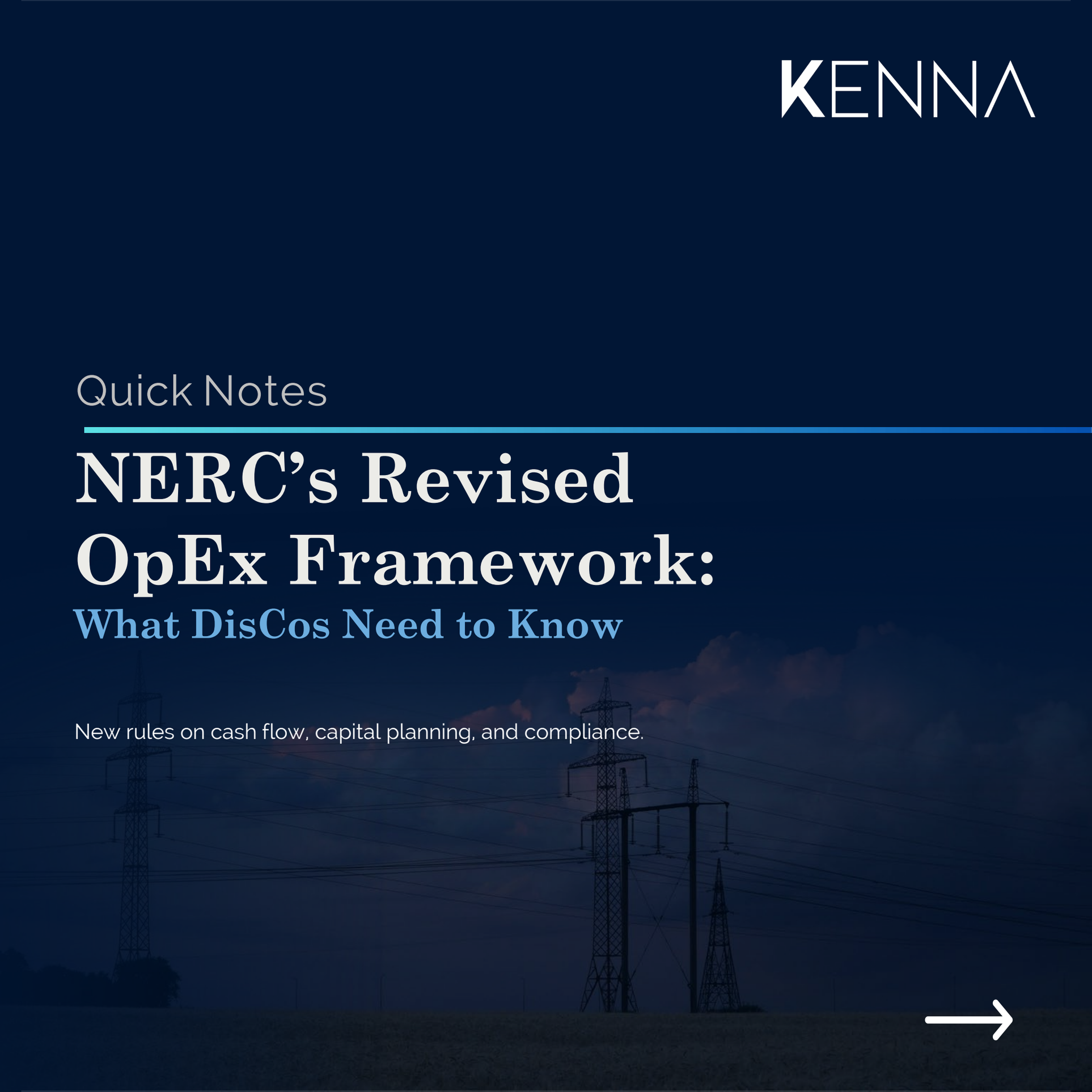
KENNA

Quick Notes

NERC's Revised OpEx Framework:

What DisCos Need to Know

New rules on cash flow, capital planning, and compliance.



A Structured Approach to Revenue

The Revised Order changes how DisCos use their earned Non-Administrative Operating Expenditure.

The shift is about more than allocation percentages. It ties operational spending, market debt, and capital investment into one connected financial planning process.

One connected planning process

Operational spending

Earned Non-Admin OpEx allocated to day-to-day operations.

+

Market debt

Outstanding obligations to NBET and the Market Operator.

+

Capital investment

Funding for critical infrastructure through the CapEx Provision Account.

