

June 2021
MOD 186

Accompanying Narrative



Movement Since March 2021

		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Explanation
Reported at the last DNCMF		438.5	447.4	440.8	438.5	449.7	460.8	
Base revenue	↑	-	0.0	0.0	8.8	9.2	9.6	Movements in allowances including amendment to CT rate
Collected Revenue	↑	-	-	4.7	-	-	-	Update to forecast collection for 2021/22, undercollection added back to revenue in 2022/23
RPI	↓	-	0.0	(1.7)	0.0	0.0	0.0	Actual RPI values for 2020/21 updated
Gas price	↓			(0.2)				Actual gas prices for remainder of 2020/21 included which reduces the cost true up in 2022/23
Exit	↑	(0.0)	-	4.8	4.3	(3.1)	2.0	Follows publication of NTS price notice on 28 May
Reported in the latest MOD186		438.5	447.4	448.4	451.6	455.9	472.4	
Net Movement	↑	(0.0)	0.0	7.6	13.1	6.2	11.6	

Additional Comments

- **Base revenue changes**

An updated PCFM was published on 28 May 2021 following the end of the consultation on Modifications to the RII0-2 licence conditions. The updated PCFM included a change to corporation tax rates from 2023/24 onwards from 19% to 25%. This increases allowed revenue by c. £9m per year.

- **Under collection and correction factor**

Forecast collections for 2021/22 has decreased by £4.7m following the implementation of the 2021/22 price change on 1 April 21. This increases the positive correction factor included in the 2022/23 allowed revenue calculation.

- **NTS Price Notice**

NTS costs (and therefore base allowances) have been updated to reflect the latest NTS price notice which was published on 28 May 2021. This included final prices from 1 October 2021 and indicative prices in each subsequent year.

- **Capital allowance Changes**

As part of the Spring 2021 Budget, HM Treasury announced that they were enabling a “super-deduction” for any eligible capital expenditure from 01 April 2021 – 31 March 2023. Following consultation, Ofgem propose to treat the super-deduction changes as a Tax Trigger event under the process set out in the Price Control Financial Handbook. Ofgem are currently working with networks to determine an appropriate calculation methodology. The September forecast will include any related adjustments.

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

Revenue and Pricing Manager

Smitha.coughlan@wwutilities.co.uk

