

Long Term Revenue Forecasts, November 2018

NTS Charging Methodology Forum
(NTSCMF)

4 December 2018

nationalgrid

Introduction

Published Long Term (LT) revenue forecasts on 26 November 2018

- **Includes the Transmission Owner (TO) and System Operator (SO) allowed revenues**
- **The values are for the high level terms in our Licence**
- **Changes are compared to the last publication in May 2018**

TO Revenue forecast and main changes

Licence term		Price base	November-18				Not updated from May	Updated	Assume 3% inflation	Assume 3% inflation	May-18						change					
			Actuals	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2021/22	2022/23	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
			Yr 5	Yr 6	Yr 7	Yr 8	RIIO-T2	RIIO-T2	RIIO-T2	RIIO-T2	Yr 5	Yr 6	Yr 7	Yr 8	RIIO-T2	RIIO-T2	Yr 5	Yr 6	Yr 7	Yr 8	RIIO-T2	RIIO-T2
Nominal prices based on																						
Forecast RPI Factor	RPIF		1.271	1.314	1.357	1.398	1.440	1.483			1.271	1.314	1.357	1.394	1.436		0.000	0.000	0.000	0.004	0.004	
RPI Actual	RPIA		1.274	1.314	1.357	1.398	1.440	1.483			1.274	1.314	1.357	1.394	1.436		0.000	0.000	0.000	0.004	0.004	
Base Revenue, BR			£m	£m	£m	£m	£m	£m			£m	£m	£m	£m	£m							
Opening Base Revenue Allowance	PU	2009/10	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	5.9	-100.2	-110.9	-65.6					5.9	-100.2	-49.5	-22.4			-0.0	0.0	-61.3	-43.2		
RPI True Up	TRU	2 year lag	2009/10	-12.4	-2.7	1.6	0.8				-12.5	-2.7	1.6	0.0			0.0	0.0	-0.0	0.8		
	BR	Nominal	828.8	688.5	695.4	776.7	800.1	824.1			828.8	688.5	778.7	833.5	858.6		-0.0	0.0	-83.2	-56.8	-58.5	
Pass Through Items Adjustment, PT																						
Business Rates Adjustment	RB	2 year lag	Nominal	2.4	1.5	-11.1	-16.5				2.4	1.5	-11.1	-16.3			-0.0	0.0	0.0	-0.2		
Licensee Fee Adjustment	LF	2 year lag	Nominal	4.4	1.7	5.4	4.0				4.4	1.7	5.5	4.0			-0.0	0.0	-0.0	-0.0		
Policing costs adjustment	OPTC	2 year lag	Nominal	-5.8	-4.4	-5.1	-6.8				-5.8	-4.4	-5.1	-6.7			0.0	0.0	-0.1	-0.0		
Independent systems adjustment	ISA	Within yr	Nominal	5.9	6.5	6.3	6.0				6.0	6.5	6.1	5.8			-0.1	0.0	0.2	0.1		
	PT	Nominal	6.9	5.3	-4.5	-13.2	-13.6	-14.0			7.0	5.3	-4.5	-13.1	-11.9		-0.1	0.0	0.1	-0.1		
Output Incentive Revenue Adjustment, OIR																						
Stakeholder satisfaction survey	SSA	2 year lag	Nominal	3.5	6.2	3.7	5.5				3.5	6.2	5.4	6.5			0.0	0.0	-1.8	-1.1		
Value of permits	PA	2 year lag	Nominal													0.0	0.0	0.0	0.0			
	OIR		3.5	6.2	3.7	5.5	5.6	5.8			3.5	6.2	5.4	6.5	6.7		0.0	0.0	-1.8	-1.1		
Network Innovation Allowance, NIA																						
Network Innovation Allowance	NIA	Within yr	Nominal	3.8	4.1	3.6	4.5				3.6	4.1	4.1	5.3			0.2	0.0	-0.4	-0.7		
	NIA		3.8	4.1	3.6	4.5	4.7	4.8			3.6	4.1	4.1	5.3	5.4		0.2	0.0	-0.4	-0.7		
Network Innovation Competition																						
Network Innovation Competition	NICF	Within yr	Nominal	11.6	15.3	15.3	15.3				11.6	15.3	20.0	20.0			0.0	0.0	-4.7	-4.7		
	NICF		11.6	15.3	15.3	15.3	15.8	16.3			11.6	15.3	20.0	20.0	20.6		0.0	0.0	-4.7	-4.7		
PARCA Termination Value																						
PARCA Termination Value	PTV	2 year lag	Nominal								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		
Correction Term Revenue Adjustment																						
Correction Term Revenue Adjustment	OK (brought forward)	Nominal	6.9	11.0	6.4	0.0					6.9	11.0	7.8	0.0			0.0	0.0	-1.3	0.0		
	TOK (brought forward)		6.9	11.0	6.4	0.0	0.0	0.0			6.9	11.0	7.8	0.0	0.0		0.0	0.0	-1.3	0.0		
MAR			847.6	708.4	707.1	788.8	812.5	836.8			847.5	708.4	795.9	852.2	877.8		0.1	0.0	-88.7	-63.4	-65.3	

