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| **Cadent Final Determination** | | | | |
| **FDQ Query** | | |
|  | | **SQ Reference number** | CADENT\_FDQ\_25 |
|  | | **Priority** | High – Technical Error |
|  | | **Document Name** | FD modelling suite |
|  | | **Topic/Activity:** | MEAV calculation - MOBs |
|  | | **Question:** | |
|  | | Thank you for the response to FDQ9, explaining the derivation of the FD Riser unit costs and the follow-up question FDQ21, where you provided the working file. We have considered the information and can see that the derived figures are sourced from the detail of Cadent and WWU data, sourced from our BPDT and the joint work by GDNs provided on 2nd October.  However, we still consider that the result is not plausible and contrary to engineering logic and therefore is an error. Risers >40m cannot reasonably have a replacement cost less than those of lower Risers.  This incorrect answer has arisen largely because of two assumptions Cadent made when completing its BPDTs for Riser replacement.  1. We made a simplifying assumption of blended unit costs for the highest two tiers, with the result that their unit costs were very similar. Consequently, while the total Riser repex costs are accurate, the split of costs between heights is not, and cannot be relied upon for the purpose of assessing replacement costs. We apologise for this oversight.  2. The Cadent blended unit cost forecasts also included a blend of two different solutions to individual MOB work. Firstly, full replacement – as primarily done historically, and secondly a more limited refurbishment. This is a cheaper but shorter term solution, but also is not consistent with MEAV which is looking at the replacement cost of the activity.  Given these the forecasts cannot be used for the purpose of assessing replacement costs, historic data must be used. This should not present a problem, because the use of historic data is consistent with the unit costs for the whole of the rest of the MEAV, which are entirely based on historic and not forecast costs.  We suggest that either the unit costs included by Ofgem at DD be used, or those calculated by Cadent and provided in our original query.  Please confirm whether you agree this represents an error, and let us know the solution Ofgem proposes. | |
|  | | **Confidential** | No |
|  | | **FDQ raised by** | Adrian Swift |
|  | | **Date Sent** | 08/01/2021 |
|  | | **Response Due Date** | 13/01/2021 |
|  | | **Attachments:** | |
|  | | **Response to Cadent:**  Thank you for pointing out this data issue, which we will address in the updated model run.  We intend to use the updated historical figures as provided in Cadent\_FDQ\_9. As a cross-check, could you please send us the workbook with your calculations? | |