Minutes

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Making a positive difference
for energy consumers

RIIO-GD2 Repex Stakeholder Engagement Group – Meeting 7		
From: Ofgem	Date: 20th August 2020 Time: 13:00 – 15:00	Location: Conference Call

1. Present

Ofgem representatives;

- Callum Mayfield (Chair)
- Thomas Mackenzie
- Duncan Innes
- Graham Dickson
- Daniel Mitchell
- Jill Fryars

Stakeholder representatives;

- Cadent
- NGN
- SGN
- WWU
- HSE

2. Introduction

2.1. Ofgem set out the agenda for the meeting. They said they planned to share the notes from the July Working Group and asked whether anything required redaction. They also asked whether the unit costs used in the analysis for the current session could be shared between GDNs. Stakeholders agreed they were content.

3. Tier 1 mains PCD

3.1. In the slides, Ofgem presented the algebra to be included in the licence for calculating the Tier 1 PCD end of period adjustment, and provided a walk-through of how this would work, including an explanation of the interaction with the TIM.

3.2. Stakeholders broadly agreed with the approach in principle, but said that more detailed scenario testing would be required before confirming that it worked as intended. Two stakeholders wanted more clarity on the link between this PCD and the NARM, saying it would not be possible to provide a full response without understanding the NARM calculation. A stakeholder asked how the ex ante unit costs would be linked to the allowances, and Ofgem said that the nature of the price control cost modelling meant that these needed to be set in different ways from each other. Another stakeholder thought it was important to set both unit costs and allowances on the same basis. Ofgem noted that the upcoming licence drafting working group would provide another opportunity for discussion, and stakeholders agreed to carry out scenario testing in advance of that.

3.3. Ofgem presented the results of its analysis on potential options for setting unit costs, based on 5 different options for cost disaggregation. A stakeholder noted that GDNs had used differing assumptions to allocate costs between diameter bands, which could explain some anomalies in the analysis. There was a discussion on the merits of different approaches, and on how to implement regional adjustments. Three stakeholders argued that the approach should be kept as simple as possible, with four workload categories based on diameter band only. They argued that the data as collected would not support further disaggregation, and that including replacement technique could drive the wrong behaviours.

3.4. Ofgem presented the scenario analysis used to validate the application of a 2% cap on upward cost adjustments. A stakeholder noted that this would penalise companies that

did more large diameter work than planned, and questioned the logic of this, saying that they felt the cap was necessary given the restriction on volumes.

4. Tier 1 services PCD and Tier 2A mains Volume Driver

4.1. Ofgem's slides presented the results of its analysis on unit costs for the services PCD and its proposed methodology for Tier 2A unit costs. Stakeholders suggested that these results needed to be considered in the context of the earlier conversation regarding consistency of approach to setting allowances and unit costs.