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| **Cadent Final Determination** | | | |
| **FDQ Query** | | | |
|  | | **SQ Reference number** | CADENT\_FDQ\_ | |
|  | | **Priority** | High – Technical Error | |
|  | | **Document Name** | FD modelling suite | |
|  | | **Topic/Activity:** | Repex km reduction add back into Opex Emergency | |
|  | | **Question:** | In the normalisation file, we note the add-back to Repair costs arising from additional repair jobs caused by lower mains and services replacement activity.  However, no adjustment has been made for the accompanying Emergency job, despite the FD’s assumption that 20% of Emergency work is in respect of Repair jobs i.e. external PREs. Consequently, an increase in the level of repair jobs should have a knock-on impact on the volume and cost of Emergency work. As such it is a modelling error, which we suggest can be corrected by a pro-rata adjustment to Emergency costs, such that, for example, a 10% increase in Repair costs would increase Emergency costs by 2%.  That there is a direct link between an adjustment for Repair and Emergency work was discussed and agreed on the FD modelling call, your response was that you would check models. This is formally requesting that this error is taken as a Technical Error and is adjusted, it being an unconscious omission. | |
|  | | **Confidential** | No | |
|  | | **FDQ raised by** | Adrian Swift | |
|  | | **Date Sent** | 5/1/2020 | |
|  | | **Response Due Date** | 8/1/2021 | |
|  | | **Attachments:** | | |
|  | | **Response to Cadent:**  We do not consider this to be a computational error. Our approach at FD is to calculate a single opex adjustment uplift value for each network and reflected this through an increase to repairs costs and a corresponding adjustment to the repairs cost driver. Our methodology uses submitted values for ‘Maintenance + repair’ from each networks CBAs. As these are aggregate numbers capturing various opex activities, we have calculated the opex uplift adjustment as a single value, rather than splitting this out into different components of opex. | | |