



# MOD0186

## Dec-18

**Nitin Prajapati**  
Issued 14 December 2018

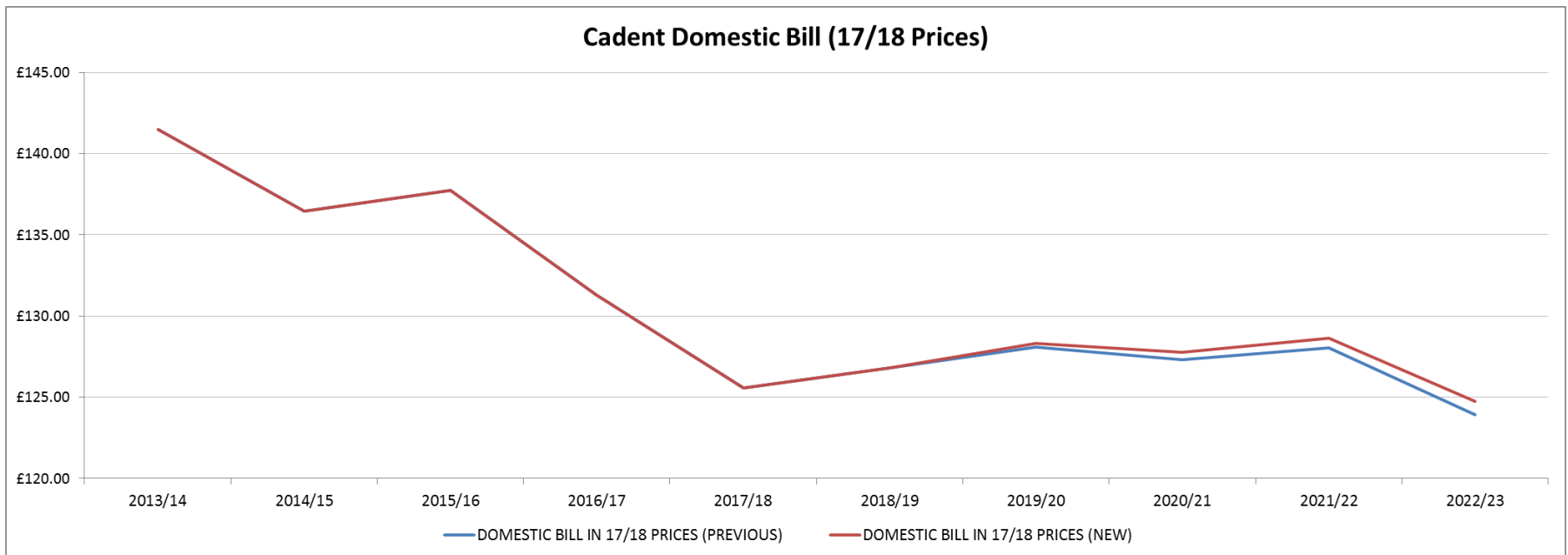
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# Approach for December 2018 MOD0186

- **The December MOD0186 will form the initial basis for the Final Charge setting process with a locked down view on Inflation and Cost of Debt for 2019/20**
- **With the exception of the final December demand snapshot, all major revenue change drivers have been captured, minimising expected variability going forward**
- **The main updates made this time:**
  - **Inflation impacts including HM Treasury November 18 Forecast for the UK economy which now sets the basis for next year, and standard monthly RPI**
  - **Crystallised view of Cost of Debt following on from the 2018 Annual Iteration Process (AIP)**
  - **Gas prices, the latest view impacting Shrinkage**
  - **Ofgem's recent decision on the Discretionary Reward Scheme**
  - **Retrospective amendment to Guaranteed Standards Payments (GSOPs) which were previously included in Totex**
  - **Government proposal to reduce Special Rate Capital Allowance from 8% to 6%**
  - **Network Innovation Allowance re-forecast**
  - **Collected revenue positions reflecting our current expectation for 2018/19 recovery**
  - **The provisional impact of the Supplier of Last Resort process for Iresa Limited and the associated 'last resort supply payment'**

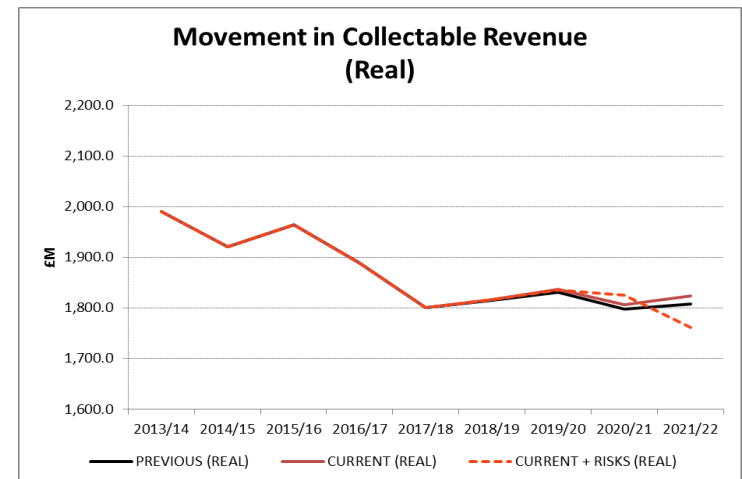
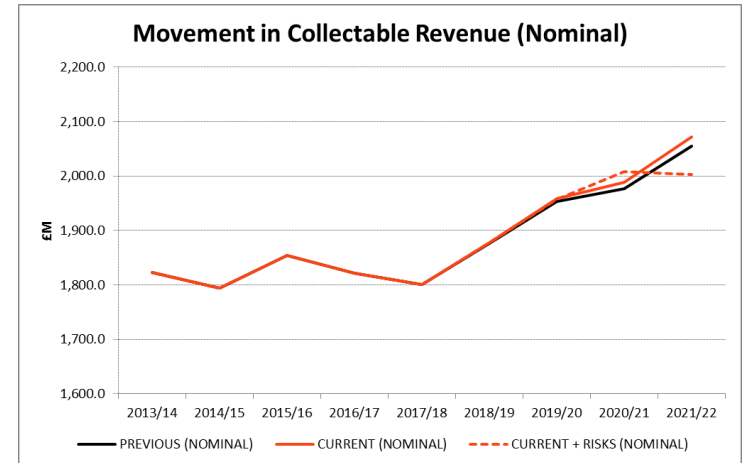
# Summary Position

