

MOD 186 Report WWU: Oct 08

£m	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13
	Current Prices					
Core Allowed	228.8	220.8	232.2	234.5	237.5	239.6
x	27.3	24.98	24.91	24.84	24.78	24.72
Shrinkage Allowance	7.1	9.8	11.9	11.1	10.5	9.9
Final Allowed Rev per PCR	263.2	255.5	269.0	270.4	272.8	274.3
Inflation Assumed		1.1	1.2	1.2	1.2	1.3
Final Allowed Rev per PCR at prices of year	263.2	282.9	311.5	322.5	335.1	347.0
Cost Pass through Movements	0.0	0.8	0.0	0.0	0.0	0.0
Incentives Movement	1.8	2.6	2.3	2.0	3.4	3.5
K Movement	3.4	3.2	-2.7	0.0	0.0	0.0
Final Allowed Revenue Latest Forecast	268.5	289.5	311.1	324.5	338.4	350.5
% of previous year	1.0	107.9%	107.5%	104.3%	104.3%	103.6%
Forecast Collected Revenue	265.6	292.0	311.1	324.5	338.4	350.5
Forecast Under / Over Recovery (K)	-2.9	2.5	0.0	0.0	0.0	0.0
Arithmetical October/April* Price level change needed for Collected to = Allowed	26.0%	10.1%	-4.0%	4.3%	4.3%	3.6%
	Oct-07	Oct-08	Apr-09	Apr-10	Apr-11	Apr-12

Comments

2008/9

- (i) Final Allowed Revenue, excluding shrinkage, is as per Licence.
- (ii) Shrinkage costs are based on market prices taken from Heren report dated 10th October 08.
- (iii) K brought forward is driven by better than expected exit capacity incentive and reduced collected revenue due to Shipper AQ reductions in 2007/8.
- (iv) The cost pass through movement increase is based on estimated formula rate and licence increases.
- (v) Price increase of 10.1% from 1st Oct 08 reflects a reduction of 5% in capacity income following the AQ review effective from 1st Oct 08.
- (vi) The 2008/9 volumes are based on an average of the last two years.
- (vii) The K over recovery is estimated to be £2.5m as a result of falling gas prices resulting in a reduced Allowed Revenue. The final K position cannot be determined until:
 - a). we have an indication of the mains and services incentive allowance which will not be available until Mar 09 and
 - b). we are able to see the affect on our capacity income following the AQ review in Oct 08.

Future Years

- (i) Final Allowed Revenue, excluding shrinkage and exit capacity incentive, is as per Licence.
- (ii) Shrinkage costs are based on market prices taken from Heren report dated 10th October 08.
- (iii) K reduction for 2009/10 is estimated to be £2.7m following an anticipated over recovery in 2008/9.
- (iv) Inflation has been estimated based on higher RPI expected for July to Dec 08 and 3% per year from 2010/11 onwards.
- (v) Incentives relate to exit capacity. It was calculated using our latest flat and flex bookings and using the latest NTS prices from their Charging Statemen
NTS exit capacity prices for 2011/12 and 2012/13 were assumed to be the same as Gas Year: Oct 2010 to Sept 2011.

This report is published as a goodwill gesture from Wales & West Utilities to all Shippers following the implementation of Mod 186. It is published on a without prejudice basis and whilst every effort has been made to ensure the accuracy of the information contained here, it is, excluding 2007/8, primarily a forecast.