**Issue 36 RFI**

The Annual Review Super-Group issued a Request for Information to investigate the tariff volatility that could be produced by changes to Tables 1020, 1022 and 1023 within the CDCM which contain asset costs for the DNO network (500MW model costs) and service models.

The RFI also sought to investigate the impact of fixing these costs in real terms and uplifting them for inflation each year.

Apart from the data inputs under investigation, all other data inputs in the CDCM were held constant.

The RFI instructed the DNOs to perform the following analysis:

**For table 1020 data inputs:**

1. Base model – model used for setting 2012/13 charges but with table 1020 set to the values used for 2010/11 charges
2. Scenario 1 – base model with table 1020 updated to values used for 2011/12 charges
3. Scenario 2 – base model with table 1020 updated to values used for 2012/13 charges (i.e. the CDCM used for 2012/13 charges)
4. Scenario 3 – base model with table 1020  used for 2010/11 inflated by RPI to get to 2011/12 values
5. Scenario 4 – base model with table 1020  used for 2010/11 inflated by two years RPI to get to 2012/13 values

Repeat above steps, but for table 1022 data instead of table 1020 data

Repeat above steps, but for table 1023 data instead of table 1020 data

A template was completed by each DNO which extracted the tariffs produced by each scenario and which produced the following comparisons.

**Scenario 1 vs Base**: i.e. how the actual change in costs for these data items between 2010/11 and 2011/12 affected tariffs and typical bills

**Scenario 2 vs Base**: i.e. how the actual cumulative change in costs for these data items between 2010/11 and 2012/13 affected tariffs and typical bills

**Scenario 2 vs Scenario 1**: i.e. how the actual change in costs for these data items between 2011/12 and 2012/13 affected tariffs and typical bills

**Scenario 3 vs Base**: i.e. how uplifting base costs by RPI only between 2010/11 and 2011/12 affected tariffs and typical bills

**Scenario 4 vs Base**: i.e. how uplifting base costs by cumulative RPI for these data items between 2010/11 and 2012/13 affected tariffs and typical bills

**Scenario 4 vs Scenario 3**: i.e. how uplifting costs by RPI for these data items between 2011/12 and 2012/13 affected tariffs and typical bills

The conclusions reached by the Annual Review Super-Group were that changes to the identified tables could cause significant volatility in individual tariff rates between years as shown by the RFI data. However, simply holding the costs constant and uplifting for inflation each year could cause model costs to deviate from true costs over time. DCP 136 was therefore raised with the intention of permitting annual changes in the costs of these data items, to ensure cost reflectivity was maintained, but providing 15 months notice of any changes in these data items to ensure that sufficient notice any significant impact on tariffs was provided.