

To: Daniel Storey

Dear Daniel,

Template for NERL's building block update submission

In the June 2021 business planning guidance (CAP2160), we asked NERL to provide a building block update to the CAA by 10 December 2021. We said that this would allow us to start our analysis of NERL's forecasts of key building blocks, while allowing NERL additional time to finalise its business plan.

We have had some discussions on the scope and requirements for this building block update and said that we would prepare a data template for NERL to complete. We are now providing the data template with this letter and NERL should complete and return this with its building block update by 10 December 2021.

The template includes a subset of the information we will need to populate the draft NR23 price control model we are developing (including costs, capex, prices and regulatory asset base) as well as requesting information on the weighted average cost of capital and service quality targets. Where possible, we have specified information in the form used in the NATS financial model, which should make it easier to reconcile and provide these inputs. We have also taken account of some of the comments from NERL on a draft version of the template. Nevertheless, in its building block submission, NERL should clearly mark and explain any cases where it has modified the template, provided additional information or where there are gaps in the information provided.

In addition to this template, as also discussed with you, we are also expecting that NERL will provide by 10 December 2021:

- focused commentary on key areas, as requested in the June 2021 document;
- any further information that NERL was already planning to submit with its building block update; and
- information we have requested separately to be submitted on or before 10 December 2021 to support the reconciliation review and the forward-looking cost assessment.

We would be very happy to discuss this letter and any questions you have on the template.

Regards,

Stewart Carter

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