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COST ASSESSMENT WORKING GROUP 8 - CONNECTIONS REGRESSION

11th April 2019 - CAWG

WALES&WEST UTILITIES

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Current connections regression

- Current Ofgem connections regression is Synthetic unit costs
- Based on 7 year rolling average
- Synthetic unit costs are on a gross basis
- Currently excludes unit cost for fuel poor mains and services

Connections	Units	2005/06 prices	2009/10 prices
New Housing Mains <=180mm	£/km	0.085	0.095
New Housing Mains >180mm	£/km	0.110	0.123
New Housing Services	£m/service	0.0005	0.0006
Existing Housing Mains <=180mm	£/km	0.110	0.123
Existing Housing Mains>180mm	£/km	0.140	0.156
Existing Housing Services	£m/service	0.0009	0.0010
Non-Domestic Mains <=180mm	£/km	0.140	0.156
Non-Domestic Mains >180mm	£/km	0.140	0.156
Non-Domestic Services	£m/service	0.0015	0.0017
Total mains			
Total services			
TOTAL MAINS & SERVICES			

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Updates to connections regression?

- Update synthetic unit costs for 2013/14 – 2017/18
- What time period do we include to produce U/C?
- Include unit costs for fuel poor workload
- Gross versus Net synthetic unit cost – kept gross as per RIIO-GD1

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Unit costs updated

Unit costs 18/19 prices £m			Average 5 year U/C - adjusted							
			WWU	NGN	Cadent - NW	Cadent EoE	Cadent Lon	Cadent - Wm	SGN - Sc	SGN - So
Mains	New Housing (<=180mm)	km	0.06124	0.05970	0.12911	0.12895	0.29981	0.14365	0.04844	0.06346
	New Housing (>180mm)	km	0.13365						0.02395	0.35901
	Existing Housing (excl Fuel Poor<=180mm)	km	0.15284	0.09990	0.15370	0.15094	0.33490	0.15879	0.06345	0.12952
	Existing Housing (excl Fuel Poor>180mm)	km	0.16317				0.19853	0.00000	0.03212	0.07181
	Fuel Poor existing housing (<=180mm)	km	0.15490	0.17146	0.29377	0.22736	0.16801	0.27349	0.14193	0.33767
	Fuel Poor existing housing (>180mm)	km								
	Non Domestic (<=180mm)	km	0.10600	0.14692	0.43340	0.90304	1.44332	0.13003	0.19045	0.23125
	Non Domestic (>180mm)	km	0.08709	0.03047		0.13336	0.32330	0.04726	0.06663	0.26431
Services (including service governors)	New Housing	Number	0.00072	0.00098	0.00183	0.00188	0.00279	0.00182	0.00077	0.00110
	Existing Housing (excl Fuel Poor)	Number	0.00172	0.00161	0.00183	0.00191	0.00284	0.00184	0.00100	0.00164
	Fuel Poor existing housing	Number	0.00132	0.00157	0.00162	0.00162	0.00278	0.00144	0.00134	0.00152
	Non Domestic	Number	0.00363	0.00468	0.00268	0.00233	0.00536	0.00198	0.00419	0.00553
District Governors	New Housing	Number	0.00863	0.00198						
	Existing Housing (excl Fuel Poor)	Number	0.00110	0.00697						
	Fuel Poor existing housing	Number	0.01863							
	Non Domestic	Number	0.00215				0.01854			
Risers	New Housing	No of risers		0.00132	0.00093	0.00689	0.00546	0.00096		
	Existing Housing (excl Fuel Poor)	No of risers		0.00113	0.00198	0.00213	0.00548	0.00194	0.00562	0.00805
	Fuel Poor existing housing	No of risers		0.00073	0.00289			0.00095		
	Non Domestic	No of risers		0.00357			0.00151		0.00694	

