

Long Term Revenue Forecasts

June 2019

**NTS Charging Methodology Forum
(NTSCMF)**

nationalgrid

Introduction

Published Long Term (LT) revenue forecasts on 20 May 2019.

- **Includes the Transmission Owner (TO) and System Operator (SO) allowed revenues**
- **The values are for the high level terms in our Licence**
- **Changes are compared to the last publication in November 2019**

TO Revenue forecast and main changes

Licence term		Updated				Assume 3% inflation	Assume 3% inflation	Change												
		May-19				Forecast	Forecast	at November 2019		Forecast		Forecast		Forecast	Forecast					
		Price base	Actuals	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast					
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
			Yr 5	Yr 6	Yr 7	Yr 8	RIO-T2	RIO-T2	Yr 5	Yr 6	Yr 7	Yr 8	RIO-T2	RIO-T2	Yr 5	Yr 6	Yr 7	Yr 8	RIO-T2	RIO-T2
Nominal prices based on																				
Forecast RPI Factor	RPF		1.271	1.314	1.358	1.399	1.441	1.484	1.271	1.314	1.357	1.398	1.440	1.483	0.000	0.000	0.001	0.001	0.001	0.001
RPI Actual	RPA		1.274	1.314	1.358	1.399	1.441	1.484	1.274	1.314	1.357	1.398	1.440	1.483	0.000	0.000	0.001	0.001	0.001	0.001
Base Revenue, BR			£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m						
Opening Base Revenue Allowance	PU	2009/10	658.6	626.9	621.7	620.3			658.6	626.9	621.7	620.3			0.0	0.0	0.0	0.0	0.0	0.0
Price Control Financial Model Iteration Adjustment	MOD	2009/10	5.9	-100.2	-111.6	-57.2			5.9	-100.2	-110.9	-65.6			0.0	0.0	-0.8	8.3	0.0	0.0
RPI True Up	TRU	2 year lag	2009/10	-12.4	-2.7	1.6	0.4		-12.4	-2.7	1.6	0.8			0.0	0.0	-0.0	0.4	0.0	0.0
	BR	Nominal	828.8	688.5	694.9	788.4	812.0	836.4	828.8	688.5	695.4	776.7	800.1	824.1	0.0	0.0	-0.5	11.6	11.9	12.3
Pass Through Items Adjustment, PT																				
Business Rates Adjustment	RB	2 year lag	Nominal	2.4	1.5	-11.1	-15.4		2.4	1.5	-11.1	-16.5			0.0	0.0	-0.0	1.0	0.0	0.0
Licensee Fee Adjustment	LF	2 year lag	Nominal	4.4	1.7	5.4	5.6		4.4	1.7	5.4	4.0			0.0	0.0	0.0	1.6	0.0	0.0
Policing costs adjustment	OPTC	2 year lag	Nominal	-5.8	-4.4	-5.1	-3.9		-5.8	-4.4	-5.1	-6.8			0.0	0.0	-0.0	2.9	0.0	0.0
Independent systems adjustment	ISA	Within yr	Nominal	5.9	6.5	6.2	6.4		5.9	6.5	6.3	6.0			0.0	0.0	-0.1	0.4	0.0	0.0
	PT	Nominal	6.9	5.3	-4.5	-7.3	-7.5	-7.7	6.9	5.3	-4.5	-13.2	-13.6	-14.0	0.0	0.0	-0.1	6.0	6.1	6.3
Output Incentive Revenue Adjustment, OIR																				
Stakeholder satisfaction survey	SSA	2 year lag	Nominal	3.5	6.2	3.7	5.5		3.5	6.2	3.7	5.5			0.0	0.0	-0.0	-0.0	0.0	0.0
Value of permits	PA	2 year lag	Nominal												0.0	0.0	0.0	0.0	0.0	0.0
	OIR		3.5	6.2	3.7	5.5	5.6	5.8	3.5	6.2	3.7	5.5	5.6	5.8	0.0	0.0	-0.0	-0.0	-0.0	-0.0
Network Innovation Allowance, NIA																				
Network Innovation Allowance	NIA	Within yr	Nominal	3.8	4.1	3.9	4.5		3.8	4.1	3.6	4.5			0.0	0.0	0.3	0.0	0.0	0.0
	NIA		3.8	4.1	3.9	4.5	4.7	4.8	3.8	4.1	3.6	4.5	4.7	4.8	0.0	0.0	0.3	0.0	0.0	0.0
Network Innovation Competition																				
Network Innovation Competition	NICF	Within yr	Nominal	11.6	15.3	13.8	13.8		11.6	15.3	15.3	15.3			0.0	0.0	-1.5	-1.5	0.0	0.0
	NICF		11.6	15.3	13.8	13.8	14.2	14.6	11.6	15.3	15.3	15.3	15.8	16.3	0.0	0.0	-1.5	-1.5	-1.6	-1.6
PARCA Termination Value																				
PARCA Termination Value	PTV	2 year lag	Nominal												0.0	0.0	0.0	0.0	0.0	0.0
	PTV														0.0	0.0	0.0	0.0	0.0	0.0
Correction Term Revenue Adjustment																				
Correction Term Revenue Adjustment	OK (brought forward)	Nominal	6.9	11.0	6.4	0.0			6.9	11.0	6.4	0.0			0.0	0.0	-0.0	0.0	0.0	0.0
	TOK (brought forward)		6.9	11.0	6.4	0.0	0.0	0.0	6.9	11.0	6.4	0.0	0.0	0.0	0.0	0.0	-0.0	0.0	0.0	0.0
MAR = BR₁ + PT₁ + OIR₁ + NIA₁ + NICF₁ - K₁																				
MAR			847.6	708.4	705.3	804.8	829.0	853.9	847.6	708.4	707.1	788.8	812.5	836.8	0.0	0.0	-1.8	16.0	16.5	17.0

