



National Grid Regulatory accounts 1999/2000

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The Licensee (The National Grid Company plc) is required by Condition 3 of the transmission licence to prepare regulatory accounts on a current cost basis for each financial year which give a true and fair view of the assets, liabilities, reserves and provisions of, or reasonably attributable to, the Separate Businesses, as defined for that purpose in the transmission licence, and of the revenues, costs and cash flows of, or reasonably attributable to, those businesses for the financial year.

The Licensee is responsible for ensuring that each Separate Business keeps accounting records which disclose with reasonable accuracy the financial position of the Separate Business and which enables the Licensee to ensure that the regulatory accounts comply with Condition 3 of the transmission licence.

The Directors have general responsibility for taking reasonable steps to safeguard the assets of the Group (The National Grid Company plc and its Group undertakings), certain of which may for regulatory accounts purposes be allocated or apportioned to the Separate Businesses, and for taking reasonable steps to prevent and detect fraud and other irregularities.

The Directors consider that in preparing the regulatory accounts, suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used and that applicable accounting and financial reporting standards have been followed.

Report of the auditors to the members of The National Grid Company plc

We have audited the summary regulatory accounts set out on pages 2 to 8 which have been prepared under the current cost convention and the accounting policies set out on pages 2 and 3. The summary regulatory accounts have been extracted from the full regulatory accounts for the year ended 31 March 2000, prepared by The National Grid Company plc for submission to the Director General of Electricity Supply, as required by Condition 3 of the transmission licence issued to The National Grid Company plc on 26 March 1990.

Respective responsibilities of Licensee and Auditors

As described above, the Licensee is responsible for the preparation of the regulatory accounts. Our responsibility is to report to you our opinion as to whether the summary regulatory accounts are consistent with the full regulatory accounts.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. The audit of summary regulatory accounts comprises an assessment of whether the accounts contain all information necessary to ensure consistency with the full regulatory accounts and of whether the detailed information required by the transmission licence has been properly extracted from these documents and included in the summary regulatory accounts.

Opinion

In our opinion the summary regulatory accounts set out on pages 2 to 8 are consistent with, so far as concerns the Separate Businesses as defined for that purpose in the transmission licence, the full regulatory accounts as described above on which we issued an unqualified report dated 22 May 2000.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
London
22 May 2000

2 Accounting policies

a Basis of preparation

The accounts give the information prescribed by Condition 3 of the transmission licence and have been prepared in accordance with applicable accounting and financial reporting standards.

b Basis of accounting

The accounts have been prepared using current cost accounting principles, which provide for the effects of specific price changes on the resources necessary to maintain the operating capability of the businesses, and include a charge for depreciation, based on the current cost of tangible fixed assets as distinct from their original cost.

c Charges, allocations and apportionments

In preparing these accounts, categories of revenues, costs, assets, liabilities and provisions have been credited, charged or allocated specifically to a business, wherever appropriate. Because of the integrated nature of The National Grid Company plc's activities, it is necessary to apportion certain elements of these categories to determine those amounts reasonably attributable to each of the businesses as an individual activity. Elements not attributable to an individual activity such as taxation, capital liabilities and interest thereon have been excluded.

d Tangible fixed assets and depreciation

Tangible fixed assets are included in the balance sheets at their value to the business, being current replacement cost less accumulated depreciation and after deducting related capital contributions or, if lower, their recoverable amount, by reference to value in use. Value to the business has, in general, been assessed either by estimating the cost of modern equivalent assets or by the indexation of historical costs using appropriate indices. Certain land and buildings are included in the balance sheets on the basis of an internal valuation.

In respect of the transmission business ("the Business"), value in use is based on the regulatory asset value of the Business, determined by The Director General of Electricity Supply during the second regulatory review of the transmission price control and from which the Business' main source of revenue is derived. To the extent that the impairment provision, and adjustments thereto, represent changes in the estimated remaining service potential of tangible fixed assets, these amounts are charged to the operating profit and loss statement. Changes to the impairment provision which represent price changes are taken directly to capital employed.

