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| **Draft Determination Publication** | |
| **Network Queries** | |
| **Network Reference number** | NGN \_DDQ\_47\_DAF |
| **Licence** | Gas Distribution |
| **Topic/Activity:** | NARMs DAF |
| **Question:** | Please can you provide the analysis behind determining the DAF value of 95%? Has this analysis been done across all sectors collectively or is there a separate analysis that has been undertaken for GD? It would be useful if you could provide the specific analysis for GD |
| **Confidential** | No |
| **DDQ raised by** | Claire Spencer |
| **Date query raised** | 14/08/2020 |
| **Expected response date** | 21/08/2020 |
| **Ofgem Response:**  This has been discussed at a number of meetings since DD including the NARM Cross Sector Working Group on 30th July (minute 3), and the GD Sector Working Group on 6th August (minutes 0.12, 0.13) – minutes and slides attached.  As explained in the meetings the analysis was based on ET data. The reasons being that, the ETOs provided NARM data at a more granular level than other sectors (at individual asset level), and the ETOs NARM data was also better aligned with costs. The analysis indicated that a licensee can deliver its Baseline Network Risk Output for a very small proportion of its associated cost allowance. The analysis was based only on assets in plan and it inclusion of entire asset base will make the effect more pronounced.  While detailed analysis on the same lines as ET has not been carried out on GD specific data, the factors driving the effect have long been observed for GDNs through RRPs and their business plan submissions, i.e.:   * the large variation in the risk benefit delivered by different asset and intervention types, and * the fact that licensees (correctly) did not base their plan solely on choosing the interventions with the lowest Unit Cost of Risk Benefit.   Therefore, while we have not yet determined the precise magnitude of the issue for GDNs, we can say with certainty that there is an issue that needs to be addressed.  We have asked GDNs to provide NARM data more aligned with their cost submissions. Part of the reason for this request is to allow us to carry out more detailed analysis for all sectors ahead of FD. | |
| **Attachments:** | |