HEADLINE MOVEMENT SINCE LAST REPORT	CADENT GAS LTD									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
COLLECTABLE REVENUE (PREVIOUS)	1,823.3	1,793.5	1,853.6	1,821.8	1,800.5	1,875.7	1,952.5	1,976.8	2,055.1	2,075.6
MOVEMENT ▲	-	-	-	-	-	2.2	5.9	11.1	17.1	21.7
COLLECTABLE REVENUE (NEW)	1,823.3	1,793.5	1,853.6	1,821.8	1,800.5	1,877.9	1,958.4	1,987.9	2,072.2	2,097.3
% MOVEMENT	-	-	-	-	-	+0.1%	+0.3%	+0.6%	+0.8%	+1.0%
DOMESTIC BILL IN 17/18 PRICES (PREVIOUS)	£141.51	£136.46	£137.76	£131.29	£125.59	£126.82	£128.08	£127.29	£128.04	£123.94
MOVEMENT ▲	-	-	-	-	-	(£0.02)	+£0.25	+£0.46	+£0.62	+£0.81
DOMESTIC BILL IN 17/18 PRICES (NEW)	£141.51	£136.46	£137.76	£131.29	£125.59	£126.79	£128.33	£127.75	£128.66	£124.75



# Summary Position

NETWORK		2018/19	2019/20	2020/21	2021/22	2022/23
EAST OF ENGLAND (£M)		644.3	649.7	658.9	652.7	659.9
LONDON (£M)		433.5	466.5	471.8	509.5	515.9
NORTH WEST (£M)		453.5	479.9	488.2	513.2	517.0
WEST MIDLANDS (£M)		344.4	356.4	357.9	379.7	382.8
<b>COLLECTABLE REVENUE (NEW)</b>		<b>1,875.7</b>	<b>1,952.5</b>	<b>1,976.8</b>	<b>2,055.1</b>	<b>2,075.6</b>
EAST OF ENGLAND (£M)		645.4	652.3	662.7	658.3	667.0
LONDON (£M)		434.5	467.3	473.7	513.7	521.2
NORTH WEST (£M)		453.1	481.4	491.8	517.3	522.3
WEST MIDLANDS (£M)		344.9	357.4	359.7	382.9	386.9
<b>COLLECTABLE REVENUE (PREVIOUS)</b>		<b>1,877.9</b>	<b>1,958.4</b>	<b>1,987.9</b>	<b>2,072.2</b>	<b>2,097.3</b>
EAST OF ENGLAND (£M)	▲	1.1	2.6	3.9	5.6	7.1
LONDON (£M)	▲	1.0	0.8	1.9	4.2	5.3
NORTH WEST (£M)	▲	(0.4)	1.5	3.6	4.1	5.3
WEST MIDLANDS (£M)	▲	0.4	1.0	1.7	3.2	4.1
<b>MOVEMENT (£M)</b>	<b>▲</b>	<b>2.2</b>	<b>5.9</b>	<b>11.1</b>	<b>17.1</b>	<b>21.7</b>
EAST OF ENGLAND (%)	▲	+0.2%	+0.4%	+0.6%	+0.9%	+1.1%
LONDON (%)	▲	+0.2%	+0.2%	+0.4%	+0.8%	+1.0%
NORTH WEST (%)	▲	(0.1%)	+0.3%	+0.7%	+0.8%	+1.0%
WEST MIDLANDS (%)	▲	+0.1%	+0.3%	+0.5%	+0.8%	+1.1%
<b>MOVEMENT (%)</b>	<b>▲</b>	<b>+0.1%</b>	<b>+0.3%</b>	<b>+0.6%</b>	<b>+0.8%</b>	<b>+1.0%</b>



# Collectable Revenue Trace

COLLECTABLE REVENUE TRACE		CADENT GAS LTD									
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
COLLECTABLE REVENUE (PREVIOUS)		1,823.3	1,793.5	1,853.6	1,821.8	1,800.5	1,875.7	1,952.5	1,976.8	2,055.1	2,075.6
INFLATION	▲	-	-	-	-	-	-	2.3	4.9	6.6	8.7
GAS PRICES	▼	-	-	-	-	-	-	-	(1.3)	3.7	2.9
BUDGET ANNOUNCEMENT TO REDUCE SPECIAL RATE POOL ALLOWANCE TO 6%	▲	-	-	-	-	-	-	-	10.0	-	0.1
COST OF DEBT	▲	-	-	-	-	-	-	0.3	3.4	7.3	10.1
COLLECTED REVENUE FORECAST	▲	-	-	-	-	-	2.2	0.2	(2.3)	(0.2)	-
CUMULATIVE AMENDMENT OF GSOP PAYMENTS	▼	-	-	-	-	-	-	-	(3.5)	-	(0.0)
NETWORK INNOVATION ALLOWANCE	▼	-	-	-	-	-	-	(1.7)	(0.1)	(0.1)	-
DISCRETIONARY REWARD SCHEME	▲	-	-	-	-	-	-	0.6	-	(0.1)	-
DRAFT IRESA SUPPLIER OF LAST RESORT CLAIM	▲	-	-	-	-	-	-	4.3	-	(0.3)	-
COLLECTABLE REVENUE (NEW)		1,823.3	1,793.5	1,853.6	1,821.8	1,800.5	1,877.9	1,958.4	1,987.9	2,072.2	2,097.3

# Inflation

INFLATION		2019/20	2020/21	2021/22	2022/23
EAST OF ENGLAND (£M)	▲	0.9	1.6	2.0	2.7
LONDON (£M)	▲	0.4	1.2	1.9	2.1
NORTH WEST (£M)	▲	0.6	1.2	1.5	2.2
WEST MIDLANDS (£M)	▲	0.4	0.9	1.3	1.6
<b>CADENT (£M)</b>	<b>▲</b>	<b>2.3</b>	<b>4.9</b>	<b>6.6</b>	<b>8.7</b>
EAST OF ENGLAND (%)	▲	+0.1%	+0.3%	+0.3%	+0.4%
LONDON (%)	▲	+0.1%	+0.2%	+0.4%	+0.4%
NORTH WEST (%)	▲	+0.1%	+0.2%	+0.3%	+0.4%
WEST MIDLANDS (%)	▲	+0.1%	+0.2%	+0.3%	+0.4%
<b>CADENT (%)</b>	<b>▲</b>	<b>+0.1%</b>	<b>+0.2%</b>	<b>+0.3%</b>	<b>+0.4%</b>

