

# NGN Mod186 Pricing Statement

Movement from December 2021 to March 2022

**we are  
the network**

## Summary of updates December 2021 to March 2022

2022/23 revenue has increased by an **additional c. £3.7m**, since the last update in December 2021. Our charges have now been finalised based on these assumptions.

A summary of the movements between December and March is detailed below,

- **Supplier of last resort claims (£8.5m reduction):** Indicative values provided by Ofgem were used to estimate our revenue position in December's update. Networks have now received last resort claim letters from all suppliers
- **Shrinkage expenditure (£8.9m increase):** Ofgem approved a reforecast of our shrinkage costs to account for the current volatility within the wholesale market
- **Bad debt (£3.3m increase):** NGN have included a provision to account for the insolvency of Contract Natural Gas

### **Known future changes to revenue**

- **Business rate (£1.7m reduction):** HMRC have chosen to freeze the inflation component of rates
- **Shrinkage prices:** Current projections indicate an average purchase price of £2.88 per therm for 22/23, which equates to £28.6m. The price assumption within our 60 day notice is £2.11 per therm, which equates to £20.9m.

**Mod186 - December to March**

	21/22	22/23	23/24	24/25	25/26	GD2	
<b>Mod186 : December</b>	Calculated revenue	430.7	562.2				
	AIP adjustment term	-	23.6				
	<b>Adjusted revenue</b>	<b>430.7</b>	<b>585.8</b>	<b>518.0</b>	<b>498.7</b>	<b>509.5</b>	<b>2,543</b>
	Legacy Allowed Revenue	(13.8)	10.8	-	-	-	
	K Correction Factor	0.2	(3.6)	-	-	-	
	<b>Allowed Revenue</b>	<b>417.2</b>	<b>593.0</b>	<b>518.0</b>	<b>498.7</b>	<b>509.5</b>	<b>2,536</b>
	Recovered Revenue	420.2					
	Inflation %	1.4%	3.6%	2.4%	2.1%	2.0%	
	SOQ % Change	1.4%	0.3%	(2.0)%	(2.0)%	(2.0)%	
	LDZ Price Change	(13.7)%	40.3%	(10.7)%	(1.4)%	4.1%	
<b>Mod186 : Latest Position</b>	Calculated revenue	430.7	566.2				
	AIP adjustment term	-	23.3				
	<b>Adjusted revenue</b>	<b>430.7</b>	<b>589.6</b>	<b>518.0</b>	<b>498.7</b>	<b>509.5</b>	<b>2,546</b>
	Legacy Allowed Revenue	(13.8)	10.8	-	-	-	
	K Correction Factor	0.2	(3.6)	-	-	-	
	<b>Allowed Revenue</b>	<b>417.2</b>	<b>596.8</b>	<b>518.0</b>	<b>498.7</b>	<b>509.5</b>	<b>2,540</b>
	Recovered Revenue	421.4					
	Inflation %	4.1%	3.6%	2.4%	2.1%	2.0%	
	SOQ % Change	1.4%	(0.1)%	-	-	-	
	LDZ Price Change	(13.7)%	15.4%	(0.4)%	2.6%	2.1%	
<b>Difference</b>	Calculated revenue	-	4.1				
	AIP adjustment term	-	(0.3)				
	<b>Adjusted revenue</b>	<b>-</b>	<b>3.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.7</b>
	Legacy Allowed Revenue	-	-	-	-	-	
	K Correction Factor	-	-	-	-	-	
	<b>Allowed Revenue</b>	<b>-</b>	<b>3.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.7</b>
	<b>Recovered Revenue</b>	<b>1.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
	Inflation %	2.7%	-	-	-	-	
	SOQ % Change	-	(0.4)%	2.0%	2.0%	2.0%	
	LDZ Price Change	-	(24.9)%	10.3%	3.9%	(2.0)%	

\*NGN have removed the SOQ assumption of (2%) for future years. This is to account for the latest modelled SOQ value having a flat profile

## Movements from December 2021 to March 2022

Breakdown of movements	22/23		23/24	24/25	25/26	GD2 Total
	Reforecast	AIP adjustment term	Reforecast	Reforecast	Reforecast	
Shrinkage	9.2	(0.3)	0.0	0.0	0.0	8.9
Bad Debt	3.3	0.0	0.0	0.0	0.0	3.3
SOLR claims	(8.5)	0.0	0.0	0.0	0.0	(8.5)
<b>Total</b>	<b>4.1</b>	<b>(0.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3.7</b>

## Pipeline of re-opener applications

Activity	Trigger of application	Indicative expenditure increase (£ nominal)
Specified street works	Change in local authority approach. Material increase in costs to comply with new instructions	£5.1m per annum
HSE policy	Material increase in costs will occur to comply with working time directive for at minimum emergency staff	£10.4m per annum, except for 2021/22 reg year

## Forecast revenue impact of re-opener applications

Estimated revenue impact	23/24	24/25	25/26
Specified Streetworks Costs	2.0	1.1	1.3
HSE policy	0.7	1.1	1.6
<b>Total</b>	<b>2.6</b>	<b>2.2</b>	<b>2.9</b>