



**June 2022 MOD0186**

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Your Gas Network

# Key Updates for June 2022 MOD0186

Key updates since March MOD0186 include;

- Updated Inflation monthly rates based on actual information along with utilising the March '22 OBR inflation forecast
- Updated UK gas price information based on latest available information
- Updated NTS Exit Capacity pricing following NTS pricing release in May 2022

There still remains significant geo-political uncertainty surrounding inflation and gas prices. We will continue to update our forecast throughout the year based on latest available information at the time of writing and submitting documents

Ofgem are minded to approve a change Supplier of Last Resort claims from domestic customers connected via Independent Gas Transporters. We expect this will result in a price change in relation to SoLR from October 2022. Further information to be provided in the meeting of the likely change in unit rate – once this information becomes available.

# Movement in forecast Allowed Revenue for the year 23/24

## Inflation:

Inflation has been updated to include the March 2022 OBR forecast. This shows significant increases in inflation for the coming financial year. There remains continued uncertainty over inflation forecasts given geopolitical unrest, covid restrictions in China impacting supply as example. We continue to monitor this closely and will up-date in future MOD186 presentations the rates.

## NTS Price Change Expectation

National grid published their pricing for the year and future indicative charges in May 2022, we have updated our revenue future forecast in line with the unit charges released.

## Shrinkage costs

Using latest UK Gas Price information, Shrinkage costs are now forecast to be lower in 2023/24 than when completing the March MOD0186.

The Shrinkage cost information also includes a forecasted true-up based on lower projected gas prices in 22/23.

	2022/23	2023/24	2024/25	2025/26
March MOD0186 - PRICE INDEXATION FOR PRICE SETTING	1.119	1.157	1.185	1.212
June MOD0186 - PRICE INDEXATION, OUTTURN	1.150	1.188	1.208	1.231
Movement (%)	2.8%	2.7%	1.9%	1.6%

## CADENT

CADENT	LDZ	ECN	SOLR	TOTAL
March MOD0186 - 23/24 ALLOWED REVENUE	1,920.4	199.0	-	2,119.3
INFLATION	49.8	-	-	49.8
NTS PRICE CHANGE EXPECTATION	-	(54.8)	-	(54.8)
SHRINKAGE & OTHER	(24.1)	-	-	(24.1)
June MOD0186 - 23/24 ALLOWED REVENUE	1,946.1	144.2	-	2,090.3
MOVEMENT IN ALLOWED REVENUE	25.7	(54.8)	-	(29.1)
MOVEMENT IN AGGREGATED CHARGES - %	1.3%	(27.5)%	-	(1.4)%

# Next Steps

- Update of SoLR pricing following Ofgem decision.
- The September MOD0186 report be updated based on our Regulatory Reporting Pack (RRP) submission and revenue forecast.
- We will continue to monitor UK Gas Prices and inflation, amongst other variables, and their respective impact on revenues and unit rates

