

Long Term Revenue Forecasts May 2018



NTSCMF
5 June 2018

Introduction

- Published LT revenue forecasts 21 May 2018
- TO and SO allowed revenues
- The values are for the high level terms in our Licence
- Changes compared to last publication in Nov 2017

TO Revenue forecast and main changes



Licence term			May-18																	
	Price base		Actuals	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2021/22	2017/18	2018/19	2019/20	2020/21	2021/22	2017/18	2018/19	2019/20	2020/21	2021/22	2021/22
			Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	RIIO-T2	RIIO-T2	Yr 5	Yr 6	Yr 7	Yr 8	RIIO-T2	Yr 5	Yr 6	Yr 7	Yr 8	RIIO-T2	RIIO-T2
Nominal prices based on																				
Forecast RPI Factor	RPIF		1.233	1.271	1.314	1.357	1.394	1.436		1.271	1.314	1.357	1.394	1.436	0.000	0.000	0.000	0.000	0.000	-0.000
RPI Actual	RPIA		1.228	1.274	1.314	1.357	1.394	1.436		1.274	1.314	1.357	1.394	1.436	0.000	0.000	0.000	0.000	0.000	-0.000
Base Revenue, BR			£m	£m	£m	£m	£m	£m		£m	£m	£m	£m	£m						
Opening Base Revenue Allowance	PU	2009/10	580.6	658.6	626.9	621.7	620.3			658.6	626.9	621.7	620.3		0.0	-0.0	0.0	0.0		
Price Control Financial Model Iteration Adjustment	MOD	2009/10	10.5	5.9	-100.2	-49.5	-22.4			5.9	-99.0	-33.0	-19.0		0.0	-1.2	-16.5	-3.4		
RPI True Up	TRU	2009/10	-7.4	-12.5	-2.7	1.6	0.0			-12.4	-2.7	1.6	0.0		-0.1	0.0	0.0	0.0		
	BR	Nominal	719.7	828.8	688.5	778.7	833.5	858.6		828.8	690.1	801.0	838.2		-0.0	-1.6	-22.4	-4.7		
Pass Through Items Adjustment, PT																				
Business Rates Adjustment	RB	Nominal	1.0	2.4	1.5	-11.1	-16.3			2.4	1.5	-11.1	-16.3		-0.0	0.0	0.0	0.0		
Licensee Fee Adjustment	LF	Nominal	4.0	4.4	1.7	5.5	4.0			4.4	1.7	5.5	4.0		0.0	0.0	-0.0	0.0		
Policing costs adjustment	OPTC	Nominal	-4.4	-5.8	-4.4	-5.1	-6.7			-5.8	-4.4	-0.9	-1.5		0.0	-0.0	4.2	-5.2		
Independent systems adjustment	ISA	Nominal	4.2	6.0	6.5	6.1	5.8			5.8	6.3	4.7	4.8		0.2	0.2	1.4	1.0		
	PT	Nominal	4.8	7.0	5.3	-4.5	-13.1	-13.5		6.8	5.1	-1.8	-9.0		0.2	0.2	-2.7	-4.1		
Output Incentive Revenue Adjustment, OIR																				
Stakeholder satisfaction survey	SSA	Nominal	3.5	3.5	6.2	5.4	6.5			3.5	6.2	7.2	6.0		-0.0	-0.0	-1.8	0.5		
Value of permits	PA	Nominal	32.2												0.0	0.0	0.0	0.0		
	OIR		35.7	3.5	6.2	5.4	6.5	6.7		3.5	6.2	7.2	6.0		-0.0	-0.0	-1.8	0.5		
Network Innovation Allowance, NIA																				
Network Innovation Allowance	NIA	Nominal	3.5	3.6	4.1	4.1	5.3			3.6	4.1	4.1	5.3		0.0	-0.0	-0.0	-0.0		
	NIA		3.5	3.6	4.1	4.1	5.3	5.4		3.6	4.1	4.1	5.3		0.0	-0.0	-0.0	-0.0		
Network Innovation Competition																				
Network Innovation Competition	NICF	Nominal	18.0	11.6	15.3	20.0	20.0			11.6	18.0	18.0	18.0		-0.0	-2.7	2.0	2.0		
	NICF		18.0	11.6	15.3	20.0	20.0	20.6		11.6	18.0	18.0	18.0		-0.0	-2.7	2.0	2.0		
PARCA Termination Value																				
PARCA Termination Value	PTV	Nominal	0.0	0.0	0.0	0.0	0.0			0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0		
	PTV		0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0		
Correction Term Revenue Adjustment																				
Correction Term Revenue Adjustment	OK (brought forward)	Nominal	-16.1	6.9	11.0	7.8	0.0			6.9	11.0	0.0	0.0		0.0	-0.0	7.8	0.0		
	TOK (brought forward)		-16.1	6.9	11.0	7.8	0.0	0.0		6.9	11.0	0.0	0.0		0.0	-0.0	7.8	0.0		
MIR = BR_t + PT_t + OIR_t + NIA_t + NICF_t - K_t		MAR	797.8	847.5	708.4	795.9	852.2	877.8		847.4	712.5	828.5	858.5	884.4		0.1	-4.1	-32.7	-6.3	-6.6