- Note that positions shown are relative to the Sept-18 forecast
- There is a strengthened RPI forecast from HM Treasury

HMT RPI FORECASTS	2018	2019	2020	2021	2022
LATEST FORECAST (Nov-18)	3.4%	3.2%	3.1%	3.3%	3.3%
PREVIOUS (Aug-18)	3.4%	3.1%	3.0%	3.1%	3.2%
CHANGE	-	+0.1%	+0.1%	+0.2%	+0.1%

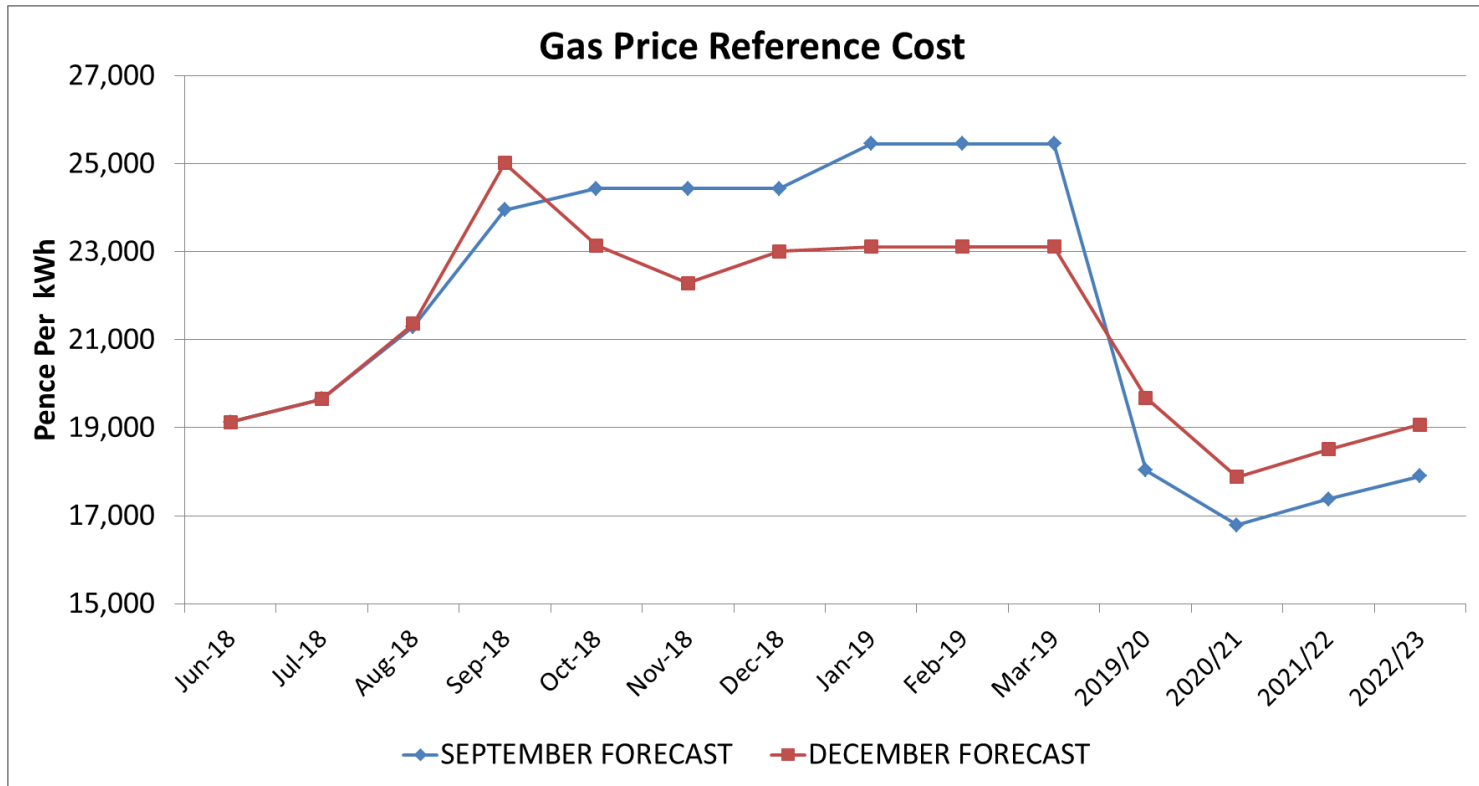
# Gas Prices

GAS PRICES		2019/20	2020/21	2021/22	2022/23
EAST OF ENGLAND (£M)	▼	-	(0.5)	1.3	1.0
LONDON (£M)	▼	-	(0.2)	0.7	0.5
NORTH WEST (£M)	▼	-	(0.3)	0.9	0.7
WEST MIDLANDS (£M)	▼	-	(0.3)	0.8	0.6
<b>CADENT (£M)</b>	▼	-	<b>(1.3)</b>	<b>3.7</b>	<b>2.9</b>
EAST OF ENGLAND (%)	▼	-	(0.1%)	+0.2%	+0.2%
LONDON (%)	▼	-	(0.1%)	+0.1%	+0.1%
NORTH WEST (%)	▼	-	(0.1%)	+0.2%	+0.1%
WEST MIDLANDS (%)	▼	-	(0.1%)	+0.2%	+0.2%
<b>CADENT (%)</b>	▼	-	<b>(0.1%)</b>	<b>+0.2%</b>	<b>+0.1%</b>

- Note that positions shown are relative to the Sept-18 forecast
- A notable decline in gas price forecast in 2020/21 before an upturn again from 2021/22
- This reduces the shrinkage cost forecast for the year
- Note that the revenue impact in 2021/22 and 2022/23 will include lagged impacts from GD-1 and rebased pass through allowances for GD-2

SHRINKAGE COST FORECAST		2018/19	2019/20	2020/21
<b>CURRENT (DEC-18)</b>	£M	<b>26.5</b>	<b>23.3</b>	<b>20.4</b>
<b>PREVIOUS (SEP-18)</b>	£M	<b>27.6</b>	<b>21.4</b>	<b>19.2</b>
<b>VARIANCE</b>	£M	<b>1.1</b>	<b>(1.9)</b>	<b>(1.2)</b>

# Gas Prices



- **Note that positions shown are relative to the Sept-18 forecast**
- **There is a softening of gas prices from October 2018 through to March 2019 before an upturn in 19/20 onwards**
- **Our data is externally sourced from ICIS**