# Appendix

**CADENT GAS LTD - EAST OF ENGLAND NETWORK**

**JUNE-22 MOD0186**

DESCRIPTION	LICENCE TERM	PRICE BASE	2021/22	2022/23	2023/24	2024/25	2025/26	
<b>TABLE 1: ALLOWED REVENUE &amp; ARITHMETICAL PRICE CHANGE</b>								
<b>1</b>	<b>ALLOWED REVENUE (AS PUBLISHED)</b>	<b>ARt</b>	<b>NOMINAL</b>	<b>646.1</b>	<b>921.5</b>	<b>712.2</b>	<b>720.4</b>	<b>731.0</b>
<b>2</b>	TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)		%	(3.2)%	(1.2)%	(2.6)%	(0.6)%	1.7%
<b>3</b>	TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE		%	161.5%	61.4%	(41.9)%	22.1%	(0.8)%
<b>4</b>	<b>TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE</b>		<b>%</b>	<b>1.3%</b>	<b>42.6%</b>	<b>(22.7)%</b>	<b>1.2%</b>	<b>1.5%</b>
<b>TABLE 2: ALLOWED REVENUE COMPOSITION</b>								
<b>5</b>	BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	594.7	747.8	594.9	587.5	584.9
<b>6</b>	TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	-	0.6	2.9	3.8	4.1
<b>7</b>	BUSINESS PLAN INCENTIVE	BPIt	18/19	0.0	0.2	0.2	0.2	0.2
<b>8</b>	OTHER REVENUE ALLOWANCES	ORAt	18/19	5.5	4.7	5.1	4.7	4.5
<b>9</b>	OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBt/DRSt	18/19	-	-	-	-	-
<b>10</b>	<b>TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)</b>	<b>Rt</b>	<b>18/19</b>	<b>600.2</b>	<b>753.4</b>	<b>603.1</b>	<b>596.2</b>	<b>593.7</b>
<b>11</b>	FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	Pit / PI2018/19		1.0525	1.1189	1.1881	1.2083	1.2313
<b>12</b>	INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	31.5	89.6	113.5	124.2	137.3
<b>13</b>	<b>TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)</b>	<b>Rt</b>	<b>NOMINAL</b>	<b>631.8</b>	<b>842.9</b>	<b>716.6</b>	<b>720.4</b>	<b>731.0</b>
<b>14</b>	ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	(0.5)	48.4	(4.6)	-	-
<b>15</b>	CORRECTION TERM; K FACTOR	Kt	NOMINAL	2.3	(0.1)	0.2	-	-
<b>16</b>	LEGACY REVENUE	LARt	NOMINAL	12.5	30.3	-	-	-
<b>17</b>	<b>ALLOWED REVENUE (AS PUBLISHED)</b>	<b>ARt</b>	<b>NOMINAL</b>	<b>646.1</b>	<b>921.5</b>	<b>712.2</b>	<b>720.4</b>	<b>731.0</b>
<b>18</b>	<i>memo; Current assessment Allowed Revenue</i>	<i>ARt</i>	<i>NOMINAL</i>	<i>682.9</i>	<i>917.2</i>	<i>712.2</i>	<i>720.4</i>	<i>731.0</i>

**CADENT GAS LTD - LONDON NETWORK**

**JUNE-22 MOD0186**

DESCRIPTION	LICENCE TERM	PRICE BASE	2021/22	2022/23	2023/24	2024/25	2025/26	
<b>TABLE 1: ALLOWED REVENUE &amp; ARITHMETICAL PRICE CHANGE</b>								
<b>1</b>	<b>ALLOWED REVENUE (AS PUBLISHED)</b>	<b>ARt</b>	<b>NOMINAL</b>	<b>468.4</b>	<b>651.1</b>	<b>496.8</b>	<b>524.0</b>	<b>533.9</b>
<b>2</b>	TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)		%	4.0%	5.6%	(9.8)%	4.5%	2.1%
<b>3</b>	TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE		%	78.7%	47.9%	(39.3)%	22.0%	(0.5)%
<b>4</b>	<b>TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE</b>		%	<b>1.6%</b>	<b>39.0%</b>	<b>(23.7)%</b>	<b>5.5%</b>	<b>1.9%</b>
<b>TABLE 2: ALLOWED REVENUE COMPOSITION</b>								
<b>5</b>	BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	428.8	522.0	433.3	429.0	428.5
<b>6</b>	TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	-	1.0	1.6	2.1	2.6
<b>7</b>	BUSINESS PLAN INCENTIVE	BPIt	18/19	0.0	(0.0)	(0.0)	(0.0)	(0.0)
<b>8</b>	OTHER REVENUE ALLOWANCES	ORAt	18/19	3.2	2.6	2.8	2.6	2.5
<b>9</b>	OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBt/DRSt	18/19	-	-	-	-	-
<b>10</b>	<b>TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)</b>	<b>Rt</b>	<b>18/19</b>	<b>432.0</b>	<b>525.6</b>	<b>437.8</b>	<b>433.7</b>	<b>433.6</b>
<b>11</b>	FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	Pit / PI2018/19		1.0525	1.1189	1.1881	1.2083	1.2313
<b>12</b>	INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	22.7	62.5	82.4	90.3	100.3
<b>13</b>	<b>TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)</b>	<b>Rt</b>	<b>NOMINAL</b>	<b>454.6</b>	<b>588.0</b>	<b>520.2</b>	<b>524.0</b>	<b>533.9</b>
<b>14</b>	ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	0.8	35.1	(23.6)	-	-
<b>15</b>	CORRECTION TERM; K FACTOR	Kt	NOMINAL	1.7	(2.3)	0.2	-	-
<b>16</b>	LEGACY REVENUE	LARt	NOMINAL	11.3	30.3	-	-	-
<b>17</b>	<b>ALLOWED REVENUE (AS PUBLISHED)</b>	<b>ARt</b>	<b>NOMINAL</b>	<b>468.4</b>	<b>651.1</b>	<b>496.8</b>	<b>524.0</b>	<b>533.9</b>
<b>18</b>	<i>memo; Current assessment Allowed Revenue</i>	<i>ARt</i>	<i>NOMINAL</i>	<i>490.1</i>	<i>629.0</i>	<i>496.8</i>	<i>524.0</i>	<i>533.9</i>