SO Revenue forecast and main changes



Licence term			May-18					November-17										
Lines numbered 1 to 16 derive the MAR using the Licence Price base			Actuals	Forecast	Forecast	Forecast	Forecast	Forecast	Current Estimate (not Final)	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2017/18	2018/19	2019/20	2020/21	2021/22	2017/18	2018/19	2019/20	2020/21	2021/22
			Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	RIIO-T2	Yr 5	Yr 6	Yr 7	Yr 8	RIIO-2	Yr 5	Yr 6	Yr 7	Yr 8	RIIO-2
Nominal prices based on																		
Forecast RPI Factor	RPIF		1.233	1.271	1.314	1.357	1.394	1.436	1.271	1.314	1.357	1.394	1.436	0.000	0.000	0.000	0.000	-0.000
RPI Actual	RPIA		1.227	1.274	1.314	1.357	1.394	1.436	1.274	1.314	1.357	1.394	1.436	0.000	0.000	0.000	0.000	-0.000
Base Revenue, BR			£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m					
Opening Base Revenue Allowance	SOPU	2009/10	72.8	73.6	72.7	74.8	73.9		73.6	72.7	74.8	73.9		0.000	-0.017	-0.033	-0.045	0.000
Legacy Revenue Drivers	LRD	2009/10	58.7	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0		0.033	0.033	0.000	0.000	0.000
Price Control Financial Model Iteration Adjustment (base revenue adjustment)	SOMOD	2009/10	1.0	3.1	(0.1)	30.6	9.5		3.0	(0.1)	30.6	9.5		0.050	0.030	0.000	0.000	0.000
RPI True Up	SOTRU	2 year	(2.6)	(3.3)	(0.6)	0.2	0.0		(3.3)	(0.6)	0.2	0.0		-0.031	-0.027	0.017	0.000	0.000
	BR	Nominal	160.2	93.2	94.6	143.3	116.2		93.164	94.6	143.3	116.3		0.066	0.025	-0.022	-0.063	0.000
Constraint Management, CM																		
Constraint Management cost allowance	CMCE	2009/10	26.0	26.0	26.0	26.0	26.0		26.0	26.0	26.0	26.0		0.000	0.000	0.000	0.000	0.000
CM Incentive Revenue	CMIR	2009/10	11.5	11.4	11.7	11.4	11.2		11.4	11.7	9.9	9.8		0.000	0.022	1.534	1.364	0.000
CM Cost Adjustment	CMCA	2009/10	(28.1)	(28.2)	(27.6)	(27.7)	(27.9)		(28.2)	(27.6)	(27.9)	(28.0)		0.000	-0.035	0.177	0.064	0.000
	CM	Nominal	11.6	11.7	13.3	13.2	12.9		11.7	13.3	10.9	10.9		0.000	-0.017	2.322	1.991	0.000
Transportation Support Services, TSS																		
Transportation Support Services costs	TSSTC	2009/10	7.2	7.2	3.6	0.0	0.0		7.2	3.6	0.0	0.0		0.000	0.000	0.000	0.000	0.000
TSS Incentive Revenue	TSSIR	2009/10	3.5	3.5	3.5	3.5	1.7		3.5	3.5	3.5	1.7		0.000	-0.028	-0.039	0.025	0.000
TSS Cost Adjustment	TSSCA	2009/10	(7.8)	(7.8)	(7.8)	(7.8)	(3.9)		(7.8)	(7.8)	(7.8)	(3.9)		0.000	-0.026	-0.002	0.010	0.000
	TSS	Nominal	3.6	3.7	(1.0)	(5.9)	(3.0)		3.7	(0.9)	(5.8)	(3.1)		0.000	-0.071	-0.055	0.050	0.000
DELINC																		
Value of permits	DELINC	Nominal												0.000	0.000	0.000	0.000	0.000
	DELINC													0.000	0.000	0.000	0.000	0.000
External Incentive adjustment																		
External Incentive adjustment	SOOIRC	Nominal	103.2	106.0	106.5	95.1	94.5		111.6	98.7	98.7	98.7		-5.555	7.762	-3.568	-4.207	0.000
	SOOIRC		103.2	106.0	106.5	95.1	94.5		111.6	98.7	98.7	98.7		-5.555	7.762	-3.568	-4.207	0.000
Correction Term Revenue Adjustment, K																		
Correction Term Revenue Adjustment	K	includes interest	(4.2)	9.4	16.6	6.7	0.0		9.4	16.6	0.0	0.0		0.000	0.037	6.662	0.000	0.000
	SOK		(4.2)	9.4	16.6	6.7	0.0		9.4	16.6	0.0	0.0		0.000	0.037	6.662	0.000	0.000
SOMRt = SOBRt + CMt + SOOIRCt + TSS Gross MAR			282.7	205.3	196.7	239.0	220.5	227.2	210.7	189.1	247.0	222.8	229.5	-5.489	7.662	-7.986	-2.229	-2.325

TO Mod breakdown

	Actual	Forecast	Forecast					
	2018-19	2019-20	2020-21					
Avonmouth	-65.1	-19.9	-7.4					
Fleetwood		-35.4	-13.1					
Cost of Debt	-28.2	-31.1	-31.4					
Pensions	-1.9							
Other	-5	36.9	29.5	Changes to outputs/allowances and Totex spend				
MOD 2009/10	-100.2	-49.5	-22.4					
RPIF	1.314	1.357	1.394					
MOD nominal	-131.7	-67.2	-31.2					

Further Information

- Where to find the LT Forecasts and data relating to charge setting
 - <https://www.nationalgrid.com/uk/gas/charging-and-methodologies/transmission-system-charges>
- Timings for LT Forecasts
 - November/May
- Please let us have your feedback