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| **SGN Final Determination** | |
| **FDQ Query** | | | |
| **Reference number** | | SGN\_FDQ\_038 | |
| **Document Name** | | RIIO-2 Final Determinations Normalisation\_File\_Sc & Normalisation\_file\_So | |
| **Topic/Activity:** | | Inclusion of LTS in regression modelling | |
| **Question:** | | We note the acceptance of the error in your response to FDQ24.  However, in the response three adjustments are proposed.   1. “We propose to remove the disallowances made for Tier 1 stubs for both Southern and Scotland in the Normalisation files to reflect the September BPDT submissions”. 2. “We will also remove the associated lines from the Technical Assessment file” 3. “note that this will remove any associated BPI penalties (noting the link with FDQ\_04)”.   We agree with adjustments 1 and 3. However we do not agree with the adjustment set out in 2, as we understand from the FD that the intention is still to provide funding for the years 1 and 2. | |
| **Confidential** | | No | |
| **FDQ raised by** | | SGN | |
| **Date Sent** | | 11/01/2021 | |
| **Ofgem Response** | | To clarify, we will continue to ensure that both SGN networks are funded for the first two years of stubs, in line with our FD decision.  With respect to point 2 and the Technical Assessment file, we adjust the inputs to the file so that:   1. The file continues to pull in the Tier 1 stubs category within the input sheets. However, we will set this to zero - i.e. in Point 1 in our original answer, we will remove the disallowance by setting the values to zero, but we will keep the Tier 1 stubs line item for each network, so that it’s flows into the TechnicalAssessment file. 2. In the Technical Assessment file, we will set the relevant lines in Cal\_Breakdown to equal the additional costs (for year 1 & 2) for Tier 1 stubs (i.e. enter values as +ve) 3. In the Technical Assessment file, we will set the relevant lines in Cal\_Decisions to equal the additional costs for Tier 1 stubs (i.e. enter values as -ve)   Steps 2 & 3 will effectively replicate the way that electric vehicle costs are dealt with in the TechnicalAssessment file. | |
| **Date Original Question Was Sent** | | 29/12/2020 | |
| **Original question SGN\_FDQ\_024** | | In their adjustment to Tier 1 Iron Stubs Ofgem have removed the Iron stubs that were included in our original business plan from the resubmitted BPDT.  This is a mistake as the BPDT that was resubmitted in September already excluded Iron Stubs to be aligned with the draft determination.  Two corrections are therefore required   * Scotland – Removed from Normalisation\_File\_Sc tab Cal\_Repex row 73: TA – Tier 1 stubs £2.72m was removed and should be added back. * Southern – Removed from Normalisation\_file\_So tab Cal\_Repex row 74: TA – Tier 1 stubs £5.98m was removed and should be added back.   Can you confirm that you agree with this as an error? | |
| **Ofgem Response** | | We agree that this is an error. We propose to remove the disallowances made for Tier 1 stubs for both Southern and Scotland in the Normalisation files to reflect the September BPDT submissions. We will also remove the associated lines from the Technical Assessment file and note that this will remove any associated BPI penalties (noting the link with FDQ\_04). | |