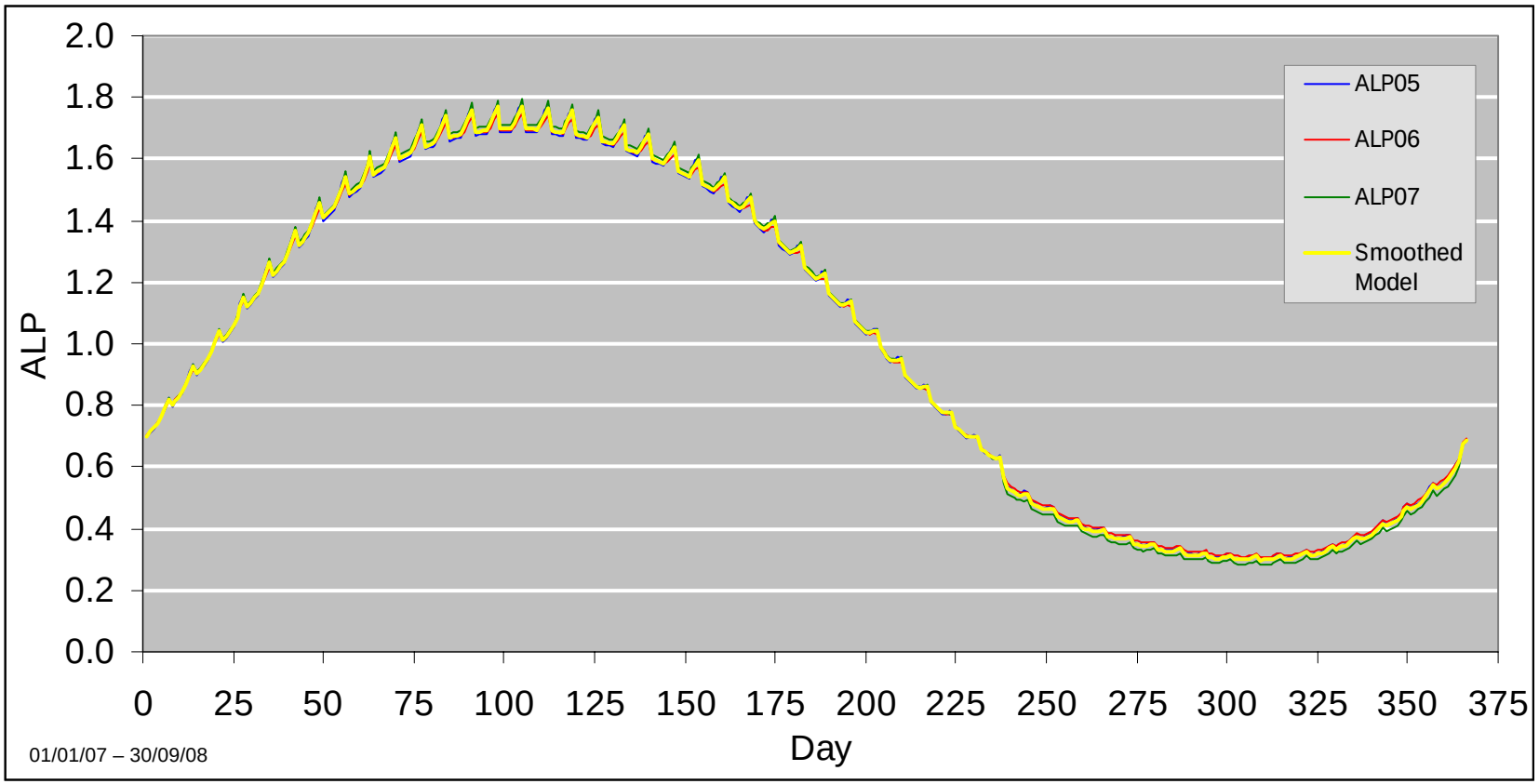
Impacts of Model Smoothing Examples

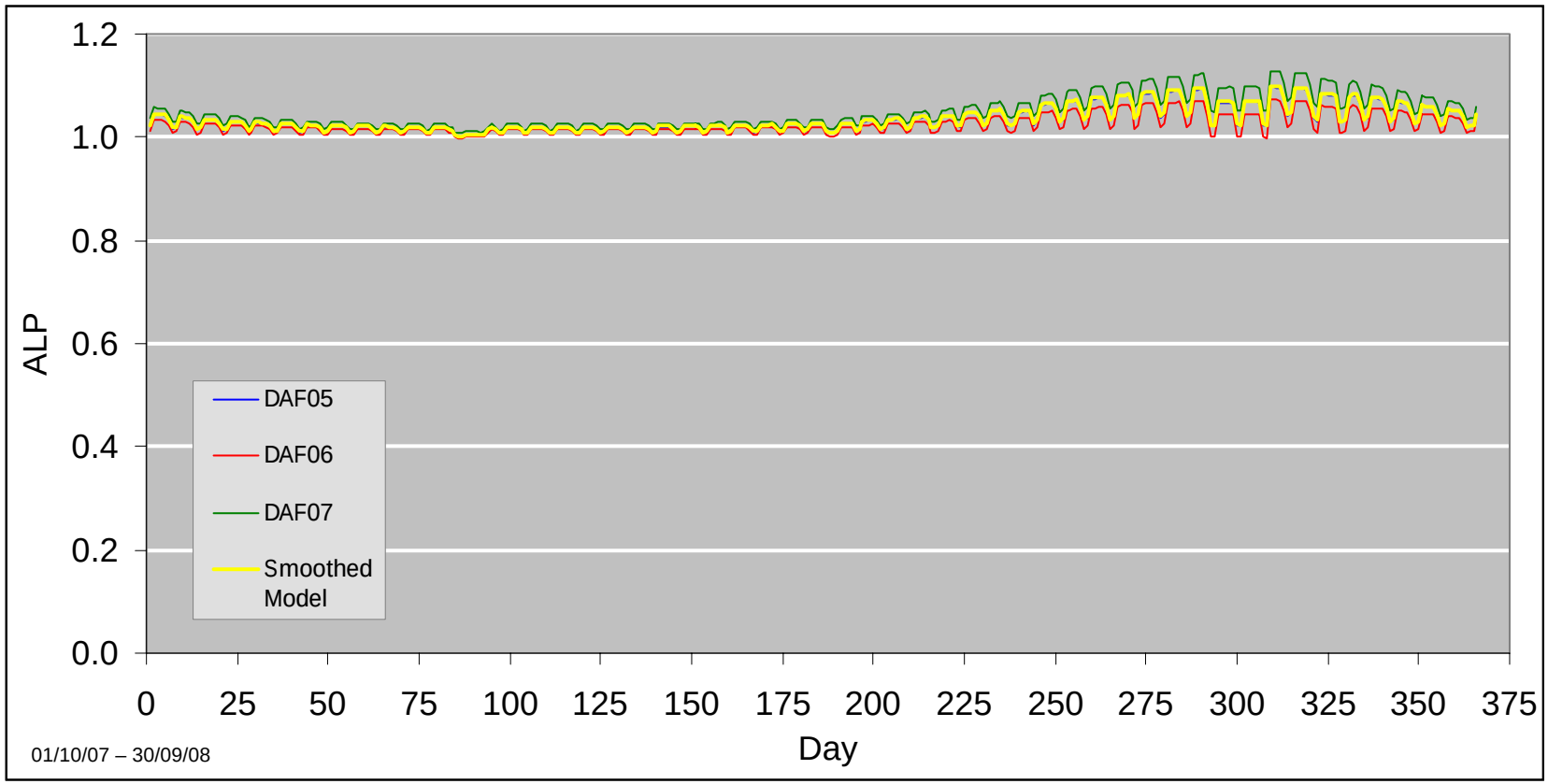
Monday 4th June 2007

