

# NGN Mod186 Pricing Statement

Movement from Sept 2021 to December 2021

**we are  
the network**

## Summary of updates September to December

Revenue is expected to increase by an **additional c. £137m** in the year 22/23. To calculate this we have used the PCFM published on 30 November 2021.

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

- **Supplier of last resort claims:** Ofgem have provided networks with indicative values. Networks are currently expecting that the regulator will provide a finalised view of claims by end of December
- **OBR Inflation forecasted growth:** Long range OBR forecast has been updated to account for growth assumptions published in October 2021
- **Outperformance wedge:** Ofgem have removed the expected outperformance of 0.25% from our cost of equity calculation, as mandated through the competition appeals process
- **Pass through allowances:** latest view of costs – noticeable movement on shrinkage
- **Real price effects:** Ofgem have updated the indices used to account for the latest view of inflation
- **WACC:** The regulator has updated the cost of debt calculation to account for the latest iBoxx indices, and the equity cost calculation to account for the latest view of yields from UK government securities
- **TOTEX allowances:**
  - Our application to amend our cyber allowances under the re-opener term was approved
  - Ofgem have amended the methodology used to calculate our ongoing efficiency challenge, as mandated through the competition appeals process

There are some potential future amendments to our revenue allowance, these are yet to be agreed with Ofgem. These are outlined below,

- **Bad debt:** NGN are currently assessing invoices outstanding to identify the aggregate value of bad debt. Once this process is complete this aggregate amount will flow into our pricing process in accordance with the condition outlined in our license

**\*\* Further updates maybe included in our 60 day notice \*\***

**Mod186 - September to December**

21/22

22/23

23/24

24/25

25/26

GD2

	21/22	22/23	23/24	24/25	25/26	GD2	
<b>Mod186 : September</b>	Calculated revenue	430.8	439.2				
	AIP adjustment term	-	9.6				
	<b>Adjusted revenue</b>	<b>430.8</b>	<b>448.8</b>	<b>471.2</b>	<b>476.5</b>	<b>486.7</b>	<b>2,314</b>
	Legacy Allowed Revenue	(13.7)	10.6	-	-	-	
	K Correction Factor	0.2	(3.9)	-	-	-	
	<b>Allowed Revenue</b>	<b>417.3</b>	<b>455.4</b>	<b>471.2</b>	<b>476.5</b>	<b>486.7</b>	<b>2,307</b>
	Recovered Revenue	421.2					
	Inflation %	3.4%	1.9%	1.9%	2.0%	2.0%	
	SOQ % Change	1.4%	(2.0)%	(2.0)%	(2.0)%	(2.0)%	
	LDZ Price Change	(13.7)%	5.9%	8.2%	4.2%	4.1%	
<b>Mod186 : Latest Position</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>Difference</b>	Calculated revenue	(0.0)	123.0				
	AIP adjustment term	-	14.0				
	<b>Adjusted revenue</b>	<b>(0.0)</b>	<b>137.0</b>	<b>46.8</b>	<b>22.2</b>	<b>22.8</b>	<b>229</b>
	Legacy Allowed Revenue	(0.0)	0.2	-	-	-	
	K Correction Factor	(0.0)	0.4	-	-	-	
	<b>Allowed Revenue</b>	<b>(0.1)</b>	<b>137.6</b>	<b>46.8</b>	<b>22.2</b>	<b>22.8</b>	<b>229.4</b>
	<b>Recovered Revenue</b>	<b>(1.0)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
	Inflation %	(2.0)%	1.7%	0.5%	0.1%	0.0%	
	SOQ % Change	-	2.3%	-	-	-	
	LDZ Price Change	-	34.4%	(18.9)%	(5.6)%	0.0%	

Breakdown of movements

		21/22	22/23 Breakdown			23/24	24/25	25/26	GD2	% Total	% Culm
			Adj impact from 21/22	Reforecast 22/23	Total	Reforecast	Reforecast	Reforecast			
Revenue movements	Last resort claims		-	104.4	104.4	26.0	-	-	130.4	56.8%	56.8%
	Inflation (OBR forecast)		2.4	7.9	10.2	12.1	13.4	13.9	49.7	21.6%	78.5%
	Outperformance Wedge Removal		3.1	3.1	6.2	3.6	3.7	3.8	17.3	7.6%	86.0%
	Shrinkage		6.8	3.9	10.7	2.2	1.2	1.0	15.1	6.6%	92.6%
	WACC & Real price effects		1.5	1.6	3.1	1.4	1.6	1.9	8.0	3.5%	96.1%
	TOTEX allowances		0.0	1.3	1.4	1.5	1.9	1.9	6.7	2.9%	99.0%
	Other revenue		0.2	0.7	0.9	0.1	0.3	0.3	1.7	0.7%	99.7%
	Legacy allowed revenue		-	0.2	0.2	-	-	-	0.2	0.1%	99.8%
	K correction		-	0.4	0.4	(0.0)	-	0.0	0.4	0.2%	100.0%
	<b>Total</b>			<b>14.0</b>	<b>123.6</b>	<b>137.6</b>	<b>46.8</b>	<b>22.2</b>	<b>22.8</b>	<b>229.5</b>	<b>100.0%</b>