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MOD186 Commentary presented at DCMF

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Allowed Revenue Trace

		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Reported at the last DCMF		392.50	399.35	419.89	435.40	448.54	449.55
Increased collection over forecast for 2015/16 as a result of theft of gas receipts and ratchet charges	↓	-	-	1.15	-	-	-
See later slides. Large increase in forecast Exit Capacity costs from October 2016 which impact in T+2 onwards.	↑	-	-	-	7.80	19.77	21.35
RPI reduction in forecasts between November 2015 and February 2016.	↓	0.14	1.92	10.82	3.46	3.34	3.42
Forecast day ahead gas prices remain at c30p/th. This has been reflected and forecasted to continue until the end of RIIO at this low value.	↓	0.00	0.88	0.63	1.16	1.25	1.39
Amended TRUt to account for the latest actuals and latest RPI. Reduction in RPI or cost adjustment results in a corresponding decreases in TRUt	↓	0.03	0.13	0.84	0.07	0.01	0.12
Reported in the latest MOD186		392.39	398.19	406.44	438.51	463.71	466.20
	↑	0.11	1.16	13.45	3.11	15.17	16.65



NTS Exit Capacity Costs

- NTS Exit Capacity costs have increased significantly between May 2015 indicatives and January 2016 indicatives.
- This is primarily due to the Supply Matching Merit order reducing the model input from Milford Haven, reflecting the demand outlined by the Demand Estimation Sub Committee in December 2015. This impacts especially South Wales with exit point cost movement of up to 14,200% from current and 327% from May indicatives:

	Current Price	Indicatives in May 2015	Indicatives in January 2016 (% movement on current price)	Movement between two indicatives
Dowlais	0.0001	0.0057 (5,700%)	0.0128 (12,800%)	225%
Dyffryn Clydach	0.0001	0.0030 (3,000%)	0.0098 (9,800%)	327%
Gilwern	0.0001	0.0070 (7,000%)	0.0142 (14,200%)	203%

- This results in large cost true ups coupled with the increased forecast costs in T+2 onwards. Ultimately this means forecast price increases of 53.4% in 2018/19 and a further 44.2% in 2019/20.
- WWU are price takers from NTS with limited scope for reducing flat capacity bookings required to meet our 1:20 obligation.



Points to note (cont)

- Forward Gas Price
 - The forward gas price is relatively stable at between 28-31p/th. Consequently this has been reflected with lower Shrinkage costs passed onto the consumer.
- Reopeners
 - WWU are planning on submitting for the 2018 reopener on Physical Site Security. We estimate the efficiently incurred cost at c£18m, of which c£10m would impact 2019/20. This is not included in the PCFM forecast.
 - It remains challenging to reliably estimate any potential reopener for Smart Metering or allowed cost as part of FGO, neither of which are currently accounted for. The extent of these however is expected to be <1% Base allowances.
- RRP
 - March sees the regulatory year end and collation of the RRP. This will confirm outturn for pass through items and for NIA expenditure. Currently NIA is forecast to maximum allowance set in the MOD186 but early indications are this may be £250k below this figure. This will result in a corresponding over collection in 2015/16 impacting by reducing allowance in 2017/18.



QUESTIONS?

Thank you