# Budget announcement to reduce Special Rate Pool Allowance to 6%

BUDGET ANNOUNCEMENT TO REDUCE SPECIAL RATE POOL ALLOWANCE TO 6%		2019/20	2020/21	2021/22	2022/23
EAST OF ENGLAND (£M)	▲	-	3.6	-	0.0
LONDON (£M)	▲	-	3.1	-	0.0
NORTH WEST (£M)	▲	-	2.0	-	0.0
WEST MIDLANDS (£M)	▲	-	1.4	-	0.0
<b>CADENT (£M)</b>	<b>▲</b>	<b>-</b>	<b>10.0</b>	<b>-</b>	<b>0.1</b>
EAST OF ENGLAND (%)	▲	-	+0.5%	-	+0.0%
LONDON (%)	▲	-	+0.6%	-	+0.0%
NORTH WEST (%)	▲	-	+0.4%	-	+0.0%
WEST MIDLANDS (%)	▲	-	+0.4%	-	+0.0%
<b>CADENT (%)</b>	<b>▲</b>	<b>-</b>	<b>+0.5%</b>	<b>-</b>	<b>+0.0%</b>

- This increases collectable revenue from 20/21
- Two year's worth of impacts are rolled into 20/21 as rates need to be legislated before Ofgem can include this in the AIP next year

# Cost of Debt

COST OF DEBT		2019/20	2020/21	2021/22	2022/23
EAST OF ENGLAND (£M)	▲	(0.1)	1.1	2.8	3.3
LONDON (£M)	▲	0.1	0.8	1.8	2.6
NORTH WEST (£M)	▲	0.2	0.8	1.5	2.4
WEST MIDLANDS (£M)	▲	-	0.6	1.3	1.8
<b>CADENT (£M)</b>	<b>▲</b>	<b>0.3</b>	<b>3.4</b>	<b>7.3</b>	<b>10.1</b>
EAST OF ENGLAND (%)	▲	(0.0%)	+0.2%	+0.4%	+0.5%
LONDON (%)	▲	+0.0%	+0.2%	+0.3%	+0.5%
NORTH WEST (%)	▲	+0.1%	+0.2%	+0.3%	+0.5%
WEST MIDLANDS (%)	▲	-	+0.2%	+0.3%	+0.5%
<b>CADENT (%)</b>	<b>▲</b>	<b>+0.0%</b>	<b>+0.2%</b>	<b>+0.4%</b>	<b>+0.5%</b>

- Note that positions shown are relative to the Sept-18 forecast
- Based on 10 year trailing average (iBox) forecast
- Following on from the AIP, this crystallises the Cost of Debt position for 19/20 with 20/21 onwards being an updated forecast

COST OF DEBT	2019/20	2020/21	2021/22	2022/23
ACTUAL / FORECAST	ACTUAL	FORECAST	FORECAST	FORECAST
SEP MOD0186 COST OF DEBT % RATE	+1.57%	+1.12%	+0.88%	+0.66%
DEC MOD0186 COST OF DEBT % RATE	+1.58%	+1.17%	+0.98%	+0.80%
<b>CHANGE</b>	<b>+0.01%</b>	<b>+0.05%</b>	<b>+0.10%</b>	<b>+0.14%</b>

# Cumulative amendments of GSOPs

CUMULATIVE AMENDMENT OF GSOP PAYMENTS		2019/20	2020/21	2021/22	2022/23
EAST OF ENGLAND (£M)	▼	-	(0.8)	-	(0.0)
LONDON (£M)	▼	-	(1.9)	-	(0.0)
NORTH WEST (£M)	▼	-	(0.4)	-	(0.0)
WEST MIDLANDS (£M)	▼	-	(0.4)	-	(0.0)
<b>CADENT (£M)</b>	▼	-	<b>(3.5)</b>	-	<b>(0.0)</b>
EAST OF ENGLAND (%)	▼	-	(0.1%)	-	(0.0%)
LONDON (%)	▼	-	(0.4%)	-	(0.0%)
NORTH WEST (%)	▼	-	(0.1%)	-	(0.0%)
WEST MIDLANDS (%)	▼	-	(0.1%)	-	(0.0%)
<b>CADENT (%)</b>	▼	-	<b>(0.2%)</b>	-	<b>(0.0%)</b>

- Cumulative GSOPs to 2017/18 will be removed from Totex in the next Annual Iteration Process in 2019
- A forecasted revenue impact in 2020/21 is shown above

# Network Innovation Allowance

NETWORK INNOVATION ALLOWANCE		2019/20	2020/21	2021/22	2022/23
EAST OF ENGLAND (£M)	▼	(0.2)	(0.0)	(0.1)	-
LONDON (£M)	▼	(0.8)	(0.0)	0.2	-
NORTH WEST (£M)	▼	(0.4)	(0.0)	0.0	-
WEST MIDLANDS (£M)	▼	(0.3)	(0.0)	(0.1)	-
<b>CADENT (£M)</b>	▼	<b>(1.7)</b>	<b>(0.1)</b>	<b>(0.1)</b>	-
EAST OF ENGLAND (%)	▼	(0.0%)	(0.0%)	(0.0%)	-
LONDON (%)	▼	(0.2%)	(0.0%)	+0.0%	-
NORTH WEST (%)	▼	(0.1%)	(0.0%)	+0.0%	-
WEST MIDLANDS (%)	▼	(0.1%)	(0.0%)	(0.0%)	-
<b>CADENT (%)</b>	▼	<b>(0.1%)</b>	<b>(0.0%)</b>	<b>(0.0%)</b>	-

- **Review of Network Innovation Allowance which predominantly adjusts 2019/20 values**
- **Please see Risk and Sensitivities section for additional view on NIA**

# Collected Revenue Forecast

COLLECTED REVENUE FORECAST		2018/19	2019/20	2020/21	2021/22	2022/23
EAST OF ENGLAND (£M)	▲	1.1	0.1	(1.2)	(0.1)	-
LONDON (£M)	▲	1.0	0.3	(1.0)	(0.3)	-
NORTH WEST (£M)	▼	(0.4)	(0.3)	0.4	0.3	-
WEST MIDLANDS (£M)	▲	0.4	0.1	(0.5)	(0.1)	-
<b>CADENT (£M)</b>	<b>▲</b>	<b>2.2</b>	<b>0.2</b>	<b>(2.3)</b>	<b>(0.2)</b>	<b>-</b>
EAST OF ENGLAND (%)	▲	+0.2%	+0.0%	(0.2%)	(0.0%)	-
LONDON (%)	▲	+0.2%	+0.1%	(0.2%)	(0.1%)	-
NORTH WEST (%)	▼	(0.1%)	(0.1%)	+0.1%	+0.1%	-
WEST MIDLANDS (%)	▲	+0.1%	+0.0%	(0.1%)	(0.0%)	-
<b>CADENT (%)</b>	<b>▲</b>	<b>+0.1%</b>	<b>+0.0%</b>	<b>(0.1%)</b>	<b>(0.0%)</b>	<b>-</b>

