

# RIIO-GD2 Cost Assessment Working Group – Meeting 6



1. Data reporting consistency (13:00 – 13:30)
  - Clarify actions from findings relating to reporting inconsistencies in RIIIO-GD1
2. Regression models (13:30 – 14:00)
  - Introduction to engagement on the development of RIIIO-GD2 regression models in the lead up to the summer consultation
3. Summary of other plans and engagement (14:00 – 14:30)
  - Update on key work in the next few months: BPDT development, annual report, close out etc.
4. Plan for next CAWGs (14:30 – 14:50)
  - Provisional agendas and chance for discussion on potential topics
5. AOB and action recap (14:50 – 15:00)

# **Presentation 1 - Data reporting consistency**

Ofgem

1. Recap the consistency points we have already discussed as a group, and clarify the actions from these findings
2. Identify the outstanding actions relating to consistency
3. Discuss and identify any other areas that have inconsistent reporting and agree on actions to look into them

Consistency point	Findings	Action
CEME fee	All report fee in Opex (routine maintenance) apart from SGN who report in work management (asset management).	For RIIO-1: Being actioned through the RIGs changes – consultation in February.  For RIIO-2: BPDT draft has CEME fee in a separate section in Maintenance tab.
Customer numbers	Some GDNs include Connected System Exit Points (CSEP) in their customer numbers, others don't.	Being actioned through the RIGs changes – consultation in February

Consistency area	GDN	Action
Routine / non-routine maintenance	WWU	Collate what is being reported in routine and non-routine maintenance (CAWG 4 action)
Other Capex	NGN	Collate what is included in other capex (CAWG 4 action)
Training and apprentices	WWU	Collate reporting consistency information on training and apprentices (CAWG 5 action)
ODA	All	WWU presented findings on the differences in how GDNs report ODA. All GDNs to decide on a consistent approach to reporting ODA and inform Ofgem on decision.

Are there any other areas where there are inconsistencies in reporting that we should look into?

- Business support
- Any other suggestions?

# **Presentation 2 – Regression models**

A work plan for RIIIO-GD2

Ofgem



- Updated Inputs files (**common starting point**)
  - Minor tweaks (eg customer numbers) to be shared
- **RIIO-GD1 regressions**
  - Models estimated over the period 2008-09 to 2017-18
  - High-level summary of results in the **Annual Report**

- The next 2 CAWGs will cover the discussion of regression models
  - Potential **improvements** to existing models
  - Potential **alternative models**
- We propose to discuss **opex** in March:
  - Each company is assigned a topic to work on in advance
  - We will run our own analyses
  - Results will be presented and compared at the CAWG
- If the formula works, we'll replicate it in the April CAWG for the other cost areas

- The analysis will focus on **actual data**
  - GDPCR1 and RIIO-GD1
  - RIIO-GD1 only
  - Any other subsample (if justified)
- When presenting the results, please:
  - State and justify all the **assumptions** underlying your analysis
  - Within regression analysis, comment on **diagnostic testing** if possible
  - List potential data requirements that would improve the analysis

## CAWG 13/3/19 – Proposed topics

Company	Topic
Cadent	<b>MEAV</b> <ul style="list-style-type: none"> <li>• Apply your view for MEAV update</li> <li>• Potential improvements (eg account for asset condition, less or no weight to LTS, etc.)</li> <li>• Any alternative to MEAV?</li> </ul>
NGN	<b>Work Management</b> <ul style="list-style-type: none"> <li>• Alternative cost drivers (a CSV?)</li> <li>• Alternative cost aggregations (eg separate regressions?)</li> </ul>
SGN	<b>Emergency and Repairs</b> <ul style="list-style-type: none"> <li>• Alternative cost drivers (eg maximum PREs over a given period for emergency)</li> <li>• What could be the cost driver if emergency and repair costs were aggregated?</li> </ul>
WWU	<b>Maintenance</b> <ul style="list-style-type: none"> <li>• Alternative cost drivers</li> <li>• Consequences of using routine maintenance costs only in the regression?</li> </ul>