**CADENT GAS LTD - NORTH WEST NETWORK**

**JUNE-22 MOD0186**

DESCRIPTION	LICENCE TERM	PRICE BASE	2021/22	2022/23	2023/24	2024/25	2025/26	
<b>TABLE 1: ALLOWED REVENUE &amp; ARITHMETICAL PRICE CHANGE</b>								
<b>1</b>	<b>ALLOWED REVENUE (AS PUBLISHED)</b>	<b>ARt</b>	<b>NOMINAL</b>	<b>453.2</b>	<b>640.5</b>	<b>505.5</b>	<b>503.4</b>	<b>507.2</b>
<b>2</b>	TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)		%	(5.5)%	3.0%	(3.8)%	(2.1)%	0.9%
<b>3</b>	TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE		%	(4.1)%	22.5%	(30.3)%	22.1%	(0.7)%
<b>4</b>	<b>TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE</b>		<b>%</b>	<b>(4.9)%</b>	<b>41.3%</b>	<b>(21.1)%</b>	<b>(0.4)%</b>	<b>0.7%</b>
<b>TABLE 2: ALLOWED REVENUE COMPOSITION</b>								
<b>5</b>	BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	414.0	521.0	416.9	411.4	406.8
<b>6</b>	TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	-	0.1	2.0	2.1	2.1
<b>7</b>	BUSINESS PLAN INCENTIVE	BPIt	18/19	0.0	(0.0)	(0.0)	(0.0)	(0.0)
<b>8</b>	OTHER REVENUE ALLOWANCES	ORAt	18/19	3.7	3.1	3.4	3.2	3.0
<b>9</b>	OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBt/DRSt	18/19	-	-	-	-	-
<b>10</b>	<b>TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)</b>	<b>Rt</b>	<b>18/19</b>	<b>417.7</b>	<b>524.2</b>	<b>422.2</b>	<b>416.6</b>	<b>411.9</b>
<b>11</b>	FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	<i>PIt / PI2018/19</i>		1.0525	1.1189	1.1881	1.2083	1.2313
<b>12</b>	INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	21.9	62.3	79.4	86.8	95.3
<b>13</b>	<b>TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)</b>	<b>Rt</b>	<b>NOMINAL</b>	<b>439.6</b>	<b>586.6</b>	<b>501.7</b>	<b>503.4</b>	<b>507.2</b>
<b>14</b>	ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	(2.0)	33.9	3.5	-	-
<b>15</b>	CORRECTION TERM; K FACTOR	Kt	NOMINAL	1.7	2.6	0.3	-	-
<b>16</b>	LEGACY REVENUE	LARt	NOMINAL	13.9	17.5	-	-	-
<b>17</b>	<b>ALLOWED REVENUE (AS PUBLISHED)</b>	<b>ARt</b>	<b>NOMINAL</b>	<b>453.2</b>	<b>640.5</b>	<b>505.5</b>	<b>503.4</b>	<b>507.2</b>
<b>18</b>	<i>memo; Current assessment Allowed Revenue</i>	<i>ARt</i>	<i>NOMINAL</i>	<i>483.5</i>	<i>643.8</i>	<i>505.5</i>	<i>503.4</i>	<i>507.2</i>



