



September 2022 MOD0186

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Cadent
Your Gas Network

Key Updates for September 2022 MOD0186

Key updates since June MOD0186 include;

Since the last MOD186 report we have published our RRP and RFPR. This includes up-dated TotEx projections and updates for actual costs incurred in the year to 22/23. In addition, the actual and forecast data in relation to shrinkage costs and inflation remains volatile and is increasing costs and associated revenues.

Given this volatility, we will continue to update our forecasts and work with Ofgem to ensure that the Latest Best Estimates are included prior to agreeing the levels to use for charge setting. This process will continue to evolve between the publication of indicative charges and when final charges are set.

Pricing has been adjusted in relation to SoLR to account for income now being received direct from Independent Gas Transporters. This has no impact on revenue forecasts as we assume SoLR related income remains neutral to our pricing overall. We will provide further up-dates through the year in relation to this once data and billing information becomes available.

Movement in forecast Allowed Revenue for the year 23/24

Inflation:

Inflation is continuing to show significant increase and indicate further potential increases in pricing as a result.

Base revenues: Using latest UK Gas Price information, Shrinkage costs linked to the day ahead rate for gas leaking the network are now forecast to be higher in 2023/24 than when completing the June MOD0186.

The Shrinkage cost information also includes a forecasted true-up based on higher projected gas prices in 22/23. Gas prices are highly volatile and this item will be kept under constant review prior to locking in final pricing.

Other items impacting base revenues include adjustments to totex actual spend and reforecast following the Regulatory Reporting process completed in July,

In relation to the above two items, there are also true ups to the costs incurred in 22/23 that will flow into FY23/24.

Under recovery and other:

Under collection in 22/23 allowed revenue vs collected will be recovered in 23/24 figure is included in timing. Currently we are seeing an under-recovery in Commodity income and some reduction in the NW in relation to capacity charges relative to initial charge setting assumptions.

	2022/23	2023/24	2024/25	2025/26
JUNE MOD0186 - PRICE INDEXATION FOR PRICE SETTING	1.119	1.188	1.208	1.231
SEPT MOD0186 - PRICE INDEXATION, OUTTURN	1.168	1.207	1.228	1.251
Movement (%)	4.4%	1.6%	1.6%	1.6%

CADENT	LDZ	ECN	SOLR	TOTAL
JUNE MOD0186 - 23/24 ALLOWED REVENUE	1,946.1	144.2	-	2,090.3
HIGHER INFLATION IN 23/24	31.1	2.7	-	33.8
HIGHER BASE REVENUES: SHRINKAGE AND RRP UP-DATES TO COSTS	84.6	-	-	84.6
ADJUSTMENTS FROM 22/23: SHRINKAGE AND INFLATION	45.5	-	-	45.5
UNDER-RECOVERY EXPECTED IN 22/23 AND OTHER	13.0	1.8	-	14.8
SEPT MOD0186 - 23/24 ALLOWED REVENUE	2,120.2	148.7	-	2,268.9
MOVEMENT IN ALLOWED REVENUE	174.1	4.5	-	178.6
MOVEMENT IN AGGREGATED CHARGES - %	8.9%	3.1%	-	8.5%

Next Steps

- The December MOD0186 report be updated following November Annual Iteration Process and submission of indicative charges.
- The main up-dates we would expect will result from continued changes to the volatile gas price and inflation levels expected.
- In addition, we expect up-dates from Ofgem in relation to certain revenue parameters including real price effects, the regulated return and provisional close out items.

Appendix

CADENT GAS LTD - EAST OF ENGLAND NETWORK

SEPT-22 MOD0186

DESCRIPTION	LICENCE TERM	PRICE BASE	2021/22	2022/23	2023/24	2024/25	2025/26
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TABLE 1: ALLOWED REVENUE & ARITHMETICAL PRICE CHANGE

ALLOWED REVENUE (AS PUBLISHED)	Art	NOMINAL	646.1	921.5	772.4	753.4	755.3
TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)	%		(3.2)%	(1.2)%	6.2%	(4.4)%	0.4%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE	%		161.5%	61.4%	(40.6)%	21.7%	(1.5)%
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE	%		1.3%	42.6%	(16.2)%	(2.5)%	0.2%

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	594.7	747.8	617.9	604.7	594.8
TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	-	0.6	2.5	3.0	3.1
BUSINESS PLAN INCENTIVE	BPIt	18/19	0.0	0.2	0.2	0.2	0.2
OTHER REVENUE ALLOWANCES	ORAt	18/19	5.5	4.7	5.2	5.8	5.6
OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBt/DRSt	18/19	-	-	-	-	-
TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)	Rt	18/19	600.2	753.4	625.8	613.8	603.8
FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	PIt / PI2018/19		1.0525	1.1189	1.2071	1.2275	1.2510
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	31.5	89.6	129.6	139.6	151.5
TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)	Rt	NOMINAL	631.8	842.9	755.4	753.4	755.3
ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	(0.5)	48.4	15.4	-	-
CORRECTION TERM; K FACTOR	Kt	NOMINAL	2.3	(0.1)	1.6	-	-
LEGACY REVENUE	LARt	NOMINAL	12.5	30.3	-	-	-
ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	646.1	921.5	772.4	753.4	755.3
Current period assessment Allowed Revenue	ARt	NOMINAL	674.8	08/09/2022 951.1	772.4	753.4	755.3

