



March 2021 MOD0186

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Cadent
Your Gas Network

Key Updates for March 2021 MOD0186

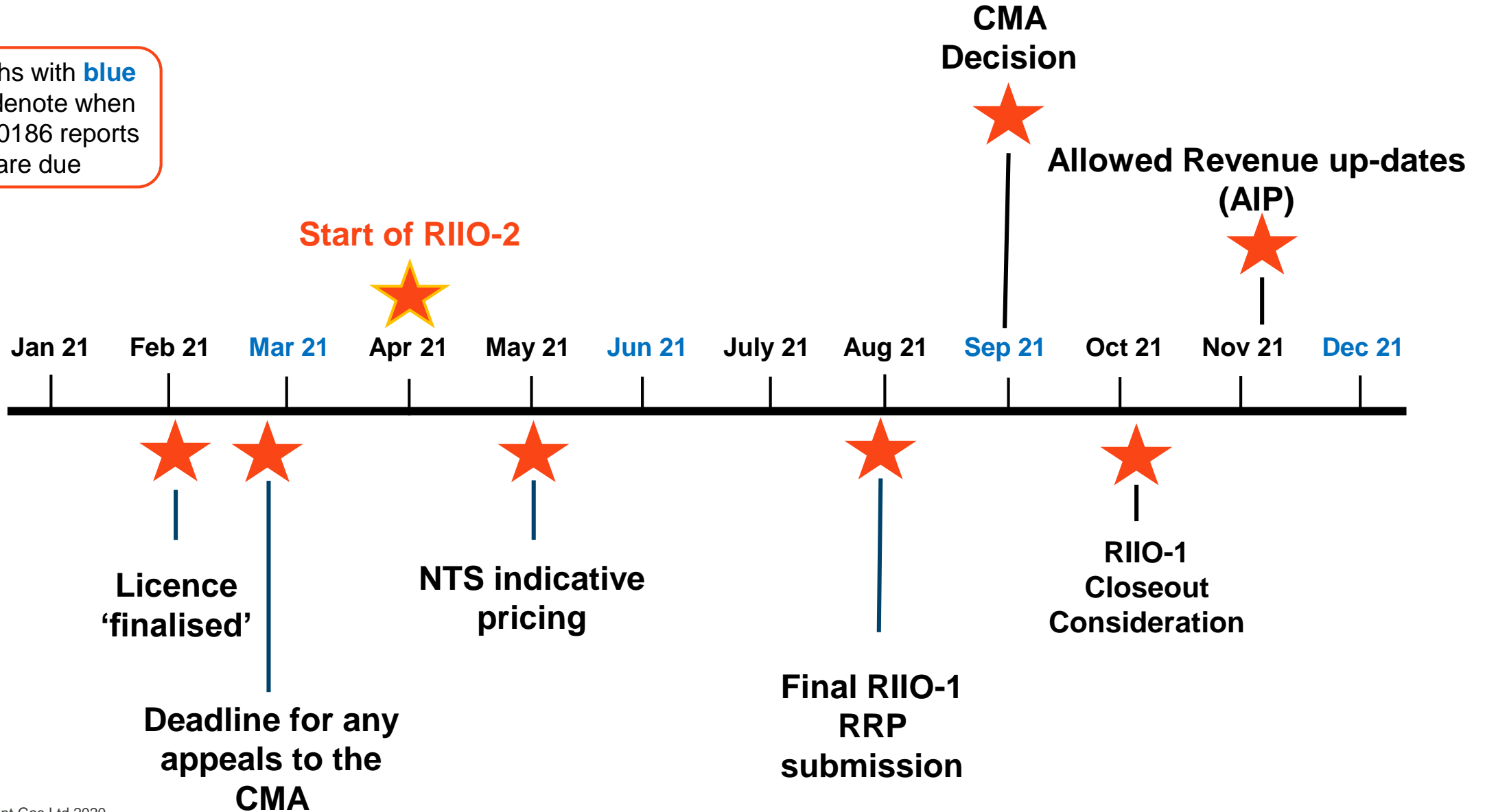
The March MOD0186 provides a refreshed RIIO-GD2 Allowed Revenue view and an updated collected revenue forecast for 2020/21.

