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MOD186 Commentary presented at DCMF

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Allowed Revenue Trace

		2016/17	2017/18	2018/19	2019/20	2020/21
Reported at the last DCMF		399.9	402.6	430.2	469.2	471.2
Updated for Shrinkage prices	↑			0.35	1.07	0.55
Updated for MODt charges excluding FGO and AEx	↓			-14.97	-9.99	-9.17
Updated for MODt - For Xoserve FGO	↓			-1.97	-2.71	-3.24
Updated MODt - for AEx	↓			12.44		-13.03
Updated for latest RPI as published in November 16	↑		3.22	4.56	3.10	2.74
Updated for latest collections and price changes	↓		-0.55	-9.81		
Reported in the latest MOD186		399.9	405.3	420.8	460.7	449.1
NET	↓	0.00	2.67	-9.40	-8.55	-22.15



Commentary

- Points to note
 - Shrinkage prices remain below those presumed at FPs resulting in reduced allowances in T+2
 - Business rate increase results in increased allowances from 2019/20
 - NTS price forecasts remain above those set at FPs. AEx has been granted by Ofgem in line with the licence for 2018/19 however no further amendments are predicted. This is due to the uncertainty around NTS costs from 2019 onwards.
- Reopeners
 - WWU are planning on submitting for the 2018 reopener on Physical Site Security. We estimate the efficiently incurred cost at c£18m, of which c£10m would impact 2019/20. This is not included in the PCFM forecast.
 - It remains challenging to reliably estimate any potential reopener for Smart Metering or allowed cost as part of FGO, neither of which are currently accounted for. The extent of these however is expected to be <1% Base allowances.
- Annual Iteration Process
 - Final directed value was £17.2m



NTS Exit Charges

- Background

- WWU faced large increases in the year from NTS (over 14000% at one Exit Point)
- WWU incur these charges as they are levied, with WWU charges being levied based on the formula set out in UNC
- The MOD186 presents an average price change which may not reflect the specific change at each LDZ

- Current situation

- EU Tariff code work is progressing. It is likely that the LRMC model will no be the enduring solution due to the perceived issues and relevance of its operation.
- Therefore prices from 2019 become increasingly challenging to forecast
- In the short term, WWU does not expect large volatility as was seen in the NTS charges for October 2016.
- WWU are currently considering how best to present future price changes by Exit Zone

– An indication of what charges may look like if EU Tariff code provides equivalent charges to current:

	2018/19	2019/20	2020/21
SW1	0.0227	0.0219	0.0156
SW2	0.0343	0.0330	0.0241
SW3	0.0500	0.0480	0.0355
WA1	0.0334	0.0322	0.0235
WA2	0.0125	0.0122	0.0083

THESE DO NOT REPRESENT ANY FORMAL NOTIFICATION OF PRICE CHANGE



QUESTIONS?

Thank you