# **Summary of other plans and engagement**

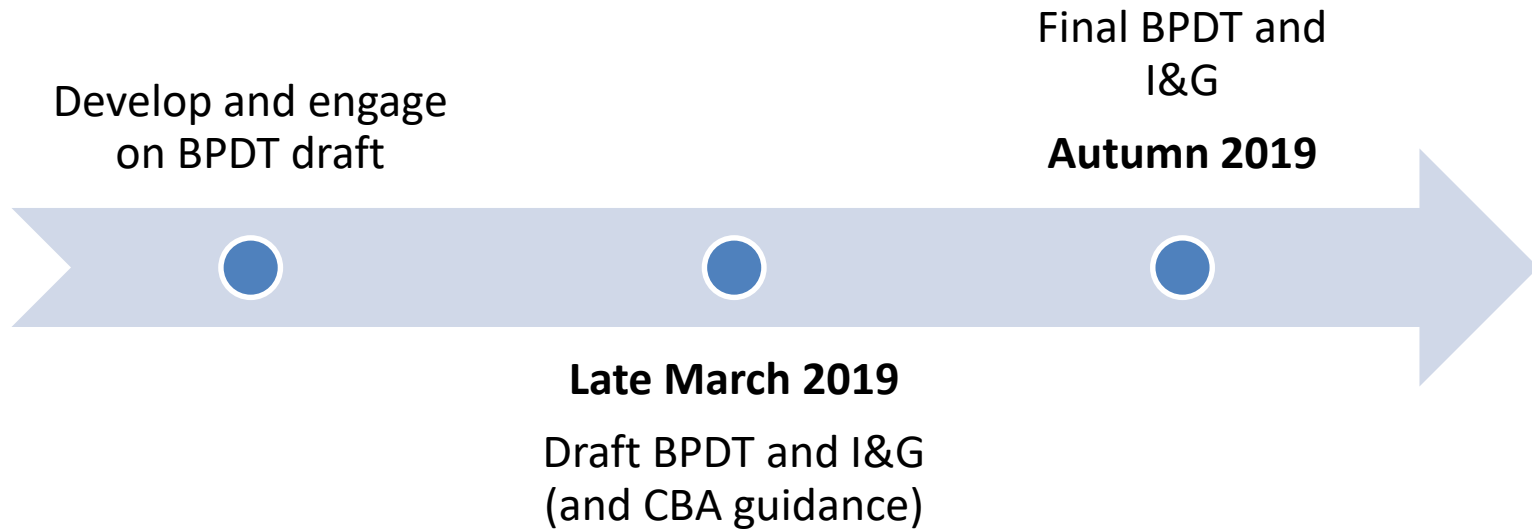
Ofgem

## **RIIO-1**

- Annual Report
- RIGs changes
- Close out

## **RIIO-2**

- Cost benefit analysis
- RIIO-GD2  
Business plan data templates



- Currently developing the draft BPDTs to be issued in late March (or earlier if possible)
- Some tabs have already been sent out to GDNs for comment, and we are adapting the draft tabs in response to feedback. This iterative process will continue over the next few weeks
  - If you aren't currently involved in this process, we can add you into the circulation of BPDT draft tabs

**Do you think we should cover BPDTs in following CAWGs (next meeting 13<sup>th</sup> March - we will be ready/nearly ready to issue draft BPDT by then)?**

# **Plan for following CAWGs**

Ofgem



## **CAWG 7**

Confirmed date: 13<sup>th</sup> March 2019

Location: Ofgem, Canary Wharf, London

### **Agenda items**

- BPDT development update (Ofgem)
- Data reporting consistency findings – from previous CAWG actions (various GDNs)
- Regression models – Opex
  - Ofgem and GDNs to present their results – GDNs each assigned a topic in advance (see slide 12)
- Blended sharing factor and business plan quality incentive (Ofgem)
  - Initial conversation - follow-up in April CAWG if needed

**Any suggestions for additional agenda items?**

	Topics	Presentations
<b>CAWG 8 – April 11<sup>th</sup> Glasgow</b>	<ul style="list-style-type: none"> <li>• Opportunity to discuss consultation responses on certain areas e.g. RPEs, regional factors</li> <li>• Regression models</li> <li>• Alternative benchmarking approaches and diagnostic testing</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ofgem</b> to present on any modelling progress / updates - similar approach to in March, covering different cost areas.</li> <li>• <b>Ofgem</b> to present on alternative methods of benchmarking and diagnostic testing.</li> <li>• <b>GDNs</b> – option for GDNs to present models they have run to compare to the Ofgem results.</li> </ul>
<b>CAWG 9 – London (May – TBC)</b>	<ul style="list-style-type: none"> <li>• TBC</li> </ul> <p>Possible topics include regional factors, uncertainty mechanisms</p>	TBC

**Any suggestions for additional agenda items?**



Any other business

Action items

**Our core purpose is to ensure that all consumers can get good value and service from the energy market. In support of this we favour market solutions where practical, incentive regulation for monopolies and an approach that seeks to enable innovation and beneficial change whilst protecting consumers.**

**We will ensure that Ofgem will operate as an efficient organisation, driven by skilled and empowered staff, that will act quickly, predictably and effectively in the consumer interest, based on independent and transparent insight into consumers' experiences and the operation of energy systems and markets.**