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| **SGN Final Determination** | |
| **FDQ Query** | | | |
| **Reference number** | | SGN\_FDQ\_010 | |
| **Document Name** | | RIIO-2 Final Determinations – SGN Annex | |
| **Topic/Activity:** | | Repex costs | |
| **Question:** | | Set out in the document ‘*RIIO-2 Final Determinations – SGN Annex*’ (published on 8 December 2020) are Ofgem’s presented unit costs for Scotland and Southern Repex programme (tables 12 and 13 as example). This shows unit costs for Southern are below the awarded unit costs for Scotland.  In order to understand the Tier 1 unit costs for mains and services, and specifically the reasons why Scotland unit costs are higher than in Southern, we request that you provide us with the following: -   1. The option selected for calculating PCD units costs as set out in Slide 9 of the Repex Working group slides for the 17th September 2020 meeting 2. On the assumption that Option 1 was selected, the following documentation shows the arithmetical trace for each step as set out in Slide 10 including:    1. The industry average synthetic decommissioning unit costs by diameter band (IA SUCs)    2. The resulting bottom up allowances for Scotland and Southern    3. The adjusted decommissioning workloads by diameter band that have been used as a multiplier to the IA SUCs    4. The top down efficient Repex allowance from the disaggregated model    5. The resulting Unit Cost (UC) adjustment factors for Scotland and Southern    6. The final resulting unit costs from these steps and their alignment to Tables 12 and 13 on Page 13 of the SGN Annexe. 3. Alternatively the equivalent steps if Option 2 or 3 or another derivative was selected. | |
| **Confidential** | | No | |
| **FDQ raised by** | | SGN | |
| **Date Sent** | | 14/12/2020 | |
| **Ofgem Response** | | We can confirm Option 1 was applied, which was adopted after consultation with the GDNs as it ensures consistency between the totex allowance and bottom-up adjustments made through the PCDs and maintains the industry average synthetic unit cost curve.  All the information you have requested above can be found within the Modelling Suite uploaded to Huddle in the Excel file named ‘PCD\_VD\_UnitCostModel\_noRPEs’.  However to assist SGN, we have also set out the specific information requested below for your convenience.  **Tier 1 mains PCD**   1. Industry average synthetic decommissioning unit costs (included in ‘Inp\_IA\_SUCs’):    * ≤3” = £94,757 per km    * 4”-5” = £104,893 per km    * 6”-7” = £152,743 per km    * 8” = £228,731 per km 2. Bottom up allowances (included in ‘Cal\_BUallowance’):    * Scotland: £139.0 million    * Southern: £395.7 million 3. Adjusted RIIO-GD2 decommissioning workloads (included in ‘Cal\_SubWorkloadsAdj’):    * Scotland      + ≤3” = 62.6 kms      + 4”-5” = 519.4 kms      + 6”-7” = 354.9 kms      + 8” = 106.4 kms    * Southern      + ≤3” = 75.9 kms      + 4”-5” = 1,837.1 kms      + 6”-7” = 804.7 kms      + 8” = 318.8 kms 4. Top-down efficient tier 1 mains allowance (excluding steel < 2”) (included in ‘Inp\_TD\_DisaggAllowance’):    * Scotland: £159.8m    * Southern: £425.2m 5. Bottom-up to top-down unit cost adjustment factors (included in ‘Cal\_TDvsBU’):    * Scotland: 115%    * Southern: 107% 6. Resulting PCD unit costs (included in ‘Out\_UnitCosts’):    * Scotland      + ≤3” = £108,958 per km      + 4”-5” = £120,614 per km      + 6”-7” = £175,635 per km      + 8” = £263,011 per km    * Southern      + ≤3” = £101,803 per km      + 4”-5” = £112,693 per km      + 6”-7” = £164,102 per km      + 8” = £245,740 per km   **Tier 1 services PCD**   1. Industry average synthetic decommissioning unit costs (included in ‘Inp\_IA\_SUCs’):    * Relay: £740 per service    * Test and transfer: £466 per service 2. Bottom up allowances (included in ‘Cal\_BUallowance’):    * Scotland: £45.3 million    * Southern: £173.9 million 3. Adjusted RIIO-GD2 decommissioning workloads (included in ‘Cal\_SubWorkloadsAdj’):    * Scotland      + Relay = 30,610 services      + Test and transfer = 48,595 services    * Southern      + Relay = 178,898 services      + Test and transfer = 89,163 services 4. Top-down efficient tier 1 services allowance (excluding steel < 2”) (included in ‘Inp\_TD\_DisaggAllowance’):    * Scotland: £54.7m    * Southern: £178.6m 5. Bottom-up to top-down unit cost adjustment factors (included in ‘Cal\_TDvsBU’):    * Scotland: 121%    * Southern: 103% 6. Resulting PCD unit costs (included in ‘Out\_UnitCosts’):    * Scotland      + Relay = £893 per service      + Test and Transfer = £563 per service    * Southern      + Relay = £760 per service      + Test and Transfer = £479 per service | |