This includes a forecast for 2021/22 and 2022/23, which is an inflated view of 2020/21.

TO Changes (From November Forecast)

Licence Term	2019/20	2020/21	Reason for change
TO MOD (BR)	-0.8 (-0.5)	8.3 (11.6)	20/21: Change in Capital Allowances resulting in revision to tax and associated revenues.
PT	-0.1	6.0	20/21: Increase due to revised forecasts, e.g. Policing costs assumed to be current year costs plus inflation.
OIR	-	-	
NIA	0.3	-	
NICF	-1.5	-1.5	19/20: Based on actuals. 20/21: Forecast assumption to be the same as 19/20.
K Factor	-	-	
Total	-1.8	16.0	

SO Revenue forecast and main changes

Licence term		Updated						Assume 3% inflation		at November 2018						Change					
		May-19						Assume 3% inflation		at November 2018						Change					
Lines numbered 1 to 16 derive the MAR using the Licence terms		Price base	Actual 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	
			Yr 5	Yr 6	Yr 7	Yr 8	RIIO-T2	RIIO-T2	Yr 5	Yr 6	Yr 7	Yr 8	RIIO-2	RIIO-T2	Yr 5	Yr 6	Yr 7	Yr 8	RIIO-2	RIIO-T2	
Nominal prices based on																					
Forecast RPI Factor	RPIF		1.271	1.314	1.358	1.399	1.441	1.484	1.271	1.314	1.357	1.398	1.440	1.483	0.0	0.0	0.0	0.0	0.0	0.0	
RPI Actual	RPIA		1.274	1.314	1.358	1.399	1.441	1.484	1.274	1.314	1.357	1.398	1.440	1.483	0.0	0.0	0.0	0.0	0.0	0.0	
Base Revenue, BR			£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m							
Opening Base Revenue Allowance	SOPU	2009/10	73.6	72.7	74.8	73.9			73.6	72.7	74.8	73.9			0.0	0.0	0.0	0.0	0.0	0.0	
Legacy Revenue Drivers	LRD	2009/10	0.0	0.0	0.0	0.0			0.0	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	
Price Control Financial Model Iteration Adjustment (base revenue adjustment)	SOMOD	2009/10	3.0	(0.1)	28.8	10.2			3.0	(0.1)	28.8	9.1			0.0	0.0	-0.0	1.1	0.0	0.0	
RPI True Up	SOTRU BR	2 year lag	2009/10	(3.3)	(0.6)	0.2	0.1		(3.3)	(0.6)	0.2	0.1			0.0	0.0	-0.0	-0.1	0.0	0.0	
Constraint Management, CM																					
Constraint Management cost allowance	CMCE	2009/10	26.0	26.0	26.0	26.0			26.0	26.0	26.0	26.0			0.0	0.0	0.0	0.0	0.0	0.0	
CM Incentive Revenue	CMIR	2009/10	11.4	11.7	12.0	11.2			11.4	11.7	12.0	11.2			0.0	0.0	-0.0	-0.0	0.0	0.0	
