

RIIO Charging impact



NTSCMF - 20th July 2012

March 2012 Business Plan submission

- Within Chapter 9 of the Finance Annex, we included RAV and Revenue results.

Submission model

Per March Submission

NGG TO

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Opening RAV	4,091	4,499	4,753	5,185	5,726	6,999	7,826	8,027
Net Transfers into RAV	289	2	2	13	491	75	23	1
Adjusted Opening RAV	4,380	4,501	4,755	5,198	6,217	7,074	7,849	8,028
RAV Additions	260	398	582	693	972	964	410	166
Regulatory Depreciation	(142)	(146)	(153)	(164)	(190)	(212)	(232)	(240)
Closing Balance	4,499	4,753	5,185	5,726	6,999	7,826	8,027	7,955
Fast Money	128	166	179	198	252	232	148	116
Non Controllable Costs	98	98	98	98	98	98	98	98
Pensions	45	45	45	45	45	45	45	45
Equity Injection Costs	-	-	-	4	4	13	12	-
IQI Adjustment	10	14	19	22	31	30	14	7
Tax Allowance	53	45	42	45	51	38	16	15
Depreciation & Return on RAV	364	377	402	438	521	585	630	640
	697	745	784	850	1,001	1,041	963	920
Revenue Adjustments	66	(11)	(11)	(11)	-	-	-	-
Network Innovation Allowance	7	7	7	8	9	9	9	8
Regulated Revenue (As used in Household Bill Measure)	770	741	780	846	1,010	1,050	971	928
Other External Income	4	3	3	3	3	3	3	3
Total Revenue	773	744	783	849	1,013	1,053	974	931

Link to Exit charges

- These relate to the figures in the charging notice issued in May 2012 as follows:

Implications for TO Exit Allowed Revenues - using NGG Business Plan figures			
	2013/14	2014/15	2015/16
Maximum NTS TO revenue as per NGG Business Plan (2009/10 prices)	773	744	783
Inflation from 2009/10 to 2012/13 (Licence RPIF term)	13%		
Inflation assumption (yr on yr)	3%	3%	3%
Cumulative inflation (from 2009/10 prices)	17%	20%	24%
	2013/14	2014/15	2015/16
Maximum NTS TO revenue as per NGG Business Plan (outturn)	903	895	970
... less DN Pension Charge revenue	37	37	37
... less metering charges	1.6	1.6	1.6
Revenue to be collected from TO Commodity and Capacity Charges	865	857	931
... TOK (under/over-recover)	0	0	0
Revenue to be recovered through TO Entry and Exit Charges excluding individual Entry and Exit Ks	865	857	931
Divide by 2 to maintain 50/50 split (to be recovered by Exit Charges) This matches to Table 2 TO Exit Allowed Revenues	432.5	428.3	465.7

The adjustments to base revenue are based on information to date and so are subject to change.

Assumptions underpinning Revenue figures

- Allowed Revenues for RIIO-T1 period include incremental funding assumptions
 - as these were our baseline plan figures
 - they are in line with “Gone Green” scenario
- However, this is only one view of incremental signals over the RIIO-T1 period
 - this spend has not been requested as ex-ante funding
 - funding will be via triggering the relevant Uncertainty Mechanism (UM)
- We can calculate Allowed Revenues excluding this
 - to provide a “bottom stop” on charges (assuming no other UMs triggered)

March 2012 Business Plan submission excluding any future incremental signals

Comparison of Allowed Revenues			
(2009/10 prices)	2013/14	2014/15	2015/16
	£m	£m	£m
Total Revenue as per Business Plan submission	773	744	783
Revised Total Revenues (excluding incremental not yet signalled)	760	690	681
Difference	(14)	(54)	(102)
Comparison	98%	93%	87%

Implications for Exit charges

- Using these revised revenue figures:

Implications for TO Exit Allowed Revenues - using NGG Business Plan figures excluding incremental not yet signalled			
	2013/14	2014/15	2015/16
Maximum NTS TO revenue as per NGG Business Plan (2009/10 prices) (excluding incremental not yet signalled)	760	690	681
Inflation from 2009/10 to 2012/13 (Licence RPIF term)	13%		
Inflation assumption (yr on yr)	3%	3%	3%
Cumulative inflation (from 2009/10 prices)	17%	20%	24%
	2013/14	2014/15	2015/16
Maximum NTS TO revenue as per NGG Business Plan (outturn)	887	831	844
... less DN Pension Charge revenue	37	37	37
... less metering charges	1.6	1.6	1.6
Revenue to be collected from TO Commodity and Capacity Charges	849	792	805
... TOK (under/over-recover)	0	0	0
Revenue to be recovered through TO Entry and Exit Charges excluding individual Entry and Exit Ks	849	792	805
Divide by 2 to maintain 50/50 split (to be recovered by Exit Charges)	424.5	396.0	402.6
Comparison to Table 2 published figures	98%	92%	86%

The adjustments to base revenue are based on information to date and so are subject to change.

Ofgem's Initial Proposals figures

Comparison of Allowed Revenues			
(2009/10 prices)	2013/14	2014/15	2015/16
	£m	£m	£m
Total Revenue as per Business Plan submission	773	744	783
Ofgem's Table 6 - Allowed Revenues (TO only)	559	567	595
Difference	(214)	(177)	(188)
Comparison	72%	76%	76%

Note that these figures are from the Ofgem RIIO-T1 Initial Proposals headlines document published 16 July 2012

Implications for Exit charges

- Using Ofgem's IP revenue figures:

Implications for TO Exit Allowed Revenues - using Ofgem's Table 6 Allowed revenues (TO only)			
	2013/14	2014/15	2015/16
Ofgem's Table 6 - Allowed Revenues (TO only) (2009/10 prices)	559	567	595
Inflation from 2009/10 to 2012/13 (Licence RPIF term)	13%		
Inflation assumption (yr on yr)	3%	3%	3%
Cumulative inflation (from 2009/10 prices)	17%	20%	24%
	2013/14	2014/15	2015/16
Maximum NTS TO revenue as per NGG Business Plan (outturn)	653	682	737
... less DN Pension Charge revenue	37	37	37
... less metering charges	1.6	1.6	1.6
Revenue to be collected from TO Commodity and Capacity Charges	614	644	699
... TOK (under/over-recover)	0	0	0
Revenue to be recovered through TO Entry and Exit Charges excluding individual Entry and Exit Ks	615	644	699
Divide by 2 to maintain 50/50 split (to be recovered by Exit Charges)	307.3	321.8	349.4
Comparison to Table 2 published figures	71%	75%	75%

The same adjustments to base revenue have been used, based on information to date and so are subject to change.