Smoothed Models Example 1: 3 Year ALPS – NW:E0701B



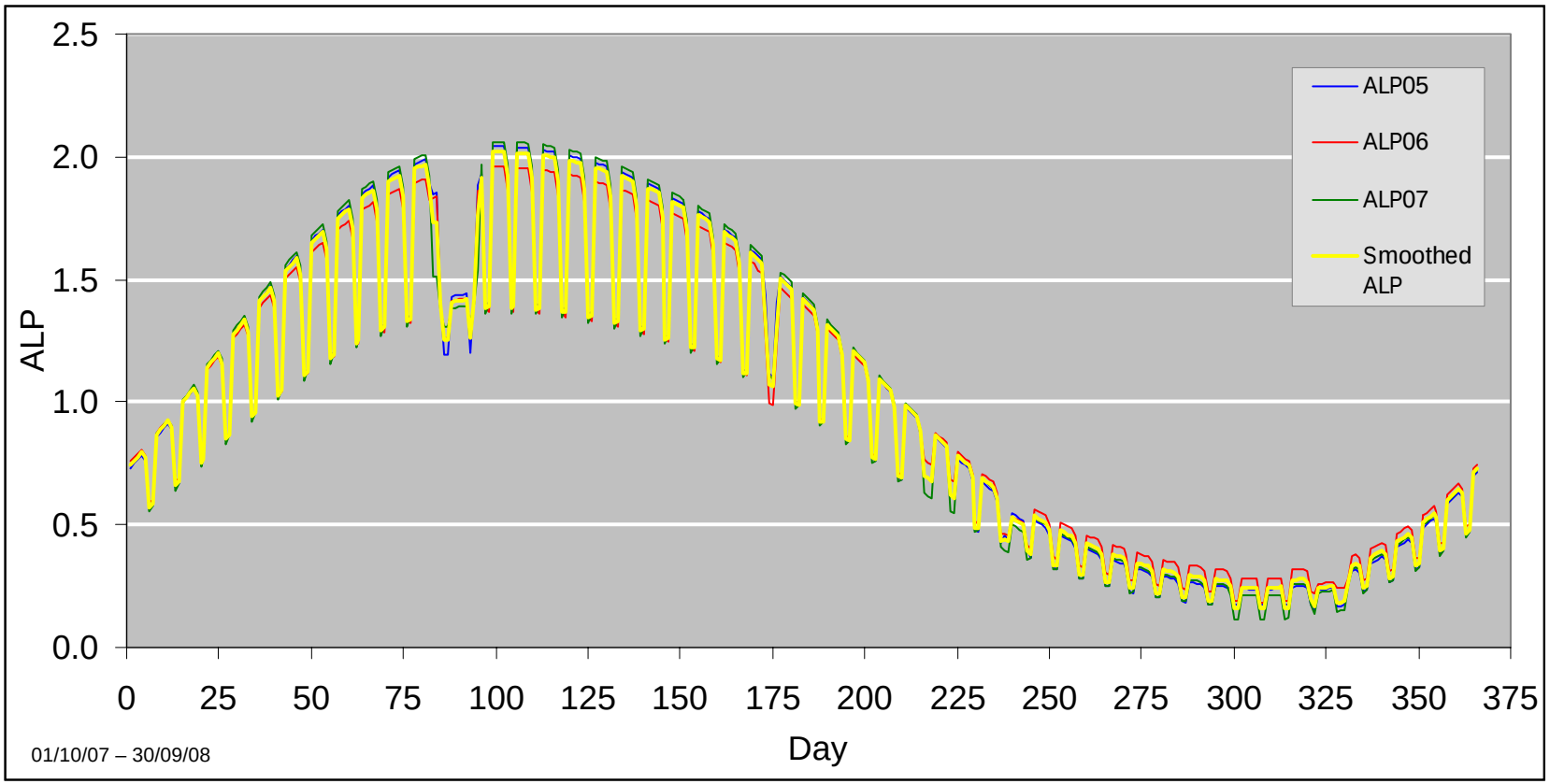
- Very little difference between individual year and smoothed model ALPs
- Smoothed Model: Slightly flatter (higher LF, lower SOQ) than recent year (06/07)
- Representative of the 3 year average

