



# RIIO-ED1 CAWG

*RIIO Totex benchmarking methodology*

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# Disaggregated vs Aggregated analysis

- Carried out analysis of Closely associated costs using MEAV as the driver to experiment with the different approaches:
  - First regressed CAI against MEAV
  - Second we split out each element and regressed separately against MEAV

	Actuals 2010/11	Aggregated CAI against MEAV - AVERAGE	Aggregated CAI against MEAV - UPPER QUARTILE	Disaggregated regressions (vs MEAV) summed - AVERAGE	Disaggregated regressions (vs MEAV) summed - UPPER QUARTILE	% Diff AVERAGE CAI - summed	% Diff UPPER QUARTILE CAI - summed
EMID	77.8	64.4	59.3	62.3	56.6	-3%	-5%
ENW	47.4	58.8	53.7	57.2	51.5	-3%	-4%
EPN	86.0	78.7	73.6	75.2	69.5	-4%	-6%
LPN	51.7	42.9	37.8	42.6	36.8	-1%	-3%
Northeast	30.3	38.8	33.7	38.7	33.0	0%	-2%
SPD	49.5	51.2	46.1	50.3	44.5	-2%	-3%
SPM	50.4	44.5	39.4	44.0	38.3	-1%	-3%
SPN	58.0	49.3	44.2	48.5	42.8	-2%	-3%
SSE Hy	30.2	26.8	21.7	27.3	21.6	2%	0%
SSE So	58.6	74.4	69.3	71.4	65.6	-4%	-5%
Swales	28.5	28.9	23.7	29.3	23.6	2%	-1%
Swest	41.7	39.0	33.9	38.9	33.2	0%	-2%
WMID	75.8	55.6	50.5	54.3	48.6	-2%	-4%
Yorkshire	37.8	54.3	49.2	53.1	47.3	-2%	-4%
<b>Total</b>	<b>723.5</b>	<b>707.7</b>	<b>635.9</b>	<b>693.1</b>	<b>613.0</b>	<b>-2%</b>	<b>-4%</b>

- Also conducted on Business Support and the average is suppressed by 1%

# Disaggregated vs Aggregated analysis

## *Principle points*

- Disaggregated analysis suppresses industry averages/upper quartiles. Results of different approaches are swings between companies even when using the same defined costs and cost drivers
- All of these issues would be potentially further compounded when we use
  - i) different cost drivers
  - ii) across all the cost building blocks
- Disaggregated approach useful to cross check aggregated results, or a starting point for companies' to explain their relative position, but would caution that disaggregated approach should not be end point for allowances
- Explanations for the differences may lead to debating:
  - Business models
  - Decisions surrounding competing costs / trade offs
  - Boundary issues