

December 2020 MOD 186

Accompanying Narrative



Movement Since September 2020

		2020/21	2021/22	2022/23	2023/24	2024/25	Explanation
Reported at the last DNCMF		439.0	491.2	522.8	526.2	534.0	
Base revenue changes	↓	-	(66.9)	(69.8)	(90.2)	(87.2)	Current base revenue per Final Determinations. Previously based on WWU Business Plan submission
MOD updates	↑	-	5.9	(5.5)	-	-	Historic errors derivative costs and tax clawback now agreed with Ofgem. These flow through the Legacy term in the PCFM
NTS updates	↑	-	8.7	1.4	0.3	0.3	Increases due to RRC charges and volume changes
k update	↑	-	5.6	(5.5)	-	0.1	K moves into 1 year lag basis
SOLR	↑	-	0.8	-	-	-	New SOLR claims agreed by Ofgem
Others	↓	(0.5)	0.0	(0.2)	-	-	Includes minor updates to collection forecast, NIA and SLM forecast volumes
Reported in the latest MOD186		438.5	445.4	443.3	436.3	447.1	
Net Movement	↓	(0.5)	(45.9)	(79.6)	(90.0)	(86.9)	

Additional Comments

- **Base revenue changes**

Ofgem Final determinations were published on 17 December. The base revenue figures within the MOD 186 represent these determinations. An update has been made for known exit capacity cost increases in 2021/22 as a result of the change in RRC charge as published by National Grid NTS on 30 December 2020. Base revenues in GD2 are quoted in 18/19 real prices and uplifted using the rates within the PCFM published by Ofgem that reference OBR forecasts. GD1 true ups are inflated using the GD1 forecast RPI methodology which references the HMT November forecast.

- **MOD update**

The MOD in 2021/22 which was finalised with Ofgem in December 20, includes a legacy adjustment relating to historic errors on derivatives and tax clawback. The cost of debt impact is rolled into base revenue in GD2.

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

The 2020/21 k is now included in 2021/22 base revenue as per the latest PCFM methodology. The GD2 PCFM is still under development. A detailed timeline for completion has not yet been established.

- **Price change**

Detailed workings for the 2021/22 price change are underway using demand data from Xoserve following the December snapshot.

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

