



June 2023 MOD0186

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Cadent
Your Gas Network

Key Updates for Cadent's June 2023 MOD0186

Key updates since March MOD0186 include;

- Updated Inflation to reflect the March '23 OBR inflation forecast
- Updated UK gas price information and forecast based on latest available information.
- Updated NTS Exit Capacity pass-through costs following NTS pricing release in May 2023

The revenue forecast provided on the subsequent slide looks forward to the year ending March 2025.

There still remains significant uncertainty surrounding inflation and gas prices. We will continue to update our forecast throughout the year based on latest available information

Movement in forecast Allowed Revenue for the year 24/25

Inflation:

Inflation has been updated to include the March 2023 OBR forecast. There has not been material change, but we highlight the May inflation print continued to surprise, in that core inflation not reducing at the speed expected by markets.

	2022/23	2023/24	2024/25	2025/26
MARCH '23 MOD0186 - CPIH Year on Year change	8.77%	5.20%	0.32%	-0.45%
JUNE '23 MOD0186 - CPIH Year on Year change	8.77%	4.75%	0.73%	0.25%
Delta	0.00%	-0.45%	0.41%	0.70%

NTS Price Change

National Gas Transmission published their pricing for the year and future indicative charges in May 2023. This is a pass through cost for Cadent and showed a reduction in rates for 12 months from October 2023.

Shrinkage costs

Using latest UK Gas Price information, Shrinkage costs are now forecast to be lower in 2023/24 and subsequent years than when completing the March MOD0186. The 2024/25 forecast is 150p/therm

CADENT	LDZ	ECN	SOLR	TOTAL
MARCH MOD0186 - 24/25 ALLOWED REVENUE	2,093.3	180.7	-	2,274.0
CUMULATIVE INFLATION (NOTE: MARCH USES NOV '22 OBR, JUNE USES MARCH '23 OBR)	(19.2)	-	-	(19.2)
SHRINKAGE COSTS (INC. TRUE-UP ADJt)	(72.8)	-	-	(72.8)
EXIT CAPACITY PASS-THROUGH COSTS (INC TRUE UP ADJt)	-	(70.4)	-	(70.4)
TIMING DIFFERENCES AND VARIOUS SMALL OTHER ITEMS	(4.8)	-	-	(4.8)
JUNE MOD0186 - 24/25 ALLOWED REVENUE	1,996.5	110.3	-	2,106.8
MOVEMENT IN ALLOWED REVENUE	(4.6%)	(38.9%)	-	(7.4%)

Next Steps

- The September MOD0186 report be updated based on our Regulatory Reporting Pack (RRP) submission to Ofgem
- We will continue to monitor macro changes such as inflation and gas price rates and present their impact on revenues and unit rates

Appendix

CADENT GAS LTD - EAST OF ENGLAND NETWORK
JUNE-23 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	811.9	719.5	785.0
TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)	%		(3.2)%	(1.2)%	6.2%	(5.4)%	4.3%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE	%		161.5%	61.4%	(42.4)%	(23.0)%	86.8%
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE	%		1.3%	42.6%	(11.9)%	(11.4)%	9.1%

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	594.7	747.8	617.7	603.0	620.5
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	625.6	612.1	629.4
FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	Pit / PI2018/19		1.053	1.119	1.236	1.245	1.248
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	31.5	89.6	147.7	150.0	156.2
TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)	Rt	NOMINAL	631.8	842.9	773.3	762.1	785.7
ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	(0.5)	48.4	(5.9)	(44.0)	-
CORRECTION TERM; K FACTOR	Kt	NOMINAL	2.3	(0.1)	2.6	-	-
LEGACY REVENUE	LARt	NOMINAL	12.5	30.3	(0.5)	1.5	(0.6)
ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	646.1	921.5	811.9	719.5	785.0
<i>memo; Current assessment Allowed Revenue</i>	<i>ARt</i>	<i>NOMINAL</i>	<i>673.3</i>	<i>935.2</i>	<i>769.5</i>	<i>719.5</i>	<i>785.0</i>

