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| **Draft Determination Publication** | |
| **Network Queries** | |
| **Network Reference number** | WWU \_DDQ\_45 |
| **Licence** | DN |
| **Topic/Activity:** | Cost Assessment |
| **Question:** | IT costs in DD working files. Can you please explain why when removing total IT costs from regression modelling you take £26.7m out through normalisation process (‘out exclusions’) and £5.1m removed through normalisation process (‘separately assessed’)? The interpretation of the removal through ‘out exclusions’ is this would be subject to uncertainty mechanism but reading the DDs that is not the case. |
| **Confidential** | No |
| **DDQ raised by** | Wales & West Utilities |
| **Date query raised** | 03/08/2020 |
| **Expected response date** | 10/08/2020 |
| **Ofgem Response:**  The WWU Annex, para 3.40 states the following: “WWU submitted £31.8m of costs for IT and Telecoms projects. Atkins’ review highlighted that only minor IT projects amounting to £5.1m are at a sufficient stage of maturity to enable us to propose ex ante funding. We consider Atkins’ review appropriate and thus propose an ex ante allowance for these projects, which we have accepted in full and labelled as high confidence costs under the BPI. We have proposed a re-opener to allow funding for the other submitted projects as their needs cases become clear.”    We confirm that the difference between the submitted £31.8m and £5.1m (£26.7m) refers to the projects for which we are proposing an uncertainty mechanism, while £5.1m of IT costs were normalised out in order not to include them in the regression analysis. These costs were then added back as a result of consultants’ assessment. | |
| **Attachments:** | |