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UTILITIES



# **MOD186 explanatory report**

January 2015



- 2015/16 Movement from October (excluding Exit Capacity)
- 2016/17 Movement from October (excluding Exit Capacity)
- 2017/18 Movement from October (excluding Exit Capacity)
- 2015/16 Price adjustment for Exit Capacity
- Exit Capacity looking forward



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# **PRICE CHANGE (EXCLUDING EXIT CAPACITY)**

## 2015/16 – Movement from October

A reduction in our allowed revenue (excluding exit capacity) of £4.65m resulted in a reduction in prices compared to those published in October. This reflects a -0.9% change in prices (Oct: +0.3%).

£375.8

Revenue  
predicted  
October  
2014

-£2.7

Lower  
inflation

The October statement assumed 3.2% and 2.6% for 2014/15 and 2015/16, actual published Nov 14 figures were lower at 2.5% and 2.6% for 2014/15 and 2015/16

-£1.8

MOD  
Adj.

Comprising:  
-0.3 inflation  
-2.1 Change in slow/fast Totex  
-1.3 Mains and Services  
+1.5 Cost of debt  
+0.3 Pension

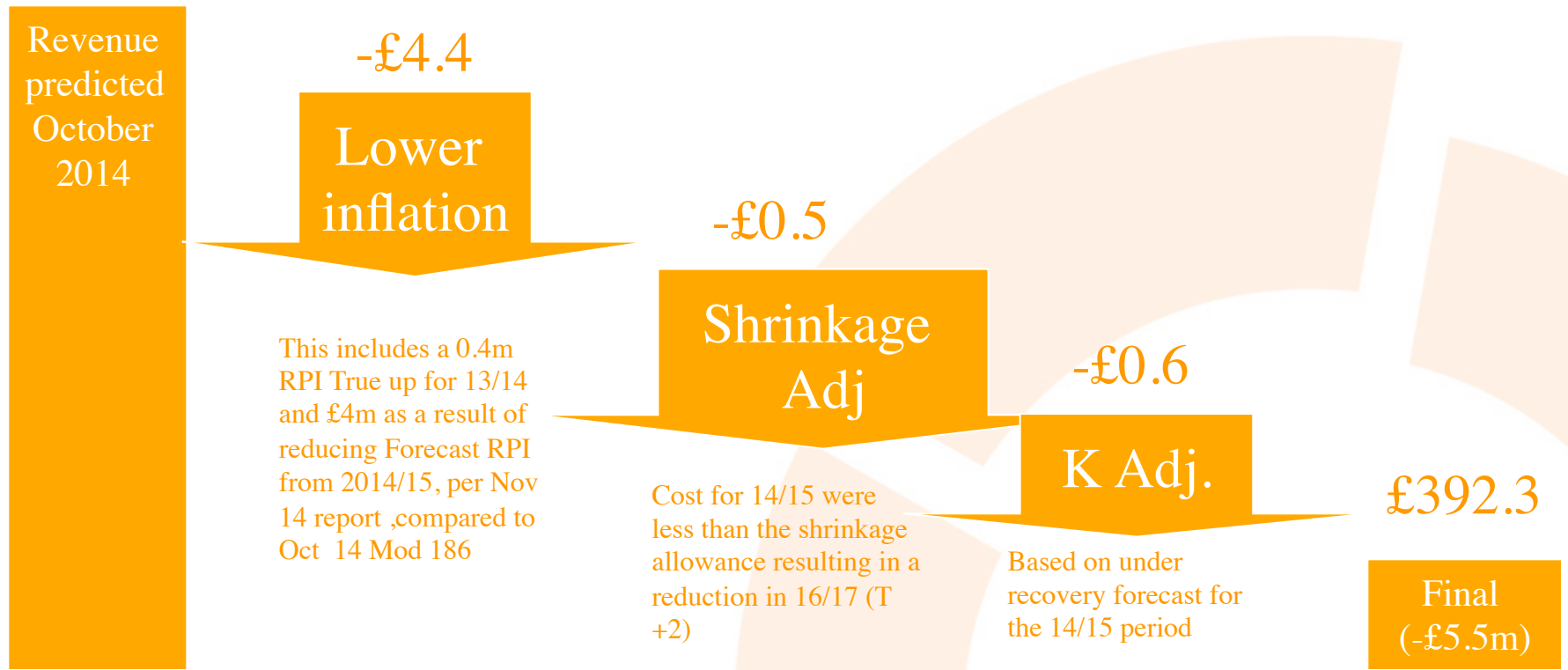
£371.3

Final  
revenue  
published  
Jan 15

# 2016/17 – Movement from October

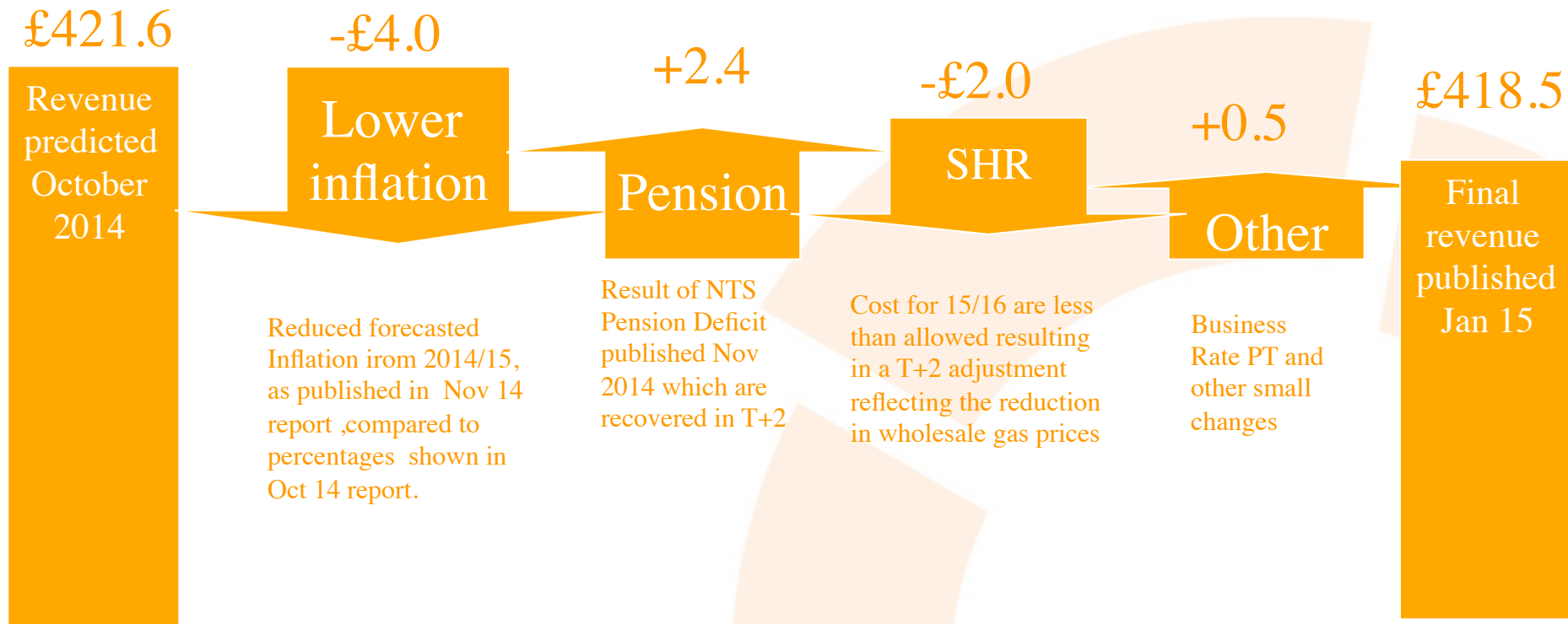
Again, inflationary impacts reducing Allowed Revenue. This reflects a 7.8% annual increase (October: 8.3%)

£397.8



## 2017/18 – Movement from October

Again, inflationary impacts reducing Allowed Revenue and reduced shrinkage with the T+2 adjustment for a known increase in Pension pass through partially reducing the reduction.