CADENT GAS LTD - LONDON NETWORK

JUNE-23 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	514.5	508.6	547.6
TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)	%		4.0%	5.6%	(10.7)%	4.9%	4.1%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE	%		78.7%	47.9%	(41.6)%	(19.6)%	86.6%
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE	%		1.6%	39.0%	(21.0)%	(1.1)%	7.7%

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	428.8	522.0	432.6	425.8	439.3
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	437.2	431.1	445.0
FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	Pit / PI2018/19		1.0525	1.1189	1.2360	1.2450	1.2482
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	22.7	62.5	103.2	105.6	110.4
TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)	Rt	NOMINAL	454.6	588.0	540.4	536.7	555.4
ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	0.8	35.1	(44.7)	(23.3)	-
CORRECTION TERM; K FACTOR	Kt	NOMINAL	1.7	(2.3)	3.2	-	-
LEGACY REVENUE	LARt	NOMINAL	11.3	30.3	(7.0)	(4.9)	(7.8)
ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	468.4	651.1	514.5	508.6	547.6
<i>memo; Current assessment Allowed Revenue</i>	<i>ARt</i>	<i>NOMINAL</i>	<i>472.4</i>	<i>638.0</i>	<i>491.9</i>	<i>508.6</i>	<i>547.6</i>

CADENT GAS LTD - NORTH WEST NETWORK

JUNE-23 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	589.0	500.4	543.9
TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)	%		(5.5)%	3.0%	7.4%	(9.7)%	4.1%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE	%		(4.1)%	22.5%	(27.5)%	(27.1)%	89.5%
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE	%		(4.9)%	41.3%	(8.0)%	(15.0)%	8.7%

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	414.0	521.0	437.1	420.3	430.4
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	442.8	426.5	436.5
FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	Pit / PI2018/19		1.0525	1.1189	1.2360	1.2450	1.2482
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	21.9	62.3	104.5	104.5	108.3
TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)	Rt	NOMINAL	439.6	586.6	547.3	531.1	544.8
ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	(2.0)	33.9	1.2	(30.3)	-
CORRECTION TERM; K FACTOR	Kt	NOMINAL	1.7	2.6	11.8	-	-
LEGACY REVENUE	LARt	NOMINAL	13.9	17.5	(0.6)	(0.3)	(0.9)
ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	453.2	640.5	589.0	500.4	543.9
<i>memo; Current assessment Allowed Revenue</i>	<i>ARt</i>	<i>NOMINAL</i>	<i>477.4</i>	<i>656.1</i>	<i>559.8</i>	<i>500.4</i>	<i>543.9</i>

CADENT GAS LTD - WEST MIDLANDS NETWORK
JUNE-23 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	415.0	378.3	414.6
TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)	%		(7.0)%	3.8%	0.4%	(3.7)%	5.5%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE	%		30.0%	39.4%	(43.2)%	(13.8)%	86.9%
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE	%		(3.9)%	43.1%	(14.2)%	(8.8)%	9.6%

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	318.6	398.4	325.7	320.3	328.6
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	329.4	324.5	332.9
FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	Pit / PI2018/19		1.0525	1.1189	1.2360	1.2450	1.2482
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	16.9	47.6	77.7	79.5	82.6
TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)	Rt	NOMINAL	338.2	448.5	407.1	404.0	415.5
ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	(1.6)	28.5	(16.6)	(24.8)	-
CORRECTION TERM; K FACTOR	Kt	NOMINAL	1.4	0.9	1.4	-	-
LEGACY REVENUE	LARt	NOMINAL	0.1	6.1	(0.9)	(0.9)	(0.9)
ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	338.1	484.0	415.0	378.3	414.6
<i>memo; Current assessment Allowed Revenue</i>	<i>ARt</i>	<i>NOMINAL</i>	<i>349.1</i>	<i>486.6</i>	<i>391.1</i>	<i>378.3</i>	<i>414.6</i>