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| **Cadent Draft Determination** | | |
| **DD Query** | | |
| **SQ Reference number** | CADENT\_DDQ\_15 | |
| **Document Name** | Cadent Annex, Table 23, page 19 | |
| **Topic/Activity:** | Proposed costs for PCDs | |
| **Question:** | Table 23 shows that the allowable costs for NTS and PRS Capacity upgrades have been reduced by network, by 28% overall.  We would like to understand the basis and justification for this reduction. How has the figure of 28% been established? | |
| **DDQ raised by** | Heather Dewing | |
| **Date Sent** | 16/07/2020 | |
| **Response Due Date** | 20/07/2020 | |
| **Response Received** |  | |
| **Ofgem response:**   * As stated on page 57 of Cadent’s company document:   + “We have applied £9.61m of cost reductions to the Capacity Upgrades (>7bar reinforcements (Above Ground Infrastructure) - Base case) investment. We consider the risk, uncertainty and contingency costs to be excessive and duplicative. We also consider the contractor costs, and direct and indirect company costs to be excessive relative to other investment proposals”. * We have proposed to disallow entirely costs for “Risk associated with delivery solution” and “Uncertainty”, whilst reducing “Contingency” costs from 21% to 13%. * We have reduced direct costs from 13% to 9%. * We have reduced indirect costs by 10%, except for Dawley, which has been reduced by 20%. * Correction to DD: we have not proposed any reduction to Main Works Contractor costs. | | |
| Attachments: | | |