

# December 2019

## MOD 186

### Accompanying Narrative



# Movement Since September 2019

		2018/19	2019/20	2020/21	2021/22	2022/23	Explanation
Reported at the last DNCMF		428.6	474.9	440.7	425.5	465.3	
Collected Revenue	↓	-	-	-	(2.7)	-	Updates to 2019/20 collected revenue forecast
Updated gas prices	↓	-	-	-	(0.4)	(0.6)	Decrease in long term gas price forecast
Updated gas prices	↓	-	-	-	(0.0)	-	Small update to pass through cost forecast
MOD t calculation	↓	-	-	(0.4)	0.0	(0.0)	Revised balance following Nov 19 AIP conclusion
Change in inflation forecast	↓	-	-	(2.3)	0.2	0.0	Per December HMT forecast
RIIO GD2 base revenue forecast	↑	-	-	-	68.3	46.3	GD2 figures previously on 'Ofgem Notional' Basis. These have been updated to reflect the WWU Business Plan
Reported in the latest MOD186		428.6	474.9	438.0	490.8	511.0	
Net Movement	↑	-	-	(2.7)	65.3	45.7	

# Additional Comments

- November 2019 AIP

The November 2019 Annual Iteration Process (AIP) has now concluded. This process determined the adjustment to base revenue (MODt) in 2020/21. A £33.5m reduction to final proposals base revenue in 09/10 prices has been made. The forecast is £0.3m (09/10 prices) lower than previously calculated.

- GD2 base revenue

GD2 base revenue figures have been updated to reflect the WWU December Business Plan submission. Previously quoted figures were per the 'Ofgem Notional' basis. These have been updated to reflect the assumptions per the WWU Business Plan. Further detail can be found on the Wales & West Utilities website at:

<https://www.wwutilities.co.uk/about-us/stakeholder-engagement/your-plan/>.

- HMT Medium term Inflation Forecast

Due to the general election on 12 December 2019, HM Treasury did not publish its "Forecasts for the UK Economy" in November. The publication from the 18th December has been used.

- New Supplier of Last Resort (SoLR) Claim

Ovo Energy have given notice to Ofgem of their intention to submit a claim for a Last Resort Supply Payment. Ovo is seeking to claim £13.1m of costs (across gas and electricity) incurred in acting as Supplier of Last Resort (SoLR) to customers of the former Spark Energy Supply Limited. Ofgem are minded to consent to this claim and if a direction is received from Ofgem in January, an estimated £0.7m will be included in the calculation of WWU allowed revenue for 2020/21.

# 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

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