|  |  |  |
| --- | --- | --- |
| **Draft Determination Publication** | | |
| **Network Query** | | |
| **Network Reference number** | CADENT\_DDQ\_51 | |
| **Licence** |  | |
| **Topic/Activity:** | NARMS allowances adjustment spreadsheets | |
| **Question:** | • Mains volume adjustments have been done using commissioned length not decommissioned length. Please can you explain why you have chosen to use commissioned length?  • Mains T2B and T3 have been clustered together in the calculation of the targets despite being listed as separate projects in both the NARMS BPDT and the cost and Volumes BPDT. T3 generally holds higher risk/km due to it having a larger diameter and higher customer numbers therefore this potentially causes unachievable targets where allowances for T3 have been disallowed. This also conflicts with statement 2.7 of the NARMs Annex regarding granularity of assessment. Can you please explain the reasoning for this grouping and provide the detail of any other groupings that have been applied?  • For Risers, the volumes have included both Number of MOBs and Number of Meter Points. The number of meter points is not part of the NARMs risers’ model; therefore we don’t believe that it is a valid assumption to include these. Can you explain your reasoning for including the number of meter points?  • How should companies account for risk in decommission if we choose to reconfigure the network for risk purposes? Currently all decommission (District Governors) and permanent isolation (Risers) have been excluded from the risk delta.  • For some companies there is no risk target associated with LTS. In this case how should companies account for the Convert to OLI1 investments which convert assets from Non-Piggable to Piggable but ultimately increase the risk due to better fault detection techniques?  **NARMS penalty spreadsheet**  • Can you please clarify how A2 expenditure will be handled in terms of contributing to the overall Network Risk Output? Section 3.4 of the annex states that A2 may be able to count towards the output, but the supporting workbooks calculate targets and allowances based on the A1 category only.  **NARMs Annex**  Below are a set of queries from our initial review of the NARMs annex  Page 6 - Table 1 : section 1.11  **Q] Can we please request a breakdown of the net effect column – what has gone up and what has come down. Similarly a breakdown for the volume disallowed.**  Page 10 - 2.6 : We have developed an Excel-based 'NARM Output Setting Model' (NARM Model) in order to set the Baseline Network Risk Outputs.  **Q] Can we please have further rationale for using an Excel based model when network companies are using specific asset risk modelling tools.**  Page 10 - 2.10 : Where we could not achieve full alignment, we considered it necessary to apply reasonable assumptions.’  **Q] Please provide details of the adjustments made.**  Page 15 - Footnote 5 : We have assigned the projects to A3 where it has been possible to do so. However, in some cases it has not been possible with the available data to individually identify the equivalent project within the GDN’s NARM BPDT. In these cases the associated Network Risk Output is included in A1 for Draft Determinations. We will work with GDNs to ensure that the risk associated with all PCDs is allocated to the correct category ahead of Final Determinations.’  **Q] Are there a list of projects which Ofgem have not been able to assign to A3 which they are proposing should move out of A1.**  Page 16 - 3.18 : We propose that Baseline Network Risk Outputs are associated with full project costs including costs associated with interventions on secondary assets (i.e. non-NARM Assets) as well as indirect costs, such as project management. We have not yet aligned the proposed Baseline Network Risk Outputs with the associated baseline costs. We intend to set this out in our Final Determinations.’  **Q] Can Ofgem please clarify exactly what this means and explain how they intend to do it ahead of FD.**  It is incredibly difficult for us to consult on NARM without knowing the allowances against each NARM category? How can we get sight of this before Final Proposals?  Page 18 - 4.4 : Where we can objectively identify factors that cause changes to network company NARM output delivery and these factors are unrelated to their asset intervention actions, our proposal is to exclude the impact of these factors from the network companies’ delivery before considering any funding adjustments.  **Q] Can Ofgem share factors which have been excluded/considered for exclusion.**  Page 18 - 4.5 : Our delivery scenario analysis has shown that, by re-planning their work to intervene on cheaper assets or choosing alternative interventions, network companies could achieve very large cost reductions for the same total Network Risk Output delivery.’  **Q] Can we please have a copy of this analysis for GD.**  Section 4.21 states that evidence of cost efficiencies will need to be provided.  **Q]Can you provide examples of the types of evidence you would expect to be provided here?**  Page 23 - 4.33 : Further explanation and rationale for the DAF is given in paragraphs 4.40 to Error! Reference source not found..  **Q] Error in doc found – please update link reference.**  Page 25 - 4.42 : We do not consider it necessary to apply a dead band as the proposed funding adjustment will work proportionately to the scale of any deviations from target delivery.  **Q] Can we please have further rationale for this decision.**  Section 4.44 states that in the justification of under/over delivery, companies will need to demonstrate that they could not, without a significant dis-benefit, have traded risk against other work in order to deliver baseline outputs.  **Q]Can you provide examples of what you would see as evidence of justification?**  Page 26 - 4.46 : Our current view is that the RIIO-1 NOMs Incentive Mechanism combined with our proposed RIIO-2 NARM Funding Adjustment and Penalty Mechanism (including the application of the above principles) will be sufficient to ensure that network companies are appropriately funded in the case of any justified workload shifts. Provided a network company can sufficiently evidence and quantify the impact of Covid-19 on its workload delivery, then we propose to consider it a justified contributory factor under both the RIIO-1 and RIIO-2 mechanisms.  **Q] Can Ofgem please provide guidance on what constitutes as ‘sufficient evidence.’**  Page 35 - Appx 3 : 6. The volume scaler adjusts the submitted NARM volumes to align with submitted CV intervention volumes. The scaled NARM volume is then used to calculate unit risk.  **Q] Can Ofgem please provide details of where volume scaler has been applied.**  Page 35 - Appx 3 : a) Only replacement and refurbishment interventions are within scope.  **Q] When will there be opportunities to add further interventions onto the approved NARMs intervention list.**  Page 36 - Appx 3 : a) Project Mapping: For all GDNs, the projects listed in the NARM BPDT do not fully align with the projects or activities listed in the CV BPDT. Where it has been possible to do so we have mapped NARM projects to corresponding CV projects. Where this has not been possible then we have assigned relevant volumes to generic proxy projects based on the asset and intervention category.  **Q] Please provide details of volumes counted in generic proxy projects.** | |
| **Date query raised** |  | |
| **Date Sent** |  | |
| **Expected Response Date** |  | |
| **Response Received** |  | |
| **OfGEM Response:**  Discussed at 06/08/2020 GD Working Group | | |
| **Attachments:** | | |