- This takes into consideration movements in latest available demand data and collected revenue to inform our latest view on revenue recovery for 18/19

# Draft Iresa Supplier of Last Report (SoLR) Claim

DRAFT IRESA SUPPLIER OF LAST RESORT CLAIM		2018/19	2019/20	2020/21	2021/22	2022/23
EAST OF ENGLAND (£M)	▲	-	1.8	-	(0.2)	-
LONDON (£M)	▲	-	0.7	-	0.1	-
NORTH WEST (£M)	▲	-	1.1	-	(0.1)	-
WEST MIDLANDS (£M)	▲	-	0.7	-	0.0	-
<b>CADENT (£M)</b>	▲	-	<b>4.3</b>	-	<b>(0.3)</b>	-
EAST OF ENGLAND (%)	▲	-	+0.3%	-	(0.0%)	-
LONDON (%)	▲	-	+0.1%	-	+0.0%	-
NORTH WEST (%)	▲	-	+0.2%	-	(0.0%)	-
WEST MIDLANDS (%)	▲	-	+0.2%	-	+0.0%	-
<b>CADENT (%)</b>	▲	-	<b>+0.2%</b>	-	<b>(0.0%)</b>	-

- This is a provisional impact of the SoLR announcement for Iresa Limited as provided by Ofgem
- Ofgem will issue a direction for the “last resort supply payment” by 31<sup>st</sup> Jan 2019
- A final impact analysis will be conducted and displayed in the March’s MOD0186

# GD-2 Base Revenue Forecast

RIIO GD-2 FORECAST	2021/22					2022/23				
NETWORK	EE	LO	NW	WM	CADENT	EE	LO	NW	WM	CADENT
<b>2020/21 BASE REVENUE (2009/10 PRICES)</b>	<b>496.2</b>	<b>347.2</b>	<b>360.6</b>	<b>270.0</b>	<b>1,474.0</b>	<b>496.2</b>	<b>347.2</b>	<b>360.6</b>	<b>270.0</b>	<b>1,474.0</b>
ADJ BUSINESS RATES ALLOWANCE TO 2020/21 LEVEL	(2.4)	16.4	9.9	6.1	30.1	(2.4)	16.4	9.9	6.1	30.1
ADJ LICENCE FEES ALLOWANCE TO 2020/21 LEVEL	(0.2)	(0.1)	(0.1)	(0.1)	(0.5)	(0.2)	(0.1)	(0.1)	(0.1)	(0.5)
ADJ EXIT CAPACITY ALLOWANCE TO EXPECTED FORECAST LEVEL	(4.6)	(1.8)	(1.9)	(0.5)	(8.8)	(3.7)	(1.7)	(3.1)	(1.4)	(9.9)
ADJ SHRINKAGE COST ALLOWANCE TO 2020/21 LEVEL	(2.1)	(1.2)	(1.5)	(1.2)	(6.1)	(2.1)	(1.2)	(1.5)	(1.2)	(6.1)
RESET TAX ALLOWANCE AT 17%	(6.3)	(4.3)	(4.5)	(3.4)	(18.6)	(6.3)	(4.3)	(4.5)	(3.4)	(18.6)
CONTINUATION OF 10 YEAR COST OF DEBT INDEXATION	(31.2)	(24.0)	(22.2)	(17.0)	(94.4)	(34.1)	(26.2)	(24.3)	(18.6)	(103.2)
<b>BASE REVENUE ASSUMPTION (2009/10 PRICES)</b>	<b>449.4</b>	<b>332.2</b>	<b>340.3</b>	<b>253.8</b>	<b>1,375.8</b>	<b>447.5</b>	<b>330.1</b>	<b>337.0</b>	<b>251.4</b>	<b>1,366.0</b>
SMART METERING UNCERTAINTY (2009/10 PRICES)	6.7	3.5	3.8	2.9	16.8	-	-	-	-	-
INFLATION (CONTINUATION OF RPI INDEXATION)	204.1	150.2	153.9	114.9	623.0	221.1	163.1	166.6	124.2	675.1

- For the GD-2 forecasts, maintaining our approach of flexing 2020/21 base revenue per the GD-1 Final Proposals for items that could reasonably be predicted
- Reset allowances for pass through items based on current view
- Tax allowances can be easily updated to current anticipated levels against the 21% included in the GD-1 FP
- Cost of debt is based on continuation of the 10 year index against the original 2.92% included in the RIIO GD-1 Final Proposals

# GD-2 Allowed Revenue Forecast

RIIO GD-2 FORECAST	2021/22					2022/23				
NETWORK	EE	LO	NW	WM	CADENT	EE	LO	NW	WM	CADENT
<b>BASE REVENUE (NOMINAL)</b>	<b>660.2</b>	<b>485.8</b>	<b>498.0</b>	<b>371.6</b>	<b>2,015.6</b>	<b>668.6</b>	<b>493.2</b>	<b>503.6</b>	<b>375.6</b>	<b>2,041.0</b>
GD-1 LAGGED PASS THROUGH ADJUSTMENT	(13.1)	20.0	8.9	4.9	20.8	(14.3)	19.9	8.5	4.5	18.6
GD-1 LAGGED NET EXIT CAPACITY INCENTIVE ADJUSTMENT	8.5	3.7	5.3	2.0	19.5	6.2	2.8	4.1	1.6	14.7
GD-1 LAGGED NET EXIT CAPACITY COST ADJUSTMENT	(9.1)	(4.3)	(3.8)	(1.9)	(19.0)	(7.4)	(2.6)	(3.2)	(0.7)	(13.9)
GD-1 LAGGED SHRINKAGE INCENTIVE ADJUSTMENT	0.8	0.5	0.6	0.4	2.3	1.3	0.4	0.7	0.4	2.8
GD-1 LAGGED SHRINKAGE COST ADJUSTMENT	(2.2)	(1.4)	(1.5)	(1.2)	(6.3)	(3.4)	(1.9)	(2.3)	(2.0)	(9.6)
GD-1 LAGGED BROAD MEASURE INCENTIVE ADJUSTMENT	5.0	3.4	3.6	2.7	14.7	5.2	3.5	3.7	2.7	15.0
GD-1 LAGGED ENVIRONMENTAL EMISSIONS INCENTIVE ADJUSTMENT	3.8	2.6	2.8	2.0	11.1	6.7	2.9	3.9	2.3	15.8
GD-1 LAGGED DRS ADJUSTMENT	-	-	-	-	-	-	-	-	-	-
IN YEAR NETWORK INNOVATION ADJUSTMENT	4.2	3.1	3.1	2.3	12.7	4.2	3.1	3.2	2.4	12.9
GD-1 CORRECTION TERM	0.2	0.2	0.2	0.1	0.8	-	-	-	-	-
<b>MAXIMUM ALLOWED REVENUE (NOMINAL)</b>	<b>658.3</b>	<b>513.7</b>	<b>517.3</b>	<b>382.9</b>	<b>2,072.2</b>	<b>667.0</b>	<b>521.2</b>	<b>522.3</b>	<b>386.9</b>	<b>2,097.3</b>

