



**September 2021 MOD0186**

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Your Gas Network

# Key Updates for September 2021 MOD0186

The September MOD0186 provides an updated forecast of the Allowed Revenue for RIIO-GD2.

This forecast largely aligns with our recent forecast submitted to Ofgem as part of the allowed revenue setting process. This process will be completed by the end of November 2021. Points to note include:

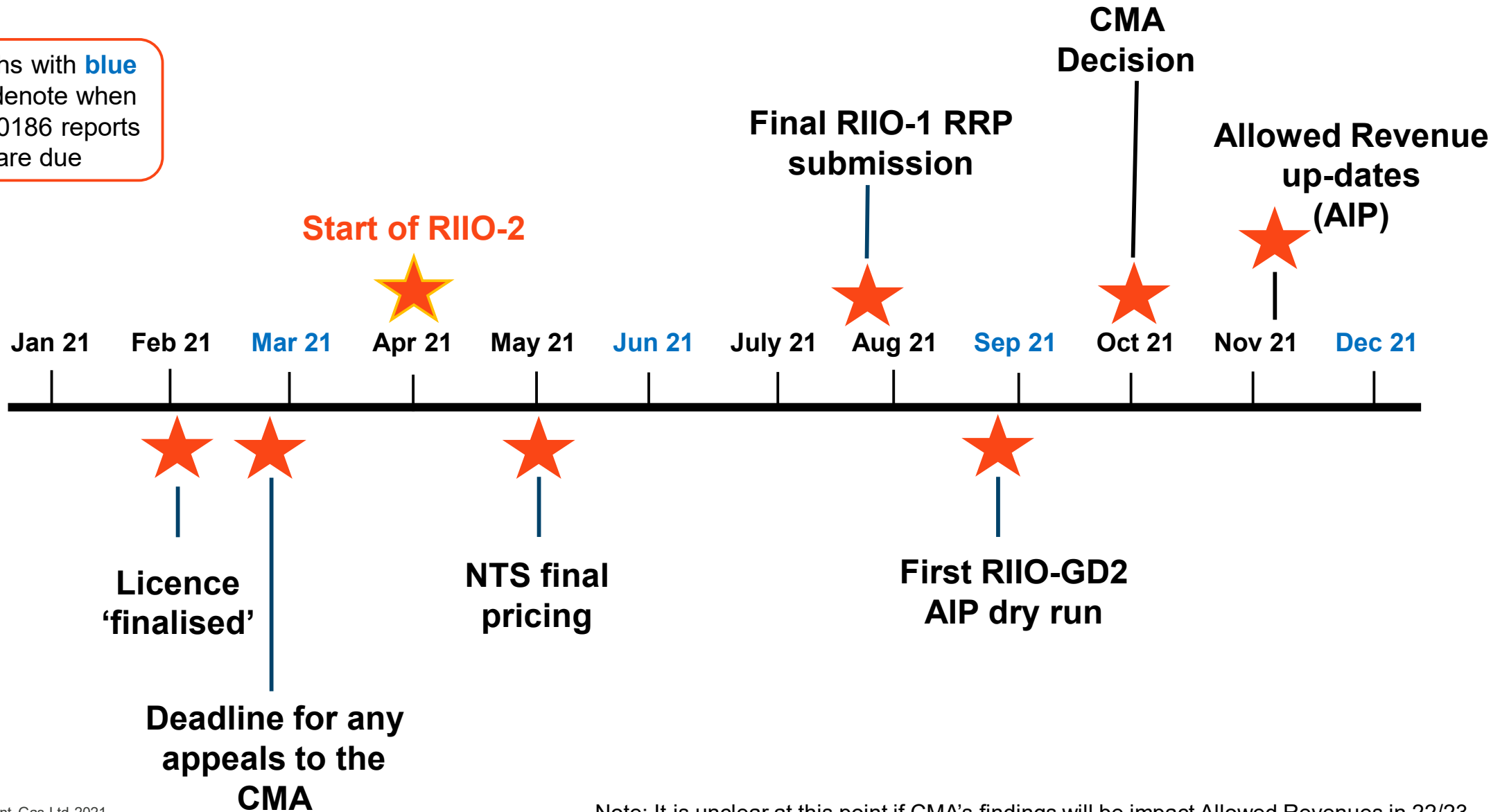
- The revenue forecast does not take into account the CMA's provisional findings. Further up-dates to be provided once the CMA's conclusions are finalised and the methodology for implementing the changes is agreed,
- CPIH Inflation has increased significantly over the last few months with some significant discrepancy in analyst projections on future growth. We have used March 2021 OBR forecasts in this presentation in line with Ofgem methodology.
- Gas prices increasing continue to impact "shrinkage and leakage" costs
- Further work is required to finalise analysis of the tax trigger (Change in Capital Allowances) event which impacts tax allowances

