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| **SGN Final Determination** | |
| **FDQ Query** | | | |
| **Reference number** | | SGN\_FDQ\_001 | |
| **Document Name** | | RIIO-2 Final Determinations – Finance Annex | |
| **Topic/Activity:** | | Financial calculations | |
| **Question:** | | Set out in the document ‘*RIIO-2 Final Determinations – Finance Annex*’ (published on 8 December 2020) are a number of Ofgem’s findings and conclusions. We would like to request the underlying files containing the analyses that support those findings listed below:   * **Supporting analysis of the Halo Effect:** ‘*Our own analysis continues to find a small positive halo (i.e. an outperformance of the index rather than an issuance premium)’* (p.13, para.2.22) * **Conceptual approach cross-check:** ‘*The results of this conceptual approach are that if RAV growth is based on the Ofgem FD totex the debt allowance forecast would be 1.84%-1.91% on average over RIIO-2 for 15%-10% floating rate debt assumptions. If RAV growth is based on the Net Zero 2 totex scenario the allowance would be 1.77%-1.84% for 15%-10% floating rate debt assumptions’* (p.21, para. 2.53) * **Table 8: RFR estimates (October 2020)** (p.30) * **Table 10: Unlevered betas to Oct 2020 using OLS estimation, (debt beta of 0)** (p.42) | |
| **Confidential** | | No | |
| **FDQ raised by** | | SGN | |
| **Date Sent** | | 11/12/2020 | |
| **Ofgem Response** | | The Halo effect, RFR estimates and unlevered beta analysis files contain data from third parties, our agreements with whom do not currently allow us to share the underlying data. We are exploring whether the conceptual approach cross check analysis can be extracted from a file that includes third party and confidential data and will confirm the position on this analysis as soon as we can.  19/01/2021 Additional response:  Please find attached file showing the calculations for the cross check mentioned in paragraph 2.53 of the finance annex but please note that this has been developed for the purposes of illustrating how an alternative conceptual approach could be calculated as a cross check only. However, this is not the mechanism or model used to calculate debt allowances for RIIO-2, nor is it the main calibration tool used. Some figures (such as combined RAV data for example) are estimated for this purpose only and should not be relied on for any other purpose. | |