No depreciation is provided on freehold land and assets in the course of construction. Other tangible fixed assets are depreciated, principally on a straight line basis, at rates estimated to write off their book values over their estimated useful economic lives. In assessing estimated useful economic lives, which are reviewed on a regular basis, consideration is given to any contractual arrangements and operational requirements relating to particular assets. Unless otherwise determined by operational requirements the depreciation periods for the principal categories of assets are, in general, as follows:

	Years
Plant and machinery	
Transmission plant	
– Towers	40 or 60
– Substation plant, overhead lines and cables	40 or 50
– Protection, control and communication equipment	15 or 25
Cross-Channel link	25
Freehold and leasehold properties	up to 40
Motor vehicles and office equipment	3 or 5

e

Stocks

Stocks, which primarily comprise consumable stores, are stated at the lower of cost and net realisable value.

f

Turnover

Turnover primarily represents the amounts derived from the transmission of electricity and the provision of related services. It includes inter-business and inter-company transactions and is stated net of value added tax.

g

Pensions

The cost of providing pensions is charged to the operating profit and loss statements on a systematic basis over the service lives of the employees in the scheme. Variations from the regular pension cost are allocated over the estimated average remaining service lives of current employees.

h

Research and development

Research and development expenditure is charged to the operating profit and loss statements in the period in which it is incurred.

4 Current cost operating profit and loss statements for the year ended 31 March 2000

	Note	Transmission		Settlements		Interconnectors		Ancillary services	
		2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
Turnover – continuing operations		1,208.2	1,194.6	40.6	57.5	86.6	75.8	111.9	116.6
Operating costs	[1]	(844.0)	(859.3)	(33.4)	(51.8)	(40.1)	(37.4)	(111.6)	(116.4)
Current cost operating profit – continuing operations		364.2	335.3	7.2	5.7	46.5	38.4	0.3	0.2

Current cost balance sheets at 31 March 2000

	Notes	Transmission		Settlements		Interconnectors		Ancillary services	
		2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
Tangible fixed assets	[2]	4,760.8	4,837.6	1.1	2.5	160.7	174.9	0.2	0.2
Current assets									
Stocks		8.4	7.8	–	–	–	–	–	–
Debtors	[3]	4,259.1	3,890.2	18.3	19.8	403.0	344.0	11.0	17.7
Cash at bank and in hand		54.2	23.9	3.4	1.2	–	–	–	–
Creditors (amounts falling due within one year)	[4]	4,321.7 (305.4)	3,921.9 (292.5)	21.7 (12.2)	21.0 (12.7)	403.0 –	344.0 (1.7)	11.0 (9.0)	17.7 (16.0)
Net current assets		4,016.3	3,629.4	9.5	8.3	403.0	342.3	2.0	1.7
Total assets less current liabilities		8,777.1	8,467.0	10.6	10.8	563.7	517.2	2.2	1.9
Provisions for liabilities and charges	[5]	(1.9)	(4.5)	–	–	–	–	–	–
Net assets employed		8,775.2	8,462.5	10.6	10.8	563.7	517.2	2.2	1.9
Capital employed	[6]	8,775.2	8,462.5	10.6	10.8	563.7	517.2	2.2	1.9

The accounts on pages 2 to 8 inclusive were approved by the Board of Directors of The National Grid Company plc on 22 May 2000 and were signed on its behalf by:

R J Urwin Director

D H Elsey Director

Current cost statements of total recognised gains and losses 5

for the year ended 31 March 2000

Note	Transmission		Settlements		Interconnectors		Ancillary services	
	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
Current cost operating profit	364.2	335.3	7.2	5.7	46.5	38.4	0.3	0.2
Taxation	–	–	(2.4)	(1.4)	–	–	–	–
Revaluation of tangible fixed assets [6]	(51.5)	42.3	–	–	–	–	–	–
Total recognised gains and losses relating to the year	312.7	377.6	4.8	4.3	46.5	38.4	0.3	0.2

