

# MOD 186

23 January 2024



## Movements since 26 September 2023

		2021/22	2022/23	2023/24	2024/25	2025/26	Explanation
		£'m nominal					
Reported at the last DNCMF (26 September 2023)		444.9	611.7	573.5	502.7	558.9	
Variant totex allowances and actual totex	↑	-	-	-	4.3	0.6	Variant totex allowances in respect of Price Control Deliverables (PCDs) and Uncertainty Mechanisms (UMs) have been revised to reflect Ofgem directed updates to baseline PCD's and UM's and for WWU's latest view of forecast re-openers compared with the submitted 2022/23 RRP based on the re-opener pipeline log. Forecast totex costs have been updated since the 2022/23 RRP to reflect these changes.
Pension Scheme Established Deficit Revenue Allowance	↑	-	-	-	4.5	4.5	Revised pension allowance values in respect of established deficit repair costs have been decided by Ofgem following completion of the 2023 reasonableness review published on 24 November 2023.
Other pass through costs	↑	-	-	-	3.5	4.3	Other pass through costs have been updated to reflect latest shrinkage, exit capacity and the finalised SoLR position directed by Ofgem. Shrinkage costs were based on a 4 week average for the month of November 2023. The impact of updates to these pass through costs on 2024/25 Allowed Revenue can be seen on the next slide.
Other Revenue Allowances (ORAs)	↑	-	-	-	9.0	7.5	Updated ORAs have been included and the increase predominantly relates to higher Vulnerability and Carbon Monoxide Allowances (VCMA's) based on revised planned spend, Ofgem having re-purposed unspent Fuel Poor Network Extension Scheme (FPNES) allowances to VCMA.
Recovered revenue	↑	-	-	-	6.0	-	Updates to reflect actual collected revenue for 2022/23 and projected under recovery of allowed revenues for 2023/24 through the K Correction Factor.
Legacy RIIO-GD1 Closeout adjustments	↓	-	-	-	(10.9)	(5.6)	Updated legacy closeout values for RIIO-GD1 relating to FPNES in accordance with Ofgem's decision on RIIO-GD1 proposed adjustments published on 14 November 2023 and draft value for WWU legacy Tax Clawback.
WACC Allowances	↑	-	-	-	6.2	5.7	Updated to reflect the revised WACC Allowance Model provided by Ofgem that has been updated to include the latest OBR projections published on 22 November 2023.
RPE Update	↓	-	-	-	(5.3)	(4.7)	Updated to reflect the revised RPE Model provided by Ofgem that has been updated to include the latest OBR projections published on 22 November 2023.
Tax Trigger Events (TTE) update	↓	-	-	-	(3.2)	(0.4)	Reflects revised forecast TTE's representing the impact of additions to regulatory general and special rate pools for enhanced capital allowances purposes and Opening Balance Adjustments.
Inflation update	↑	-	-	-	15.1	20.8	Updated to reflect the latest OBR projections published on 22 November 2023.
Reported in the latest MOD186 (23 January 2024)		444.9	611.7	573.5	531.9	591.6	
Net Movement	↑	-	-	-	29.2	32.7	

## Additional comments

- **Variant totex allowances and totex costs**

Variant totex allowances, and associated actual totex costs, have been updated since the 2022/23 RRP to reflect the latest view of Price Control Deliverables and Uncertainty Mechanisms following Ofgem directions and as included in WWU's re-opener pipeline log. These updates result in a net increase in 2024/25 Allowed Revenue (ARt) of £4.5m.

- **Pension Scheme Established Deficit (PSED) Revenue Allowance**

Following the latest triennial review by Ofgem, the PSED allowance decision increases 2024/25 ARt by £4.5m.

- **Other pass through costs**

Updates have been made to shrinkage, exit capacity and SoLR costs which impact of 2024/25 ARt as follows:

- Shrinkage -£0.3m
- Exit Capacity £2.9m
- SoLR £0.9m

- **WACC Allowance and RPE Models**

The WACC Allowance and RPE Models have been updated by Ofgem to reflect the inflation projections published by the OBR on 22 November 2023. These updates result in a net £0.9m increase in 2024/25 ARt.

- **Inflation**

Update to inflation forecasts to reflect the latest OBR projections published on 22 November 2023 increases 2024/25 ARt by £15.1m.

## Important notice

- This information is submitted in fulfilment of the UNC in that forecast allowed revenue must be shared (“the Forecasts”). No representation as to the accuracy of the Forecasts or any other information is made in this report. The 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 the Forecasts. This document should not be relied on as a guide to future performance and should not be relied on by any person in deciding whether to undertake future investment.
- To adhere to the five year tariff forecast obligation under the UNC, we have included a forecast for the first two years of GD3 price control. As discussions with Ofgem regarding GD3 have not yet begun we have no basis to include any forecasts, as a result WWU have taken the approach of rolling forward revenue levels from 2025/26 with an inflationary increase. This approach does not represent WWUs view of GD3 revenues. These revenues could be materially different to the figures quoted and any use of 2026/27 and 2027/28 tariff forecasts should be done so recognising this uncertainty.
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# Thank you

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