- Outside of the base revenue estimate, our forecasts assume continuation of RPI based inflation indexation, and lagged pass through and output incentive adjustments from GD-1
- Although the GD-1 Network Innovation Allowance mechanism may not exist in its current form, we have assumed roll forwards. This may ultimately become a substitution between output incentives and base revenue (totex)



# Risks and Sensitivities

- We are showing the following items as risks to our December forecast:

RISKS & SENSITIVITES	2018/19	2019/20	2020/21	2021/22	2022/23
REDUCTION TO NETWORK INNOVATION COSTS	-	(1.3)	(2.9)	-	-
SMART METERING UM: TIMING OF DETERMINATION	-	-	23.5	(24.3)	-
NTS EXIT CAPACITY COST: INDICATIVE IMPACT OF MOD0621 (LAGGED GD-1 IMPACT)	-	-	-	(33.5)	(48.6)
NTS EXIT CAPACITY COST: INDICATIVE IMPACT OF MOD0621 (ALLOWANCE RESET)	-	-	-	(11.9)	3.2

# Anticipated updates in March:

- **The March report will include:**
  - **Final demand positions which will be utilised for the final charge setting process**
  - **Gas Prices for the purposes of updated Shrinkage values**
  - **Collected Revenue positions**
  - **The final impact of the SoLR announcement for Iresa once Ofgem give a direction on the last resort supply payment**

# Final 2019/20 Charges

- Final Transportation transportation charges for 2019/20 are due by 31<sup>st</sup> January 2019
- The table below shows the aggregate price change since September MOD0186, and the Indicative positions published in October.
- There is currently a low level reduction against the position published in the September MOD0186
- Before we confirm Final Charges, we would expect updated positions on:
  - Finalisation of December demand snapshots from Xoserve
  - The final impact of the SoLR announcement for Iresa which is dependent on Ofgem giving a direction on the last resort supply payment

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS	CADENT
SEPT MOD0186 AGGREGATE PRICE CHANGE	(0.1%)	+8.4%	+5.5%	+3.4%	+3.9%
CHANGE FROM SEPT MOD0186 TO INDICATIVE CHARGES	(0.6%)	(0.8%)	(0.8%)	(0.8%)	(0.7%)
INDICATIVE CHARGES AGGREGATE PRICE CHANGE	(0.6%)	+7.6%	+4.7%	+2.7%	+3.2%
CHANGE FROM INDICATIVE CHARGES TO DEC MOD0186	+0.2%	(0.1%)	+0.3%	+0.1%	+0.1%
DEC MOD0186 AGGREGATE PRICE CHANGE	(0.4%)	+7.6%	+5.1%	+2.7%	+3.3%

