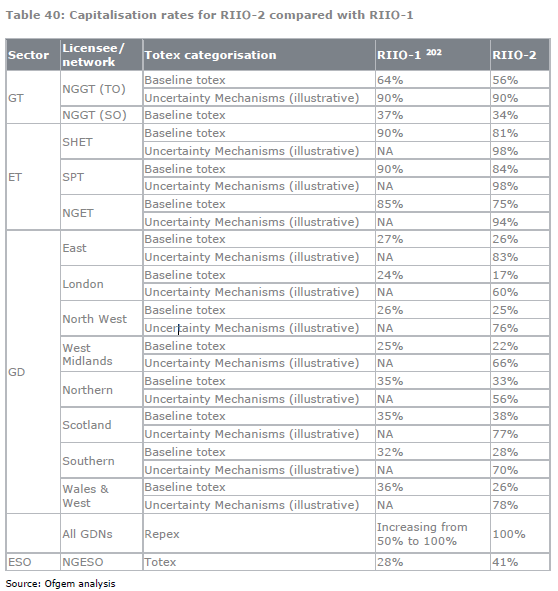
**RIIO-2 Draft Determinations Questions**

**Wales & West Utilities**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Question reference:** | | WWU\_DDQ\_04 | | **Date Raised:** | 16/07/2020 | |
| **Subject:** | Capitalisation rates | | **Document reference:** | | Finance Annex  Page 151 |

**Question -** completed by WWU

Please can you provide a working file and explain the methodology of how the following capitalisation rates have been calculated for both Baseline Totex and Uncertainty Mechanisms



**Response -** completed by Ofgem

See published LiMo “Draft Determinations – RIIO-GD2 Licence Model”, worksheet “Wales & West”, rows 899 and 900. The drop-down must be changed to “Ofgem illustrative totex…”. Then, cells AP899:AT899 average 26.3% and cells AP900:AT900 average 77.8%, which matches the [finance annex Table 40 on page 151](https://www.ofgem.gov.uk/system/files/docs/2020/07/draft_determinations_-_finance.pdf#page=151).

Row 882-891 of the operator input tabs shows the methodology of the capitalisation rates.