

December 2018

MOD 186

Accompanying Narrative



Movement Since September 2018

		18/19	19/20	20/21	21/22	22/23	Explanation
Reported at the last DNCMF		429.3	477.4	425.8	408.3	428.5	
MODt	↕↗	0.0	-3.3	1.5	0.0	0.0	Updates to MOD t numbers following the conclusion of the 2018 AIP process.
Collected Revenue	↗	0.0	0.0	8.3	9.1	0.0	Reflects the December 18 price reduction in Exit Capacity as well as a forecast under recovery on Exit capacity allowed revenue in 19/20. The impact of under recovery in 18/19 and 19/20 is a positive correction factor in 20/21 and 21/22.
Gas Prices	↗	0.0	0.0	1.9	2.3	1.2	Updates to forecast gas prices based on latest market information. Impacts on shrinkage true up and incentive in 20/21 and onwards. Increases in gas price forecasts for all years.
Base allowance correction	↗	0.0	0.0	15.7		0.1	WWU had previously forecast that we would request and receive an increase to our Aex allowance. This view was amended in the September forecast as we did not make this request as part of the July 18 RRP process. An adjustment to the MOD 186 was put through on the exit capacity base allowance line, however, it was not put through the total allowance line. The base allowance figure has now been put back to the original licence value.
SLM	↗↕	0.0	0.0	0.0	0.6	-0.5	Reduction to shrinkage and leakage volumes forecast in 19/20. the impact is an increase in the shrinkage revenue adjustment and Environmental Emissions incentive (EEIt) in 21/22 and a reduction in EEIt in 22/23.
DRS	↕	0.0	-0.4	0.0	0.0	0.0	DRS direction received from Ofgem in October, lower than anticipated.
SEI Direction	↕	0.0	-0.4	-0.4	-0.5	-0.4	Stakeholder engagement Incentive received in November, lower than anticipated. Forecasts in later years adjusted to lower level.
Pass through costs	↕	0.0	0.0	0.0	-0.2	-0.2	Update to costs forecast.
Forecast RPI	↗	0.0	1.0	1.2	0.0	0.3	Reflects the November 18 HMT Medium-Term Forecasts.
NTS Volumes	↕	0.0	0.0	-0.3	-0.1	0.0	NTS costs reflect Gemini bookings effective October 2018 with no further changes assumed.
GD2 Cleanse	↕	0.0	0.0	0.0	-415.2	-419.3	Removal of GD2 figures - remaining figures reflect cost true-ups subject to the 2 year lag as well as incentives earned in GD1. See additional comments
Latest Forecast		429.3	474.4	453.6	4.2	9.7	
Net Movement		0.0	-3.0	27.8	-404.0	-418.8	

Additional Comments

- GD2 balances

Base revenue balances in GD2 have been removed reflecting our concerns that the information may be misleading. The balances remaining in GD2 reflect only cost true ups relating to GD1 and incentives operationally earned in GD1.

- Supplier of Last Resort

Following the selection of Octopus Energy as supplier of last resort in respect of failed retailer Iresa, we expect a direction from Ofgem for 2019/20 to be finalised prior to publication of our final notice of charges for 2019/20. No amounts have been included in our forecasts, however we expect the claim to be in the region of £0.8m.

- Theft of Gas Direction 2017/18

ToG direction letter was received in December. Value of £0.3m will be deducted from 17/18 allowed revenue. This will impact correction factor in 19/20, note that this is not included in the latest published forecast.

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

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