Other key updates from June's MOD0186 iteration include:

- Updates to Totex and Allowance forecast for Volume Drivers and selected re-openers (not Net Zero)
- Updated Pass through cost forecasts and Incentive performance
- RIIO-GD1 Year 8 actuals confirmed which have impact on lagged adjustments into RIIO-2

# Timeline for the calendar year 2021

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



# Summary Position

Collectable Revenue Trace	2021/22	2022/23	2023/24	2024/25	2025/26
<b>June Collectable Revenue</b>	<b>1,906.5</b>	<b>2,011.1</b>	<b>1,996.0</b>	<b>1,992.1</b>	<b>2,011.0</b>
Inflation		17.4	21.1	21.8	22.6
NTS Pricing		(4.8)	4.3	5.0	4.2
Shrinkage & Leakage		11.3	4.7	4.8	4.8
Totex & Base Revenue		8.6	8.5	8.9	11.4
'K' Correction Factor, Legacy, & Adjustment Term		(18.6)	-	-	-
Various other small changes	-	(1.1)	(1.5)	(1.9)	(2.4)
<b>September Collectable Revenue</b>	<b>1,906.5</b>	<b>2,023.9</b>	<b>2,033.0</b>	<b>2,030.7</b>	<b>2,051.7</b>
<i>Movement</i>	<i>0.0%</i>	<i>0.6%</i>	<i>1.9%</i>	<i>1.9%</i>	<i>2.0%</i>

- Inflation spot rates have been updated for actual information up to July 2021.
- Forecast data has been updated to reflect March '21 OBR rates

	<u>SEPT.</u> <u>MOD0186</u>	<u>JUNE</u> <u>MOD0186</u>
July '21 Price Index rate	302.66	300.91