# APPENDICES

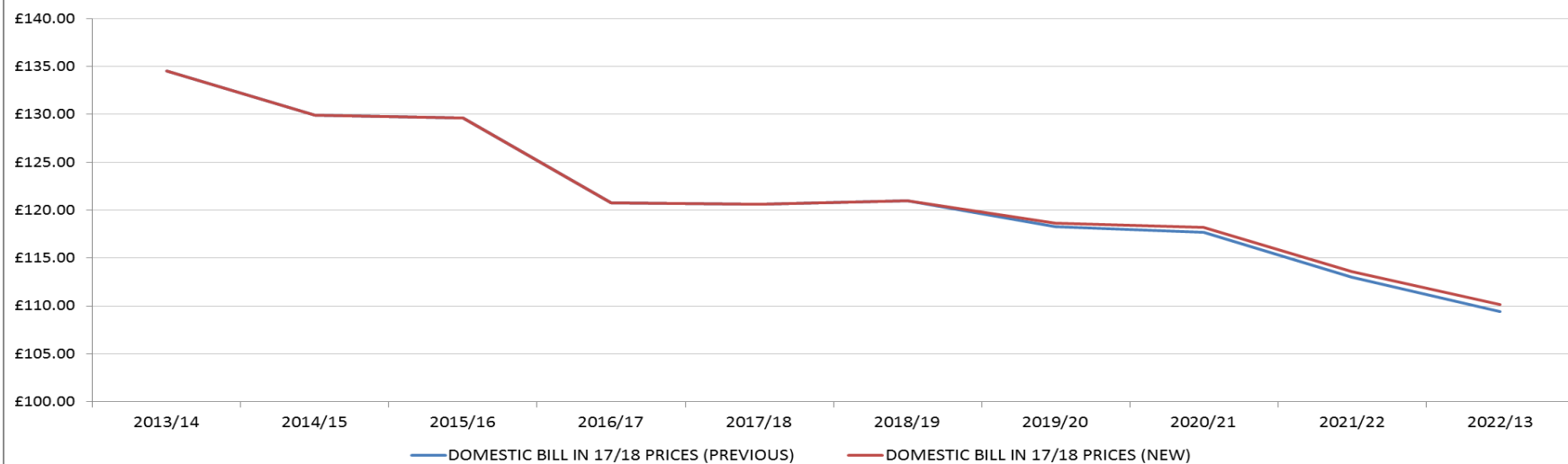
# Allowed Revenue Summary

ALLOWED REVENUE SUMMARY (ALL FIGURES EM NOMINAL)	CADENT GAS LTD									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
OPENING BASE REVENUE ALLOWANCE	1,793.6	1,800.2	1,867.1	1,835.5	1,890.8	1,950.5	2,005.6	2,065.5	1,991.5	2,041.0
PCFM ANNUAL ITERATION ADJUSTMENT	-	(13.4)	(28.3)	(23.9)	(78.4)	(86.5)	(126.9)	(148.3)	24.3	-
RPI TRUE UP	-	-	6.5	(25.8)	(41.6)	(7.7)	5.1	4.3	(0.2)	-
<b>BASE REVENUE</b>	<b>1,793.6</b>	<b>1,786.8</b>	<b>1,845.2</b>	<b>1,785.8</b>	<b>1,770.7</b>	<b>1,856.4</b>	<b>1,883.8</b>	<b>1,921.5</b>	<b>2,015.6</b>	<b>2,041.0</b>
PASS THROUGH	0.2	(0.1)	2.9	4.3	15.2	16.2	50.4	46.1	20.8	18.6
EXIT CAPACITY (INCENTIVE)	-	-	5.0	11.4	28.1	21.2	22.6	23.2	19.5	14.7
EXIT CAPACITY (COST PASS THROUGH)	-	-	(4.0)	(2.7)	(10.6)	(10.3)	(10.1)	(34.2)	(19.0)	(13.9)
SHRINKAGE INCENTIVE	-	-	2.0	1.6	1.4	1.1	1.4	1.9	2.3	2.8
SHRINKAGE COST PASS THROUGH	-	-	(7.1)	(17.3)	(23.0)	(12.5)	(9.5)	(2.5)	(6.3)	(9.6)
BROAD MEASURE OF CUSTOMER SATISFACTION	-	-	5.8	4.6	7.9	8.4	8.5	13.9	14.7	15.0
ENVIRONMENTAL EMISSIONS INCENTIVE	-	-	6.5	7.1	8.2	6.7	7.4	8.1	11.1	15.8
DISCRETIONARY REWARD SCHEME	0.9	0.8	-	0.5	-	-	0.6	-	-	-
NETWORK INNOVATION ALLOWANCE	2.5	6.9	8.6	6.8	6.6	7.9	10.1	12.1	12.7	12.9
UNDER / OVER COLLECTION B/F	6.1	-	(20.7)	0.9	(9.8)	(19.4)	(5.9)	(2.2)	0.8	-
<b>MAXIMUM ALLOWED REVENUE</b>	<b>1,803.4</b>	<b>1,794.4</b>	<b>1,844.1</b>	<b>1,803.0</b>	<b>1,794.8</b>	<b>1,875.7</b>	<b>1,959.2</b>	<b>1,987.9</b>	<b>2,072.2</b>	<b>2,097.3</b>
COLLECTABLE REVENUE FORECAST	1,823.3	1,793.5	1,853.6	1,821.8	1,800.5	1,877.9	1,958.4	1,987.9	2,072.2	2,097.3
UNDER / OVER COLLECTION C/F	19.9	(0.9)	9.5	18.7	5.7	2.1	(0.8)	0.0	-	(0.0)

# Summary Position: East of England

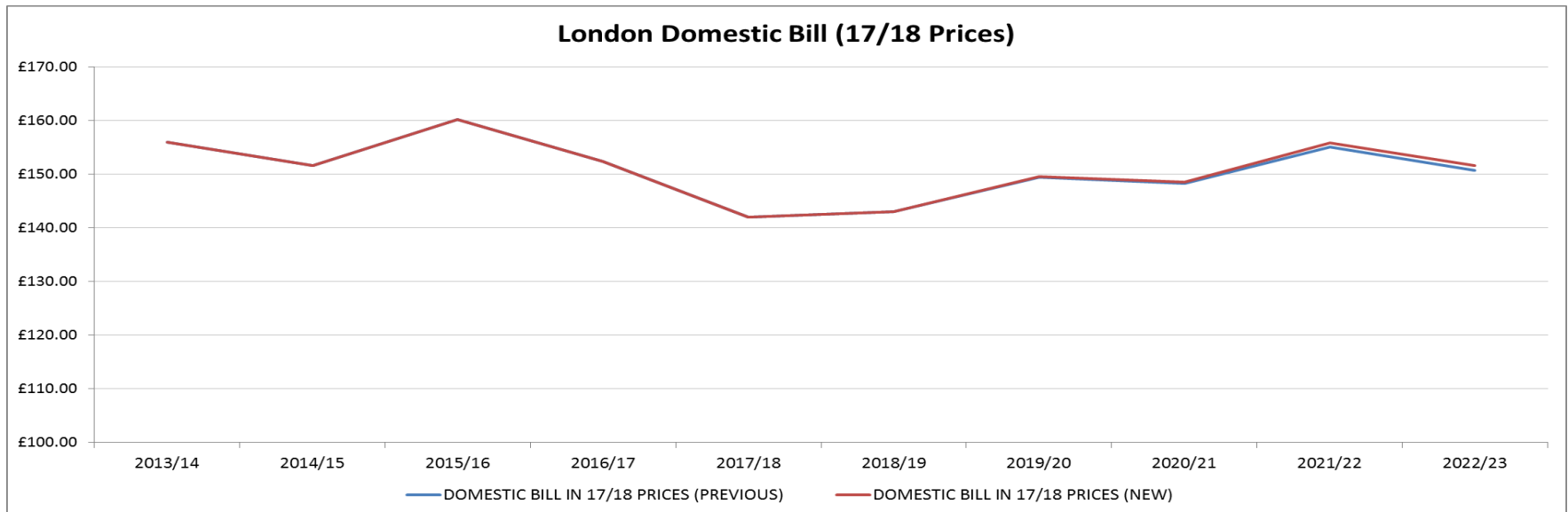
HEADLINE MOVEMENT SINCE LAST REPORT		EAST OF ENGLAND									
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/13
COLLECTABLE REVENUE (PREVIOUS)		621.2	609.5	623.0	601.2	619.5	644.3	649.7	658.9	652.7	659.9
MOVEMENT ▲		-	-	-	-	-	1.1	2.6	3.9	5.6	7.1
COLLECTABLE REVENUE (NEW)		621.2	609.5	623.0	601.2	619.5	645.4	652.3	662.7	658.3	667.0
% MOVEMENT		-	-	-	-	-	+0.2%	+0.4%	+0.6%	+0.9%	+1.1%
DOMESTIC BILL IN 17/18 PRICES (PREVIOUS)		£134.50	£129.95	£129.63	£120.79	£120.64	£121.02	£118.31	£117.73	£112.99	£109.43
MOVEMENT ▲		-	-	-	-	-	(£0.02)	+£0.34	+£0.44	+£0.57	+£0.73
DOMESTIC BILL IN 17/18 PRICES (NEW)		£134.50	£129.95	£129.63	£120.79	£120.64	£121.00	£118.65	£118.18	£113.56	£110.16

