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| **Draft Determination Publication** | |
| **Network Queries** | |
| **Network Reference number** | NGN \_DDQ\_35\_Unit Cost of Risk and Discounting |
| **Licence** | Gas Distribution |
| **Topic/Activity:** | NARMs Unit Cost of Risk Metric |
| **Question:** | Can you clarify how discounting will be applied in determining the unit cost of risk benefit and tracking against this metric? |
| **Confidential** | No |
| **DDQ raised by** | Claire Spencer |
| **Date query raised** | 03/08/2020 |
| **Expected response date** | 10/08/2020 |
| **Ofgem Response:**  The risk benefit output proposed for GDN’s is a snap shot at the end of RIIO2. Therefore, when determining the unit cost of risk we do not see the need to apply any discounting in calculating the metrics.  Provided both the costs and the risk benefits used for calculating the unit cost of risk benefit are in the same price base then its value will not be dependent on timing. However we welcome and will consider NGN’s further explanation on why in its view discounting is necessary.  We may request further information or clarification at the discussion scheduled for 24/08/2020 or during the cross sector-working group arranged for 27/08/2020. | |
| **Attachments:** | |