used certain assumptions regarding the RIIO-ED1 close out methodology in arriving at the Enduring Value adjustment, thus having an impact on our RoRE forecast. The submission has been subject to expert and second person review and signed off by the Chief Financial Officer.

6. Appendices

6.1. Appendix 1 - Enduring Value Methodology

Overview

Enduring value (EV) is an adjustment made to totex performance by licensees to reflect the true value of the performance over the course of the price control. The adjustment reflects the estimated value of the impact of decisions that impact future value. Adjustments are made for the known or estimated value of close out mechanisms and to reflect timing differences in delivery for example, expenditure in advance or lagged from the timing of the allowance received.

For ENWL, the two most material items impacting the enduring value are:

1. The timing of load related expenditure which is profiled more heavily in the second half of ED1, particularly the last 2 years, in the latest approved Business Plan.
2. Over delivery of risk points at the end of year 6, 78% of outputs delivered for a lower unit rate than provided in allowances, resulting in both the recognition of accelerated delivery and efficiencies against allowances

Enduring Value Methodology

The approach to Enduring value by core category is outlined below:

Totex category	Expenditure Type	Basis of EV calculation
Non Load	Asset replacement and refurbishment	Enduring value adjustment created on basis of progress against risk point targets. If risk point delivery is on track, no adjustment is made. Adjustments are made to reflect over or under delivery of risk points using the actual and forecast unit rate.
	Expenditure related to a Business Plan commitment	Any expenditure behind planned delivery will be included in the EV calculation e.g. Delayed delivery of pinch points
	Other Network Investment (e.g. Flood mitigation, legal and safety, Rising & lateral mains etc.)	Current under / over spends vs. allowances fall into the EV calculation to the extent they unwind over ED1.
Load Related expenditure	Reinforcement expenditure (Distribution and connections) less customer contributions	Three elements of calculation:

Totex category	Expenditure Type	Basis of EV calculation
		<ul style="list-style-type: none"> Impact of higher / lower customer contributions recognised in the year they occur Proportional recognition of overall forecast ED1 efficiency i.e. 6/8 of forecast ED1 efficiency was recognised at March '20 The balance of expenditure variance, relating to timing, falls into EV being the variance to date we expect to unwind during ED1.
Network Operating Costs	Troublecall / I&M / cut outs (non smart)	<p>Adjustments only in exceptional circumstances – out/underperformance in year taken to RoRE.</p> <p>Adjustment applied dependent on separate scrutiny of individual components in light of events affecting the network – storm-related repairs, etc.</p> <p>Separate consideration for Business Plan commitments and other internal programmes such as annual tree cutting profiles</p>
Business Support / Closely associated Indirects		<p>Adjustments only in exceptional circumstances – out/underperformance in year taken to RoRE.</p> <p>Under / over spend recognised in year with adjustments only for exceptional events. In ENWL's case, the element of the insurance claim receipt from the December 2015 storms which relates to future expenditure to improve flood defences has been treated as an enduring value adjustment in the past.</p>
Non Operational Capex	Non Operational IT / Fleet / Logistics / accommodation	<p>Adjustments only in exceptional circumstances – out/underperformance in year taken to RoRE.</p> <p>General principle is that under or overspend is recognised in the year it arises. Adjustments limited to specific large projects where acceleration or deferral has occurred.</p>
IT&T Capex	Operational IT	<p>Adjustments only in exceptional circumstances – out/underperformance in year taken to RoRE.</p> <p>General principle is that under or overspend is recognised in the year it arises. Adjustments limited to specific large projects where acceleration or deferral has occurred, in our case acceleration of an operational IT system (NMS).</p>

Totex category	Expenditure Type	Basis of EV calculation
Uncertainty mechanisms		<p>Adjustments made to include expected impact of close out mechanisms requires definition of close out mechanism.</p> <p>ENWL impact:</p> <p>NOMS – no adjustment as risk points delivery expected to be in line with target</p> <p>Street-works – Adjustments to allowances made as per 2019 reopener assessment.</p> <p>Smart meters – allowed revenue adjusted with volume driver mechanisms</p> <p>Load reopener/ net to gross: Innovation offset identified at the time of reporting to Ofgem is considered in assessing the impact of close out mechanisms</p> <p>No other close out or uncertainty mechanisms impact is expected</p>

Other assumptions

1. Close out mechanisms are reflected on the basis of information available at the time and clarity of close out mechanisms
2. Non-totex costs are excluded from the enduring value calculation.

