

Reference
CA-UMPG001

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Kiran Turner
Ofgem
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Dear Kiran

Response to Ofgem minded-to position for the determination of a proposed relevant adjustment associated with specified street works costs under the RIIO-GD1 price control review.

Further to the publication of Ofgem's minded to position consultation on the 8th of August 2018 regarding the above, we have taken into consideration all the points raised and welcome Ofgem's assessment of our actual costs although we were disappointed at the appraisal of the forecast costs, particularly relating to both administration and productivity.

Cadent notes the permit fee cost adjustments that Ofgem have applied, which removes the forecast costs for those highway authorities that had proposed but had yet to commence a permit scheme by the date of Cadent's submission. Ofgem have applied a similar methodology to administration and productivity costs and therefore similar adjustments should be taken into account.

The forecasting method utilised by Cadent was based on the workload increase in addition to the increase in the number of highway authorities operating schemes. The mains replacement length will increase by 18% and permit schemes by 13% over the RIIO GD1 period and our forecasting costs were reflective of these factors. We believe our approach is a more accurate methodology than that used by Ofgem for assessing forecast costs for the remainder of RIIO GD1.

Looking forwards, Cadent would like to draw Ofgem's attention to the recent proposals set out in the letter from the Department for Transport (a copy of which was sent to Ofgem) requiring that all highway authorities will need to operate a permit scheme by April 2019. Cadent will therefore be incurring a proportion of the disallowed costs in addition to the costs from those highway authorities where no claim had been made. Our forecast is therefore likely to be inherently lower than had the letter from the Department for Transport been published prior to 31 May 2018 (the Ofgem submission due date).

In addition to the costs outlined above Cadent may also face exposure through the introduction of future legislation announced recently relating to Permit Schemes and Lane Rental implementation across England. We will be assessing these developments as part of the RIIO GD1 end of price control reconciliation with Ofgem.

Cadent will continue to work with all the key stakeholders to reduce both the costs and impacts of street works legislation on behalf of all energy networks. The future proposals for changes in



legislation, in particular those mentioned above, are a key area where Cadent will be working with stakeholders to minimize the costs and impact without detracting from the ambitions of national and local government to reduce congestion.

Yours sincerely

Paul Gerrard
Strategic Street Works Manager