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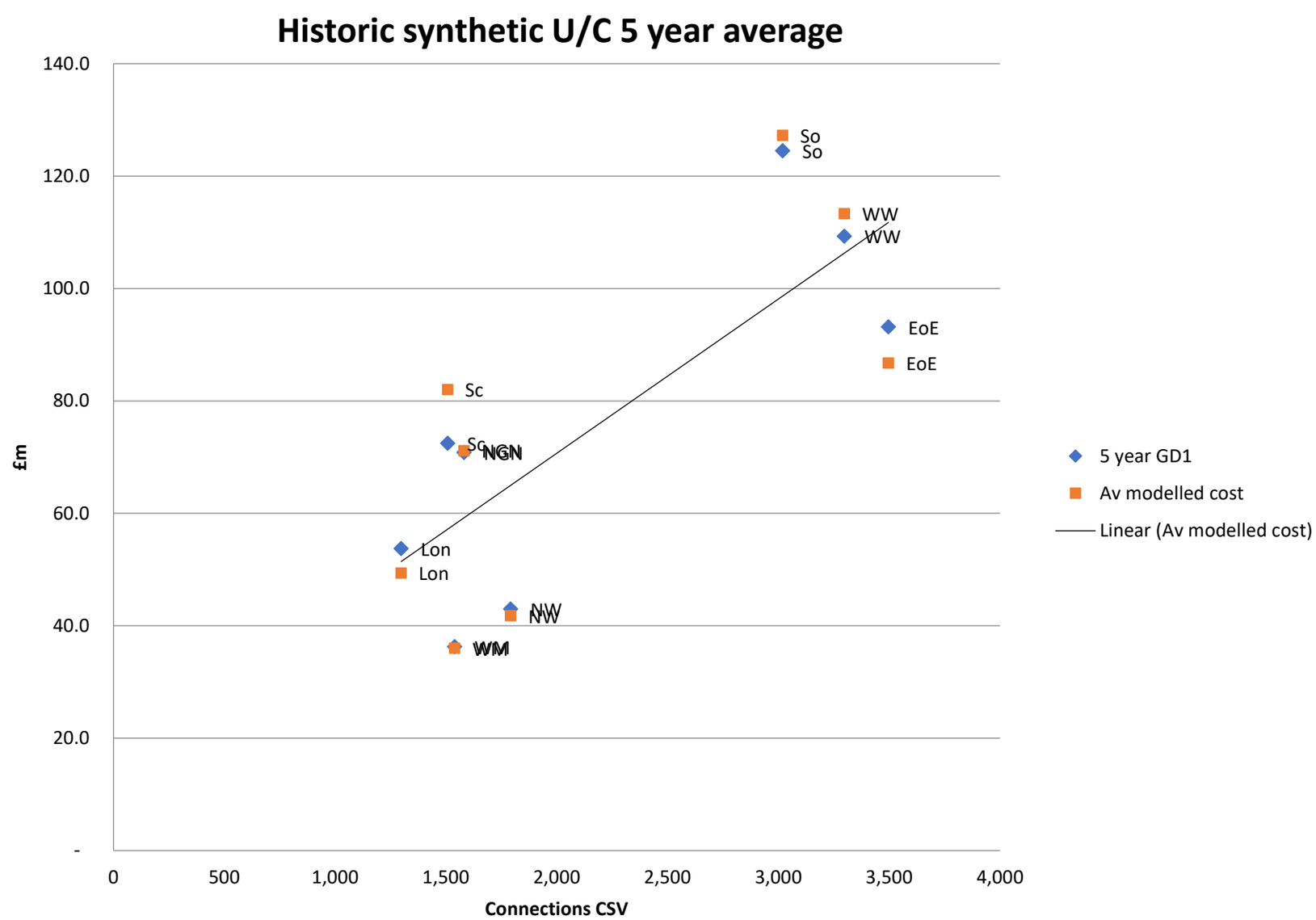
Regression results

	5 year GD1		
	Connections cost	Av modelled cost	
EoE	93.1	86.71	1.07
Lon	53.7	49.36	1.09
NW	42.9	41.77	1.03
WM	36.3	35.99	1.01
NGN	70.8	71.11	1.00
SC	72.5	82.02	0.88
SO	124.5	127.23	0.98
WW	109.3	113.29	0.96
		R2 = 0.958	



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Reccomendations

- Include Fuel poor unit costs
- Refresh for GD1 actuals
- Keep at gross level