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| **Draft Determination** | |
| **Network Queries** | |
| **Network Reference number** | NGN\_DDQ\_44 |
| **Document Name** | Excel File 6 Regression. Tab named Out\_Stata |
| **Topic/Activity:** | The Regression outputs from Stata |
| **Question:** | A ‘smoothed’ TOTEX figure has been regressed against a ‘smoothed’ TOTEX CSV.  Why have the x and y variables been smoothed? How was this ‘smoothing’ calculated? |
| **DDQ raised by** | Nick Pollard |
| **Date query raised** | 11/08/2020 |
| **Expected response date** | 15/08/2020 |
| **Ofgem Response:**  As in RIIO-GD1, we smoothed capex related variables (costs and workloads) over 7 years. This was done to account for the lumpiness of capex activities, which might affect regression results.  On the cost side, we took a rolling average of normalised costs (eg smoothed capex in 2014 correspond to the average over the period 2008 to 2014).  We applied the same approach to the capex related drivers (ie connections and mains reinforcement) by applying the 7-year rolling average to the corresponding workloads. Please see model [3] Synthetic costs for the calculation. | |
| **Attachments:** | |