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| **Cadent Final Determination** | | | | |
| **FDQ Query** | | |
|  | | **SQ Reference number** | CADENT\_FDQ\_ 27 |
|  | | **Priority** | High – Technical Error |
|  | | **Document Name** | FD modelling suite |
|  | | **Topic/Activity:** | Ongoing Efficiency Input and Application |
|  | | **Question:**  This FDQ is asking Ofgem to consider the following aspect of the FD with regard to Ongoing Efficiency. We believe this is a technical error.  **CEPA updated data has not been inputted**  The CEPA final report included a reduction in the top-of-the range (pre-Innovation uplift), but in the FD no adjustment has been made to reflect this. As this aspects of proposed methodology in the FD has not changed from the DD, this is an omission and therefore we believe should be viewed as a Technical Error as the update should have been input.  In the CEPA updated report[[1]](#footnote-1) for the FD, CEPA updated its analysis and determined that the high end of the range, the VA TFP for economy wide comparator set was 0.9% pa.  This compares with the CEPA report[[2]](#footnote-2) used for the DD, where the high end of the range was 1.1% pa.  This is a 0.2% reduction and is not related to the 0.1% reduction highlighted in the FD which was related to a small (unquantified) weighting for the lower valued GO TFP factor.  As such, Ofgem should have updated the input data from CEPA, with the result being a further reduction from 1.2% pa (combined 1.25% opex, 1.15% repex/capex) to 1.0%p.a. We believe this is a data error and thus a justifiable Technical Error correction, **can you please your confirmation or otherwise this proposed correction?**  We would note that in the FD Core document, page 48, the reference to CEPA with regards to GO TFP is dated as 13 November. This was not the final report from CEPA, which was dated 27th November. Hence this may be **the source of the omission error.** | |
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|  | | **Confidential** | No |
|  | | **FDQ raised by** | Adrian Swift |
|  | | **Date Sent** | 11/01/2021 |
|  | | **Response Due Date** | 14/01/2021 |
|  | | **Attachments:** | |
|  | | **Response to Cadent:**  We disagree that there is an error in our ongoing efficiency input. The CEPA report for FD provides an upper estimate of 0.9% pa. However, this excludes any uplift for innovation. We have included an additional 0.2% pa on top of the 0.9% to account for this, which is reflected in our final inputs for FD. | |

1. RIIO-GD2 and T2:Cost Assessment – Advice on Frontier Shift policy for Final Determinations, Final Report, November 2020, Table 2.1 VA TFP capex,repex, opex row [↑](#footnote-ref-1)
2. RIIO-GD2 and T2:Cost Assessment – Advice on Frontier Shift methodology paper, 27th May 2020, Table 3.2 [↑](#footnote-ref-2)