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**we are
the network**

RIIO GD2 CAWG 7 – 13 March 2019

Cost Drivers for Work Management, Other Capex breakout

Operations and Customer Management

Operations Mngt – majority of the costs are driven directly or indirectly by Emergency, Repair, Maintenance

Aim:

- Break out Ops Management to check proportions are similar across networks
- Use these proportions to either
 - Calculate a driver based on E&R, Maintenance drivers and apply to Ops Mngt as it is now
 - Allocate out Ops Mngt to E&R, Maintenance
 - Query on what to do with the balance?
- Customer Mngt – all E&R

Operations Management - RRP Departments					
Departments included	WWU	NGN	SGN	Cadent	Revised Cat
Dispatch	2.2	1.5	2.2		Emergency & Repair
Repair Management - Supervisor & above	2.4	1.5	4.8		Emergency & Repair
Emergency Management - Supervisor & above	2.3	0.5	3.9		Emergency & Repair
Maintenance Management - Supervisor & above	2.2	1.0	5.4		Maintenance
Operations Director	0.6	0.6	-		Emergency & Repair
Business Services Director	0.3	-	-		Ops Management
Data management (accruacy team)	0.6	-	0.0	-	Ops Management
Streetworks	0.2	0.1	0.7		Emergency & Repair
Operations Health & Safety	0.6	0.4	1.4		Ops Management
Transport Management Team	0.2	0.1	0.7		Ops Management
Non Customer facing Business Support	1.4	1.7	2.7		Ops Management
Digitisation (left in opex)			0.2		Emergency & Repair
Bonus Allocation	Allocated above				
Finance Lease					
IAS Pension removal					
Pension Admin Fees					
Other					

	13.0	7.5	22.0	-
RRP as reported	13.0	7.6	22.1	58.1

Proposed split

Maintenance	2.2	1.0	5	-
Emergency & Repair	7.7	4.2	12	-
Ops Management	3.1	2.2	5	-
Operations Management RRP 17-18	13.0	7.5	22	-

% split

Maintenance	17%	14%	25%	#DIV/0!
Emergency & Repair	59%	56%	54%	#DIV/0!
Ops Management	24%	30%	22%	#DIV/0!
Operations Management RRP 17-18	100%	100%	100%	#DIV/0!

System Control and Asset Management

Asset Management

- Costs relate mainly to maintenance and long term strategy, inc integrity, asset policies, and NARMs
- Closest driver would be maintenance activity – use same driver as maintenance

System Control

- Costs are driven mainly by asset counts, partly by policy on how we have structured the teams which differs by network, and partly by no. of GDNs – economies of scale linked to number of assets
- In terms of assets – driven by number and to a lesser extent condition – as on a day to day basis number drives the interactions across the network, condition lesser so. For us
 - No. of Offtakes – 40%
 - No. of PRS – 25%
 - Linepack monitoring (Pipelines) - 20%
 - Biomethane Connections – 10%
 - Very Large loads / Large loads - 5%
- From this you could develop a weighting
- Mix of FTEs directly operating the System Control desks and Support Teams varies by network – with more assets more economies of scale, but linked to network complexity and structure as well as condition
- Potentially does it need regressing at all on the bottom up analysis – if for instance another network has a different policy for how many they need on the desks because they have more biomethane sites, can they make that case?



Other Capex

Main conclusions are

- Loggers, remote pressure management etc have been put System Ops, Plant Tools and Equipment, and Other as well as on other tables – WWU included Remote Pressure under LTS on table 4.3 instead
- Meg Equipment valves, various E&I work – split between Plant tools, and equipment and Other
- Over crossings remedials and security – split between security and other

Most of it seems to be a lack of clarity about where to put work carried out on assets and equipment associated with the distribution network

Potential solution would be

- Remove System Control section – previously to collect IT costs for major SOMSA projects – include in IT
- Add in a Distribution Network Asset and Equipment section – loggers, meg, valves, over crossings, E&I work
- PT&E becomes purely that

Application

- Use in BPDT
- Amend in RIGs going forward only – as most of this is non-regressed

