

NGN Mod186 Pricing Statement

Movement from December 2019

**we are
the network**

- We continue to include all GD2 years in the Mod186 statement. This is as per our December 2019 Business Plan Bid Proposal submission (Appendix A33). For presentation purposes we have discounted the plan numbers submitted in 18/19 prices back to 09/10 prices for Mod186 methodology and comparison to GD1.
- All supporting data for our business plan submission is now available on the NGN website <https://www.northerngasnetworks.co.uk/document-library/>
- Customer bill data included within our business plan submission includes the effects of Exit Capacity charges to highlight the total customer bill within the NGN network (note the Mod186 statement per current methodology always excludes Exit). We await further clarification regarding Mod678 implementation date.
- Note in GD2 years base revenues are inflated using CPI which is c.1% lower than RPI data.
- We have included the latest update of long term gas prices which is lower than the assumed values in the GD2 business plan, hence a 2 year true up being presented. It is anticipated that the final proposal data may get rebased though to reflect latest prices.
- Ofgem are reviewing the process for GD2 with a proposal to move towards a rolling revenue forecasting process. This would involve setting unit rates based on a forecast of future years costs; whilst this would minimise future years true up values the process is still under discussion.
- We await a decision from Ofgem on Mod687 – Creation of new charge to recover Last Resort Supply Payments. In 20/21 we have 3 SOLR claims totalling £0.9m of which will continue to be collected under the same methodology.
- There are no material movements from the 60 day notice pricing statement in this update.

ALLOWED REVENUE		19/20	20/21	21/22	22/23	23/24	24/25	25/26
DECEMBER		437.0	441.6	419.7	444.2	453.6	465.3	478.9
Change in Inflation %								
December (Based on HM Treasury Aug report)		2.7%	2.9%	2.0%	2.1%	2.1%	2.1%	2.1%
March (Based on HM Treasury Feb report)		2.5%	2.4%	1.8%	1.9%	2.0%	2.0%	2.0%
Difference		(0.2%)	(0.5%)	(0.2%)	(0.2%)	(0.1%)	(0.1%)	(0.1%)
Cumulative change in inflation		(0.2%)	(0.7%)	(0.9%)	(1.1%)	(1.1%)	(1.2%)	(1.3%)
£ impact on change in inflation (incl. changes in "Mod" above)			(2.3)	(3.9)	(4.7)	(5.1)	(5.6)	(6.3)
£ Impact of changes in RPI on RPI true up (19/20 & 20/21)				(0.6)	(0.4)			
Total base revenue changes			(2.3)	(4.6)	(5.1)	(5.1)	(5.6)	(6.3)
Incentive changes:								
Shrinkage/Leakage				(0.2)	(0.4)			
Total			(0.0)	(0.2)	(0.5)			
Pass through changes:								
Rates			(0.0)	0.0	0.1			
Exit Capacity			0.0	0.1	0.1	0.1	0.0	(0.0)
Shrinkage pass thru (gas price impact)			0.0	(1.5)	(2.7)	(2.2)	(1.9)	(1.7)
SOLR			0.7					
Total			0.7	(1.4)	(2.5)	(2.2)	(1.8)	(1.7)
K factor			(0.0)	0.1	0.1	0.0	(0.0)	(0.0)
MARCH		437.0	439.9	413.6	436.3	446.4	457.8	470.9
Difference			(1.7)	(6.1)	(8.0)	(7.2)	(7.5)	(8.0)
Memo:								
In year (under)/over collection		12.4	(0.1)					
SOQ Assumption DECEMBER			(1.6%)					
SOQ Assumption MARCH			(1.9%)					
LDZ Price Change	December	7.7%	1.0%	(8.2%)	7.5%	2.7%	5.1%	5.2%
LDZ Price Change	March	7.7%	0.6%	(9.2%)	7.1%	2.9%	5.1%	5.1%
LDZ PRICE CHANGE %	Difference		(0.4%)	(1.0%)	(0.4%)	0.2%	(0.0%)	(0.1%)

GD2 data reflects our December 2019 business plan bid submission per Appendix A33, with 2 year lagged entries for GD1 included aswell. Final GD2 data published by Ofgem won't be available until c. Q4 2020

JAN 2020 60 DAY NOTICE REVENUE	449.8	439.9
Difference	(0.4)	(0.1)