|  |  |
| --- | --- |
| **Cadent Draft Determination** | |
| **DD Query** | |
| **SQ Reference number** | CADENT\_DDQ\_32 |
| **Document Name** | Gas Distribution Annex |
| **Topic/Activity:** | Cost Assessment Table 18 |
| **Question:** | Please could you explain how the figures for “pre-model” and “technically assessed adjustments” in table 18 reconcile to the Normalisation spreadsheet and Other spreadsheets.  For example, for EoE the table shows Pre-model adjustments of £44m for GD2: however, the Exclusions in the Normalisation spreadsheet for Totex total £58m.  In addition, for EoE table 18 shows technically assessed adjustments of £45m. However, the Technical Assessment spreadsheet shows a disallowance of only £4.8m (£41.8m - £37.0m), as shown below    Even adding in the results of the Non-Regression Analysis increases this by only £17.9m, as shown below.    Therefore, even combining the Technical Assessment and Non-Regression analysis together we only have £22.7m of disallowances, rather than the £45m shown in table 18. |
| **DDQ raised by** | Jeremy Thomson |
| **Date Sent** | 21/07/20 |
| **Response Due Date** | 24 July 2020 |
| **Response Received** |  |
| **Ofgem response:**  The discrepancy between Table 18 pre-model adjustments and the Exclusions worksheet in the Normalisation file is due to Cyber (opex and capex). Table 18 assumes that, rather than being excluded (and moved into an uncertainty mechanism), these cyber costs are actually technically assessed. The models assume (in error) that allowances for these costs are to be included in a UIOLI allowance.  For the same reason, there is a discrepancy in the technically assessed costs adjustments (as cyber costs are not listed in the Technical Assessment spreadsheet). Using the EoE network as an example, the submitted value for our technically assessed costs (with cyber included) is £86.5m, and the allowance (pre OE) is £41.9m – a difference of approximately £45m. Note that the figures in Table 18 also include technically assessed bespoke outputs.  The impact of the non-regression analysis is shown in the benchmark efficiency column (which captures both modelling and catch-up efficiency) | |
| Attachments: | |