

September 2016

# MOD186 Commentary presented at DCMF

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# Allowed Revenue Trace

		2016/17	2017/18	2018/19	2019/20	2020/21
<b>Reported at the last DCMF</b>		<b>400.11</b>	<b>404.97</b>	<b>434.75</b>	<b>472.27</b>	<b>474.02</b>
Incentive adjustments to reflect outturn from RRP and forecast thereafter	↓	- 0.16	0.13	- 0.96	- 0.99	- 1.02
Latest forecast gas prices	↑			0.20	0.74	0.86
Amended forecast NTS Exit costs based on October bookings	↓			- 0.28	- 2.77	- 2.72
August RPI	↑		0.39	0.01	0.02	0.09
Reflected the current view of MODt based on outturn RRP	↓		- 2.90		- 0.02	
Reflecting revised view of the impact of the AQ review effective October 16	↓			- 3.53		
Reflecting the lower Interest Rate which impacts K and BMT	↑			0.01	- 0.01	- 0.01
<b>Reported in the latest MOD186</b>		<b>399.95</b>	<b>402.59</b>	<b>430.21</b>	<b>469.24</b>	<b>471.22</b>
<b>NET</b>	↓	- 0.16	- 2.38	- 4.54	- 3.04	- 2.80



# Points to note (cont)

- Cost Pass through
  - The forward gas price remains above its low earlier in the year but remains below where FPs allowed.
  - As reported prior two months NTS Costs remain significantly higher than final proposals. The current forecast do not include any potential increase in AEx which have been requested and may be directed for 2018/19.
- Reopeners
  - WWU are planning on submitting for the 2018 reopener on Physical Site Security. We estimate the efficiently incurred cost at c£18m, of which c£10m would impact 2019/20. This is not included in the PCFM forecast.
  - It remains challenging to reliably estimate any potential reopener for Smart Metering or allowed cost as part of FGO, neither of which are currently accounted for. The extent of these however is expected to be <1% Base allowances.
  - A request to amend AEx for 2018/19 has been made
- Annual Iteration Process
  - The current latest view of the MODt adjustment has been accounted for at -15.9m



QUESTIONS?

Thank you

