

NGN Mod186 Pricing Statement

Movement from June 2020

**we are
the network**

Supporting Notes

- This update is inclusive of draft determination data published by Ofgem in July. We have made further adjustments on top of draft determination data to reflect:
 1. The latest NTS unit rates for the purposes of calculating exit capacity allowances under mod678. Ofgem will update this when they publish final proposals in December.
 2. Our expectation that repex workload and costs will increase when final proposals are published.
- After inclusion of the above 2 amendments NGN base revenue's have reduced by c. 1.7% from our business plan data which was presented in the June Mod186.
- For presentation purposes we have discounted the DD numbers presented in 18/19 prices back to 09/10 prices for Mod186 methodology and comparison to GD1.
- Note in GD2 years base revenues are inflated using CPI which is c.1% lower than RPI data.
- Finalised actuals from 19/20 RRP tables have been included within revenue allowance true ups albeit there is minimal movement from our June version.
- Shrinkage cost true ups reflect actual Heren prices to August 2020 and the latest long range forecast thereafter. Prices have increased by c.9% from June.
- We are aware of a proposed move to a rolling revenue forecasting process which will be a change from the current 2 year lag methodology – this is being consulted on as part of the wider licence change exercise due to be published by Ofgem in September.

ALLOWED REVENUE		20/21	21/22	22/23	23/24	24/25	25/26
JUNE		439.9	414.3	449.0	447.6	458.8	469.8
Change to base allowed revenue to reflect draft determination data *			(1.8)	(4.8)	(5.3)	(6.2)	(8.1)
Adjustments to Base Revenue via "MOD" (9/10 prices)							
Totex Incentive (19/20 actuals and new forecast for 20/21)			(1.8)	(0.3)			
Tax trigger (2% shortfall in CT in allowances for 20/21)			2.1				
Repex Tier 2a (19/20 actuals and new forecast for 20/21)			0.3	0.6			
"MOD" adjustment		-	0.6	0.4	-	-	-
Change in Inflation %							
June (Based on HM Treasury May report)		1.7%	1.5%	1.7%	1.8%	1.8%	1.8%
September (Based on HM Treasury Aug report)		1.5%	1.7%	2.1%	2.1%	2.1%	2.1%
Difference		(0.2%)	0.2%	0.4%	0.3%	0.3%	0.3%
Cumulative change in inflation		(0.2%)		0.4%	0.7%	1.0%	1.3%
£ impact on change in inflation (including changes in "Mod" above)			(0.5)	(0.5)	0.6	1.4	1.8
£ Impact of changes in RPI on RPI true up (relating to 20/21)			(0.0)	(0.6)	(0.0)		
Total base revenue changes			(1.6)	(5.5)	(4.7)	(4.8)	(6.4)
Incentive changes:							
Customer (19/20 stakeholder award better than forecast - score 6.96)			0.3	0.0			
Shrinkage/Leakage (19/20 actual volumes and new forecast for 20/21)			0.5	1.3			
Total			0.8	1.3			
Pass through changes:							
Shrinkage pass thru (gas price increase impact)			(0.0)	0.9	0.6	0.4	0.3
Total			(0.0)	0.9	0.7	0.4	0.3
K factor (under collection forecast during 20/21)			(0.0)	1.8		(0.0)	0.0
SEPTEMBER		439.9	413.4	447.5	443.5	454.5	463.7
Difference			(0.9)	(1.5)	(4.1)	(4.4)	(6.1)
Memo:							
In year (under)/over collection		(1.7)					
Total Price Change	June	0.6%	(10.2%)	5.9%	3.3%	4.9%	5.0%
Total Price Change	September	0.6%	(10.2%)	5.7%	2.7%	4.8%	4.6%
TOTAL PRICE CHANGE %	Difference		(0.0%)	(0.2%)	(0.6%)	(0.0%)	(0.4%)

* GD2 data reflects 1. draft determination data plus 2. an adjustment to reflect the latest NTS unit rates for mod678 Exit capacity allowances plus 3. an expectation of increased repex workload allowances.