Key updates include:

- An updated forecast for RIIO-GD2 Allowed Revenue, including updates for capital allowances and corporation tax rate following on from the Government's budget announcement
- An updated view of spend and allowances following Ofgem's Final Determination
- Latest forecast for NTS Exit Capacity costs reflecting introduction of National Grid's Revenue Recovery Charge
- New gas price forecast and the impact to shrinkage allowances
- Updated monthly RPI inflation forecast for 2020/21
- An updated collected revenue forecast for 2020/21 with a further three months of invoices

Timeline for the calendar year 2021

Months with **blue** font denote when MOD0186 reports are due



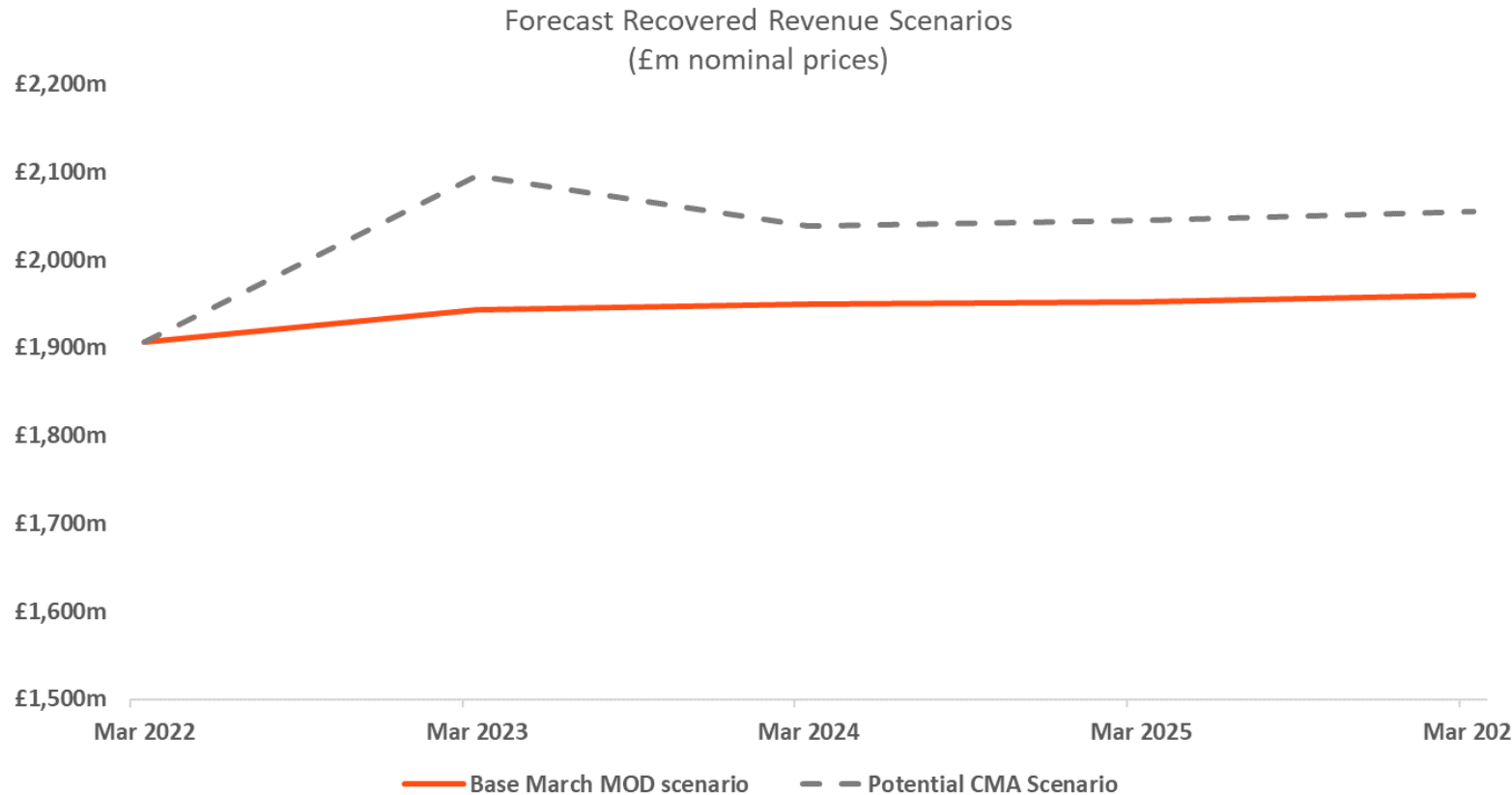
Summary Position

COLLECTABLE REVENUE TRACE	CADENT					
	2021	2022	2023	2024	2025	2026
DEC 2020 COLLECTABLE REVENUE (PREVIOUS)	1,920.1	1,870.0	1,907.4	1,840.8	1,844.4	1,851.7
PASS-THROUGH COST INCREASES; LARGELY NTS EXIT ▲	-	30.1	20.9	21.4	18.4	18.3
BUDGET ANNOUNCEMENT; CHANGE IN TAX CAPITAL ALLOWANCES & CORP. TAX RATE ▲	-	(31.2)	(28.2)	49.9	46.2	41.0
INITIAL ASSESSMENT OF COST TO DELIVER RIIIO-2 PLAN ▲	-	28.5	36.9	37.6	43.6	48.6
DIFFERENCE BETWEEN AMOUNT PRICED FOR & LATEST VIEW OF CALC. REVENUE ▲	-	8.8	-	-	-	-
VARIOUS OTHER SMALL CHANGES ▼	0.2	(0.2)	(1.6)	0.0	(0.0)	0.0
COLLECTABLE REVENUE (NEW)	1,920.3	1,905.9	1,935.3	1,949.6	1,952.5	1,959.5
% MOVEMENT	+0.0%	+1.9%	+1.5%	+5.9%	+5.9%	+5.8%

Cadent Allowed Revenue

