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| **Cadent Draft Determination** | | |
| **DD Query** | | |
| **SQ Reference number** | CADENT\_DDQ\_10 | |
| **Document Name** | Step by Step Guide to Cost Assessment, page 30 | |
| **Topic/Activity:** | Bottom Up and Middle Up models | |
| **Question:** | For the four time periods shown on page 96 of the Gas Distribution Annex, please can Ofgem share the models shown on page 30 of the SSCA, and also their results, including the efficient level of costs by GDN, efficiency ranking by GDN, test result summary and estimation results | |
| **Confidential** | [Yes/No] | |
| **DDQ raised by** | Jeremy Thomson | |
| **Date Sent** |  | |
| **Response Due Date** | 24 July 2020 | |
| **Response Received** |  | |
| Please find here attached estimation results and post-estimation tests for the middle-up and bottom-up models. Rankings were only computed at an aggregated level. | | |
| Attachments: | | |

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| **Further to Question to OfGEM Response:** | 1. For the four time periods shown on page 96 of the Gas Distribution Annex, please can Ofgem share the models shown on page 30 of the SSCA, and also their results, including the efficient level of costs by GDN, efficiency ranking by GDN, test result summary and estimation results”   Ofgem has provided the model and test results for one time period only, not all four, adding that rankings were only calculated at an aggregated level. We ask that Ofgem provide the information previously requested i.e. the models and estimation results for the other 3 time periods, and the efficient level of costs by GDN and efficiency ranking by GDN for all four time periods – if the efficiency ranking is calculated at an aggregated level please can we see it. |
| **OFGEM Response** | We have provided models and test summaries, and the reasons why we propose a top-down model. We are not in a position to issue updated allowances based on different model combinations in addition to our consultation position, but are happy for you to propose different possibilities.  As noted in the GD Sector Annex to RIIO-2 Draft Determinations, we have proposed to use RIIO-GD1 and RIIO-GD2 data for the regression analysis in order to increase the sample size (and thus statistical robustness) while accounting for both past and future GDNs’ performance. Moreover, we have proposed a top-down model in order to account for opex/capex tradeoffs, reporting inconsistencies and overcome the weaknesses of some of the bottom-up models.  If you have alternative views, please submit in your consultation response, which we will review and take under consideration. |