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| **Draft Determination Publication** | |
| **Network Queries** | |
| **Network Reference number** | CADENT \_DDQ\_102 |
| **Licence** | Cadent |
| **Topic/Activity:** | Disaggregation model |
| **Question:** | Thank you for sharing the disaggregation model you are proposing to use for repex.  We are still reviewing the model, and as we suspect there are errors in the model we want to our ensure our comprehension is correct, and therefore have following questions:   1. The sheets in the model use various combinations of subtotals to show both submitted costs and allowed costs. These are not clearly labelled, so it is not clear whether there is double counting in the files, in addition it is not clear which lines you intend to use for setting PCDs.   Could you confirm which lines in the sheets “Cal\_Submitted Costs” and “Out\_DisagAllow\_Efficient” are intended to be sub-totals, and which lines in the “Out\_DisagAllow\_Efficient” are intended to be used for setting PCDs?   1. Linked to the above question on sub-totals, we are concerned that some of the lines that appear to be sub-totals do not reconcile with the lines we would expect. For example, in the “OutDisagAllow\_Efficient” sheet we would expect the total of line 79 (Total Tier 1 Mains) to reconcile to rows 73 and 74 (Tier 1 Mains CI & SI and Tier 1 Mains SI) but it doesn’t. Can you confirm whether this is an error, and if it is we recommend you review the other sub-totals. 2. In the Cal\_AdjCosts sheet and “Cal\_Agg” sheet you appear to only be removing exclusions from our submitted costs but not adjusting for reclassifications. For example, for EoE the model removes £57m of repex costs but does not add back in £16.5m of costs for reclassification for reinforcement for insertions. Could you confirm this is an error, and if not explain why the reclassifications to repex are not added in? |
| **Confidential** | No |
| **DDQ raised by** | Kate Haycock |
| **Date query raised** | 25/08/2020 |
| **Expected response date** | 01/09/2020 |
| **Ofgem Response:**  1&2)  Detailed description of rows provided for EoE as an example in sheet ‘Cal\_SubmittedCosts’. The same logic applies to other networks and sheet ‘Out\_DisagAllow\_Efficient’.  Rows 14-70: as described  Rows 73 and 74: subtotals of tier 1 ‘Cast Iron & Spun Iron’ and ‘Ductile Iron: Low-Pressure’ respectively  Rows 75, 76 & 77: subtotals of tier 2A ‘Cast Iron & Spun Iron: Low-Pressure’, Cast Iron & Spun Iron: Medium-Pressure’ and ‘Ductile Iron: Low-Pressure’ respectively  Row 79: tier 1 including steel <=2” mains  Row 80: tier 2A total mains  Row 81: tier 2B total mains + diversions + capitalised replacement  Row 82: tier 3 total mains + diversions + capitalised replacement  Row 83: Does not illustrate steel <2” mains. To obtain this value calculate difference between ‘row 79’ and sum of ‘rows 73 and 74’  Row 84: Steel >2” total mains  Row 85: Other Policy & Condition total mains + diversions + capitalised replacement  Row 86 Iron >30m total mains + diversions + capitalised replacement  Row 88: tier 1 services domestic total  Row 89: tier 1 services non-domestic total  Row 90: steel <=2” services domestic total  Row 91: steel <=2” services non-domestic total  Row 92: tier 2A services domestic total  Row 93: tier 2A services non-domestic total  Row 95: tier1 services total  Row 96: steel <2” services total  Row 97: tier 2A services total  Row 99: all repex services in relation to tier 1, tier 2A, tier 2B, tier 3, iron >30m, steel <=2”, steel >2”, other policy & condition, diversions, capitalised replacement and services not associated with mains.  Row 101: diversions rechargeable net (excluding contributions) total  Row 102: diversions non rechargeable total  Row 103: services diversions rechargeable total  Row 104: services diversions non-rechargeable total  Row 105: MOBs total  The above description of totals and subtotals explain the difference identified in DDQ (sum of row 79 includes steel<2” however the sum of row 73 and 74 does not).  In sheet ‘Out\_DisagAllow\_Efficient’ for EoE as an example (same logic for other networks) rows 14-30 have been used to set the tier 1 mains PCD and rows 88 and 89 have been used to set the tier 1 services PCD.  3)  You are correct the reclassification from capex to repex is not added to tier 3 costs. However, please note the Tier 3 allowance, while included in this file, is indicative only and is not defined elsewhere in the price control (ie. within the licence), in the way that the Tier 1 mains and Tier 1 services allowances are for the respective PCDs. | |
| **Attachments:** | |