Core goal

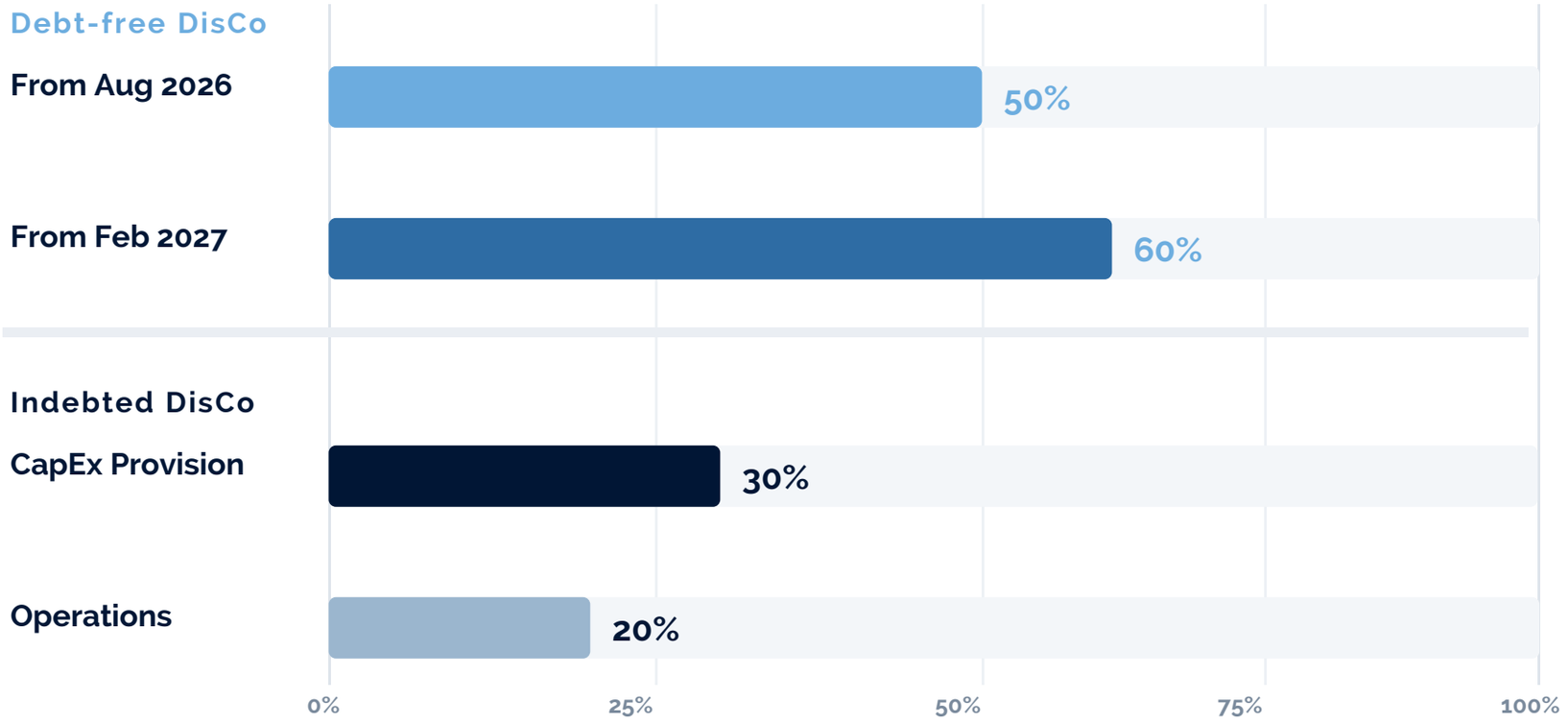
To ensure DisCos manage earned revenue responsibly while funding critical infrastructure.

Debt Position Determines Your Share

Allocation percentages now depend on whether a DisCo owes outstanding market debts to NBET or the Market Operator.

Share of earned Non-Administrative OpEx

Directed to the CapEx Provision Account and to operations



Indebted DisCos also face **mandatory allocations to NBET and the Market Operator** before the CapEx and operations shares above.

Key shift

Debt-free DisCos must allocate 50% to the CapEx Provision Account from **August 2026**, rising **to 60%** from **February 2027**. Indebted DisCos are mandatorily required to allocate **25%** each to NBET and the MO, while CapEx increases to **30%** and operations reduces to **20%.**

Ring-Fenced Funds for Approved Projects

The Revised Order restricts how funds in the CapEx Provision Account may be deployed.

How a deployment is released

CapEx Provision
Ring-fenced account

→

Approved projects
Existing PIP projects only

→

The control gate
NERC "No Objection"

Funds are ring-fenced for approved Performance Improvement Plan (PIP) projects.
The account cannot be used as a general reserve or a working-capital buffer while projects remain unfunded.

Deployment requires NERC's "No Objection" for project preparation and contract award.
Both stages are separately gated — approval to prepare a project does not authorise the award of the contract.

Quarterly progress reports must be submitted within 15 days of each quarter's end.
A recurring reporting obligation, not a one-off filing.

Q-end + 15 days

Earned revenue is not unrestricted liquidity.

The allocation framework directly affects the amount of earned Non-Admin OpEx available for immediate operations.

What changes in practice

Previously

Earned OpEx treated as available cash

Under the Revised Order

A defined share is committed before operations

The CapEx Provision Account, market-debt obligations and operational spending all draw on the same earned pool — so each commitment narrows what remains for the others.

Strategic advantage

Operational budgeting, market debt management, and capital planning must now be treated as **interconnected priorities**, not separate exercises

Operational budgeting

Plan spending against the share that actually reaches operations.

→

Market debt management

Reconcile NBET and MO obligations before allocating anything else.

→

Capital planning

Sequence PIP projects to match the ring-fenced funds available.

What DisCos Must Do Now

Immediate steps to align with the Revised Order

1 **Determine outstanding market obligations**
Establish what is owed to NBET and the Market Operator.

2 **Open and maintain the dedicated CapEx Provision Account**
A separate, ring-fenced account — not a notional ledger entry.

3 **Align priority projects with existing PIPs**
Only approved Performance Improvement Plan projects qualify for funding.

4 **Finalise debt reconciliation and agree a payment plan**
Settle the debt position that drives your allocation percentage.

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5 **Prepare for quarterly reporting obligations**
Build the reporting cycle into your calendar before the first quarter closes.

Conclusion

Is your cash flow strategy compliant?

In a shifting regulatory landscape, clarity is a strategic advantage. At KENNA, we help DisCos navigate the Revised Order, align their capital planning, and maintain compliance with confidence.

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