Year	PRICE BASE	Cadent					
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
BASE REVENUE							
BASE REVENUE	2018/19	1,935.4	1,749.3	1,720.3	1,783.0	1,751.5	1,723.2
OTHER REVENUE INCENTIVES & ALLOWANCES	2018/19	(154.7)	15.1	12.6	12.6	12.6	12.6
TOTAL CALCULATED BASE REVENUE	2018/19	1,780.7	1,764.4	1,732.9	1,795.5	1,764.1	1,735.8
INFLATION TRUE UP	NOMINAL	89.0	88.3	115.8	154.1	188.4	223.7
TOTAL CALCULATED BASE REVENUE	NOMINAL	1,869.7	1,852.7	1,848.7	1,949.6	1,952.5	1,959.5
PASS THROUGH LEGACY ADJUSTMENT	NOMINAL	54.3	24.7	26.3	-	-	-
LEGACY MODt	NOMINAL	11.7	38.1	54.6	-	-	-
OTHER LEGACY ADJUSTMENT	NOMINAL	-	(16.0)	5.3	(0.0)	(0.0)	0.0
TOTAL LEGACY ADJUSTMENTS	NOMINAL	66.0	46.7	86.3	(0.0)	(0.0)	0.0
Kt (INC. LEGACY Kt) CORRECTON FACTOR	NOMINAL	(8.5)	(1.5)	0.4	-	-	-
TOTAL ALLOWED REVENUE	NOMINAL	1,927.3	1,898.0	1,935.3	1,949.6	1,952.5	1,959.5
COLLECTABLE REVENUE							
COLLECTABLE REVENUE FORECAST	NOMINAL	1,920.3	1,905.9	1,935.3	1,949.6	1,952.5	1,959.5
IN YEAR OVER/(UNDER) COLLECTION	NOMINAL	(7.0)	7.9	-	-	-	-
FORECAST PRICE CHANGE		(0.5%)	(1.3%)	1.6%	0.5%	0.4%	0.4%

Forecast Revenue Scenarios



- Chart shows the March MOD186 revenues and compared to a potential CMA scenario assuming an increase in cost of equity and totex allowances (including adjustment for the outperformance wedge)
- There is no change for FY21/22, and so the second year of RIIO-2, FY22/23 sees an additional increase in revenue due to a carryover of retrospective increase in 21/22 allowed revenues.

