

Simon Todd

From: David Innes <[REDACTED]>
Sent: Thursday, 27 April 2017 4:53 p.m.
To: Simon Todd
Cc: Ben Gerritsen; Karen Collins
Subject: DRS expenditure in First Gas distribution AMP

Simon

Thanks for your time just now

I attach a brief answer to your specific query and hope that my verbal explanation was clear. Please let me know via Ben Gerritsen if you need any further information.

In schedule 12a we state that 6.85% of the DRS fleet will be replaced ie we know we have to replace the entirety of these **7** stations.

Of these 7 stations, we show that 5 (4.85% listed as grade 2) will be replaced completely (not parts) The remaining 2 stations that will be replaced completely (not parts) are in the pool of 46.15% or grade 3.

We have also made an expenditure allowance to replace individual components of other stations listed in grade 3 or 4 which may need to be completed due to specific criteria ie obsolescence. These components are not repaired, but replaced ie both regulators and relief valves etc. These are treated as CAPEX. If we just repaired a regulator by replacing soft parts etc, this would be all OPEX. This is not included here.

We have made a CAPEX provision year on year over the next 10 years (at least) to address grade 3 and 4 condition components on a priority basis, using our own assessment criteria described in the AMP on page 80.

In our 2016 AMP we did state that we knew we had to replace 6 DRS stations (page 83) We also stated that we were assessing 3 stations that needed replacement for complete removal (page 80) Once we completed this assessment we realised we could remove 2 DRS's , but had to replace 1 DRS. This 6 plus 1, makes up the 7 DRS that we detail in schedule 12a.

We should really have stated 7 DRS's in the AMP in page 83 once we completed table 12a, to align properly. This is our omission due to timing of DRS modelling assessments.

Regards

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