|  |  |
| --- | --- |
| **SGN Final Determination** | |
| **FDQ Query** | |
| **SQ Reference number** | SGN\_FDQ\_020 |
| **Document name** | GD2\_OngoingEfficiency |
| **Topic/Activity:** | GD2 Models |
| **Question:** | We note that in the modelling support file “GD2\_OngoingEfficiency”, the ongoing efficiency figures of 1.25% (opex) and 1.15% (capex and repex) are hardcoded in tab “Local”. These figures are then used in tab “Cal\_NetworkOE” to override the results of the EU KLEMS calculations in the calculation tabs. Can you please confirm whether there are any underlying workings supporting:   * the ongoing efficiency figures of 1.25% and 1.15%; * or equivalently, the figures at the top of CEPA’s range (1.05% for opex and 0.95% for capex/repex), to which we understand Ofgem has added 0.2% to reach its ongoing efficiency challenge?   If so, would it be possible to share these workings so they can be reviewed? |
| **Confidential** | No |
| **FDQ Raised by** | SGN |
| **Date sent** | 17/12/2020 |
| **Ofgem Response:**                 The ongoing efficiency figures of 1.25% (opex) and 1.15% (capex and repex) are the sum of CEPA’s top range (1.05% for opex and 0.95% for capex/repex) and the 0.2% additional challenge.  As described in the Executive Summary to the Frontier Shift report for FD, CEPA’s values are the result of broader considerations rather than direct calculations from EU-KLEMS. The approach for FD in describing the range of OE values is similar to the CMA approach in its PR19 provisional findings. | |
| **Attachments:** | |