

RIIO-GD2 Repex Stakeholder Engagement Group – Meeting 8

From: Ofgem

Date: 17th September
2020

Location: Conference Call

Time: 13:00 – 16:00

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. Draft Determinations responses

2.1. Ofgem presented a summary of the feedback on the Tier 1 Mains and Tier 1 Services PCDs received through the Draft Determinations responses. A stakeholder noted that accelerating repex work as part of the post-Covid economic recovery could be important to stakeholders, and questioned whether the proposed cap would prevent that. Another stakeholder said that the wording of the services PCD needed to allow for non-metallic services. Ofgem agreed to consider this.

3. Tier 1 PCD

- 3.1. Ofgem set out their reasons for adopting a minded-to position to set costs for the PCD using the mains decommissioned dataset. A stakeholder commented that their view on this would depend on the plausibility of the unit costs Ofgem proposed to set. Another stakeholder said they expected decommissioned data to remain an issue of cost allocation rather than collecting new types of data.
- 3.2. Two stakeholders thought using four workload categories was the most pragmatic approach. No stakeholders disagreed with this.
- 3.3. Ofgem said their minded-to position was to remove the link between the PCD and the NARM, with over-delivery going through the TIM instead. In response to a question on which unit costs would be used for any overdelivery, Ofgem indicated that it expected actual expenditure would be compared to the revised ex-ante allowance. There was a discussion on how unit cost efficiencies would interact with any overdelivery through the TIM, and Ofgem went through in its slides how this might work in relation to a number of different scenarios.
- 3.4. One stakeholder expressed concern that the need to guarantee meeting HSE targets could make it difficult to stay within a 2% cap, while another disagreed with setting a cap, on the basis that any overdelivery represented bringing mandatory work forward. Ofgem said they would carry out further scenario testing to confirm the appropriate level for the cap.

4. Tier 1 Services PCD

- 4.1. In response to a question, Ofgem noted they were not providing a specific update on the services PCD, since most of the responses had focused on Tier 1 Mains, and some of the minded-to decisions being presented would generally apply to services as well.

5. Unit cost approach for repex PCDs and Tier 2A volume driver

- 5.1. In the slides, Ofgem set out three possible methods for setting the ex-ante unit costs, noting that they expected to apply a single approach across all the repex PCDs and volume drivers. Two stakeholders expressed concern about whether the third option would create sufficient consistency between the unit costs and the disaggregated totex allowances. One stakeholder expressed a preference for the second option, while another said they would provide an opinion once they had worked through the detail.
- 5.2. Ofgem noted that they would provide the GDNs with the aggregated dataset used in the unit cost analysis, so that they could carry out quality assurance on it and provide a written response via the Supplementary Questions (SQ) process. Timescales were agreed for completing this and for providing feedback on the issues discussed during the session.