This includes a forecast for 2021/22 and 2022/23, which is an inflated view of 2020/21.

TO Changes

Licence Term	Change from May	Reason for change
TO MOD	<p>-£61.3m (2009/10 prices)</p> <p>-£83.2m (Current p)</p>	<p>2019/20 MOD is still a forecast. MOD will be confirmed by Ofgem on 30th November 2018.</p> <p>See next slide</p>
NICF	-£5m	Assumption changed - previously assumed maximum, now assuming same as 2018/19
OIR	-£2m	Stakeholder satisfaction survey now as per internal forecast. Previously was based on 2016/17 +inflation.
NIA	-£0.5m	Based on latest forecast
PT	£0.1m	Pass through - minor changes
K Factor	£1.3m	Actual over recovery for 2017/18 added, affecting 2019/20 allowed revenue, previously it was a forecast
Total	-£89m	

TO MOD breakdown, £m

	Actual 2018/19	Forecast 2019/20	Forecast 2019/20 at May 18	change
Avonmouth	-65.1	15.5	-19.9	35.4
Fleetwood		-34.9	-35.4	0.5
Cost of debt	-28.2	-45.1	-31.1	-14.0
Pensions	-1.9	-2.0	-	-2.0
2018 reopeners		-18.3	-	-18.3
Other	-5	-26.1	36.9	-63.0
Mod 2009-10 Prices	-100.2	-110.9	-49.5	-61.4
RPIF	1.314	1.357	1.357	-
Mod current prices	-131.7	-150	-67.2	-83.2

TO MOD

-£34m in 2019/20 due to Fleetwood return due to this work not being carried out.

-£18.3 for the reopeners in 2018 eg Feeder 9 funding, Industrial Emissions Directive IED

‘Other’ includes a likely legacy term adjustment of -£15m

-£39m inflation

Avonmouth – reason for the positive number:

If the allowance had remained in and given no spend in 2017/18, we would share the ‘out performance’ with customers causing a negative adjustment in 2019/20.

When the allowance is removed, there is no negative impact from sharing.

The effect is greater than the negative adjustment for the give back of the allowance in 2019/20.

