

NGN Mod186 Pricing Statement

Movement from March 2023 to June 2023

**we are
the network**

Movements from March - June 2023

Breakdown of movements		24/25 Breakdown		25/26	GD2	
		Adj impact from 23/24	Reforecast 24/25	Total		Reforecast
Adjusted Revenue movements	Inflation	(1.3)	(0.6)	(1.9)	2.3	0.4
	Shrinkage	(26.1)	(9.9)	(35.9)	(4.7)	(40.6)
	Exit	(11.5)	(5.9)	(17.5)	6.9	(10.6)
	Tax	(6.8)	(12.7)	(19.5)	(10.3)	(29.8)
	23/24 under collection	1.5	-	1.5	-	1.5
	Total movement	(44.2)	(29.1)	(73.4)	(5.8)	(79.2)

Pipeline of re-opener applications

RRP Table 11.05	HSE policy re-opener	Specified Streetworks Costs Re-opener
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21/22	0.5	2.3
22/23	1.5	2.9
23/24	6.5	2.8
24/25	10.0	2.9
25/26	10.0	2.5

These are the largest re-openers as presented in Table 11.05 in **2021/22 RRP**. Note this is the expenditure level increase not revenue – revenue increase would be smaller due to fast/slow money mechanics.

Summary of updates March 23 to June 23:

- **Inflation: + £0.4m**

Inflation	21/22	22/23	23/24	24/25	25/26
CPIH Jun 23	3.674%	8.765%	5.198%	0.321%	-0.451%
CPIH Mar 23	3.674%	8.774%	4.749%	0.730%	0.251%

There has been a small fluctuation in the OBR inflation measure utilised by Ofgem since our last update.

- **Shrinkage: - £40.6m**

Our current forecasts include the following Heren prices:

Year	Jun-23 £/therm	Mar 23 £/therm	Dec 22 £/therm
22/23	1.75	2.19	2.37
23/24	0.89	3.03	3.58
24/25	1.15	2.24	2.49
25/26	1.04	1.59	1.17

The new year has seen huge reductions in gas prices, this is in stark contrast to end of 2022, and the early part of this year.

- **Exit Capacity (NTS rates): - £10.6m**

Year	Jun 23 p/kWh/day	Mar 23 p/kWh/day
23/24 confirmed	0.0127	0.0245
24/25	0.0286	0.0231
25/26	0.0258	0.0240
26/27	0.0276	0.0245
27/28	0.0285	0.0245

There has been a significant reduction in the confirmed 23/24 price and the new forecast 24/25 price when compare to the previous forecast prices.

- **Tax: - £29.8m**

A combination of:

- The April 2023 budget amendment to writing down allowances on the tax pools for reg year 23/24 onwards. This is now 100% and 50% on the general rate and special rate pools respectively, reduction of approximately £10m per year with double impact in 24/25 (-£34.8m over remaining years of GD2);
- This offset by a true up of the assumptions surrounding super-deductions (+£5.1m)

Mod 186 - March 2023 - June 2023

	21/22	22/23	23/24	24/25	25/26	GD2	
Mod186 : March 2023	Calculated revenue	430.7	566.2	571.8			
	AIP adjustment term	-	23.3	(7.7)			
	Adjusted revenue	430.7	589.6	564.1	554.4	550.3	2,689
	Legacy Allowed Revenue	(13.8)	10.8	0.1	0.7	0.4	
	K Correction Factor	0.2	0.4	1.4	-	-	
	Allowed Revenue	417.2	600.7	565.6	555.1	550.8	2,689
	Recovered Revenue	421.2	596.5	565.6	555.1	550.8	
	Inflation %	4.5%	8.8%	5.2%	0.3%	(0.5)%	
	SOQ % Change	1.4%	(0.1)%	(7.4)%	-	-	
LDZ Price Change	(13.7)%	15.4%	20.4%	1.9%	(0.8)%		
Mod186 : Latest Position	Calculated revenue	430.7	566.2	571.8	525.2	544.5	
	AIP adjustment term	-	23.3	(7.7)	(45.7)	-	
	Adjusted revenue	430.7	589.6	564.1	479.5	544.5	2,608
	Legacy Allowed Revenue	(13.8)	10.8	0.1	0.7	0.4	
	K Correction Factor	0.2	0.4	1.4	1.5	-	
	Allowed Revenue	417.2	600.7	565.6	481.7	545.0	2,610
	Recovered Revenue	421.2	596.5	564.2	480.2	545.0	
	Inflation %	4.5%	8.8%	4.7%	0.7%	0.3%	
	SOQ % Change	1.4%	(0.1)%	(7.4)%	-	-	
LDZ Price Change	(13.7)%	15.4%	20.4%	(9.4)%	9.0%		
Difference	Calculated revenue	-	-	-			
	AIP adjustment term	-	-	-			
	Adjusted revenue	-	-	-	(74.9)	(5.8)	(81)
	Legacy Allowed Revenue	-	-	(0.0)	0.0	0.0	
	K Correction Factor	-	-	-	1.5	-	
	Allowed Revenue	-	-	(0.0)	(73.4)	(5.8)	(79.2)
	Recovered Revenue	-	-	(1.4)	(74.9)	(5.8)	
	Inflation %	-	0.0%	(0.4)%	0.4%	0.7%	
	SOQ % Change	-	-	-	-	-	
LDZ Price Change	-	-	-	(11.3)%	9.8%		