Smitha Coughlan

September 2018
MOD 186

Accompanying Narrative

WALES&WEST UTILITIES

Movement Since June 2018

		2018/19	2019/20	2020/21	2021/22	2022/23	Explanation
Reported at the last DNCMF		429.31	486.53	432.58	416.59	440.28	
MODt	⇩		-8.36	-8.97	-9.10	-8.88	Changes to totex outperformance to reflect final RRP outurn.
Collected Revenue	⇧		0.01	1.25	0.00	0.00	Finance adjustment to 17/18 that took out £12k from formula income and moved it to excluded income, impacts k in 2019/20. Updated 18/19 collected revenue forecast which impacts k in 2020/21.
Gas Prices	⇧		0.00	0.69	0.00	0.00	Over the last quarter average prices have remained high with steady increases seen in recent weeks.
Licence Condition Values	⇩		0.00	3.33	0.00	-3.83	Amendment for exit capacity allowance to revert to licence value. Previous figures reflected forecast NTS costs levels, however a return to licence condition values has been applied.
SLM	⇧		-0.71	0.29	0.83	0.88	Shrinkage and Leakage forecast updated following RRP. Volumes for 17/18 increased, largely attributable to Beast from the East, which in turn reduced our Shrinkage revenue adjustment and our environmental emissions incentive. Future years estimates saw a decrease in volume with a corresponding increase to revenue.
Network Innovation Allowance	⇩		-0.08	0.00	0.00	0.00	Updated NIA expenditure using up to date RRP tables and supporting data.
Corporation Tax	⇩		0.00	-3.37	-0.05	-0.08	Updated Corporation tax in 20/21 form 18% to 17% which reduces forecasted revenue from 20/21 onwards.
Reported in the latest MOD186		-429.31	-477.40	-425.78	-408.27	-428.49	
Net Movement	⇩		-9.13	-6.78	-8.32	-11.91	

2021/22 and 2022/23

GDNs are required to forecast the current years Maximum Allowed Revenue and forecasts for the following four years. This therefore requires forecasts into the next price control. The price control settlement remains at an early stage of development therefore the forecast provided is done with respect of a number of key assumptions which may result in a materially different allowance.

Basic assumptions made in arriving at 2021/22 and 2022/23

1. NIA allowance forecast to continue in its current form
2. No change in regulatory treatment for depreciation, cost of debt or equity
3. Inflation uplifts to remain linked to RPI
4. Cost true ups and Incentives relating to RIIO GD1 will be payable/receivable in T+2, therefore 2021/22 reflects the performance from 2019/20 and 2022/12 reflects 2020/21.
5. Base Revenue (PUt) set in line with method communicated in June 2017 DCMF

The latest consultation relating to RIIO GD2 has been published by Ofgem and is available:
https://www.ofgem.gov.uk/news-blog/our-blog/tougher-price-controls-energy-networks

Important Notice

This information is submitted in fulfilment of the UNC in that forecast allowed revenue must be shared. No representation as to the accuracy of forecast information or any other information is made in this report. These forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forecasts. This document should not be relied on as a guide to future performance, and should not be relied on in deciding whether to undertake future investment. It should be noted that auditors have not reviewed the information in this document.

Furthermore certain information presented is done so to maintain consistency between networks, most notably RPI forecasts which reflect the latest published view by HM Treasury and consequently can be different from the expected outturn internally which may use other information to inform forecasting.

Thank you

Smitha Coughlan

Pricing and Regulation Manager

Smitha.coughlan@wwutilities.co.uk

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