CM Cost Adjustment	CMCA	2009/10	(28.2)	(27.6)	(27.7)	(27.9)			(28.2)	(27.6)	(27.7)	(27.9)			0.0	0.0	0.0	0.0	0.0	0.0	
CM		Nominal	11.7	13.3	14.1	12.9	13.3	13.7	11.7	13.3	14.1	12.9	13.3	13.7	0.0	0.0	0.0	0.0	0.0	0.0	
Transportation Support Services, TSS																					
Transportation Support Services costs	TSSTC	2009/10	7.2	3.6	0.0	0.0			7.2	3.6	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	
TSS Incentive Revenue	TSSIR	2009/10	3.5	3.5	3.5	1.7			3.5	3.5	3.5	1.7			0.0	0.0	-0.0	-0.0	0.0	0.0	
TSS Cost Adjustment	TSSCA	2009/10	(7.8)	(7.8)	(7.8)	(3.9)			(7.8)	(7.8)	(7.8)	(3.9)			0.0	0.0	0.0	0.0	0.0	0.0	
TSS		Nominal	3.6	(1.0)	(5.9)	(3.0)	(3.1)	(3.2)	3.6	(1.0)	(5.9)	(3.0)	(3.1)	(3.2)	0.0	0.0	-0.0	-0.0	-0.0	-0.0	
DELINC																					
Value of permits	DELINC DELINC	Nominal													0.0	0.0	0.0	0.0	0.0	0.0	
External Incentive adjustment																					
External Incentive adjustment	SOOIRC SOOIRC	Nominal	91.7	106.5	98.1	98.3			91.7	106.5	107.7	107.7			0.0	0.0	-9.6	-9.4	0.0	0.0	
Correction Term Revenue Adjustment, K															0.0	0.0	-9.6	-9.4	-9.7	-10.0	
Correction Term Revenue Adjustment	K	includes interest	9.4	16.6	12.1	(14.5)			9.4	16.6	12.1	0.0			0.0	0.0	-0.0	-14.5	0.0	0.0	
SOK			9.4	16.6	12.1	(14.5)			9.4	16.6	12.1	0.0			0.0	0.0	-0.0	-14.5	0.0	0.0	
SOMRt = SOBR, + CM, + SOOIRC, + TSS Gross MAR			190.8	196.7	235.1	240.3	247.5	254.9	190.8	196.7	244.6	233.7	240.7	247.9	0.0	0.0	-9.5	6.6	6.8	7.0	

This includes a forecast for 2021/22 and 2022/23, which is an inflated view of 2020/21.

SO Changes (From November Forecast)

Licence Term	2019/20	2020/21	Reason for change
SO MOD (BR)	- (0.1)	1.1 (1.5)	20/21: Revision based on updated Totex forecasts.
CM	-	-	
TSS	-	-	
SOOIRC	-9.6	-9.4	Revised Shrinkage forecasts.
K Factor	-	-14.5	K factor forecast to be -£14.5m <i>Negative value = under-recovery</i>
Total change	-9.5	6.6	

Further Information

Where to find the LT Forecasts and data relating to charge setting

<https://www.nationalgrid.com/uk/gas/charging-and-methodologies/transmission-system-charges>

Timings for LT Forecasts

November/May

If you have any queries please contact our charging team at
box.transmissioncapacityandcharging@nationalgrid.com

Please let us have your feedback