Next Steps

The June 2021 MOD0186 will include updates for:

- Final collected revenue values for 2020/21
- NTS cost update following the release of National Grid's Exit prices effective from October 2021
- Usual updates for Gas prices and inflation
- June/Sept: Revised MOD0186 format for RIIO-GD2

Appendix

East of England Allowed Revenue

Year	PRICE BASE	East Of England					
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
BASE REVENUE							
BASE REVENUE	2018/19	651.5	590.5	576.7	598.9	589.1	578.4
OTHER REVENUE INCENTIVES & ALLOWANCES	2018/19	(44.6)	5.5	4.6	4.6	4.6	4.6
TOTAL CALCULATED BASE REVENUE	2018/19	606.9	596.0	581.3	603.5	593.7	583.0
INFLATION TRUE UP	NOMINAL	30.3	29.8	38.8	51.8	63.4	75.1
TOTAL CALCULATED BASE REVENUE	NOMINAL	637.2	625.9	620.1	655.3	657.1	658.2
PASS THROUGH LEGACY ADJUSTMENT	NOMINAL	21.6	2.1	(6.9)	-	-	-
LEGACY MODt	NOMINAL	(17.7)	19.4	24.5	-	-	-
OTHER LEGACY ADJUSTMENT	NOMINAL	-	(7.2)	10.8	(0.0)	0.0	0.0
TOTAL LEGACY ADJUSTMENTS	NOMINAL	3.9	14.2	28.3	(0.0)	0.0	0.0
Kt (INC. LEGACY Kt) CORRECTON FACTOR	NOMINAL	(3.4)	0.4	(3.5)	-	-	-
TOTAL ALLOWED REVENUE	NOMINAL	637.7	640.5	645.0	655.3	657.1	658.2
COLLECTABLE REVENUE							
COLLECTABLE REVENUE FORECAST	NOMINAL	635.8	646.1	645.0	655.3	657.1	658.2
IN YEAR OVER/(UNDER) COLLECTION	NOMINAL	(1.9)	5.6	(0.0)	-	-	-
FORECAST PRICE CHANGE			0.7%	(0.2%)	1.6%	0.3%	0.2%

London Allowed Revenue

		London					
Year	PRICE BASE	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
BASE REVENUE							
BASE REVENUE	2018/19	455.9	428.6	425.5	440.9	433.0	427.1
OTHER REVENUE INCENTIVES & ALLOWANCES	2018/19	(41.9)	3.2	2.6	2.6	2.6	2.6
TOTAL CALCULATED BASE REVENUE	2018/19	414.0	431.8	428.1	443.5	435.6	429.7
INFLATION TRUE UP	NOMINAL	20.7	21.6	28.6	38.1	46.5	55.4
TOTAL CALCULATED BASE REVENUE	NOMINAL	434.7	453.4	456.7	481.5	482.2	485.1
PASS THROUGH LEGACY ADJUSTMENT	NOMINAL	11.7	7.1	16.9	-	-	-
LEGACY MODt	NOMINAL	17.0	10.4	15.0	-	-	-
OTHER LEGACY ADJUSTMENT	NOMINAL	-	(3.4)	2.2	0.0	(0.0)	(0.0)
TOTAL LEGACY ADJUSTMENTS	NOMINAL	28.7	14.1	34.1	0.0	(0.0)	(0.0)
Kt (INC. LEGACY Kt) CORRECTON FACTOR	NOMINAL	(2.4)	(1.2)	(1.2)	-	-	-
TOTAL ALLOWED REVENUE	NOMINAL	461.0	466.3	489.6	481.5	482.2	485.1
COLLECTABLE REVENUE							
COLLECTABLE REVENUE FORECAST	NOMINAL	460.1	468.4	489.6	481.5	482.2	485.1
IN YEAR OVER/(UNDER) COLLECTION	NOMINAL	(0.9)	2.2	(0.0)	-	-	-
FORECAST PRICE CHANGE			5.7%	4.5%	(1.6%)	0.1%	0.6%

