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| **Draft Determination Publication** | |
| **Network Queries** | |
| **Network Reference number** | CADENT \_DDQ\_96 |
| **Licence** | All Cadent Networks |
| **Topic/Activity:** | Ongoing Efficiency scalar – model 10 Frontier Shift |
| **Question:** | The compounding calculation in the Ongoing Efficiency calculation contains incorrect formulae so that the figure is too high, as shown below for the Direct opex efficiency category.    The efficient opex number in the table is found by taking the previous year’s efficient opex and multiplying by (1 – 0.7636%), whereas the DD uses a more complex, and ultimately incorrect calculation producing a lower scalar.  Please can you acknowledge that the compounding calculation is incorrect and will be amended accordingly for all categories of cost. |
| **Confidential** | No |
| **DDQ raised by** | Jeremy Thomson |
| **Date query raised** | 13/08/2020 |
| **Expected response date** | 18/08/2020 |
| **Ofgem Response:**  We acknowledge there appears to be an error with the compounding calculation of the residual ongoing efficiency.  The correct formula should provide the following opex values and subsequent adjustment factors.    We will correct this formula for the FD. | |
| **Attachments:** | |