

June 2016

# MOD186 Commentary presented at DCMF

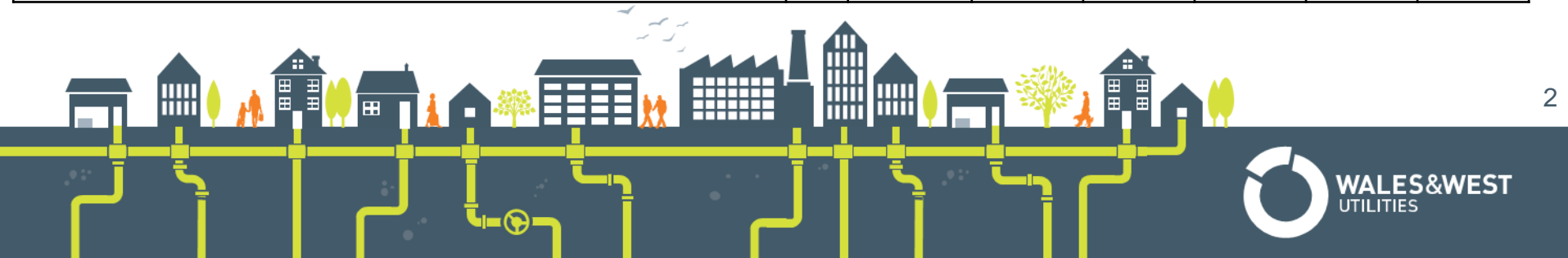
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# Allowed Revenue Trace

		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Reported at the March DCMF		392.4	398.2	406.4	438.5	463.7	466.2
Incentive view including 2015/16 estimate of NIA	↓	-0.4		-0.4		0.5	
Latest view on Pass through, predominantly Business Rates which are forecast to increase (although not yet finalised)	↑			-0.6	-0.8	11.6	12.0
Changing forecasts of UK Inflation by Treasury	↓		1.9	-0.4	-2.7	-0.5	-0.4
Updated view of revenue collection	↑			0.5			
Exit Capacity forecast cost (reflects Oct 16 being forecast for all RIIO in March Mod186 and updated for April 29th Indicatives for current MOD 186. This still reflects a c20m increase year on year to prices for Oct 16.	↓				-0.8	-3.7	-4.4
Updated to reflect latest forecast shrinkage costs with the far curve increasing slightly over the previous lows of Q1 2016.	↑			0.0	0.5	0.7	0.6
<b>June MOD 186 Maximum Allowed Revenue (Inc Exit)</b>		<b>392.0</b>	<b>400.1</b>	<b>405.5</b>	<b>434.8</b>	<b>472.3</b>	<b>474.0</b>
	↑	-0.4	1.9	-0.9	-3.7	8.6	7.8



# NTS Exit Capacity Costs

- As reported last meeting NTS Exit Capacity costs have increased significantly between May 2015 indicatives and the January 2016 indicatives. The final prices published 29<sup>th</sup> April 2016 crystallised these forecast increases. This showed a small benefit compared to indicatives however still represents a c£20m annual increase on current costs compared to current costs.
- WWU are price takers from NTS with limited scope for reducing flat capacity bookings required to meet our 1:20 obligation.
- WWU have been in discussion with both NTS and Ofgem on how to reduce the volatility these price swings cause to Exit Capacity Prices we levy on our customers
- WWU are engaged with NTS and the industry in preparing for revisions to NTS pricing to adhere to the requirements of the EU Tariff code. The next meeting will be 5 July. More information can be found: <http://www.gasgovernance.co.uk/ntscmf/050716>



# Points to note (cont)

- Forward Gas Price
  - The forward gas price has crept back up from 28-31p/th to c35p/th. This still is far lower than 12 months ago but higher than last reported.
- Reopeners
  - WWU are planning on submitting for the 2018 reopener on Physical Site Security. We estimate the efficiently incurred cost at c£17m, of which c£10m would impact 2019/20. This is not included in the PCFM forecast.
  - Ofgem have provided their minded to position on funding for FGO. This is not included in the MOD186 given the timing of the announcement however did outline the amount of Xoserve funding which would be born by suppliers and consequently the reduction to be made to Networks. Further information can be found:  
<https://www.ofgem.gov.uk/publications-and-updates/consultation-our-minded-position-review-gas-transporter-agency-xoserve-costs-riio-gd1-and-t1>
    - Responses are due to the consultation on the minded to position by 7<sup>th</sup> July 2016



QUESTIONS?

Thank you