CADENT GAS LTD - LONDON NETWORK

SEPT-22 MOD0186

DESCRIPTION	LICENCE TERM	PRICE BASE	2021/22	2022/23	2023/24	2024/25	2025/26
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TABLE 1: ALLOWED REVENUE & ARITHMETICAL PRICE CHANGE

ALLOWED REVENUE (AS PUBLISHED)	Art	NOMINAL	468.4	651.1	532.7	545.6	552.1
TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)	%		4.0%	5.6%	(3.1)%	1.3%	1.4%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE	%		78.7%	47.9%	(37.0)%	21.5%	(1.3)%
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE	%		1.6%	39.0%	(18.2)%	2.4%	1.2%

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	428.8	522.0	446.4	439.2	435.7
TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	-	1.0	1.7	2.0	2.6
BUSINESS PLAN INCENTIVE	BPIt	18/19	0.0	(0.0)	(0.0)	(0.0)	(0.0)
OTHER REVENUE ALLOWANCES	ORAt	18/19	3.2	2.6	2.9	3.2	3.0
OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBt/DRSt	18/19	-	-	-	-	-
TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)	Rt	18/19	432.0	525.6	451.0	444.4	441.3
FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	PIt / PI2018/19		1.0525	1.1189	1.2071	1.2275	1.2510
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	22.7	62.5	93.4	101.1	110.8
TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)	Rt	NOMINAL	454.6	588.0	544.4	545.6	552.1
ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	0.8	35.1	(15.2)	-	-
CORRECTION TERM; K FACTOR	Kt	NOMINAL	1.7	(2.3)	3.4	-	-
LEGACY REVENUE	LARt	NOMINAL	11.3	30.3	-	-	-
ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	468.4	651.1	532.7	545.6	552.1
Current Assessment Allowed Revenue	ARt	NOMINAL	481.0	08/09/2022 54.8	532.7	545.6	552.1

CADENT GAS LTD - NORTH WEST NETWORK

SEPT-22 MOD0186

DESCRIPTION	LICENCE TERM	PRICE BASE	2021/22	2022/23	2023/24	2024/25	2025/26
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TABLE 1: ALLOWED REVENUE & ARITHMETICAL PRICE CHANGE

ALLOWED REVENUE (AS PUBLISHED)	Art	NOMINAL	453.2	640.5	562.0	526.0	525.8
TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)	%		(5.5)%	3.0%	7.6%	(8.4)%	0.1%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE	%		(4.1)%	22.5%	(28.4)%	22.1%	(1.5)%
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE	%		(4.9)%	41.3%	(12.2)%	(6.4)%	(0.0)%

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	414.0	521.0	439.8	422.3	414.3
TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	-	0.1	2.3	2.4	2.3
BUSINESS PLAN INCENTIVE	BPIt	18/19	0.0	(0.0)	(0.0)	(0.0)	(0.0)
OTHER REVENUE ALLOWANCES	ORAt	18/19	3.7	3.1	3.5	3.9	3.7
OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBt/DRSt	18/19	-	-	-	-	-
TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)	Rt	18/19	417.7	524.2	445.6	428.5	420.3
FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	PIt / PI2018/19		1.0525	1.1189	1.2071	1.2275	1.2510
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	21.9	62.3	92.3	97.5	105.5
TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)	Rt	NOMINAL	439.6	586.6	537.8	526.0	525.8
ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	(2.0)	33.9	14.4	-	-
CORRECTION TERM; K FACTOR	Kt	NOMINAL	1.7	2.6	9.9	-	-
LEGACY REVENUE	LARt	NOMINAL	13.9	17.5	-	-	-
ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	453.2	640.5	562.0	526.0	525.8
Current Allowed Revenue	ARt	NOMINAL	477.5	666.8	562.0	526.0	525.8

Current Allowed Revenue

CADENT GAS LTD - WEST MIDLANDS NETWORK

SEPT-22 MOD0186

DESCRIPTION	LICENCE TERM	PRICE BASE	2021/22	2022/23	2023/24	2024/25	2025/26
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TABLE 1: ALLOWED REVENUE & ARITHMETICAL PRICE CHANGE

ALLOWED REVENUE (AS PUBLISHED)	Art	NOMINAL	338.1	484.0	401.8	401.9	403.3
TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)	%		(7.0)%	3.8%	1.3%	(1.4)%	0.5%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE	%		30.0%	39.4%	(34.0)%	21.0%	(1.4)%
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE	%		(3.9)%	43.1%	(17.0)%	0.0%	0.3%

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	318.6	398.4	330.6	323.2	318.2
TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	-	0.1	1.1	1.4	1.5
BUSINESS PLAN INCENTIVE	BPIt	18/19	0.0	(0.0)	(0.0)	(0.0)	(0.0)
OTHER REVENUE ALLOWANCES	ORAt	18/19	2.7	2.3	2.6	2.9	2.8
OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBt/DRSt	18/19	-	-	-	-	-
TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)	Rt	18/19	321.3	400.8	334.3	327.4	322.4
FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	PIt / PI2018/19		1.0525	1.1189	1.2071	1.2275	1.2510
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	16.9	47.6	69.2	74.5	80.9
TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)	Rt	NOMINAL	338.2	448.5	403.5	401.9	403.3
ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	(1.6)	28.5	(2.5)	-	-
CORRECTION TERM; K FACTOR	Kt	NOMINAL	1.4	0.9	0.8	-	-
LEGACY REVENUE	LARt	NOMINAL	0.1	6.1	-	-	-
ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	338.1	484.0	401.8	401.9	403.3
Current Allowed Revenue	ARt	NOMINAL	349.8	08/09/2022 497.4	401.8	401.9	403.3