

March 2021  
MOD 186

Accompanying Narrative



# Movement Since December 2020

		2020/21	2021/22	2022/23	2023/24	2024/25	Explanation
Reported at the last DNCMF		438.5	445.4	443.3	436.3	447.1	
Base revenue	↑	-	2.5	(0.8)	1.7	2.1	Further changes in exit and some totex updates
Collected Revenue	↓	-	(1.0)	(2.2)	-	-	Update to forecast collections
Inflation	↑	-	0.4	0.4	0.5	0.5	Changes in Ofgem calculation
Gas price	↑			0.6			Updated forecast
Pass through	↓	-	0.0	(0.5)	-	-	Small update to Business rates
Reported in the latest MOD186		438.5	447.4	440.8	438.5	449.7	
Net Movement	↓	-	2.0	(2.5)	2.2	2.6	

# Additional Comments

- **Base revenue changes**

Our RIIO GD2 final determination base revenue figures were updated subsequent to the final price notice published on the 31 January 2021. Prices for 21/22 have been set on the basis of an allowed revenue of £446.1m, whereas allowed revenue per the final PCFM published by Ofgem on 3 February 2021 increased by £1.2m to £447.3m. This may cause an under collection against allowed revenue in 2021/22 which will be added to allowed revenue in 2022/23.

- **K – under / overcollection correction factor**

Forecast collections in 2020/21 and 2021/22 have increased by £1m and £2.2m respectively, since the last revenue forecast. This reduces the positive correction factor or increases the negative correction factor in the following year's allowed revenue calculation.

- **RIIO GD2 Revenue Forecast format**

Before the next DNCFM meeting the revenue forecast will be updated to align to the RIIO GD2 methodology for calculating and forecast allowed revenues. A presentation to run through the changes will be provided during the meeting.

# 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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