|  |  |  |  |
| --- | --- | --- | --- |
| **Cadent Final Determination** | | | |
| **FDQ Query** | | | |
|  | | **SQ Reference number** | CADENT\_FDQ\_ 28 Addendum | |
|  | | **Priority** | High – Technical Error | |
|  | | **Document Name** | FD Modelling Suite, CSV file | |
|  | | **Topic/Activity:** | LTS Diversions, impact on CSV weights | |
|  | | **Question:** | This SQ is an Addendum to our FDQ28, LTS diversions, as it represents a knock-on impact of that change.  Paragraph 1.30 of the Step by Step Guide states that the CSV weights *“were based on industry spend proportions (i.e. ratios of controllable, normalised and adjusted costs) for the disaggregated activities to which the drivers apply, with the residual weight assigned to the scale driver Modern Equivalent Asset Value MEAV.”*  We believe that the proportions of industry spend have been calculated over the full 13 year modelled period, because our calculation of this matches the weights used at FD.  Following the logic of FDQ28, the LTS element of total Normalised costs reduces by over £500m in RIIO-1 and RIIO-2. This causes the residual weight applied to the MEAV scale driver to fall substantially, with the result that the weights applied to the other activities rise, as shown below.    Adjusting the CSV weights to reflect the change to Normalised costs is consistent with FD’s stated approach, and has a substantial impact on allowances.  Please confirm whether you will correct this error. | |
|  | | **Confidential** | No | |
|  | | **FDQ raised by** | Jeremy Thomson | |
|  | | **Date Sent** | 13 January 2021 | |
|  | | **Response Due Date** | 15 January 2021 | |
|  | | **Attachments:** | | |
|  | | **Response to Cadent:**   * Please refer to our response to Cadent\_FDQ\_28, where we set out our rationale for why we do not think there is an error in our approach to assessing LTS diversions. * Given there will not be changes to normalised costs on this basis, it is not necessary to amend the weights assigned to the components of the totex CSV (including MEAV). However, please note that changes to the CSV weights might still occur as a result of the correction of accepted technical errors under the FDQ process affecting normalised costs. | | |