# Cadent Allowed Revenue

CADENT GAS LTD - CADENT COMBINED NETWORKS				SEPT-21 MOD0186				
	DESCRIPTION	LICENCE TERM	PRICE BASE	2021/22	2022/23	2023/24	2024/25	2025/26
9	BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	1,755.3	1,748.0	1,812.2	1,775.4	1,758.9
10	TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	1.5	1.8	2.1	2.4	2.5
11	BUSINESS PLAN INCENTIVE	BPIIt	18/19	0.1	0.1	0.1	0.1	0.1
12	OTHER REVENUE ALLOWANCES	ORAIt	18/19	14.8	12.7	12.9	12.4	11.8
13	OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBIt/DRSt	18/19	-	-	-	-	-
14	<b>TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)</b>	<b>Rt</b>	<b>18/19</b>	<b>1,771.7</b>	<b>1,762.6</b>	<b>1,827.3</b>	<b>1,790.3</b>	<b>1,773.3</b>
15	FORECAST INFLATION FACTOR; CPIH	<i>PIt / PI2018/19</i>		1.0720	1.0918	1.1126	1.1343	1.1570
16	INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	127.5	161.9	205.7	240.4	278.3
17	<b>TOTAL CALCULATED REVENUE NOMINAL</b>	<b>Rt</b>	<b>NOMINAL</b>	<b>1,899.2</b>	<b>1,924.4</b>	<b>2,033.0</b>	<b>2,030.7</b>	<b>2,051.7</b>
18	ADJUSTMENT TERM	ADJt	NOMINAL	-	14.9	-	-	-
19	CORRECTION TERM; K FACTOR	Kt	NOMINAL	7.3	2.9	-	-	-
20	LEGACY REVENUE	LARt	NOMINAL	37.2	81.6	-	-	-
21	<b>CURRENT ASSESSMENT OF ALLOWED REVENUE</b>	<b>ARt</b>	<b>NOMINAL</b>	<b>1,943.7</b>	<b>2,023.9</b>	<b>2,033.0</b>	<b>2,030.7</b>	<b>2,051.7</b>
22	<i>memo: Allowed Revenue (as published) used for Price setting</i>	<i>ARt</i>	<i>NOMINAL</i>	<i>1,906.7</i>	<i>1,924.2</i>	<i>1,862.5</i>	<i>1,865.8</i>	<i>1,878.9</i>
23	RECOVERED REVENUE (+ FORECAST)	RRt	NOMINAL	1,906.5	2,023.9	2,033.0	2,030.7	2,051.7
24	UNDER / OVER RECOVERY CARRIED FORWARDS	ARt - RRt	NOMINAL	(0.1)	-	-	-	-

# Next Steps

The December 2021 MOD0186 will include updates for:

- Updates following November Annual Iteration Process
- Usual updates for Gas prices and inflation
- Updated collected revenue values for 2021/22
- Potentially updates following the CMA findings – to be confirmed based on timing of implementing changes.

# Appendix: Network Level Analysis

# Network view; East of England

CADENT GAS LTD - EAST OF ENGLAND NETWORK				SEPT-21 MOD0186				
	DESCRIPTION	LICENCE TERM	PRICE BASE	2021/22	2022/23	2023/24	2024/25	2025/26
9	BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	594.8	589.2	613.3	601.4	596.1
10	TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	0.3	0.6	0.9	1.2	1.4
11	BUSINESS PLAN INCENTIVE	BPIt	18/19	0.0	0.0	0.0	0.0	0.0
12	OTHER REVENUE ALLOWANCES	ORAIt	18/19	5.4	4.7	4.8	4.6	4.4
13	OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBItDRSt	18/19	-	-	-	-	-
14	<b>TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)</b>	<b>Rt</b>	<b>18/19</b>	<b>600.5</b>	<b>594.5</b>	<b>619.0</b>	<b>607.3</b>	<b>601.8</b>
15	FORECAST INFLATION FACTOR; CPIH	<i>PIt / PI2018/19</i>		1.0720	1.0918	1.1126	1.1343	1.1570
16	INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	43.2	54.6	69.7	81.6	94.5
17	<b>TOTAL CALCULATED REVENUE NOMINAL</b>	<b>Rt</b>	<b>NOMINAL</b>	<b>643.8</b>	<b>649.1</b>	<b>688.7</b>	<b>688.8</b>	<b>696.3</b>
18	ADJUSTMENT TERM	ADJt	NOMINAL	-	3.0	-	-	-
19	CORRECTION TERM; K FACTOR	Kt	NOMINAL	2.2	0.1	-	-	-
20	LEGACY REVENUE	LARt	NOMINAL	12.3	29.2	-	-	-
21	<b>CURRENT ASSESSMENT OF ALLOWED REVENUE</b>	<b>ARt</b>	<b>NOMINAL</b>	<b>658.2</b>	<b>681.5</b>	<b>688.7</b>	<b>688.8</b>	<b>696.3</b>
22	<i>memo: Allowed Revenue (as published) used for Price setting</i>	<i>ARI</i>	<i>NOMINAL</i>	<i>646.4</i>	<i>656.1</i>	<i>628.6</i>	<i>628.9</i>	<i>634.2</i>
23	RECOVERED REVENUE (+ FORECAST)	RRt	NOMINAL	646.6	681.5	688.7	688.8	696.3
24	UNDER / OVER RECOVERY CARRIED FORWARDS	ARt - RRt	NOMINAL	0.2	-	-	-	-