Current cost cash flow statements for the year ended 31 March 2000

Note	Transmission		Settlements		Interconnectors		Ancillary services	
	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
Net cash inflow/(outflow) from operating activities [7]	642.5	586.9	6.7	5.7	62.8	49.7	1.6	(3.6)
Taxation								
Corporate tax paid	–	–	(2.4)	(2.0)	–	–	–	–
Capital expenditure								
Payments to acquire tangible fixed assets	(265.1)	(315.4)	(0.3)	(1.4)	–	–	(0.1)	(0.1)
Receipts of capital contributions	9.9	11.9	–	–	–	–	–	–
Receipts from disposals of tangible fixed assets	0.6	0.7	–	–	–	–	–	–
Net cash outflow for capital expenditure	(254.6)	(302.8)	(0.3)	(1.4)	–	–	(0.1)	(0.1)
Equity dividends paid	–	–	(4.5)	(1.7)	–	–	–	–
Transfers (from)/to other businesses	(1.0)	10.6	–	–	(0.1)	–	–	–
Net cash inflow/(outflow) before financing	386.9	294.7	(0.5)	0.6	62.7	49.7	1.5	(3.7)
Represented by:								
Movement in inter-business balances	356.6	283.7	(2.7)	3.8	62.7	49.7	1.5	(3.7)
Increase/(decrease) in cash	30.3	11.0	2.2	(3.2)	–	–	–	–
	386.9	294.7	(0.5)	0.6	62.7	49.7	1.5	(3.7)

6 Notes to the accounts

1	Operating costs	Transmission		Settlements		Interconnectors		Ancillary services	
		2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
	Current cost depreciation	292.2	290.1	1.7	1.8	14.3	14.3	0.1	0.2
	Payroll costs	73.4	74.9	5.2	4.5	0.6	0.5	1.1	1.1
	Purchases of electricity	0.8	0.9	–	–	–	–	106.1	111.6
	Rates	97.8	94.9	0.1	0.1	3.3	3.3	–	–
	Transmission services scheme direct costs	212.6	254.0	–	–	–	–	–	–
	Other operating charges	167.2	144.5	26.4	45.4	21.9	19.3	4.3	3.5
		844.0	859.3	33.4	51.8	40.1	37.4	111.6	116.4

Operating costs in respect of the transmission business include research and development costs amounting to £7.8m (1999: £8.4m).

Of the total Group audit fee, £273,000 (1999: £260,000) is attributable to the Separate Businesses and is included within other operating charges.

2	Tangible fixed assets	Transmission £m	Settlements £m	Interconnectors £m	Ancillary services £m
	Gross value at 1 April 1999	12,825.4	15.3	378.8	1.2
	Additions	266.0	0.3	–	0.1
	Revaluations	(129.7)	–	–	–
	Disposals	(115.5)	–	(0.2)	(0.4)
	Transfers from other businesses	1.0	–	0.1	–
	Gross value at 31 March 2000	12,847.2	15.6	378.7	0.9
	Depreciation at 1 April 1999	7,681.3	12.8	203.9	1.0
	Charge for the year	310.2*	1.7	14.3	0.1
	Revaluations	(78.2)	–	–	–
	Disposals	(115.4)	–	(0.2)	(0.4)
	Depreciation at 31 March 2000	7,797.9	14.5	218.0	0.7
	Net current replacement cost at 31 March 2000	5,049.3	1.1	160.7	0.2
	Impairment provision at 1 April 1999	306.5	–	–	–
	Amortisation for the year	(18.0)*	–	–	–
	Impairment provision at 31 March 2000	288.5	–	–	–
	Net asset value at 31 March 2000	4,760.8	1.1	160.7	0.2
	Net asset value at 31 March 1999	4,837.6	2.5	174.9	0.2

*Depreciation charge for the year £292.2m.

