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| **Cadent Final Determination** | | | |
| **FDQ Query** | | | |
|  | | **SQ Reference number** | CADENT\_FDQ\_ 5 | |
|  | | **Priority** | Standard | |
|  | | **Document Name** |  | |
|  | | **Topic/Activity:** | NARM Annex | |
|  | | **Question:** | Please could the Ofgem confirm the intentions for asset deterioration as there are two contradictory statements in the NARM Annex?  In the main document section 4.25 (p27) it is stated that deterioration will now be normalised and no longer feed into a revised unit cost per risk benefit.   * 1. “ As we will be applying a 0% DAF for all of the sectors, we have decided to revised the approach to dealing with changes in deterioration from forecast from that proposed in Draft Determinations, i.e. that they would be normalised prior to the application of the NARM Funding Adjustment and Penalty Mechanism.”   However, in the Appendix the position appears to be reversed, in para 1.7 (p43):  “1.7. Faster or slower deterioration than forecast will be treated in the same way as asset/work substitutions through using a revised Unit Cost of Risk (UCR) Benefit to determine the final NARM allowance. Lower deterioration than forecast should be allowed to feed through to a higher UCR where there is a justified over- or under-delivery in line with removing the UCR cap in these cases.” | |
|  | | **Confidential** | [Yes/No] | |
|  | | **FDQ raised by** | Josh Bagdatlioglu | |
|  | | **Date Sent** | 10/12/20 | |
|  | | **Response Due Date** | 15/12/20 | |
|  | | **Attachments:** | | |
|  | | **Response to Cadent:**  The statement in paragraph 4.25 is the correct one.  Paragraph 1.7 of Appendix 3 should not have been included. It was a legacy from an earlier version, prior to zero DAF being set for all sectors.  The error will be corrected in the next issue of the FD documents. | | |