Summary of position at 31 March 2021

Enduring value summary £m (2012/13 prices)	Cumulative 2021	Cumulative 2020
Load related costs	22.6	22.3
Non load – risk point assessment	(12.0)	(30.3)
Non load – other	(1.7)	1.5
Business support – Insurance recovery	-	-
Total	8.9	(6.5)

6.2. Appendix 2 - Net Debt Forecasting Assumptions

Our Net Debt forecast is based on a retained gearing position of 62-63% RAV, allowing for 2-3% headroom against the regulatory assumption of an efficient DNO.

In the eight years to 31 March 2028, ENWL has the following debt maturities requiring refinancing:

- £82.2m of various intercompany loans at differing fixed nominal rates issued maturing in 2023.
- £200m 6.125% fixed rate back to back bond from ENW Finance plc maturing in July 2021 (ENW Finance plc being a special purpose vehicle with the sole purpose of raising public issued bond finance for ENWL). This debt was refinanced by the issuance of a £300m 1.415% bond in July 2020.
- £75m 1.656% + RPI index linked loan from EIB maturing in 2024.
- £60m 1.51% + RPI index linked loan from EIB maturing in 2024.
- £450m 8.875% fixed rate bond maturing in 2026

In addition, there is capacity for incremental borrowings, which have been forecast based on business need and with reference to expected RAV growth, with a gearing target gradually reducing from 62.4% down to 60% between the start and end of ED2.

The key assumptions used in modelling the debt and financing costs are as follows:

- **Refinancing rate and issuance costs.** As we prepare this year's RFPR we are in the process of preparing business plans for ED2. Our working assumption for refinancing rates is derived from the rates provided by Ofgem within the Business Plan Data Templates, which in turn are derived from the spot iBoxx utility nominal rates provided by Ofgem. As our forecast debt issuances (table in section 4.6) are based on actual refinancing timing, and therefore includes pre-financing and carry costs, we have not included an uplift above the Ofgem spot rates.
- **Debt issuance timing.** All external debt is assumed to be refinanced 12-18 months before the existing maturity date to reflect our treasury policy and manage liquidity risk in order to maintain our investment grade rating. This inherently includes either 'double-handling' costs for this period necessary to minimise our liquidity risk exposure. The 12 months is set to manage liquidity concerns against debt investors. At the time of refinance we would look to implement a forward starting debt product to mitigate these double handling costs whilst managing liquidity concerns.

The £82.2m inter-company loan has been borrowed in instalments from the parent company, North West Electricity Networks plc. This is not directly linked to external debt and, as such, is forecast to be refinanced on maturity in March 2023, without double-handling, at the same amount. All intercompany borrowings are made on an arms' length basis, reflecting market rates at time of drawing.

- **Issuance size.** To access the debt markets efficiently, we base our figures on a minimum issuance size of debt of £250m. We also take into consideration our incremental debt requirements at the time to maintain our RAV gearing targets.

The precise timing and sizes of issuances during ED2 is subject to the progression of our ED2 business planning, but the current planned issuances can be seen in the forecast debt issuance summary table in section 4.6.

- **Nominal and index-linked debt.** Refinancing is currently planned to be on a nominal basis and will be revisited at the time of refinancing.