North West Allowed Revenue

		North West					
Year	PRICE BASE	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
BASE REVENUE							
BASE REVENUE	2018/19	473.5	412.2	406.2	421.2	413.6	404.7
OTHER REVENUE INCENTIVES & ALLOWANCES	2018/19	(37.8)	3.7	3.1	3.1	3.1	3.1
TOTAL CALCULATED BASE REVENUE	2018/19	435.7	415.9	409.2	424.3	416.7	407.8
INFLATION TRUE UP	NOMINAL	21.8	20.8	27.3	36.4	44.5	52.6
TOTAL CALCULATED BASE REVENUE	NOMINAL	457.4	436.7	436.6	460.7	461.2	460.4
PASS THROUGH LEGACY ADJUSTMENT	NOMINAL	13.3	9.9	10.4	-	-	-
LEGACY MODt	NOMINAL	7.1	7.4	10.6	-	-	-
OTHER LEGACY ADJUSTMENT	NOMINAL	-	(2.7)	(6.2)	(0.0)	0.0	0.0
TOTAL LEGACY ADJUSTMENTS	NOMINAL	20.4	14.6	14.8	(0.0)	0.0	0.0
Kt (INC. LEGACY Kt) CORRECTON FACTOR	NOMINAL	(1.2)	1.6	3.3	-	-	-
TOTAL ALLOWED REVENUE	NOMINAL	476.7	452.9	454.7	460.7	461.2	460.4
COLLECTABLE REVENUE							
COLLECTABLE REVENUE FORECAST	NOMINAL	473.8	453.2	454.7	460.7	461.2	460.4
IN YEAR OVER/(UNDER) COLLECTION	NOMINAL	(2.9)	0.2	(0.0)	-	-	-
FORECAST PRICE CHANGE			(7.0%)	0.3%	1.3%	0.1%	(0.2%)

West Midlands Allowed Revenue

		West Midlands					
Year	PRICE BASE	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
BASE REVENUE							
BASE REVENUE	2018/19	354.5	318.0	312.0	322.0	315.8	313.0
OTHER REVENUE INCENTIVES & ALLOWANCES	2018/19	(30.3)	2.7	2.2	2.2	2.2	2.2
TOTAL CALCULATED BASE REVENUE	2018/19	324.2	320.7	314.3	324.3	318.0	315.2
INFLATION TRUE UP	NOMINAL	16.2	16.0	21.0	27.8	34.0	40.6
TOTAL CALCULATED BASE REVENUE	NOMINAL	340.4	336.8	335.3	352.1	352.0	355.8
PASS THROUGH LEGACY ADJUSTMENT	NOMINAL	7.7	5.6	5.9	-	-	-
LEGACY MODt	NOMINAL	5.3	0.9	4.6	-	-	-
OTHER LEGACY ADJUSTMENT	NOMINAL	-	(2.7)	(1.4)	0.0	(0.0)	(0.0)
TOTAL LEGACY ADJUSTMENTS	NOMINAL	13.0	3.8	9.0	0.0	(0.0)	(0.0)
Kt (INC. LEGACY Kt) CORRECTON FACTOR	NOMINAL	(1.5)	(2.3)	1.7	-	-	-
TOTAL ALLOWED REVENUE	NOMINAL	351.9	338.2	346.0	352.1	352.0	355.8
COLLECTABLE REVENUE							
COLLECTABLE REVENUE FORECAST	NOMINAL	350.7	338.1	346.0	352.1	352.0	355.8
IN YEAR OVER/(UNDER) COLLECTION	NOMINAL	(1.3)	(0.1)	0.0	-	-	-
FORECAST PRICE CHANGE			(5.9%)	2.3%	1.8%	(0.0%)	1.1%