

March 2020
MOD 186

Accompanying Narrative



Movement Since December 20

		2019/20	2020/21	2021/22	2022/23	2023/24	Explanation
Reported at the last DNCMF		474.9	438.0	490.8	511.0	-	
Collected Revenue	↑	-	-	(0.3)	0.4	-	Updates to 2019/20 and 20/21 collected revenue forecast
Updated gas prices	↓	-	-	(0.8)	(2.1)	-	Decrease in long term gas price forecast
Update to pass through cost forecast	↑	-	0.7	(0.0)	0.0	-	Update to pass through cost forecast including SOLR claims
NTS costs	↑	-	-	-	3.5	-	Costs reflect 'Postage Stamp' NTS charging methodology
NTS bookings	↓	-	-	(4.5)	(6.1)	-	Updated future forecast bookings
Interest rate	↓	-	(0.0)	(0.1)	(0.0)	-	Bank of England rate decrease to 0.25%
Added 2023/24	↑	-	-	-	-	516.8	2023/24 year added
Reported in the latest MOD186		474.9	438.7	485.2	506.7	516.8	
Net Movement	↓	-	0.7	(5.6)	(4.3)	516.8	

Additional Comments

- Collected Revenue

During January there were two AQ / SOQ changes in our portfolio which reduced our capacity charges by £200k. This reduces our forecast collected revenue in 2019/20 but was offset by increases in commodity income. It also reduced our forecast collected income for 2020/21 as prices have now been set for 2020/21. Therefore there is now a forecast under collection in 2020/21 which feeds into the 2022/23 correction factor revenue term.

- Gas price Forecast

Gas price forecasts continue to decrease, which increases our negative cost true up in future years.

- Supplier of Last Resort (SoLR) Claim

Ovo and Shell Energy SOLR claims have now been directed by Ofgem. These amount to £0.66m to be paid / recovered in 2020/21.

- NTS Exit Capacity

The forecast reflects an assumption that the 'Postage Stamp' charging methodology will apply from October 2020. due to the two year lag, the first impact on revenue will be 2022/23. The GD2 forecast assumes that cost = allowance.

Important Notice

This information is submitted in fulfilment of the UNC in that forecast allowed revenue must be shared. No representation as to the accuracy of forecast information or any other information is made in this report. These 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 these forecasts. This document should not be relied on as a guide to future performance, and should not be relied on in deciding whether to undertake future investment. It should be noted that auditors have not reviewed the information in this document.

Furthermore certain information presented is done so to maintain consistency between networks, most notably RPI forecasts which reflect the latest published view by HM Treasury and consequently can be different from the expected outturn internally which may use other information to inform forecasting.

Thank you

Smitha Coughlan

Pricing and Regulation Manager

Smitha.coughlan@wwutilities.co.uk