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# EXIT CAPACITY



## 2015/16 – Movement from October – Exit Capacity

Exit Capacity is changing by -22.9% (Oct: -21.8%) collecting allowed revenue of £21.1m. This 22.9% reduction reflects the T+2 True Up of £7m reducing allowed revenue from £27.8m in 2014/15 to £21.1m in 2015/16.

£21.2

Revenue  
predicted  
October  
2014

-£0.1

Lower  
inflation

The October statement assumed rate of 2.6% and 3.2% for 2014/15 and 2015/16 whereas the Nov 14 published figures were 2.5% and 2.6% for 2014/15 and 2015/16.

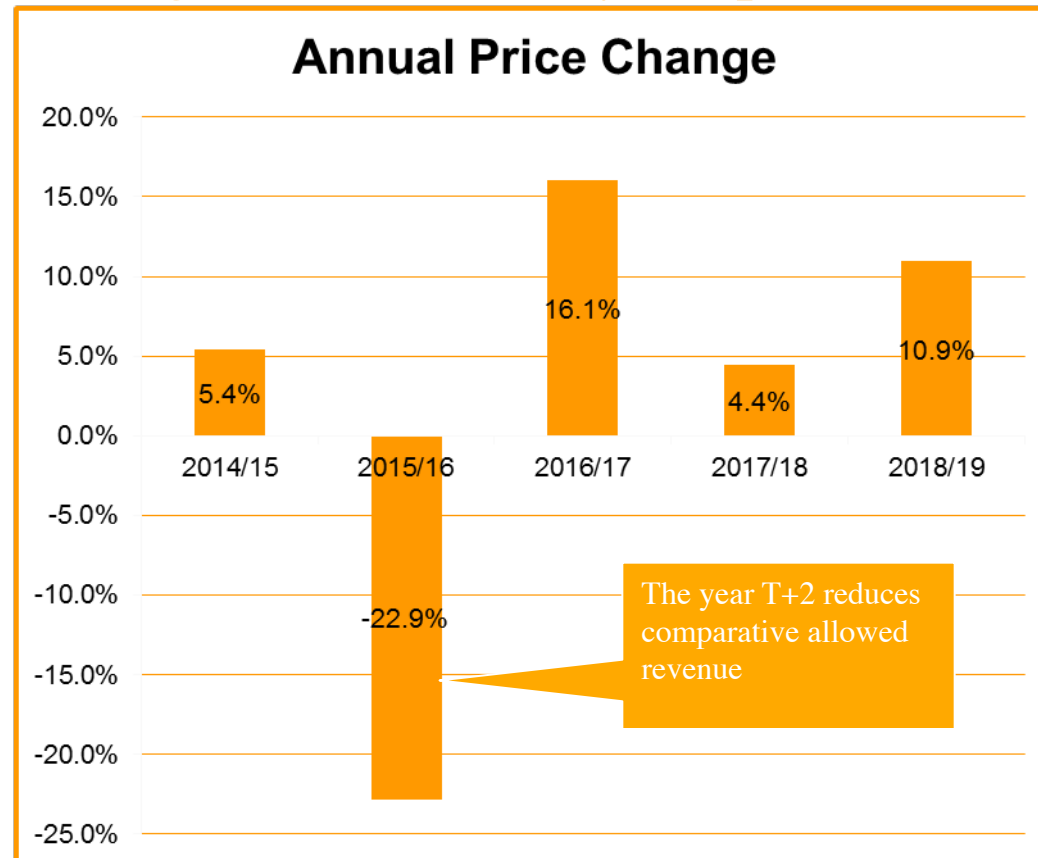
£21.1

Final  
revenue  
published  
Jan 15



# Exit Capacity Prices over time

Whilst 2015/16 has seen a  $-22.9\%$  change in the current year, prices do change dramatically over the RIIO period reflecting the impact that the T+2 adjustment results in and the sensitivity to NTS charges. These are currently proposed to increase dramatically for WWU as a result of MOD0517, impacting 2018/19 onwards. This impact has not been included in these forecasts as its implementation remains uncertain.





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**Questions?**