2 Tangible fixed assets continued

	Transmission		Settlements		Interconnectors		Ancillary services	
	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
The net asset value comprises:								
Land and buildings	88.0	76.6	–	–	0.1	0.1	–	–
Plant and machinery	4,395.8	4,431.1	–	–	160.3	174.6	–	–
Assets in the course of construction	251.5	308.7	0.4	0.2	0.3	0.2	–	–
Motor vehicles and office equipment	25.5	21.2	0.7	2.3	–	–	0.2	0.2
	4,760.8	4,837.6	1.1	2.5	160.7	174.9	0.2	0.2

The net asset values of tangible fixed assets in the transmission and interconnectors businesses at 31 March 2000 are stated after deducting capital contributions of £95.6m (1999: £90.3m) and £0.3m (1999: £0.3m) respectively.

	Transmission		Settlements		Interconnectors		Ancillary services	
	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
The net asset value of land and buildings comprises:								
Freehold	79.7	69.5	–	–	0.1	0.1	–	–
Long leasehold (over 50 years)	5.8	5.8	–	–	–	–	–	–
Short leasehold (under 50 years)	2.5	1.3	–	–	–	–	–	–
	88.0	76.6	–	–	0.1	0.1	–	–

3 Debtors

	Transmission		Settlements		Interconnectors		Ancillary services	
	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
Trade debtors	52.3	34.4	2.8	0.9	2.0	3.3	5.7	13.9
Inter-business balances	4,201.6	3,845.0	13.6	16.3	395.5	332.8	5.3	3.8
Amounts owed by a related party	–	0.1	–	–	–	–	–	–
Other debtors	0.4	4.0	–	–	–	–	–	–
Prepayments and accrued income	4.8	6.7	1.9	2.6	5.5	7.9	–	–
	4,259.1	3,890.2	18.3	19.8	403.0	344.0	11.0	17.7

4 Creditors (amounts falling due within one year)

	Transmission		Settlements		Interconnectors		Ancillary services	
	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
Trade creditors and accruals	265.1	251.2	4.4	5.7	–	0.5	8.4	15.6
Amounts owed to a related party	–	10.0	–	–	–	–	–	–
Corporation tax	–	–	2.1	2.1	–	–	–	–
Social security and other taxes	33.7	17.7	0.7	0.4	–	1.2	0.6	0.4
Proposed dividend	–	–	5.0	4.5	–	–	–	–
Other creditors	6.6	13.6	–	–	–	–	–	–
	305.4	292.5	12.2	12.7	–	1.7	9.0	16.0

8 Notes to the accounts continued

5 Provisions for liabilities and charges	Transmission	Settlements	Interconnectors	Ancillary services
	£m	£m	£m	£m
At 1 April 1999	4.5	–	–	–
Utilised	(2.6)	–	–	–
At 31 March 2000	1.9	–	–	–

In The National Grid Group accounts the above amounts are included within other provisions.

6 Movement in capital employed	Transmission	Settlements	Interconnectors	Ancillary services
	£m	£m	£m	£m
At 1 April 1999	8,462.5	10.8	517.2	1.9
Operating profit for the year	364.2	7.2	46.5	0.3
Tax and dividend	–	(7.4)	–	–
Revaluation of tangible fixed assets	(51.5)	–	–	–
At 31 March 2000	8,775.2	10.6	563.7	2.2

7 Current cost cash flow statements	Transmission		Settlements		Interconnectors		Ancillary services	
	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
Reconciliation of operating profit to net cash inflow/(outflow) from operating activities								
Operating profit	364.2	335.3	7.2	5.7	46.5	38.4	0.3	0.2
Depreciation charge	292.2	290.1	1.7	1.8	14.3	14.3	0.1	0.2
(Profit)/loss on disposal of tangible fixed assets	(0.5)	1.1	–	–	–	–	–	–
(Increase)/decrease in stock	(0.6)	0.4	–	–	–	–	–	–
(Increase)/decrease in debtors	(14.6)	(10.9)	(1.2)	3.8	3.7	(3.6)	8.2	20.7
Increase/(decrease) in creditors	4.4	(22.6)	(1.0)	(5.6)	(1.7)	0.6	(7.0)	(24.7)
Decrease in provisions	(2.6)	(6.5)	–	–	–	–	–	–
Net cash inflow/(outflow) from operating activities	642.5	586.9	6.7	5.7	62.8	49.7	1.6	(3.6)

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