Smoothed Models Example 1: 3 Year DAFs – NW:E0701B



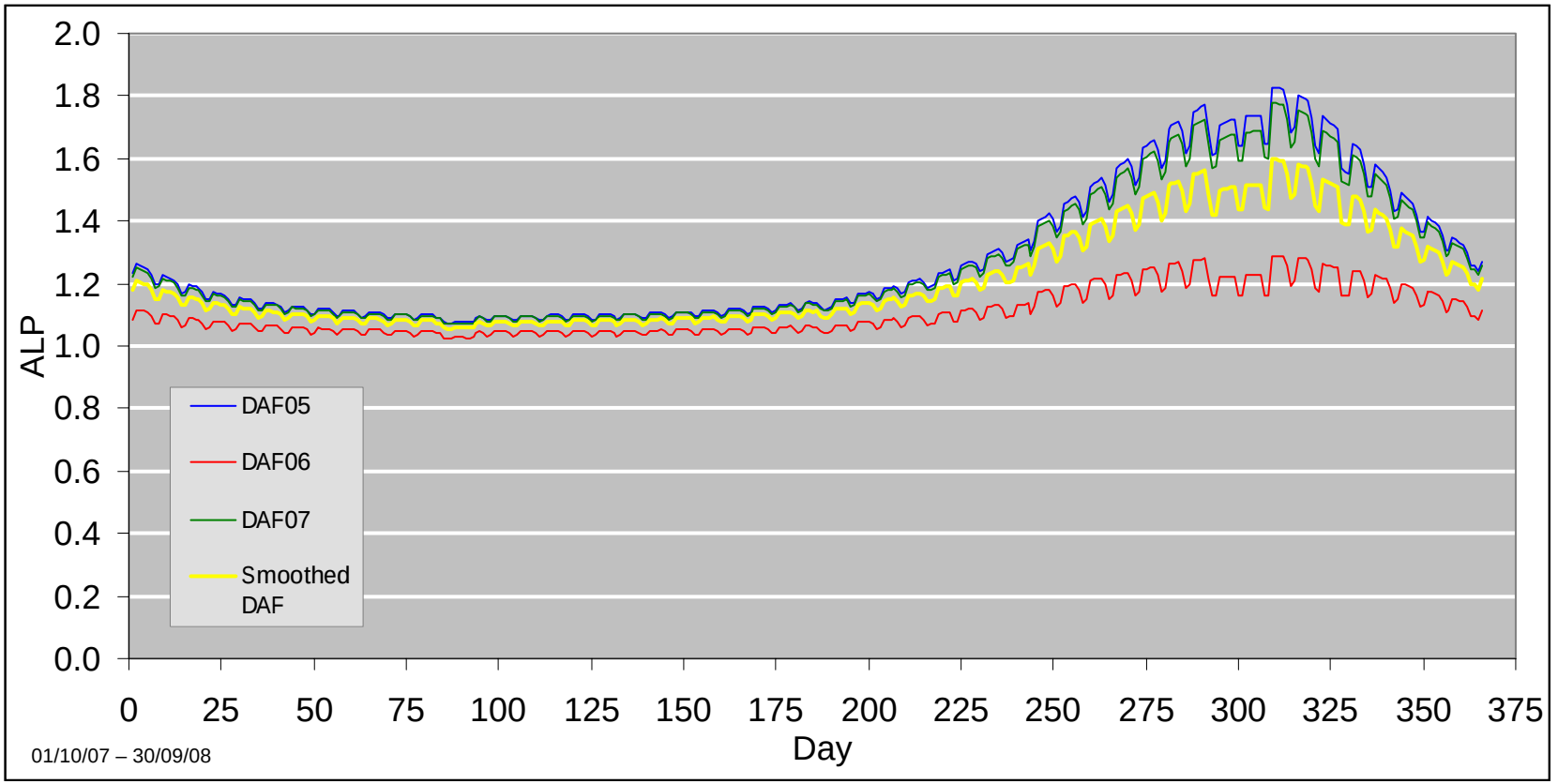
- Very little difference between individual year and smoothed model DAFs
- Representative of the 3 year average

Smoothed Models Example 2: 3 Year ALPS – EM:E0702B



- Differences more noticeable but still very little difference between individual year and smoothed model ALPs
- Representative of the 3 year average

Smoothed Models Example 2: 3 Year DAFs – EM:E0702B



- Clear difference between the individual year and smoothed model DAFs, particularly in the summer period
- BUT: representative of 3 years, taking into account all perturbations to create robust model, reducing year-on-year volatility

Model Smoothing

- Model smoothing (over 3 years) retained this year (DESC Nov 07)
  - Standardise models – take average of slopes
  - Average weekend and holiday effects
  - More robust - Minimises year on year volatility (Load Factors, profiles shapes)
- The individual impact of 1 year is removed
  - Statistically sound average
  - Most recent historical trends rather than a single, potentially, anomalous result
- Model smoothing to be reviewed at November DESC meeting