

## Cost Assessment Working Group – Meeting 6

From: Ofgem

Date: 13<sup>th</sup> February  
2019

Time: 1pm – 3pm

Location: Teleconference

### 1. Data reporting consistency

- 1.1. The group discussed the reporting inconsistency related to Centralised Emergency Materials & Equipment (CEME). It was acknowledged that not all networks were reporting CEME costs in the same place. It was proposed that Ofgem would capture CEME separately within the maintenance tables in the RIIO-GD2 business plan data templates (BPDT).
- 1.2. The inconsistency related to Connected System Entry Points (CSEP) was discussed. It was acknowledged that some networks include CSEPs in their reported customer numbers, whereas others don't. The group discussed the feasibility of capturing each CSEP as a single customer entity versus capturing the actual number of Independent Gas Transporter (IGT) customers. One stakeholder expressed a preference to report individual IGT customers, rather than number of CSEPs. There was a follow-up discussion around the services that GDNs provide to IGT customers (namely rechargeable emergency services), the reasoning being that if IGTs were charged for these services their customers should be excluded from the regression driver. Another stakeholder argued that it doesn't make sense to capture someone else's assets in the MEAV.
- 1.3. Data reporting inconsistencies identified in previous working groups were discussed to clarify actions. One GDN offered to look further into the routine/non-routine maintenance inconsistencies. Another GDN agreed to continue to work on the other capex inconsistency, and report back to the group at the next session. There was a discussion on potential inconsistencies in the reporting of voluntary compensation

payments related to guaranteed standards of performance. One GDN stated that they will send their suggestion on how to address this as part of the consultation on regulatory instructions and guidance (RIGs).

- 1.4. Data consistency issues in business support were discussed. Stakeholders highlighted that differences in outsourcing strategies between network companies impacts the business support costs, and how they are reported. It was suggested that a totex view is needed to address this problem, but another stakeholder argued that the inconsistency is worth further discussion at the next CAWG.
- 1.5. A general point in relation to these inconsistencies was raised by a stakeholder; that it is important to distinguish between inconsistencies deriving from different interpretations of reporting guidance (which can be resolved), versus those that are driven by differences in business structure.

## **2. Summary of other engagement**

- 2.1. Ofgem provided a brief summary of key upcoming work and how they will engage stakeholders. In relation to cost benefit analysis (CBA), one stakeholder asked if there will be a requirement to complete CBAs for the July Business Plan submission. Ofgem stated that some CBAs in the July submission in the more material areas would be useful, and more CBAs will be expected in the final submission in December. Ofgem noted their intention to provide further guidance on this alongside draft CBA guidance.

## **3. Regression models**

- 3.1. Ofgem outlined their proposed approach to engaging on the development of the regression models through future CAWGs, including actions for network companies for the next CAWG.