

March 2019  
MOD 186

Accompanying Narrative



# Movement Since December 2018

		2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Explanation
Reported at the last DNCMF		429.3	474.4	453.6	4.2	9.7	
Theft of Gas Direction received (17/18)	↓		-0.3				Direction for Theft of Gas 2017/18 received. Value of £0.3m was deducted from 2017/18 allowed revenue. This impacts correction factor in 2019/20.
NIA amendment	↑		0.2	0.2			Amendment to correct an error whereby NIA expenditure was being double counted.
IRESA SOLR claim from Octopus Energy Direction received	↑		0.7				SOLR claim due to Octopus Energy directed by Ofgem (£0.7m) in miscellaneous pass through line.
Collected Revenue	↓			-0.2			Updated 2018/19 collected revenue forecast, impacts on correction factor in 2020/21.
Gas prices updated actual and forecast	↓			-0.4			Updated December to February gas prices. Prices have decreased overall leading to a reduction in incentive in 2020/21 onwards.
Increase to 2018/19 Licence Fee payment	↑			0.1			Ofgem revised their 2018/19 Licence Fee by £0.1m. Adjustment in 2020/21.
Change in inflation forecast				-1.0	0.03	1.0	In 2019/20, inflation forecast change from 3.2% to 2.9%, based on February HMT MT forecast.
Reported in the latest MOD186		429.3	474.9	452.3	4.3	10.7	
Net Movement		0.0	0.5	-1.2	0.0	1.0	

# Additional Comments

- Special Rate Pool Allowance

Special rate pool allowance has been reduced from 8% to 6%. Finance Act 2019, enacting this legislation received Royal Assent on 12 February 2019 and is now law. This will be reflected in the AIP November 19 which calculates base revenue adjustment for 2020/21, therefore 2019/20 and 2020/21 effect will flow into 2020/21 Allowed Revenue. Detailed calculations are currently being prepared, but estimated £4m in 2020/21 (£2m plus £2m).

- Supplier of Last Resort

Following the selection of Octopus Energy as supplier of last resort in respect of failed retailer Iresa, a direction from Ofgem for 2019/20 was finalised on 24 January. A total of £0.7m is added to WWU revenue in 2019/20.

# 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](mailto:Smitha.coughlan@wwutilities.co.uk)

