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| **SGN Final Determination** | |
| **FDQ Query** | | | |
| **Reference number** | | SGN\_FDQ\_018 | |
| **Document Name** | | RIIO-2 Final Determinations GDN Annex | |
| **Topic/Activity:** | | Error in FPNES allowances | |
| **Question:** | | In GD1 there was a consistent allowance rate across GDNs for all networks to support the development of Fuel Poor Network Extension. The table below shows a wide variation in allowances and this change of policy was not discussed and has produced inconsistent allowances.  This is clearly set out in the table below where network companies that have taken on the highest level of ambition also have the lowest unit costs for delivery. This is illogical as a more challenging target will incur higher costs associated with securing more challenging sites in order to deliver that target.  Secondly network companies that have been most inefficient in delivering their FPNES connections in GD1 have been rewarded for this inefficiency with both higher unit costs and lower overall reductions.  On the basis that this must be an error, can Ofgem either correct this so that all networks have an equivalent allowance consistent with the policy approach seen in GD1 and ensure any differences are clearly attributable to regional factors?  If not, then can Ofgem set out why they do not consider this to be an error and the basis on which they have made their assessment and changed policy?   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | |  | **GD1 Average BPDT** | **GD2 Average BPDT** | **FPNES Volume Driver Unit Cost** | **% changes BPDT to FD** | **% difference to most efficient unit cost** | **GD2 Target Workload** | | SGN - Scotland | £1,403 | £1,768 | £1,440 | -19% | 0% | 13,000 | | SGN - Southern | £1,471 | £2,168 | £1,507 | -30% | 5% | 5,000 | | NGN | £1,963 | £2,526 | £1,946 | -23% | 35% | 5,000 | | WWU | £2,397 | £3,561 | £2,107 | -41% | 46% | 2,500 | | Cadent - East of England | £2,181 | £2,634 | £2,046 | -22% | 42% | 2,050 | | Cadent - London | £2,490 | £2,634 | £2,037 | -23% | 41% | 500 | | Cadent - North West | £2,165 | £2,299 | £2,317 | 1% | 61% | 2,250 | | Cadent - West Midlands | £2,598 | £2,634 | £2,438 | -7% | 69% | 1,450 | | |
| **Confidential** | | No | |
| **FDQ raised by** | | SGN | |
| **Date Sent** | | 17/12/2020 | |
| **Ofgem Response** | | Our approaches to FPNES policy and to setting unit costs are set out in the GD Annex. Our decision on the approach to setting unit costs reflects our choice of methodology from the options consulted on through the Repex Working Group.  We will update unit costs to reflect any errors that impact totex or the calculation of unit costs. However, we will not change any of our decisions with respect to the methodology used to calculate unit costs for FD. | |