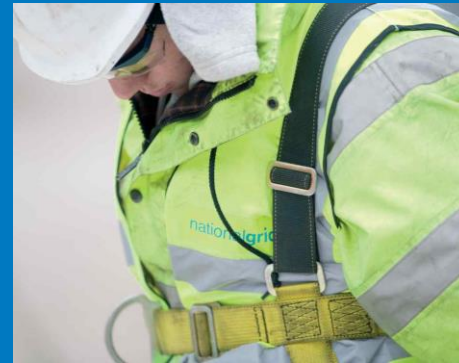


Long Term Revenue Forecasts April 2018 Final Commodity Charges



NTS Charging Methodology Forum (NTSCMF)
6 February 2018

Introduction

- Published LT revenue forecasts in November 2017
- TO and SO allowed revenues
- The values are for the high level terms in our Licence
- Changes compared to last publication in May 2017
- Final April 18 commodity charges published on 31 January

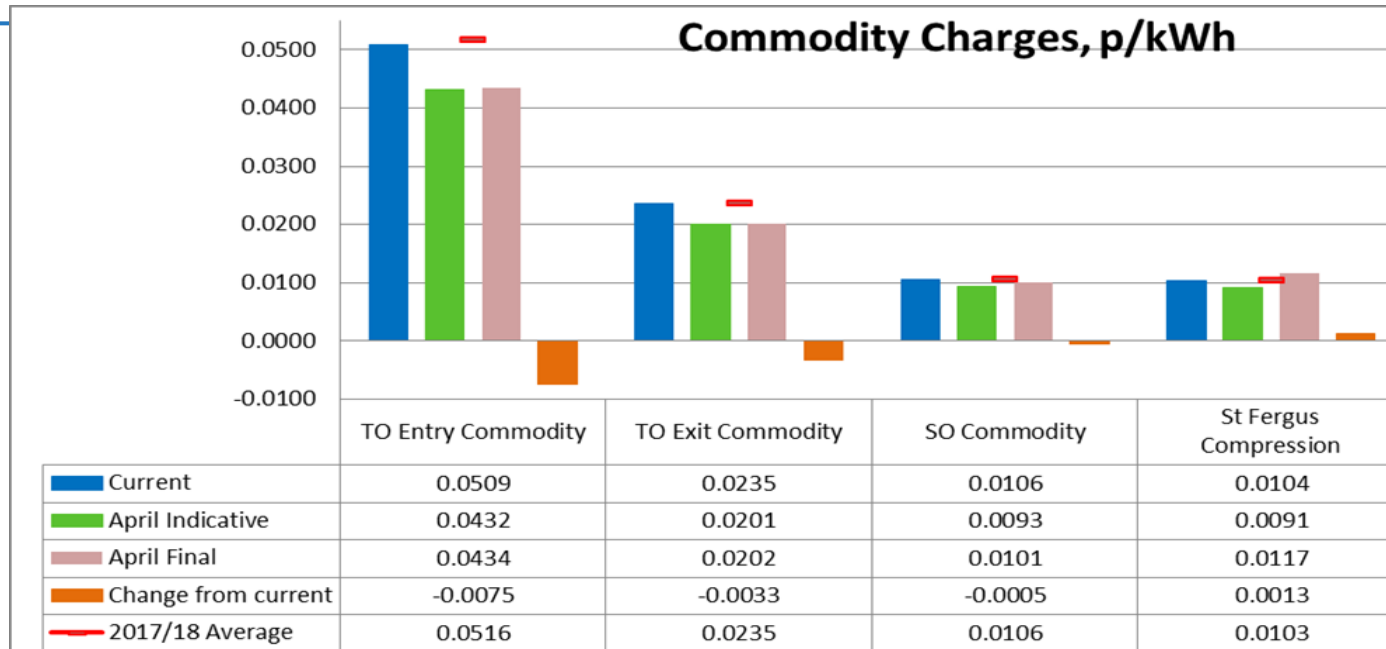
TO Revenue forecast and main changes

Licence term				November-17							May 17 forecast			Change				
Price base				Actuals	Actuals	Actuals	Actuals	Current Estimate (not Final)	Forecast (April 18 Indicative)	Forecast	Forecast	Forecast (April 18 Indicative)	Forecast	Forecast				
Lines numbered 1 to 15 derive the MAR using the Licence terms				2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
				Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	RIO-2	Yr 6	Yr 7	Yr 8	Yr 6	Yr 7	Yr 8
Nominal prices based on																		
Forecast RPI Factor	RPIF			1.163	1.205	1.227	1.233	1.271	1.314	1.357	1.394	1.436	1.313	1.356	1.399	0.001	0.001	-0.005
RPI Actual	RPIA			1.167	1.190	1.202	1.228	1.274	1.314	1.357	1.394	1.436	1.313	1.356	1.399	0.001	0.001	-0.005
Base Revenue, BR				£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m			
Opening Base Revenue Allowance	PU	2009/10		538.7	542.9	548.0	580.6	658.6	626.9	621.7	620.3		626.9	621.7	620.3	0.030	-0.024	-0.038
Price Control Financial Model Iteration Adjustment	MOD	2009/10		0.0	7.7	9.9	10.5	5.9	-99.0	-33.0	-19.0		-67.1	32.0	0.6	-31.900	-65.000	-19.600
RPI True Up	TRU	2 year lag	2009/10	0.0	-0.2	2.0	-7.4	-12.4	-2.7	1.6	0.0		-3.2	0.0	0.0	0.485	1.600	0.000
	BR		Nominal	626.5	663.2	687.0	719.7	828.8	690.1	801.0	838.2		730.8	886.4	868.7	-40.683	-85.413	-30.480
Pass Through Items Adjustment, PT																		
Business Rates Adjustment	RB	2 year lag	Nominal	0.0	0.0	0.6	1.0	2.4	1.5	-11.1	-16.3		2.2	2.3	2.4	-0.732	-13.405	-18.678