6.3. Appendix 3 - Methodology notes for completion of Net Debt and Financing tables

In completing the tables, we have made the following assumptions:

- A forecast of 'New/refinanced debt issuance expenses' has been included as a cash cost in the year incurred. Accounting treatment will be to capitalise the cost and amortise it over the life of the financing.
- Following the adoption of the IFRS9, the ENWL £250m bonds maturing 2026 are now held at amortised cost rather than fair value. This change took effect for the 2019 RFPR. The bonds were issued in three tranches across 2001-2002, at a premium to principal. This accounting change impacts the RFPR and the RoRE calculation in two areas.
 - Firstly, the regulatory debt has increased reflecting the unamortised premium on issuance.
 - Secondly, the annual amortisation of the remaining premium reduces ENWL financing costs.
- The reporting approach and standards are being developed over time for this new regulatory reporting pack. As a result of recent developments, the resultant financing charge is more reflective of the effective financing rate on issuance. While IFRS9 is only effective for the year ending 31st March 2019 onwards, we have chosen to include a retrospective adjustment for the first three years of ED1 to ensure performance is consistent across the regulatory reporting period. These changes have had the impact of increasing the reported return and debt performance in the RFPR.
- The Net Debt per Regulatory definition excludes debt fair value adjustments and the fair value of the derivative. It also excludes any restricted cash balances. Movements in future fair values or restricted cash balances have not been forecast, therefore, the actual 2020/21 figures have been held flat in the forecast.
- The cash balance in ED1 is forecast to be maintained at, or above, a minimum acceptable level for working capital requirements. In some years it could be significantly higher due to liquidity requirements and maturing debt instruments being pre-funded (see above).
- Table E shows trading and rechargeable balances between ENWL and other Group companies, including interest accrued balances on the £200m 2021 6.125% bonds. Apart from these accrued interest balances, which are reduced to nil in 2021/22 and accrued interest on the £82.2m intercompany loans, other balances are all held flat for forecasting purposes.
- To calculate proportions of debt which are fixed / floating / index-linked on a pre and post-hedging basis, we have excluded the retained cash balances from the Total Net Debt subtotal in order to provide a meaningful split. If these balances are included (presumably on a floating basis), then during periods of 'double-handling' when the cash balances are significant, the resultant proportions calculated can be negative and misleading. We therefore believe that the proportions shown are more helpful and reflective of our underlying interest rate exposures.
- The interest receive legs under some of our swaps are linked to 6 month LIBOR. For forecasting purposes, the LIBOR rates assumed reflect those rates calculated to arrive at the 10 year gilt curves as detailed above in Appendix 2.

7. Glossary

ASID	Average Supply Interruption Duration
BEIS	Department for Business, Energy and Industrial Strategy
CI	Customer Interruptions
CLASS	Customer Load Active System Services
CML	Customer Minutes Lost
CNAIM	Common Network Asset Indices Methodology
CSAT	Customer Satisfaction
DNO	Distribution Network Operator
DSO	Distribution System Operator
ENWL	Electricity North West Limited
EV	Enduring Value
GEMA	Gas and Electricity Markets Authority
GRESB	Global Real Estate Sustainability Benchmark
GSoP	Guaranteed Standard of Performance
IFRS	International Financial Reporting Standard
IRM	Innovation Roll Out Mechanism
NMS	Network Management System
Ofgem	Office of Gas and Electricity Markets
PSR	Priority Services Register
PCFM	Price Control Financial Model
RAV	Regulatory Asset Value
RFPR	Regulatory Financial Performance Reporting
RIIO	Revenue using Incentives to deliver Innovation and Outputs
RIIO - ED1	Revenue using Incentives to deliver Innovation and Outputs – Electricity Distribution 1
RIIO – ED2	Revenue using Incentives to deliver Innovation and Outputs – Electricity Distribution 2
RoRE	Return on Regulated Equity
RPI	Retail Prices Index - a UK general index of retail prices (for all items) as published by the Office for National Statistics (January 1987 = 100).
SECV	Stakeholder Engagement and Customer Vulnerability
tco_{2e}	Tonnes of Carbon Dioxide Equivalent
Totex	Total expenditure