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| **Draft Determination Publication** | |
| **Network Queries** | |
| **Network Reference number** | CADENT \_DDQ\_67 |
| **Licence** |  |
| **Topic/Activity:** | NARM Output Model  • MR2.1.2\_Funding\_Category.xlsm  • MR2.1\_MR\_Output\_Calc.xlsb  • MR3.1.2\_GD\_Specific\_Data\_Cleanse.xlsb  • MR1.1\_NARM\_Presentation\_File.xlsb  • MR2.1\_Volume\_Scaling.xlsb |
| **Question:** | 1) URP calculation (MR2.1\_MR\_Output\_Calc.xlsb - 2.1\_MR\_Output\_Table)  NARMs addition and disposal Volumes (columns H and I) have been scaled to match CV document. However, the volumes have been scaled to the commission volumes as opposed to decommission volumes.  For example, NW has 2,059km commissioned lengths in the CV doc (when excluding diversions) and 2,070km in decommissioned. The URP has been calculated based on a length of 2,059km i.e. the commissioned lengths as opposed to decommissioned.  When reporting monetised risk removed for mains we believe the target should be modelled on the decommissioned lengths as risk in not removed by commissioning PE alone. Can OFGEM confirm that using the commissioned lengths to calculate the NARM target is an error?  2) Treatment of London Medium Pressure (LMP) (LMP – (MR2.1\_MR\_Output\_Calc.xlsb & MR2.1.1\_Volume\_Scaling.xlsb)  Project mapping seems to have aligned LMP to a line labelled 4.01 Repex Mains Tier 1\_London, when this volume is incorporated within the T3 workload in the CV document. Also, this has not been scaled correctly, the DD sheet refers to a submission of 12,962km of pipe in this section, as opposed to the 12.962km modelled creating a incredibly low URP. We believe this discrepency has been caused when converting workloads from meters to KM. Ofgem have then reduced the volume of work on this line to 0.39km which will obviously result in an insignificant risk reduction target for this work.  The effect of this means that the NARM target for mains replacement is still including the risk reduction that would have been achieved by decommissioning the mains in scope of LMP, can Ofgem confirm that the intent was to strip out the monetised risk reduction associated with LMP and its inclusion is an error?  Can Ofgem clarify what is meant by the label “Repex Mains Tier 1\_London” we believe this is referring to LMP but this for decommission of Tier 3 mains, is this an error?  3) Volume scaling (MR2.1\_MR\_Output\_Calc.xlsb - 2.1\_MR\_Output\_Table)  When scaling workload volumes between NARMs and CV we have observed that risk removed target has not been scaled proportionally to lengths. For example,  For NL Tier 1 disposal scaling factor the value of 0.000997555 has been used. We submitted that through decommissioning Tier 1 iron mains we would achieve a monetised risk reduction of 7.17216725. However using Ofgem proposed scaler we believe this number should be: 7.15463018. As can be observed the scaler used by Ofgem results in a disproportionatly high monetised risk removed target for the proposed workload volumes. Can Ofgem confirm there is an error in the scaling factors that has resulted from aligning CV and NARM volumes?  4) Service volumes (MR2.1.1\_Volume\_Scaling.xlsb - 4.2\_CV\_BPDT\_Vols)  Diversions have been duplicated in the total volumes. Our service volumes stated in the CV already included diversions.  The total service volumes to be relayed listed in the CV for North West 183,827. This includes relaying services associated with all mains replacement, diversions and non-related mains replacement relays. Diversions account for 495 of service relays these appear to have been re-added to the total despite already being included. This issue is affecting all networks. The effect of this is that the risk removed target for services is too high for all Cadent networks, can Ofgem confirm this is an error?  5) Service volums and risk removed target  When we submitted the NARM 1.3 for the business plan, service renewals associated with PAST pipes both iron and steel were captured in category - “Services associated with Tier 1/Tier 2A” iron mains activity”. We have observed Ofgem have taken services captured within this group have been transferred into “Services associated with other Mains replacement activity”, however the risk has not been transferred. Transfering the volumes does not align with Ofgem’s determination to remove steel PAST pipes from the business plan. The risk associated with relaying these services is too low. Can Ofgem confirm this needs reassing?  6) District and ICS Governors  Interventions for district and industrial and commercial (I&C) governors have been combined resulting in a risk reduction target that is not representative of the different asset categories. It is our view this will become problematic when aligning allowances for these interventions with risk removed target to establish the unit cost of risk benefit. Can Ofgem clarify the rationale for grouping these and confirm this treatment has been consistent across GDN companies?  7) LTS (non-piggable)  We believe we have observed a rounding error when Ofgem have scaled volumes from CV to 1.3 for LTS (non-piggable). The R£ has then been scaled to account for the rounding leading to a discrepancy between modelled R£/km and the table R£/km. Could Ofgem confirm this is a rounding error or explain the rationale in LTS volumes?  8) Risers - 3.4\_Allowed\_Vols\_AC\_Mapping  Tab 3.4\_Allowed\_Vols\_AC\_Mapping contains allowed volumes of workload for risers, the volumes in this tab are higher than the volumes which were submitted as part of the business plan – N1.3. This is summarised in the table. N1.3 matches the volumes in tab 2.1\_MR\_Output\_Table but does not match 3.4\_Allowed\_Vols\_AC\_Mapping.   |  |  |  |  |  | | --- | --- | --- | --- | --- | | project\_scheme | EoE | Lon | NW | WM | | 2.1\_MR\_Output\_Table | 1128 | 4833 | 1530 | 1418 | | 3.4\_Allowed\_Vols\_AC\_Mapping | 1144 | 4893 | 1544 | 1428 | | Variance | 16 | 60 | 14 | 10 |   **Can Ofgem confirm which values are the allowed volumes for risers for setting monetised risk reduction target and for assessing allowed costs?** |
| **Confidential** | [No] |
| **DDQ raised by** | Joshkun Bagdatlioglu |
| **Date query raised** | 31/07/2020 |
| **Expected response date** | 06/08/2020 |
| **Ofgem Response:**  The instances raised are related to Ofgem’s ability to correctly map NARM data to CV data. Discussions have been had on alignment of data at the 06/08/2020, 24/08/2020 and 27/08/2020 working groups. Ofgem has issued data alignment templates so Cadent can provide more accurate alignment of NARM to CV. With the return of populated template, we will feed Cadent’s view of data alignment (i.e. volumes, costs and MR) into the NARM model to accurately reflect the points raised. | |
| **Attachments:** | |