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| **Draft Determination Publication** | |
| **Network Queries** | |
| **Network Reference number** | NGN \_DDQ\_39 |
| **Licence** | Gas Distribution |
| **Topic/Activity:** | TOTEX CSV model |
| **Question:** | Can you explain why in the Step-By-Step Guide to Cost Assessment 1.29 you state ‘A Composite scale variable (CSV) is a weighted average of different drivers’ but you are using a function of drivers ^ weight multiplied together?  A mathematical weighted average is the sum of different variables multiplied by weight, i.e. Emergency CSV = (Customer Numbers)\*0.8 + (Condition Reports)\*0.2.  Can you explain why you feel the term weighted average is consistent with your approach and why this power approach is valid?  DD: Emergency CSV = (Customer Numbers)^0.8 x (Condition Reports)^0.2 |
| **Confidential** | No |
| **DDQ raised by** | Laura Thornley |
| **Date query raised** | 06/08/2020 |
| **Expected response date** | 12/08/2020 |
| **Ofgem Response:**  We followed the RIIO-GD1 approach and used a geometric average to compute composite scale variables. Given that each element of the average is assigned a different weight, we can consider it a weighted average. For a discussion of alternative approaches to weights, please refer to the technical annex by Prof. Andrew Smith. | |
| **Attachments:** | |