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| **SGN Final Determination** | |
| **FDQ Query** | |
| **SQ Reference number** | SGN\_FDQ\_014 |
| **Document name** | SGN Annex, paragraph 3.26 |
| **Topic/Activity:** | >2” Steel (Scotland and Southern) |
| **Question:** | There is an error in your calculations for dealing with >2” steel allowances where the investment profile from the CBA appears to have been used rather than the investment profile shown in the resubmitted BPDT on 30th September.  Further, the CBA you have used had an error that was quickly rectified to align the investment profile with the BPDT.  Paragraph 3.26 within the SGN Annex states “*We have made a downward cost adjustment of £4.7m for Southern and £0.7m for Scotland. The adjustment is based on the difference in submitted costs between the CBA submitted as part of SGN’s Draft Determinations response in September 2020 and a revised CBA submitted in October 2020 alongside revised BPDT*”.  We have been unable to reconcile these allowances.  This statement appears to deviate from the statement within paragraph 1.5 of the RIIO GD2 Step by step guide which states “*The data we used for benchmarking was submitted by the GDNs in the RIIO-GD2 Business Plan Data Templates (2013-14 to 2025-26) resubmitted in September 2020 further to DDs”.* This indicates the use of the BPDT for the investment profile.  Our submission on the 30th of September of revised BPDT’s, associated CBAs and supporting documents stated the required workload and funding for the Repex activities within GD2. It was agreed that these would be produced and submitted to remove any previously highlighted errors and allow for full modelling of the revised Repex workloads.  It must be noted that in our September 2nd submission the >2” steel CBA’s showed an error in funding request. This was corrected within a submission on the 14th of September **and then discussed within the Engineering Bilateral on the 21st of September where it was agreed that we would re-submit the information** within the BPDT format to provide clarity on our funding request.  Can you confirm that this is an error and that the funding requested within the BPDT will be used to correct the allowance. |
| **Confidential** | No |
| **FDQ Raised by** | SGN |
| **Date sent** | 17/12/2020 |
| **Ofgem Response:**  *Initial response:* We would like further clarification on the “submission on 14th September” referred to in your question. Could you please outline in detail the documents (including document names) included in this submission, how the submission was made and who it was sent to/who was notified at Ofgem (if applicable).  Once we have received any further clarification on the above point, then we will provide a full response to the FDQ.  *Follow up response:* In light of FDQ\_36 and our response to it, our updated answer to FDQ\_14 is *“Having reviewed the documents, we can confirm that the investment profile for steel mains >2” for Southern and Scotland should be consistent with the Sept 30th 2020 BPDT submission. Therefore, we will remove the downward adjustments to costs for steel >2” for both networks in the RepexCostHub model, as we agree that these adjustments have been made in error, given the information provided by SGN in response to Draft Determinations.”* | |
| **Attachments:** | |