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| **Cadent Final Determination** | | | |
| **FDQ Query** | | | |
|  | | **SQ Reference number** | CADENT\_FDQ\_12\_FQ | |
|  | | **Priority** | High | |
|  | | **Document Name** | FD modelling suite | |
|  | | **Topic/Activity:** | London Regional Factors | |
|  | | **Question:** | Thank you for providing the calculations of Regional Factors for Repex Plant Hire (£1.1m p.a.) and Repex Reinstatement (£2.2m p.a.) i.e. £3.3m p.a. in total.  Having considered the calculations, we believe that there are 2 errors which should be corrected.  1) First, the calculations for both Repex Plant Hire and Repex Reinstatement included a deduction in respect of London Medium Pressure (LMP) work that needs to be updated.  The LMP costs have been taken from the time of the December 2019 Business Plan – the calculation states that it assumed that the LMP figures in the September 2020 Business Plan were unchanged. This assumption is incorrect, the LMP Plan repex cost was reduced by £26m in RIIO-2 (£62m v £36m), as noted by Ofgem in the Cadent Annex on page 50. Reducing the deduction increases the value of the adjustment.  2) Second, the calculation for Repex Reinstatement is only partial, in that it fails to wholly reflect Ofgem’s intention, as set out in para 3.80 of the Cadent Annex, of carrying out an adjustment for Repex reinstatement costs as if a Regional Factor – i.e. with no materiality threshold.  No adjustment has been made for Repair (repex) activities – i.e. replacement work on Other services, for which our claim was rejected at DD on the grounds of materiality (para 1.62 Regional and Company Specific Factors Annex). Consequently, at FD, adjustments for the additional costs of reinstatement in London now cover Repair and Maintenance (opex) activities, and also Mains and Services replacement (repex) activities carried out as part of the mains replacement programme, but not Repair (repex) activities – i.e. replacement work on Other services.  We believe that Repex Other services needs to be included within the Reinstatement adjustment so it applies as if a Regional Factor, which was Ofgem’s intention.  We estimate that correcting these errors will increase the Repex Reinstatement adjustment by around £0.55m p.a., and the Plant Hire adjustment by £0.07m p.a. i.e. £0.62m p.a. in total.  We embed the revised calculations below. | |
|  | | **Confidential** | No | |
|  | | **FDQ raised by** | Jeremy Thomson | |
|  | | **Date Sent** | 11/01/2021 | |
|  | | **Response Due Date** | 15/01/2021 | |
|  | | **Attachments:** | | |
|  | | **Response to Cadent:**   1. Thanks for pointing this out. We agree this is an error, which we will correct as suggested ahead of the updated model run. 2. We agree the reinstatement adjustment omits other repex services. We will amend the calculation accordingly. Please note that the calculations sent earlier this month excluded workload adjustments, which instead should be included. Please find here attached the updated calculation inclusive of workload adjustments. | | |