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| **SGN Final Determination** | |
| **FDQ Query** | |
| **SQ Reference number** | SGN\_FDQ\_012 |
| **Document name** | NARMS Annex |
| **Topic/Activity:** | NARMs |
| **Question:** | The following errors have been identified in Ofgem’s NARMs model:   1. Monetised risk for Riser in Ofgem’s model tab 4.5 does not reflect the numbers submitted by SGN. See table 1.    * MR for MOBs incorrectly captured in Ofgem’s NARMs model (tab 4.5) from our submission post DD 2. For mains and services Ofgem have used incorrect workload volume to derive the Monetised risk output. See table 2 and 3    * Ofgem has used workload volume from September version of BPDT however, the monetised risk submitted was based on December (BP) workload. 3. For PRS and Offtake the Monetised risk output is incorrectly calculated, Ofgem has multiplied the unit risk with ‘1’ rather than the number of systems in NARMs model. 4. Cost allowance associated with NARMs are captured incorrectly under the NARW workbook and NARMs annex. 5. Steel <= 2” under Tier 1 tab is categorised as A3 and we believe this should be captured under A1.   Can you please confirm you agree with our identification of errors, how they will be corrected, and if they are not being corrected, why not? |
| **Confidential** | No |
| **FDQ Raised by** | SGN – [Naveen Panwar] |
| **Date sent** | 15/12/2020 |
| **Ofgem Response:**  As discussed in meeting of 16th December, this issue should be resolved through the process for GDN recalculation of NARM outputs and allowances. | |
| **Attachments:**  Table : Riser Error   |  |  |  |  | | --- | --- | --- | --- | | NARM Intervention | Intervention Volumes | Monetised Risk Delta (R£m) – SGN submission | Monetised Risk Delta (R£m) - FD | | SO Replacement and refurb Riser | 4125.000 | 1.008 | 0.879 | | SC – Replacement and refurb riser | 825 | 0.1675416 | 0.628 |   Table : Southern Volume error - Repex   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Southern | volume submitted post DD | Volume used in Ofgem's Model | Difference | Allowed volume - Ofgem's Model | Allowed volume - Repex Model | Difference | | mains other | 254.84 | 208.27 | 46.57 | 253.36 | 209.16 | 44.20 | | service governors | 2,600.00 | 2,600.00 | 0.00 | 2,600.00 | 2,600.00 | 0.00 | | services not associated with mains replacement | 35,650.84 | 35,650.29 | 0.55 | 35,085.54 | 35,650.84 | -565.30 | | services\_mains other | 1,393.26 | 1,393.60 | -0.34 | 2,228.51 | 2,264.17 | -35.66 | | services\_steel mains <=2" | 3,565.17 | 3,564.80 | 0.37 | 3,508.36 | 3,565.17 | -56.81 | | services\_tier 1 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | services\_tier 2a | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | services\_tier 2b | 2,544.36 | 579.20 | 1,965.16 | 2,503.23 | 684.88 | 1,818.34 | | services\_tier 3 | 11.24 | 11.00 | 0.24 | 10.83 | 11.24 | -0.42 | | steel mains =<2" | 0.20 | 0.00 | 0.20 | 0.00 | 0.51 | -0.51 | | tier 1 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | tier 2a | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | tier 2b | 38.70 | 31.00 | 7.70 | 37.36 | 31.36 | 6.00 | | tier 3 | 22.44 | 22.77 | -0.33 | 23.00 | 23.12 | -0.12 | | TOTAL | 50,519.04 | 48,498.91 | 2,020.13 | 50,672.02 | 49,477.46 | 1,194.56 |   Table : Scotland Volume Error - Repex   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Scotland | volume submitted post DD | Volume used in Ofgem's Model | Difference | Allowed volume - Ofgem's Model | Allowed volume - Repex Model | Difference | | mains other | 142.07 | 118.07 | 23.99 | 140.86 | 119.58 | 21.28 | | service governors | 360.00 | 360.00 | 0.00 | 360.00 | 360.00 | 0.00 | | services not associated with mains replacement | 7,757.15 | 6,682.31 | 1,074.84 | 6,549.57 | 7,757.15 | -1,207.57 | | services\_mains other | 373.42 | 373.59 | -0.16 | 641.85 | 654.96 | -13.11 | | services\_steel mains <=2" | 7,133.96 | 7,133.88 | 0.08 | 6,991.57 | 7,133.96 | -142.39 | | services\_tier 1 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | services\_tier 2a | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | services\_tier 2b | 560.25 | 169.69 | 390.56 | 548.57 | 179.24 | 369.34 | | services\_tier 3 | 30.63 | 17.83 | 12.81 | 28.81 | 17.83 | 10.99 | | steel mains =<2" | 0.00 | 0.00 | 0.00 | 0.00 | 0.45 | -0.45 | | tier 1 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | tier 2a | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | tier 2b | 25.04 | 17.75 | 7.29 | 23.61 | 18.74 | 4.87 | | tier 3 | 8.63 | 5.82 | 2.81 | 9.73 | 5.82 | 3.91 | | TOTAL | 17,392.15 | 15,879.94 | 1,512.21 | 16,278.02 | 17,245.73 | -967.71 | | |