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| **SGN Final Determination** | |
| **FDQ Query** | |
| **SQ Reference number** | SGN\_FDQ\_042 |
| **Document name** | GD2\_OngoingEfficiency |
| **Topic/Activity:** | GD2 Models |
| **Follow Up Question** | **Follow Up to the Ofgem Response to SGN\_FDQ\_20**  In FDQ20 we requested the full workings underlying the ongoing efficiency challenge of 1.25% (opex) and 1.15% (capex and repex). Your response explained that the values at the top of CEPA’s range, which underlie these figures, are the result of broader considerations than direct calculations from EU KLEMS.  We would nevertheless like to request CEPA’s full workings underlying the figures in table 1 of its final determination paper. We are aware that some workings are provided in the file ‘[10] OngoingEfficiency’. However it is necessary for us to see the full workings, starting from the raw data from EU KLEMS, in order to properly assess whether there are any errors in these calculations.   We also request confirmation on how the figures in Table 1 relate to the figures in the file ‘[10] OngoingEfficiency’? Do these figures (working from top left to bottom right in the CEPA table) come from the tab ‘Cal\_Options\_2019Opex’, cells M65, I65, U65, Q65, M238, I238, U238, and Q238? |
| **Confidential** | No |
| **FDQ Raised by** | SGN |
| **Date sent** | 25/01/2021 |
| **Ofgem response** | Regarding the full workings underlying the figures in Table 1 of the Final Determination paper, please see the attached 2019EUKLEMS\_Analysis file.  The figures in Table 1 can also be found in the cells in the table below (in sheet ‘Cal\_OptionsOpex’):   |  |  |  | | --- | --- | --- | | Productivity Measure | Targeted Comparator Set | Economy-Wide Comparator Set | | VA LP (Constant Capital) | M65 | M238 | | VA TFP | I65 | I238 | | GO LEMS (Constant Capital) | U65 | U238 | | GO TFP | Q65 | Q238 |   Please note that, in order to replicate the values in Table 1 of the report for the Economy-Wide Comparator set, the following steps need to be taken in the ‘Local’ sheet:   1. Set cell N34 to “Weighted Average of all Industries”. 2. N36 needs to be set to the corresponding Productivity Metric. |
| **Question:** | We note that in the modelling support file “GD2\_OngoingEfficiency”, the ongoing efficiency figures of 1.25% (opex) and 1.15% (capex and repex) are hardcoded in tab “Local”. These figures are then used in tab “Cal\_NetworkOE” to override the results of the EU KLEMS calculations in the calculation tabs. Can you please confirm whether there are any underlying workings supporting:   * the ongoing efficiency figures of 1.25% and 1.15%; * or equivalently, the figures at the top of CEPA’s range (1.05% for opex and 0.95% for capex/repex), to which we understand Ofgem has added 0.2% to reach its ongoing efficiency challenge?   If so, would it be possible to share these workings so they can be reviewed? |
| **Confidential** | No |
| **FDQ Raised by** | SGN |
| **Date sent** | 17/12/2020 |
| **Ofgem Response:**  The ongoing efficiency figures of 1.25% (opex) and 1.15% (capex and repex) are the sum of CEPA’s top range (1.05% for opex and 0.95% for capex/repex) and the 0.2% additional challenge.  As described in the Executive Summary to the Frontier Shift report for FD, CEPA’s values are the result of broader considerations rather than direct calculations from EU-KLEMS. The approach for FD in describing the range of OE values is similar to the CMA approach in its PR19 provisional findings. | |
| **Attachments:** | |