

MOD 186

26 September 2023

Movements since 27 June 2023

		2021/22	2022/23	2023/24	2024/25	2025/26	Explanation
		£'m nominal					
Reported at the last DNCFM (27 June 2023)		444.9	611.7	573.5	474.9	542.9	
Inflation update	↑	-	-	-	5.4	3.1	Updated to reflect actual monthly inflation to 30 June 2023 and revised OBR predictions to 31 March 2026.
Non variant totex allowances	↑	-	-	-	1.1	0.9	RfIO-GD2 non variant allowances have been updated reflecting Ofgem's decision on 5 June 2023 to modify the Price Control Financial Instruments and Licence conditions for Gas Transmission, Gas Distribution and Electricity Transmission to restate the RfIO-GD2 non-variant allowances for all GDNs.
Variant totex allowances	↑	-	-	-	9.0	8.2	Variant totex allowances in respect of Price Control Deliverables and Uncertainty Mechanisms have been updated to reflect latest view per W/U's 2022/23 RRP and re-opener pipeline log, updated from the initial allowances set at Final Determinations. The main changes relate to Diversions and Loss of Development Claims, Non-operational IT Capex and Cyber Resilience OT and IT Non-Baseline re-openers.
Pass-through costs	↓	-	-	-	(1.9)	(1.0)	Pass through costs have been updated to reflect the costs included within W/U's 2022/23 RRP. The small decrease in Allowed Revenue is largely due to a small decrease in business rates following the Valuation Office Agency's latest review. Forecasts shrinkage costs have been based on data available as at 4 July 2023.
Other Revenue Allowances (ORAs) & Incentives	↑	-	-	-	4.3	3.5	Updated ORAs and Incentives have been included in line with W/U's 2022/23 RRP and the increase predominantly relates to increased Vulnerability and Carbon Monoxide Allowances (VCMA's) based on revised planned spend, Ofgem having re-purposed unspent Fuel Poor Network Extension Scheme allowances, and licence updates to the VCMA Expenditure Cap.
Recovered revenue	↓	-	-	-	(2.2)	-	Recovered revenue for 2023/24, net of forecast bad debts recovered has been updated within the PCFM for the 2023 AIP and therefore the 2023/24 over-recovery of Allowed Revenues is being recovered by way of a reduction to ARt in 2024/25.
RAV disposals	↓	-	-	-	(1.1)	(0.0)	Actual RAV disposals for 2022/23 have been included within the PCFM for the 2023 AIP.
Tax Trigger Events update	↑	-	-	-	1.9	(0.1)	Updated provisional figures using forecast data have been included within the first dry run of the 2023 AIP. These values will continue to be revised throughout the price control to account for actual data and agreed statutory tax positions.
Actual totex and allocation to tax pools	↑	-	-	-	11.4	1.4	Actual totex and associated tax pool allocations have been updated to reflect W/U's 2022/23 RRP.
Reported in the latest MOD186 (26 September 2023)		444.9	611.7	573.5	502.7	558.9	
Net Movement	↑	-	-	-	27.8	15.9	

Additional comments

- **Inflation**

Updated to reflect actual monthly inflation to 30 June 2023 and revised OBR predictions to 31 March 2026.

- **RRP updates**

There are numerous updates to the September forecasts in respect of revised Variable Values included as part of the 2022/23 RRP, including Totex, pass-through costs, Incentives and ORAs and tax allowances.

- **Recovered Revenue**

A small reduction in Allowed Revenue (ARt) is due to Recovered Revenue for 2023/24, net of forecast bad debts recovered, being higher than Allowed Revenue for 2023/24 and therefore the over-recovery being recovered by way of a reduction in ARt in 2024/25.

- **Tax Trigger Events**

Updated provisional figures using forecast data have been included within the first dry run of the 2023 AIP. These will continue to be revised throughout the price control to account for actual data and agreed statutory tax positions.

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 two 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 and 2027/28 tariff forecasts should be done so recognising this uncertainty.
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Thank you

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