



June 2020 MOD0186

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Cadent
Your Gas Network

Key Updates for June 2020 MOD0186

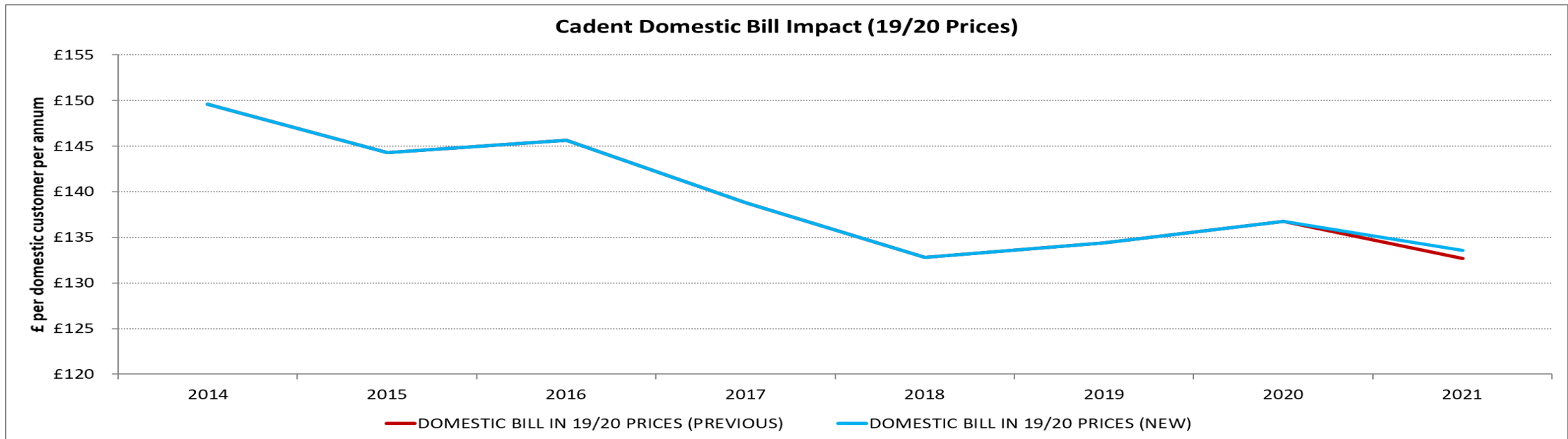
The June MOD0186 provides the final collected revenue values for 2019/20 and an updated collected revenue forecast for 2020/21.

The two updates are:

- 2020/21 revenue forecast refresh with the first set of invoices for this formula year and the impact of a Shipper moving part of their portfolio to another Shipper reducing their Annual Quantity and Peak Day Capacity Requirements
- For RIIO-GD2, there is no change to the forecast provided at the last MOD0186 submission. We will provide an up-date when completing indicative pricing for FY21/22

Summary Position

HEADLINE MOVEMENT SINCE LAST REPORT	CADENT							
	2014	2015	2016	2017	2018	2019	2020	2021
COLLECTABLE REVENUE (PREVIOUS)	1,823.3	1,793.5	1,853.6	1,821.8	1,800.5	1,879.5	1,957.9	1,926.1
MOVEMENT ▼	-	-	-	-	-	-	3.0	(5.1)
COLLECTABLE REVENUE (NEW)	1,823.3	1,793.5	1,853.6	1,821.8	1,800.5	1,879.5	1,961.0	1,921.0
% MOVEMENT	-	-	-	-	-	-	+0.2%	(0.3%)
DOMESTIC BILL IN 19/20 PRICES (PREVIOUS)	£149.60	£144.27	£145.64	£138.80	£132.78	£134.42	£136.75	£132.70
MOVEMENT ▲	-	-	-	-	-	-	-	+£0.90
DOMESTIC BILL IN 19/20 PRICES (NEW)	£149.61	£144.27	£145.64	£138.80	£132.78	£134.42	£136.75	£133.60



Collectable Revenue Trace

COLLECTABLE REVENUE TRACE	CADENT							
	2014	2015	2016	2017	2018	2019	2020	2021
COLLECTABLE REVENUE (PREVIOUS)	1,823.3	1,793.5	1,853.6	1,821.8	1,800.5	1,879.5	1,957.9	1,926.1
FINAL 2019/20 COLLECTED REVENUE ▲	-	-	-	-	-	-	3.0	-
2020/21 COLLECTED REVENUE FORECAST ▼	-	-	-	-	-	-	-	(1.2)
COLLECTED REVENUE REFORECAST (SHIPPER PORTFOLIO CHANGE IMPACT) ▼	-	-	-	-	-	-	-	(3.9)
COLLECTABLE REVENUE (NEW)	1,823.3	1,793.5	1,853.6	1,821.8	1,800.5	1,879.5	1,961.0	1,921.0
% MOVEMENT	-	-	-	-	-	-	+0.2%	(0.3%)

The changes from the March quarterly revenue forecast are:

- Final collected revenue values for 2019/20 based on invoice values from February and March
- A collected revenue forecast for 2020/21 based on April's invoices
- Revenue reforecast for 2020/21 due to the CNG Portfolio change.

Risks to Revenue Collection:

- As a result of COVID-19, we are aware of a reduction in demand, particularly from I&C users which impacts our commodity income stream
- The forecast provided does not include this impact for 2020/21 as we work with industry to understand the impact of COVID-19 on demand.