East of England Domestic Bill (17/18 Prices)



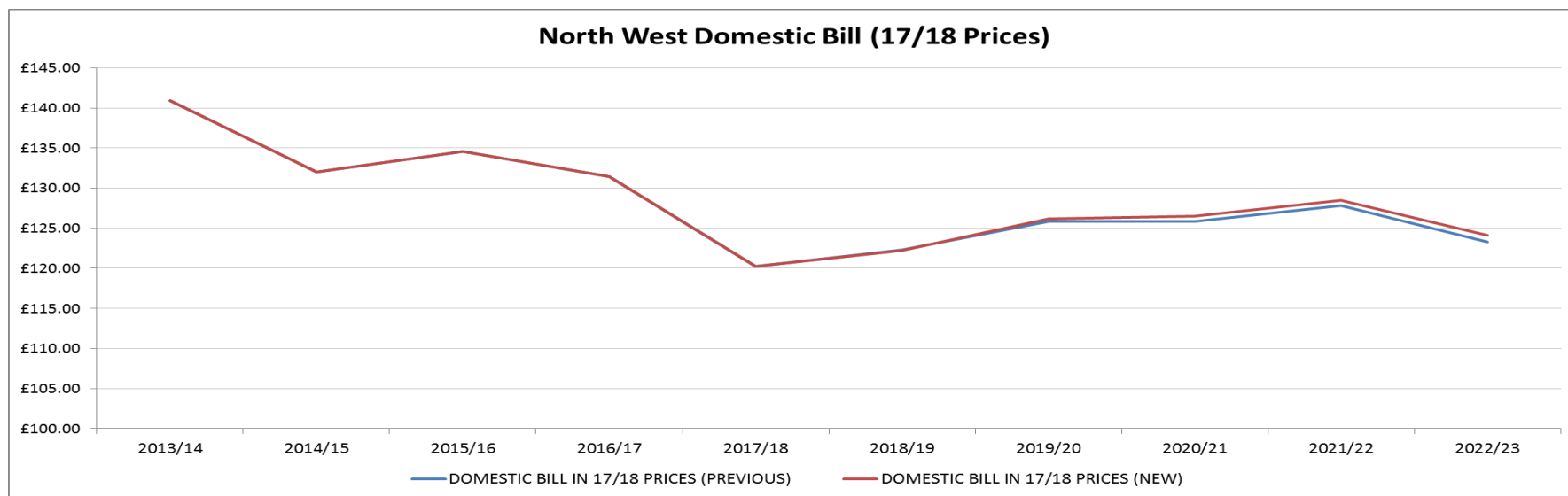
# Summary Position: London

HEADLINE MOVEMENT SINCE LAST REPORT		LONDON									
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
COLLECTABLE REVENUE (PREVIOUS)		419.8	416.8	445.8	436.4	418.8	433.5	466.5	471.8	509.5	515.9
MOVEMENT ▲		-	-	-	-	-	1.0	0.8	1.9	4.2	5.3
COLLECTABLE REVENUE (NEW)		419.8	416.8	445.8	436.4	418.8	434.5	467.3	473.7	513.7	521.2
% MOVEMENT		-	-	-	-	-	+0.2%	+0.2%	+0.4%	+0.8%	+1.0%
DOMESTIC BILL IN 17/18 PRICES (PREVIOUS)		£155.98	£151.61	£160.13	£152.34	£141.94	£142.99	£149.44	£148.20	£155.04	£150.71
MOVEMENT ▲		-	-	-	-	-	(£0.03)	+£0.13	+£0.29	+£0.72	+£0.91
DOMESTIC BILL IN 17/18 PRICES (NEW)		£155.98	£151.61	£160.13	£152.34	£141.94	£142.96	£149.57	£148.49	£155.76	£151.62



# Summary Position: North West

HEADLINE MOVEMENT SINCE LAST REPORT	NORTH WEST									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
COLLECTABLE REVENUE (PREVIOUS)	453.2	434.8	460.2	460.4	434.6	453.5	479.9	488.2	513.2	517.0
MOVEMENT ▲	-	-	-	-	-	(0.4)	1.5	3.6	4.1	5.3
COLLECTABLE REVENUE (NEW)	453.2	434.8	460.2	460.4	434.6	453.1	481.4	491.8	517.3	522.3
% MOVEMENT	-	-	-	-	-	(0.1%)	+0.3%	+0.7%	+0.8%	+1.0%
DOMESTIC BILL IN 17/18 PRICES (PREVIOUS)	£140.93	£131.99	£134.54	£131.42	£120.26	£122.26	£125.88	£125.82	£127.85	£123.26
MOVEMENT ▲	-	-	-	-	-	(£0.02)	+£0.26	+£0.72	+£0.60	+£0.83
DOMESTIC BILL IN 17/18 PRICES (NEW)	£140.93	£131.99	£134.54	£131.42	£120.26	£122.24	£126.14	£126.53	£128.45	£124.09





# Summary Position: West Midlands

HEADLINE MOVEMENT SINCE LAST REPORT		WEST MIDLANDS									
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
COLLECTABLE REVENUE (PREVIOUS)		329.1	332.3	324.6	323.8	327.6	344.4	356.4	357.9	379.7	382.8
MOVEMENT ▲		-	-	-	-	-	0.4	1.0	1.7	3.2	4.1
COLLECTABLE REVENUE (NEW)		329.1	332.3	324.6	323.8	327.6	344.9	357.4	359.7	382.9	386.9
% MOVEMENT		-	-	-	-	-	+0.1%	+0.3%	+0.5%	+0.8%	+1.1%
DOMESTIC BILL IN 17/18 PRICES (PREVIOUS)		£139.73	£138.31	£132.84	£128.20	£124.14	£126.26	£126.48	£124.76	£127.95	£123.69
MOVEMENT ▲		-	-	-	-	-	(£0.02)	+£0.19	+£0.36	+£0.65	+£0.84
DOMESTIC BILL IN 17/18 PRICES (NEW)		£139.73	£138.31	£132.84	£128.20	£124.14	£126.24	£126.67	£125.12	£128.61	£124.53

West Midlands Domestic Bill (17/18 Prices)