Licensee Fee Adjustment	LF	2 year lag	Nominal	0.0	0.0	3.6	4.0	4.4	1.7	5.5	4.0		4.2	4.3	4.5	-2.502	1.161	-0.477
Policing costs adjustment	OPTC	2 year lag	Nominal	0.0	0.0	-4.1	-4.4	-5.8	-4.4	-0.9	-1.5		-5.5	-5.7	-5.9	1.115	4.795	4.376
Independent systems adjustment	ISA	Within yr	Nominal	-7.8	19.8	12.0	4.2	5.8	6.3	4.7	4.8		0.0	0.0	0.0	6.300	4.700	4.800
	PT		Nominal	-7.8	19.8	12.1	4.8	6.8	5.1	-1.8	-9.0		0.9	0.9	1.0	4.181	-2.749	-9.979
Output Incentive Revenue Adjustment, OIR																		
Stakeholder satisfaction survey	SSA	2 year lag	Nominal	0.0	0.0	2.6	3.5	3.5	6.2	7.2	6.0		5.2	5.1	4.7	1.000	2.100	1.300
Value of permits	PA	2 year lag	Nominal	0.0	0.0	0.0	32.2											
	OIR			0.0	0.0	2.6	35.7	3.5	6.2	7.2	6.0		5.2	5.1	4.7	1.000	2.100	1.300
Network Innovation Allowance, NIA																		
Network Innovation Allowance	NIA	Within yr		2.7	3.6	3.1	3.5	3.6	4.1	4.1	5.3		4.6	5.5	5.4	-0.500	-1.400	-0.100
	NIA			2.7	3.6	3.1	3.5	3.6	4.1	4.1	5.3		4.6	5.5	5.4	-0.500	-1.400	-0.100
Network Innovation Competition																		
Network Innovation Competition	NICF	Within yr		0.0	15.1	5.7	18.0	11.6	18.0	18.0	18.0		11.7	12.1	12.4	6.282	5.940	5.600
	NICF			0.0	15.1	5.7	18.0	11.6	18.0	18.0	18.0		11.7	12.1	12.4	6.282	5.940	5.600
PARCA Termination Value																		
PARCA Termination Value	PTV	2 year lag	Nominal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0							
	PTV			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0							
Correction Term Revenue Adjustment																		
Correction Term Revenue Adjustment	TOK (brought forward)	Including interest		0.8	0.0	-37.4	-16.1	6.9	11.0	0.0	0.0		10.9	0.0	0.0	0.100	0.000	0.000
	TOK (brought forward)			0.8	0.0	-37.4	-16.1	6.9	11.0	0.0	0.0		10.9	0.0	0.0	0.100	0.000	0.000
MAR = BR + PT + OIR + NIA + NICF - K ₁	MAR			620.6	701.7	747.9	797.8	847.4	712.5	828.5	858.5	884.4	742.3	910.1	892.2	-29.8	-81.5	-33.7