Collected Revenue Forecast

FINAL 2019/20 COLLECTED REVENUE		2020	2021
EAST OF ENGLAND (£M)	▲	2.2	-
LONDON (£M)	▲	0.3	-
NORTH WEST (£M)	▲	0.3	-
WEST MIDLANDS (£M)	▲	0.2	-
CADENT (£M)	▲	3.0	-
EAST OF ENGLAND (%)	▲	+0.3%	-
LONDON (%)	▲	+0.1%	-
NORTH WEST (%)	▲	+0.1%	-
WEST MIDLANDS (%)	▲	+0.1%	-
CADENT (%)	▲	+0.2%	-

- This forecast takes into consideration invoices from February – March 2020 to show the final revenue collection for 2019/20
- For 2019/20 final revenue collection at a Cadent level was £1,961m which was an over recovery of £7.5m or +0.38% against allowed revenue.

NETWORK	EAST OF ENGLAND	LONDON	NORTH WEST	WEST MIDLANDS	CADENT
2019-20 ALLOWED REVENUE (£M)	650.3	466.4	480.2	356.5	1,953.5
2019-20 COLLECTED REVENUE (£M)	652.3	468.1	480.8	359.7	1,961.0
OVER RECOVERY (£M)	2.0	1.7	0.6	3.1	7.5
OVER RECOVERY %	+0.3%	+0.4%	+0.1%	+0.9%	+0.38%

Collected Revenue Forecast

2020/21 COLLECTED REVENUE FORECAST		2020	2021
EAST OF ENGLAND (£M)	▼	-	(0.3)
LONDON (£M)	▼	-	(0.2)
NORTH WEST (£M)	▼	-	(0.4)
WEST MIDLANDS (£M)	▼	-	(0.3)
CADENT (£M)	▼	-	(1.2)
EAST OF ENGLAND (%)	▼	-	(0.1%)
LONDON (%)	▼	-	(0.1%)
NORTH WEST (%)	▼	-	(0.1%)
WEST MIDLANDS (%)	▼	-	(0.1%)
CADENT (%)	▼	-	(0.1%)

- This revenue forecast takes into consideration the first set of invoices for 2020/21
- Commodity Revenue was lower in April due to warmer weather than usual resulting in lower gas demand. Demand could also have been impacted by lower usage by I&C sites as a result of COVID-19
- We are working with the industry to understand reduction in Capacity Revenue.

Collected Revenue Reforecast (Shipper Portfolio Change Impact)

COLLECTED REVENUE REFORECAST (CNG IMPACT AND APRIL XOSERVE BILLING ERROR)			2020	2021
EAST OF ENGLAND (£M)	▼	-	(1.3)	
LONDON (£M)	▼	-	(1.0)	
NORTH WEST (£M)	▼	-	(0.9)	
WEST MIDLANDS (£M)	▼	-	(0.7)	
CADENT (£M)	▼	-	(3.9)	
EAST OF ENGLAND (%)	▼	-	(0.2%)	
LONDON (%)	▼	-	(0.2%)	
NORTH WEST (%)	▼	-	(0.2%)	
WEST MIDLANDS (%)	▼	-	(0.2%)	
CADENT (%)	▼	-	(0.2%)	

- This outlines the impact from a change in a Shipper's demand portfolio
- One Shipper has reduced their SOQ (peak day capacity requirements, a value utilised for billing) as part of a portfolio change. The forecast reduction in revenues for 2020/21 is £3.9m.

Allowed Revenue Summary

ALLOWED REVENUE SUMMARY (ALL FIGURES £M NOMINAL)	CADENT							
	2014	2015	2016	2017	2018	2019	2020	2021
OPENING BASE REVENUE ALLOWANCE	1,793.6	1,800.2	1,867.1	1,835.5	1,890.8	1,950.5	2,005.6	2,033.9
PCFM ANNUAL ITERATION ADJUSTMENT	-	(13.4)	(28.3)	(23.9)	(78.4)	(86.5)	(126.9)	(162.5)
RPI TRUE UP	-	-	6.5	(25.8)	(41.6)	(7.7)	5.1	(1.6)
BASE REVENUE	1,793.6	1,786.8	1,845.2	1,785.8	1,770.7	1,856.4	1,883.8	1,869.7
PASS THROUGH	0.2	(0.1)	2.9	4.3	15.2	15.4	49.4	50.4
EXIT CAPACITY (INCENTIVE)	-	-	5.0	11.4	28.1	21.2	22.6	22.9
EXIT CAPACITY (COST PASS THROUGH)	-	-	(4.0)	(2.7)	(10.6)	(10.3)	(10.1)	(33.4)
SHRINKAGE INCENTIVE	-	-	2.0	1.6	1.4	1.1	1.4	2.4
SHRINKAGE COST PASS THROUGH	-	-	(7.1)	(17.3)	(23.0)	(12.5)	(9.5)	(5.2)
BROAD MEASURE OF CUSTOMER SATISFACTION	-	-	5.8	4.6	7.9	8.4	8.5	10.2
ENVIRONMENTAL EMISSIONS INCENTIVE	-	-	6.5	7.1	8.2	6.7	7.4	10.6
DISCRETIONARY REWARD SCHEME	0.9	0.8	-	0.5	-	-	0.6	-
NETWORK INNOVATION ALLOWANCE	2.5	6.9	8.6	6.8	6.6	4.4	5.5	8.2
UNDER / OVER COLLECTION B/F	6.1	-	(20.7)	0.9	(9.8)	(19.4)	(5.9)	(8.5)
MAXIMUM ALLOWED REVENUE	1,803.4	1,794.4	1,844.1	1,803.0	1,794.8	1,871.4	1,953.5	1,927.3
COLLECTABLE REVENUE FORECAST	1,823.3	1,793.5	1,853.6	1,821.8	1,800.5	1,879.5	1,961.0	1,921.0
UNDER / OVER COLLECTION C/F	19.9	(0.9)	9.5	18.7	5.7	8.1	7.5	(6.3)

Anticipated updates in Sept 2020

The September report will include updates for:

- Refreshed collected revenue positions for 2020/21