

MOD 186

25 June 2024



Movements since 26 March 2024

		2021/22	2022/23	2023/24	2024/25	2025/26	Explanation
		£'m nominal					
Reported at the last DNCMF (26 March 2024)		444.9	611.7	573.5	531.9	578.3	
Shrinkage	↑	-	-	-	-	3.0	Forecast shrinkage costs for 2024/25 and 2025/26 have been updated based on an average of forward looking gas prices during May 2024 that result in a combined revenue increase of £3.0m in 2025/26.
Exit capacity	↑	-	-	-	-	1.3	Updated for actual exit capacity costs for 2023/24 increasing revenues in 2025/26 by £0.1m. Forecasts for 2024/25 and 2025/26 have been updated based on new unit rates published by National Gas Transmission resulting in a combined revenue increase of £1.2m in 2025/26, representing a reduction of £2.0m for 2024/25 and increase of £3.2m from 2025/26.
Inflation	↓	-	-	-	-	(10.3)	Update to monthly inflation forecasts to reflect the latest OBR projections published on 22 May 2024 decreases 2025/26 revenue by £10.3m
Reported in the latest MOD186 (25 June 2024)		444.9	611.7	573.5	531.9	572.3	
Net Movement	↓	-	-	-	-	(6.0)	

Additional comments

- **Shrinkage**

Shrinkage costs have been updated to reflect actual 2023/24 costs which results in a revenue reduction of £0.03m in 2025/26. For 2024/25 and 2025/26, an average of 87.3p and 94.5p per therm has been estimated respectively based on forward looking averages in May 2024 compared to 72.2p and 79.1p per therm in the March MOD186. This gives rise to a 2025/26 revenue increase of £3.0m, comprising £1.6m in relation to 2024/25 and £1.4m in relation to 2025/26.

- **Exit capacity**

Exit capacity costs have been updated to reflect actual 2023/24 costs which gives rise to a revenue increase of £0.1m in 2025/26. New rates were published by National Gas Transmission on 31st May 2024. Exit Capacity costs have therefore been updated for 2024/25 to 2025/26 to reflect the new rates, which result in a net revenue increase of £1.2m in 2025/26, comprising a decrease of £2.0m in relation to 2024/25 offset by a £3.2m increase in relation to 2025/26.

- **Inflation**

Updates to outturn monthly inflation and revised inflations forecasts to reflect the latest OBR projections published on 22 May 2024 decreases 2025/26 revenue by £10.3m.

Important notice

- This information is submitted in fulfilment of the UNC in that forecast allowed revenue must be shared (“the Forecasts”). No representation as to the accuracy of the Forecasts or any other information is made in this report. The 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 the Forecasts. This document should not be relied on as a guide to future performance and should not be relied on by any person in deciding whether to undertake future investment.
- To adhere to the five year tariff forecast obligation under the UNC, we have included a forecast for the first three years of GD3 price control. As discussions with Ofgem regarding GD3 have not yet begun we have no basis to include any forecasts, as a result WWU have taken the approach of rolling forward revenue levels from 2025/26 with an inflationary increase. This approach does not represent WWUs view of GD3 revenues. These revenues could be materially different to the figures quoted and any use of 2026/27, 2027/28 or 2028/29 tariff forecasts should be done so recognising this uncertainty.
- By opening and reading the Forecasts, such persons agree to be bound by the limitations as set out in this notice. An actual or prospective investor in any securities issued by Wales & West Utilities Limited (“WWU”) or any parent undertaking of WWU should not rely on the information contained in the Forecast Data for the purposes of any investment decision or otherwise. It should be noted that auditors have not reviewed the information in this document.
- The Forecasts and this document are not a prospectus nor is it a “financial promotion” within the meaning of section 21 of the Financial Services and Markets Act 2000, and it has not been published with the intention of inducing any person to make any investment decision in relation to securities issued by WWU or any such parent undertaking or of influencing any such decision. Nothing in this document should be construed as investment, legal or other advice, and no actual or prospective investor should act upon any information contained herein without first consulting a financial or other professional adviser. Neither the publication or delivery of this document nor any subsequent subscription or sale made in respect of any securities issued by the WWU or any parent undertaking of the WWU shall, under any circumstances, create any implication that the information contained in this document is correct as of any time subsequent to the date of this document.
- To the maximum extent permitted by law, the WWU excludes:
 - all undertakings, representations, warranties or other assurances (express or implied, statutory or otherwise) in connection with the Forecasts and this document and the information and opinions contained herein; and
 - any responsibility or liability (whether direct or indirect, in contract, tort or otherwise) as a result of the use of or reliance on (or inability to use or rely upon) the Forecasts or this document or the information and opinions contained herein. Nothing in this notice shall be taken to limit or exclude any liability which may not otherwise be limited or excluded under applicable law.

Thank you

Alex Mitchell

Pricing Analyst

Pricing@wwutilities.co.uk

