

# Q2 2019/20 Forecast Update

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## Context

This paper summarises the key themes arising from the quarter 2 (Q2) 2019/20 forecast, projects status and impacts on constituent charges. In addition, the forecast timetable for the remainder of the year is also set out.

### 1. What are the key themes arising from the Q2 forecast ?

- a. Once deferral of Gemini replatforming costs of £0.8m (vs Q1 forecast) are accounted for, the Q2 forecast out turns at £82.6m which is in line with the Q1 forecast value.
- b. The budget for the remaining half of the year remains tight as all available funding has been fully utilised to ensure services and 19/20 deliverables are met.
- c. Project activity is circa 40% complete at the half year, with some Xoserve Change activity diverted to deal with operational challenges that surfaced during the year. Deferred projects are essentially complete, including TransformUs although IX & RAASP programmes have slipped by 3 to 4 months.
- d. Excluding the Gemini deferral, the impact on customer charging indicates a broadly neutral position across customer constituencies.

### 2. How are we progressing with our investment programmes?

- a. See Appendix 1 for a summary of progress against the 19/20 investment programme.
- b. One notable change concerns the Gemini project which is forecast to spend below the 19/20 budget due to phasing updates, causing a deferral of c£2.2m into future years.
- c. The IX rollout completion date has shifted out to February 2020, following a recent review of options. Costs associated with this delay however are expected to be absorbed by the business.
- d. All other customer and market driven investment programmes remain on track as at P6.

### 3. What are the charging implications of the Q2 forecast ?

- a. Our latest view of charging levels by customer constituency remains broadly neutral - see Appendix 2 for the indicative charging statement view resulting from the Q1 & Q2 forecasts.

### 4. What forecast activity is planned for the remainder of the year?

- a. We are planning on delivering at least one more forecast update during this financial year: The Q3 forecast will be based on 9 months actuals and 3 months forecast. The outputs will be used to calculate the values of any additional funding or rebates which will be carried forward to 2020/21 charging year.

Should you have any queries on this update please contact [nick.stace@xoserve.com](mailto:nick.stace@xoserve.com) directly.

Appendix 1 : Investment Projects status at half year 2019/20

<b>INVESTMENTS YTD SEPT 2019</b>	<b>% defined projects live</b>	<b>% drawdown of budget</b>	<b>% work complete</b>
<b>Mixed Cust Investment</b>	71%	28%	38%
<b>Shipper Specific - CSS</b>	95%	41%	44%
<b>Transmission Specific - Gemini</b>	67%	46%	53%
<b>Xoserve Change - TransformUs</b>	100%	100%	100%
<b>Xoserve Change - other</b>	75%	25%	30%
<b>Total live portfolio</b>	<b>70%</b>	<b>41%</b>	<b>47%</b>

Appendix 2: Indicative Charging variances resulting from the Q1 & Q2 forecasts

Indicative Charges variance £m 2019/20 Prices Bracketed values represent charging gap	Funding £m impact			
	DN	T	Shipper	iGT
MTB people	(0.7)	(0.1)	(1.0)	(0.0)
MTB non people	0.5	0.2	0.5	0.0
Investments	(0.0)	0.0	0.1	0.0
<b>Subtotal</b>	<b>(0.2)</b>	<b>0.1</b>	<b>(0.3)</b>	<b>0.0</b>
Potential Gemini investment deferral / rebate	-	2.2	-	-
<b>Indicative Net Adjustment</b>	<b>(0.2)</b>	<b>2.3</b>	<b>(0.3)</b>	<b>0.0</b>