SO Revenue forecast and main changes

		No change from May 18 LT Forecast		Updated		Assume 3% inflation		Assume 3% inflation		Change						N/A			
Licence term		November-18						May-18											
Lines numbered 1 to 16 derive the MAR using the Licence terms	Price base	Actual 2017/18 Yr 5	Forecast 2018/19 Yr 6	Forecast 2019/20 Yr 7	Forecast 2020/21 Yr 8	Forecast 2021/22 RIIO-T2	Forecast 2022/23 RIIO-T2	Forecast 2017/18 Yr 5	Forecast 2018/19 Yr 6	Forecast 2019/20 Yr 7	Forecast 2020/21 Yr 8	Forecast 2021/22 RIIO-2	Forecast 2022/23 RIIO-2	Forecast 2017/18 Yr 5	Forecast 2018/19 Yr 6	Forecast 2019/20 Yr 7	Forecast 2020/21 Yr 8	Forecast 2021/22 RIIO-2	Forecast 2022/23 RIIO-2
Nominal prices based on																			
Forecast RPI Factor	RPIF	1.271	1.314	1.357	1.398	1.440	1.483	1.271	1.314	1.357	1.394	1.436		0.000	0.000	0.000	0.004	0.004	
RPI Actual	RPIA	1.274	1.314	1.357	1.398	1.440	1.483	1.274	1.314	1.357	1.394	1.436		0.000	0.000	0.000	0.004	0.004	
Base Revenue, BR		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m							
Opening Base Revenue Allowance	SOPU	2009/10	73.6	72.7	74.8	73.9		73.6	72.7	74.8	73.9			0.000	0.000	0.000	0.000	0.000	
Legacy Revenue Drivers	LRD	2009/10	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0			0.000	0.000	0.000	0.000	0.000	
Price Control Financial Model Iteration Adjustment (base revenue adjustment)	SOMOD	2009/10	3.0	(0.1)	28.8	9.1		3.1	(0.1)	30.6	9.5			-0.050	0.000	-1.828	-0.408	0.000	
RPI True Up	SOTRU BR	2 year lag Nominal	(3.3)	(0.6)	0.2	0.1		(3.3)	(0.6)	0.2	0.0			0.003	0.000	-0.000	0.133	0.000	
Constraint Management, CM			93.2	94.6	140.8	116.1		93.2	94.6	143.3	116.2		119.7	-0.059	0.000	-2.480	-0.052	-0.053	
Constraint Management cost allowance	CMCE	2009/10	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	11.4	11.7	12.0	11.2		11.4	11.7	11.4	11.2			-0.045	0.000	0.608	-0.003	0.000	
CM Cost Adjustment	CMCA	2009/10	(28.2)	(27.6)	(27.7)	(27.9)		(28.2)	(27.6)	(27.7)	(27.9)			0.029	0.000	0.046	0.004	0.000	
CM		Nominal	11.7	13.3	14.1	12.9		11.7	13.3	13.2	12.9		13.3	-0.020	0.000	0.888	0.039	0.040	
Transportation Support Services, TSS																			
Transportation Support Services costs	TSSTC	2009/10	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	1.7		3.5	3.5	3.5	1.7			-0.025	0.000	-0.002	-0.000	0.000	
TSS Cost Adjustment	TSSCA	2009/10	(7.8)	(7.8)	(7.8)	(3.9)		(7.8)	(7.8)	(7.8)	(3.9)			-0.034	0.000	0.005	0.001	0.000	
TSS		Nominal	3.6	(1.0)	(5.9)	(3.0)		3.7	(1.0)	(5.9)	(3.0)		(3.1)	-0.075	0.000	0.004	-0.008	-0.008	
DELINC																			
Value of permits	DELINC DELINC	Nominal												0.000	0.000	0.000	0.000	0.000	
External Incentive adjustment																			
External Incentive adjustment	SOOIRC SOOIRC	Nominal	91.7	106.5	107.7	107.7		106.0	106.5	95.1	94.5			-14.330	0.000	12.556	13.195	0.000	
Correction Term Revenue Adjustment, K			91.7	106.5	107.7	107.7		106.0	106.5	95.1	94.5		97.3	-14.330	0.000	12.556	13.195	13.591	
Correction Term Revenue Adjustment	K	includes interest	9.4	16.6	12.1	0.0		9.4	16.6	6.7	0.0			0.000	0.000	5.447	0.000	0.000	
SOK			9.4	16.6	12.1	0.0		9.4	16.6	6.7	0.0		0.0	0.000	0.000	5.447	0.000	0.000	
SOMRt = SOBRt + CMt + SOOIRCt + TSS Gross MAR			190.8	196.7	244.6	233.7		205.3	196.7	239.0	220.5		227.2	-14.484	0.000	5.520	13.174	13.569	

This includes a forecast for 2021/22 and 2022/23, which is an inflated view of 2020/21.

SO Changes

Licence Term	Change from May	Reason for change
SO MOD	-£2.5m	Mod forecast updated to reflect 2018 reopener decision for funding to enhance our data centres and cyber security MOD is to be confirmed by Ofgem on 30th November 2018
CM	£1m	Based on latest forecast
SOOIRC	£13m	Revised forecast shrinkage cost is higher due to higher energy prices
K Factor	-£5.5m	Actual over recovery for 2017/18 added, affecting 2019/20 allowed revenue
Total change	£6m	

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

If you have any queries please contact our charging team at
box.transmissioncapacityandcharging@nationalgrid.com

Please let us have your feedback