# Network view; London

CADENT GAS LTD - LONDON NETWORK			SEPT-21 MOD0186					
	DESCRIPTION	LICENCE TERM	PRICE BASE	2021/22	2022/23	2023/24	2024/25	2025/26
9	BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	428.8	428.6	445.2	437.1	433.1
10	TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	1.0	1.0	1.0	1.0	1.0
11	BUSINESS PLAN INCENTIVE	BPIt	18/19	0.0	0.0	0.0	0.0	0.0
12	OTHER REVENUE ALLOWANCES	ORAt	18/19	3.1	2.6	2.6	2.5	2.4
13	OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUB/DRSt	18/19	-	-	-	-	-
14	<b>TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)</b>	<b>Rt</b>	<b>18/19</b>	<b>432.9</b>	<b>432.2</b>	<b>448.9</b>	<b>440.7</b>	<b>436.5</b>
15	FORECAST INFLATION FACTOR; CPIH	<i>PII / P12018/19</i>		1.0720	1.0918	1.1126	1.1343	1.1570
16	INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	31.2	39.7	50.5	59.2	68.5
17	<b>TOTAL CALCULATED REVENUE NOMINAL</b>	<b>Rt</b>	<b>NOMINAL</b>	<b>464.0</b>	<b>471.9</b>	<b>499.4</b>	<b>499.8</b>	<b>505.1</b>
18	ADJUSTMENT TERM	ADJt	NOMINAL	-	5.3	-	-	-
19	CORRECTION TERM; K FACTOR	Kt	NOMINAL	1.4	(1.3)	-	-	-
20	LEGACY REVENUE	LARt	NOMINAL	11.2	29.4	-	-	-
21	<b>CURRENT ASSESSMENT OF ALLOWED REVENUE</b>	<b>ARt</b>	<b>NOMINAL</b>	<b>476.5</b>	<b>505.3</b>	<b>499.4</b>	<b>499.8</b>	<b>505.1</b>
22	<i>memo: Allowed Revenue (as published) used for Price setting</i>	<i>ARI</i>	<i>NOMINAL</i>	<i>468.5</i>	<i>485.7</i>	<i>458.7</i>	<i>457.5</i>	<i>468.8</i>
23	RECOVERED REVENUE (+ FORECAST)	RRt	NOMINAL	468.7	505.3	499.4	499.8	505.1
24	UNDER / OVER RECOVERY CARRIED FORWARDS	ARt - RRt	NOMINAL	0.2	-	-	-	-