CADENT GAS LTD - WEST MIDLANDS NETWORK

JUNE-22 MOD0186

DESCRIPTION	LICENCE TERM	PRICE BASE	2021/22	2022/23	2023/24	2024/25	2025/26	
<b>TABLE 1: ALLOWED REVENUE &amp; ARITHMETICAL PRICE CHANGE</b>								
<b>1</b>	<b>ALLOWED REVENUE (AS PUBLISHED)</b>	<b>ARt</b>	<b>NOMINAL</b>	<b>338.1</b>	<b>484.0</b>	<b>375.7</b>	<b>385.9</b>	<b>389.9</b>
<b>2</b>	TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)		%	(7.0)%	3.8%	(5.4)%	1.3%	1.1%
<b>3</b>	TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE		%	30.0%	39.4%	(36.9)%	22.2%	0.4%
<b>4</b>	<b>TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE</b>		<b>%</b>	<b>(3.9)%</b>	<b>43.1%</b>	<b>(22.4)%</b>	<b>2.7%</b>	<b>1.0%</b>
<b>TABLE 2: ALLOWED REVENUE COMPOSITION</b>								
<b>5</b>	BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	318.6	398.4	319.6	315.6	312.9
<b>6</b>	TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	-	0.1	1.3	1.5	1.6
<b>7</b>	BUSINESS PLAN INCENTIVE	BPIt	18/19	0.0	(0.0)	(0.0)	(0.0)	(0.0)
<b>8</b>	OTHER REVENUE ALLOWANCES	ORAt	18/19	2.7	2.3	2.5	2.3	2.2
<b>9</b>	OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBt/DRSt	18/19	-	-	-	-	-
<b>10</b>	<b>TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)</b>	<b>Rt</b>	<b>18/19</b>	<b>321.3</b>	<b>400.8</b>	<b>323.4</b>	<b>319.4</b>	<b>316.6</b>
<b>11</b>	FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	PIt / PI2018/19		1.0525	1.1189	1.1881	1.2083	1.2313
<b>12</b>	INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	16.9	47.6	60.8	66.5	73.2
<b>13</b>	<b>TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)</b>	<b>Rt</b>	<b>NOMINAL</b>	<b>338.2</b>	<b>448.5</b>	<b>384.2</b>	<b>385.9</b>	<b>389.9</b>
<b>14</b>	ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	(1.6)	28.5	(8.7)	-	-
<b>15</b>	CORRECTION TERM; K FACTOR	Kt	NOMINAL	1.4	0.9	0.2	-	-
<b>16</b>	LEGACY REVENUE	LARt	NOMINAL	0.1	6.1	-	-	-
<b>17</b>	<b>ALLOWED REVENUE (AS PUBLISHED)</b>	<b>ARt</b>	<b>NOMINAL</b>	<b>338.1</b>	<b>484.0</b>	<b>375.7</b>	<b>385.9</b>	<b>389.9</b>
<b>18</b>	<i>memo; Current assessment Allowed Revenue</i>	<i>ARt</i>	<i>NOMINAL</i>	<i>358.0</i>	<i>475.8</i>	<i>375.7</i>	<i>385.9</i>	<i>389.9</i>