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| **Draft Determination Publication** | |
| **Network Queries** | |
| **Network Reference number** | WWU\_DDQ\_13 |
| **Licence** | DN |
| **Topic/Activity:** | Totex value reconciliation |
| **Question:** | Please could you provide the following information to assist with reconciliation of Totex values:   * The Stata file (including the modelling for middle-up and bottom-up models) * The missing middle-up and bottom-up modelling results in the existing excel files (in particular in [6] Regression and [7] Cost Assessment) * Additional models for non-regressed costs in the bottom-up modelling * Capex data back to 2008 split out by area (i.e. mains, connections etc.), before regional factors and exclusions are applied |
| **Confidential** | [Yes/No] |
| **DDQ raised by** | Wales & West Utilities |
| **Date query raised** | 27/07/2020 |
| **Expected response date** | 03/08/2020 |
| **Ofgem Response:**  **Stata file.** Please find here attached the Stata file that reproduces the proposed totex model results and post-estimation tests. Replacing model specification will allow to replicate bottom-up and middle-up models.  **Middle-up and bottom-up results.** Please find here attached the modelling results. The results can be plugged in tab ‘Out\_Stata’ in the Regression file. In the Cost Assessment file, formulae analogous to the one for modelled totex will allow to calculate the corresponding modelled costs.  **Non-regressed costs.** The relevant information is compiled in the Non-Regression file we shared.  **Capex data.** As in RIIO-GD1, we applied a 7-year rolling average to smooth capex to be used in the proposed totex model. Column I in tab ‘Cal\_StataIN’ of model (6) Regression shows smoothed capex (‘capex\_sm’), which are summed up with opex (column F) and repex (column H) to obtain smoothed totex (column J). Please find here attached the file with the corresponding calculation (RIIO\_GD2\_Capex\_Smoothing).  Pre-RIIO capex data were retrieved from RIIO-GD1 Inputs Outputs files, which include GDPCR information. For comparability, we applied the same adjustments proposed for RIIO-GD2 (eg regional cost indices, exclusion of IT&T costs, inclusion of fuel poor connections).  Here attached a zip folder with an extract of the Inputs Outputs files used for all GDNs. | |
| **Attachments:** | |