

June 2019
MOD 186

Accompanying Narrative



Movement Since March 2019

		2018/19	2019/20	2020/21	2021/22	2022/23	Explanation
Reported at the last DNCMF		429.3	474.9	452.3	4.3	10.7	
Collected Revenue	↑	-	-	-0.2	1.1	-	Updates to 2019/20 collected revenue forecast
Updated gas prices	↓	-	-	-0.4	-3.0	-0.7	Decrease in long term gas price forecast
MOD t calculation	↓	-	-	-3.8	-	0.0	Adjustment for change in special pool rate and reflection of historic tax error
Change in inflation forecast	↓	-	-	-2.9	-0.1	3.2	Updated for May 19 HMT Medium term forecast which shows a further decrease in forecast inflation
Reported in the latest MOD186		429.3	474.9	445.1	2.2	13.1	
Net Movement	↓	-	-	-7.2	-2.0	2.4	

Additional Comments

- Special Rate Pool Allowance

Special rate pool allowance has been reduced from 8% to 6%. 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 through the MODt adjustment. The change has the effect of reducing base revenue by c.£4m.

- Adjustment for historic error on tax losses

In 2013/14 the calculation of interest costs for tax purposes did not adjust for costs associated with swaps. These losses not reflected will be brought into the November 19 AIP and will therefore impact 2020/21 base revenue. The effect of these losses is to reduce the tax allowance in 2020/21 and therefore increase the negative MODt adjustment (i.e. a decrease to base revenue).

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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