SO Revenue forecast and main changes

Licence term			November-17									May 17 forecast			change				
Lines numbered 1 to 16 derive the MAR using the Licence terms			Price base	Current										Forecast			2018/19		
				Actuals	Actuals	Actuals	Actuals	Estimate (not Final)	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast		
																		2013/14	2014/15
				Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	R110-2	Yr 6	Yr 7	Yr 8	Yr 6	Yr 7	Yr 8	
Nominal prices based on																			
Forecast RPI Factor	RPIF		1.163	1.205	1.227	1.233	1.271	1.314	1.357	1.394	1.436		1.313	1.356	1.399	0.001	0.001	-0.005	
RPI Actual	RPIA		1.167	1.190	1.202	1.227	1.274	1.314	1.357	1.394	1.436		1.313	1.356	1.399	0.001	0.001	-0.005	
Base Revenue, BR			£m	£m	£m	£m	£m	£m	£m	£m	£m		£m	£m	£m				
Opening Base Revenue Allowance	SOPU	2009/10	66.9	67.4	68.8	72.8	73.6	72.7	74.8	73.9			72.7	74.8	73.9	0.017	0.033	0.045	
Legacy Revenue Drivers	LRD	2009/10	94.2	87.5	79.3	58.7	0.0	0.0	0.0	0.0			0.0	0.0	0.0	-0.033	0.000	0.000	
Price Control Financial Model Iteration Adjustment (base revenue adjustment)	SOMOD	2009/10	0.0	(0.7)	(13.8)	1.0	3.0	(0.1)	30.6	9.5			(1.5)	34.5	5.0	1.407	-3.945	4.534	
RPI True Up	SOTRU	2 year lag	0.0	(0.1)	0.8	(2.6)	(3.3)	(0.6)	0.2	0.0			(0.7)	0.0	0.0	0.147	0.200	0.000	
	BR	Nominal	187.4	185.7	165.8	160.2	93.164	94.6	143.3	116.3			92.5	148.2	110.3	2.091	-4.928	5.989	
Constraint Management, CM																			
Constraint Management cost allowance	CMCE	2009/10	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0			26.0	26.0	26.0	0.000	0.000	0.000	
CM Incentive Revenue	CMIR	2009/10	0.0	0.0	11.8	11.5	11.4	11.7	9.9	9.8			0.0	0.0	0.0	11.700	9.900	9.800	
CM Cost Adjustment	CMCA	2009/10	0.0	0.0	(28.1)	(28.1)	(28.2)	(27.6)	(27.9)	(28.0)			0.0	0.0	0.0	-27.600	-27.900	-28.000	
	CM	Nominal	30.2	31.3	11.9	11.6	11.7	13.3	10.9	10.9			34.1	35.3	36.4	-20.867	-24.400	-25.591	
Transportation Support Services, TSS																			
Transportation Support Services costs	TSSTC	2009/10	7.2	7.2	7.2	7.2	7.2	3.6	0.0	0.0			3.6	0.0	0.0	-0.020	0.000	0.000	
TSS Incentive Revenue	TSSIR	2009/10	0.0	0.0	3.5	3.5	3.5	3.5	3.5	1.7			0.0	0.0	0.0	3.500	3.500	1.700	
TSS Cost Adjustment	TSSCA	2009/10	0.0	0.0	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(3.9)			0.0	0.0	0.0	-7.800	-7.800	-3.900	
	TSS	Nominal	8.4	8.7	3.6	3.6	3.7	(8.9)	(5.8)	(3.1)			4.8	0.0	0.0	-5.673	-5.835	-3.067	
DELINC																			
Value of permits	DELINC	Nominal	9.1																
	DELINC		9.1																
External Incentive adjustment																			
External Incentive adjustment	SOOIRC	Nominal	124.5	114.5	114.7	103.2	111.6	98.7	98.7	98.7			107.6	107.6	107.6	-8.900	-8.900	-8.900	
	SOOIRC		124.5	114.5	114.7	103.2	111.6	98.7	98.7	98.7			107.6	107.6	107.6	-8.900	-8.900	-8.900	
Correction Term Revenue Adjustment, K																			
Correction Term Revenue Adjustment	K	includes interest	0.9	0.0	10.2	(4.2)	9.4	16.6	0.0	0.0			16.0	0.0	0.0	0.600	0.000	0.000	
	SOK		0.9	0.0	10.2	(4.2)	9.4	16.6	0.0	0.0			16.0	0.0	0.0	0.600	0.000	0.000	
SOMRt = SOBRt + CMt + SOOIRCt + TSGross MAR			358.6	340.2	285.7	282.7	210.7	189.1	247.0	222.8	229.5		223.0	291.1	254.2	-33.948	-44.063	-31.478	

Commodity Charges April 2018



Commodity charges are decreasing mainly due significant reductions to the maximum allowed revenues (MAR) used to set the charges.

The GTO MAR is down by £139m largely due to the return of money in relation to Avonmouth. The GSO MAR is also down (-£6m) due to a £7m change in K (over or under recovery from year t-2), compared to last year.

The shrinkage value affecting GSO MAR has increased by £16m compared to the indicative value. This is due to higher gas prices and revised forecasts of fuel use (an expected drop in St. Fergus flows hasn't materialised in 2017/18 and so the 2018/19 forecast has been increased to match 2017/18).

Further Information

- Where to find the LT Forecasts and data relating to charge setting

- <https://www.nationalgrid.com/uk/gas/charging-and-methodologies/transmission-system-charges>

- Timings for LT Forecasts

- November/May

- Please let us have your feedback

box.transmissioncapacityandcharging@nationalgrid.com