

DCP 455 – Align RAV price-inflation with ED2

Legal Text

Amend Paragraph 2.3 of Schedule 1 (Cover) as follows:

The User's Credit Allowance

- 2.3 The User's Credit Allowance (CA here below) shall be calculated according to the following formula:

$$CA = RAV \times 2\% \times CAF$$

where:

RAV is calculated for each Regulatory Year in accordance with the formula set out below (or, where no price control financial model is published in relation to the Company, shall be a value to be determined by the Authority as a suitable replacement following consultation with the Company):

$$RAV = RAV_{2020-21} \times \text{RPI}_{\text{May-23}} \times \text{CPIH}$$

where:

$RAV_{2020-21}$ = the Company's *Opening RAV (after transfers)* for the Regulatory Year prior to that in which RAV is effective from the *Return&RAV* worksheet of the price control financial model published by the Company (in support of a variation to Use of System Charges) prior to the Regulatory Year in which RAV is effective, in 2020-21 prices; ~~and~~

$PI_{\text{May-23}} = 1.273$ (which inflates 2020/21 prices to May-23, using RPI up to Mar-23, the spliced RPI:CPIH for Apr-23 and CPIH for May-23).

For clarity, 1.273 is the movement in "PI_m" in Column N of the PCFM *Monthly Inflation* worksheet, from the average RPI for 2020/21 of 294.167 (i.e. the average of the 12 monthly values) up to the May-23 spliced index value of 374.493 in Column N of the PCFM *Monthly Inflation* worksheet); and

$$\text{CPIH} = \text{CPIH}_{n-1} / 129.1.$$

For which purposes, CPIH_{n-1} = the arithmetic average of the Office for National Statistics CPIH INDEX 00: ALL ITEMS 2015=100, published with respect to the months of December and January most recently preceding the start of the Regulatory Year to which RAV is to apply.

For clarity, 129.1 is the CPIH index factor for May-23 from the series L522 for mm23 (CPIH INDEX 00: ALL ITEMS 2015=100 - Office for National Statistics).

$$\text{RPI} = \text{RPI}_{n-1} / \text{RPI}_{2020-21}$$

~~where:~~

~~$\text{RPI}_{2020-21} = 294.167$ (the arithmetic average of the Office of National Statistics RPI~~

~~All Items Index published or determined with respect to each of the twelve months from 1 April 2020 to 31 March 2021); and RPI_{n-1} = the arithmetic average of the Office of National Statistics RPI All Items Index published or determined with respect to the months of December and January most recently preceding the start of the Regulatory Year in which RAV is effective; and~~

CAF is the Credit Allowance Factor (which is to be expressed as a percentage determined pursuant to Paragraph 2.4 or 2.5).

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