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| **Cadent Final Determination** | | | |
| **FDQ Query** | | | |
|  | | **SQ Reference number** | CADENT\_FDQ\_  9 | |
|  | | **Priority** | High – Technical Error | |
|  | | **Document Name** | FD modelling suite | |
|  | | **Topic/Activity:** | MEAV calculation | |
|  | | **Question:** | We believe that we have found two errors in the MEAV calculation, in respect of MOBs Riser unit costs and NGN Storage Values:  **1. MOBs Riser unit costs**  The Riser unit costs used at FD are set out below, compared to those set out by Ofgem at DD.    The MEAV file states that the FD values are “*Based on average of values submitted by 2 GDNs*”. We understand that BPDT data was used, in respect of which there is a known issue, first raised by WWU, about what workload volumes actually represent.  The FD unit costs run counter to engineering logic and cannot be correct – a Riser with a height in excess of 40 metres should not have a replacement cost less than that of a Riser between 20 and 40 metres in height.  We suggest that Ofgem review the unit costs for each of the height categories using information from the historical RRPs for all 8 GDNs data which we believe to be materially accurate. We would expect this to result in unit costs for all Riser heights which are consistent with engineering logic and consequently far more robust data. Cadent’s analysis of all GDNs’ RRP actuals gave the following values:   |  |  | | --- | --- | | **MOBs MEAV u/c** | **Cadent** | | *18/19 prices* | **£** | | Risers\_L20m | 13,486 | | Risers\_B20m40m | 25,992 | | Risers\_G40m | 48,497 |   Please confirm that you will carry out a review of MOBs Riser unit costs using RRP data.  **2. NGN Storage data**  The volume of storage provided by NGN’s Storage assets appears incorrect for all years, 2013/14 to 2025/26. In particular, NGN’s RRPs make clear that it has no storage assets in use from 2018/19 onwards, therefore the figure should be zero from that year onwards. The DD contained (larger) errors in respect of NGN’s Storage assets, that were corrected by the time that GDNs checked the models in the Autumn, but which have reappeared.  We suggest overwriting the FD values with those used in the models checked by GDNs in the Autumn.  Please confirm whether you agree our proposed correction. | |
|  | | **Confidential** | No | |
|  | | **FDQ raised by** | Jeremy Thomson | |
|  | | **Date Sent** | 15/12/2020 | |
|  | | **Response Due Date** | 18/12/2020 | |
|  | | **Attachments:** | | |
|  | | **Response to Cadent:**  This is the response to point 1 of the FDQ. For point 2, please see the response sent on the 23rd of December 2020.  For Final Determinations, we used the average of Cadent and WWU’s risers unit costs provided by the GDNs on the 2nd of October 2020. The averages consider both Planned replacement and Replacement on failure. As a result, unit costs for 20-40m risers are indeed higher than >40m risers. This is due to the high proportion of replacement on failure work for 20-40m risers, which is more expensive than planned replacement. Being the share of planned replacement higher for >40m risers, the corresponding replacement values are lower than for 20-40m risers. | | |