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| **Draft Determination Publication** | | |
| **Network Query** | | |
| **Network Reference number** | CADENT\_DDQ\_42 | |
| **Licence** |  | |
| **Topic/Activity:** | IMRRP Allowance | |
| **Question:** | We thank Ofgem for the correction to the repex allowance in Table 17 of Cadent’s Annex as issued by Callum Mayfield on the 22/07/2020.We have started to analysis and understand the impact of this update on our plan.  We want to check that the NL allowance as per the update (£199.9m) and the baseline service allowance (£113.9m) as per the Cadent Appendix are correct.  When we work these numbers into a unit cost we note the allowances as detailed above result in a tier 1 mains unit costs which is c. 20% lower than observed in GD1. This compares to an average c. 2% reduction for the other networks (we also note that the unit rate for North London would be less than that for Scotland).  Specific Questions:   1. Are the numbers stated above and for other networks correct? 2. Have regional factors been applied to these costs? | |
| **Date query raised** | 23/07/2020 | |
| **Date Sent** |  | |
| **Expected Response Date** | 27/07/2020 | |
| **Response Received** |  | |
| **OfGEM Response:**   1. We confirm that the allowances quoted for NL and other networks are consistent with the output of our disaggregated allowance model, used to calculate these values. 2. Our approach to disaggregating totex allowances is outlined on p.117 and p.118 of the GD Annex in Draft Determinations. Please also see the slides from the CAWG on Aug 14 2020. Activity level allowances (i.e. Tier 1 mains) are derived from disaggregating the overall efficient totex allowance. Therefore, the allowances presented are inclusive of regional factors for each network. | | |
| **Attachments:** | | |