

**Date**  
10<sup>th</sup> May 2019

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For the attention of: Leyun Kong

**Re: Cadent's response to the Ofgem Consultation on the Gas Distribution Network Output Measures Rebasing Methodology**

I write on behalf of Cadent with reference to the consultation on the *Gas Distribution Network Output Measures Rebasing* methodology, published by the Authority on the 20<sup>th</sup> March 2019.

Cadent supports the work that has been done in comparing the Rebased Targets against the Original Targets to ensure that the Rebased Targets are consistent with the NOMs Methodology, consistent with the Authority's assumption for asset integrity and replacement expenditure as set out in Final Proposals (FP) and equally as challenging as the Original Targets.

Cadent would like to provide the following response to the three questions outlined in the Consultation:

1. We have reviewed Section Three *Our Rebasing Assessment Methodology* and we agree with the methodology employed by the Authority in confirming that Cadent's Rebased Targets are equally as challenging as Cadent's Original Targets.
2. We agree with the Authority's position that the Rebased Targets satisfy the licence requirements. We have reviewed Table 1 in Section Four *Our Rebasing Assessment Results* and we have confirmed that the total Risk Delta for each of our networks is reflective of our Rebased Target submission.
3. We agree with the Authority's intention to approve the Rebased targets for Cadent. Cadent considers that the Rebased Targets will replace the Original Targets and that the Rebased Targets will be used as the basis for the Authority's end of period assessment of Cadent's performance on NOMs.

In the process of responding to this Consultation and reviewing the published Cadent templates referred to within the Subsidiary Documents: *Rebased Targets and*



*Subsidiary Data Tables*, we have carried out more detailed analysis on the Offtake Business Plan scenario and identified an issue with how risk has been assigned to assets at a secondary category level. This does not impact our total network monetised risk targets by network, nor does it impact the total risk at a primary asset category level. We have established that the cause of this issue is a data entry error and is not an issue with our models, reports or table 7.3 production templates.

For completeness, we have reproduced the rebase templates to address this and we have included these as well as associated impact assessment within our Consultation Response to Ofgem.

We ask the Authority to note that Cadent's 2018 and most recent 2019 resubmission (as part of this Consultation Response) of the rebased targets includes a slightly different methodology to that detailed in the Cadent Company-Specific Rebasing Methodology document referred to within the published Subsidiary Documents. The approach taken for the 2018 & 2019 resubmission used actual condition scores for assets where available rather than adjusting an assets condition score based on intervention. This was agreed with Ofgem in bilateral meetings at the time of submission.

As referenced in Cadent's response to the Ofgem Consultation on the Proposed Amendments to the Gas Distribution Networks' Workbooks (submitted on 11th December 2018) it is important to note that through the course of GD1, we continue to improve our understanding of our asset base and the representation of these assets within the NOMs methodology that has been jointly developed with the Authority through the Safety and Reliability Working Group. This has resulted in changes to our asset volumes since FP. This has been detailed to the Authority via an e-mail entitled GD Rebasing: Block Valves, Sleeves and LTS Pipelines [OFFICIAL] on 25th September 2018 and associated Supplemental Questions following the population of our 5x4 tables.

Cadent understands that these changes have not been reviewed within this consultation and seek guidance from the Authority on when these restated asset volumes will be reviewed and acknowledged by the Authority.

This response is made on behalf of Cadent and can be published by Ofgem.

If you have any further questions please do not hesitate to contact me via email: [kate.grant@cadentgas.com](mailto:kate.grant@cadentgas.com).

Yours sincerely  
By email

**Kate Grant**  
Asset Strategy and Investment Manager