# Network view; North West

## CADENT GAS LTD - NORTH WEST NETWORK

SEPT-21 MOD0186

	DESCRIPTION	LICENCE TERM	PRICE BASE	2021/22	2022/23	2023/24	2024/25	2025/26
9	BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	412.9	413.3	427.6	418.7	412.6
10	TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	0.1	0.1	0.1	0.1	0.1
11	BUSINESS PLAN INCENTIVE	BPIt	18/19	0.0	0.0	0.0	0.0	0.0
12	OTHER REVENUE ALLOWANCES	ORAt	18/19	3.6	3.1	3.2	3.1	2.9
13	OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBt/DRSt	18/19	-	-	-	-	-
14	<b>TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)</b>	<b>Rt</b>	<b>18/19</b>	<b>416.7</b>	<b>416.6</b>	<b>430.9</b>	<b>421.8</b>	<b>415.6</b>
15	FORECAST INFLATION FACTOR; CPIH	Pit / PI2018/19		1.0720	1.0918	1.1126	1.1343	1.1570
16	INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	30.0	38.3	48.5	56.6	65.2
17	<b>TOTAL CALCULATED REVENUE NOMINAL</b>	<b>Rt</b>	<b>NOMINAL</b>	<b>446.7</b>	<b>454.9</b>	<b>479.4</b>	<b>478.5</b>	<b>480.9</b>
18	ADJUSTMENT TERM	ADJt	NOMINAL	-	3.3	-	-	-
19	CORRECTION TERM; K FACTOR	Kt	NOMINAL	2.4	2.6	-	-	-
20	LEGACY REVENUE	LARt	NOMINAL	13.7	17.0	-	-	-
21	<b>CURRENT ASSESSMENT OF ALLOWED REVENUE</b>	<b>ARt</b>	<b>NOMINAL</b>	<b>462.8</b>	<b>477.7</b>	<b>479.4</b>	<b>478.5</b>	<b>480.9</b>
22	<i>memo; Allowed Revenue (as published) used for Price setting</i>	ARt	NOMINAL	453.4	450.3	440.1	439.4	441.0
23	RECOVERED REVENUE (+ FORECAST)	RRt	NOMINAL	453.0	477.7	479.4	478.5	480.9
24	UNDER / OVER RECOVERY CARRIED FORWARDS	ARt - RRt	NOMINAL	(0.5)	-	-	-	-

# Network view; West Midlands

## CADENT GAS LTD - WEST MIDLANDS NETWORK

## SEPT-21 MOD0186

	DESCRIPTION	LICENCE TERM	PRICE BASE	2021/22	2022/23	2023/24	2024/25	2025/26
9	BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	318.8	316.8	326.1	318.2	317.1
10	TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	0.1	0.1	0.1	0.1	0.1
11	BUSINESS PLAN INCENTIVE	BPIt	18/19	0.0	0.0	0.0	0.0	0.0
12	OTHER REVENUE ALLOWANCES	ORAt	18/19	2.7	2.3	2.3	2.2	2.1
13	OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBt/DRSt	18/19	-	-	-	-	-
14	<b>TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)</b>	<b>Rt</b>	<b>18/19</b>	<b>321.6</b>	<b>319.2</b>	<b>328.6</b>	<b>320.5</b>	<b>319.3</b>
15	FORECAST INFLATION FACTOR; CPIH	<i>PIt / PI2018/19</i>		1.0720	1.0918	1.1126	1.1343	1.1570
16	INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	23.1	29.3	37.0	43.0	50.1
17	<b>TOTAL CALCULATED REVENUE NOMINAL</b>	<b>Rt</b>	<b>NOMINAL</b>	<b>344.7</b>	<b>348.6</b>	<b>365.5</b>	<b>363.6</b>	<b>369.5</b>
18	ADJUSTMENT TERM	ADJt	NOMINAL	-	3.4	-	-	-
19	CORRECTION TERM; K FACTOR	Kt	NOMINAL	1.3	1.5	-	-	-
20	LEGACY REVENUE	LARt	NOMINAL	0.1	6.0	-	-	-
21	<b>CURRENT ASSESSMENT OF ALLOWED REVENUE</b>	<b>ARt</b>	<b>NOMINAL</b>	<b>346.1</b>	<b>359.4</b>	<b>365.5</b>	<b>363.6</b>	<b>369.5</b>
22	<i>memo; Allowed Revenue (as published) used for Price setting</i>	<i>ARt</i>	<i>NOMINAL</i>	<i>338.3</i>	<i>342.1</i>	<i>336.5</i>	<i>338.0</i>	<i>340.9</i>
23	RECOVERED REVENUE (+ FORECAST)	RRt	NOMINAL	338.3	359.4	365.5	363.6	369.5
24	UNDER / OVER RECOVERY CARRIED FORWARDS	ARt - RRt	NOMINAL	(0.0)	-	-	-	-