

# NGN Mod186 Pricing Statement

Movement from March to June 2022

**we are  
the network**

## Summary of updates March to June 2022 – largest movements:

- **Inflation:**
  - Includes actual CPIH data up to April 2022 and March 22 OBR forecast data for future years.
  - This sees a 4% increase in inflation for 22/23 to 7.6%. As prices have already been set for 22/23 the additional revenue for this rolls into 23/24 combined with the underlying higher revenue for 23/24.
  - This results in +£35m additional revenue in 23/24 and c.+£20m in future years.
- **Shrinkage:**
  - We have included a new forecast based on gas prices as at 27.05.2022.
  - This shows 22/23 @ £1.96 per therm, 23/24 @ £1.78, 24/25 @ £1.38 and 25/26 @ £1.04 .
  - Revenue allowances have increased by +£7.4m in 23/24, +£6.8m in 24/25 and +£3.8m in 25/26.
- **NTS Prices:**
  - We have included a new forecast based on NTS prices published on 27.05.22.
  - Prices have reduced compared with the indicative view and as such our allowances have reduced by £5.6m in 22/23 and £3.5m in 23/24 which will be collectively adjusted for in 23/24 revenues.

## Other things to consider:

- **IGT Income on SOLR :** GDN's will be putting through a mid year price change reduction on SOLR to reflect the additional income now being collected by IGT's. A formal direction from Ofgem will be published w/c 13.06.22
- **21/22 RRP processes :** these are currently being finalised and all impacts on revenue will be included in the September Mod186 update.

**Mod186 - March to June**

21/22

22/23

23/24

24/25

25/26

GD2

		21/22	22/23	23/24	24/25	25/26	GD2
Mod186 : March	Calculated revenue	430.7	566.2				
	AIP adjustment term	-	23.3				
	<b>Adjusted revenue</b>	<b>430.7</b>	<b>589.6</b>	<b>518.0</b>	<b>498.7</b>	<b>509.5</b>	<b>2,546</b>
	Legacy Allowed Revenue	(13.8)	10.8	-	-	-	
	K Correction Factor	0.2	(3.6)	-	-	-	
	<b>Allowed Revenue</b>	<b>417.2</b>	<b>596.8</b>	<b>518.0</b>	<b>498.7</b>	<b>509.5</b>	<b>2,540</b>
	Recovered Revenue	421.4	596.8	518.0	498.7	509.5	
	Inflation %	4.1%	3.6%	2.4%	2.1%	2.0%	
	SOQ % Change	1.4%	(0.1)%	-	-	-	
LDZ Price Change	(13.7)%	15.4%	(0.4)%	2.6%	2.1%		
Mod186 : Latest Position	Calculated revenue	430.7	566.2	540.1			
	AIP adjustment term	-	23.3	5.6			
	<b>Adjusted revenue</b>	<b>430.7</b>	<b>589.6</b>	<b>545.7</b>	<b>524.8</b>	<b>530.5</b>	<b>2,621</b>
	Legacy Allowed Revenue	(13.8)	10.8	-	-	-	
	K Correction Factor	0.2	(3.6)	(2.7)	-	-	
	<b>Allowed Revenue</b>	<b>417.2</b>	<b>596.8</b>	<b>543.0</b>	<b>524.8</b>	<b>530.5</b>	<b>2,612</b>
	Recovered Revenue	421.2	599.4	543.0	524.8	530.5	
	Inflation %	4.5%	7.6%	3.3%	1.7%	1.9%	
	SOQ % Change	1.4%	(0.1)%	-	-	-	
LDZ Price Change	(13.7)%	15.4%	7.1%	0.2%	1.3%		
Difference	Calculated revenue	-	-				
	AIP adjustment term	-	-				
	<b>Adjusted revenue</b>	<b>-</b>	<b>-</b>	<b>27.7</b>	<b>26.1</b>	<b>21.0</b>	<b>75</b>
	Legacy Allowed Revenue	-	-	-	-	-	
	K Correction Factor	-	-	(2.7)	-	-	
	<b>Allowed Revenue</b>	<b>-</b>	<b>-</b>	<b>25.0</b>	<b>26.1</b>	<b>21.0</b>	<b>72.2</b>
	<b>Recovered Revenue</b>	<b>(0.2)</b>	<b>2.6</b>	<b>25.0</b>	<b>26.1</b>	<b>21.0</b>	
	Inflation %	0.4%	4.1%	0.9%	(0.4)%	(0.1)%	
	SOQ % Change	-	-	-	-	-	
LDZ Price Change	-	-	7.4%	(2.4)%	(0.8)%		

## Movements from March to June 2022

Detailed Movements	23/24 Breakdown			24/25	25/26	GD2
	Prior yr impact	Reforecast 23/24	Total	Reforecast	Reforecast	
Inflation	14.7	20.2	35.0	20.4	20.0	<b>75.4</b>
Shrinkage	(1.9)	9.3	7.4	6.8	3.8	<b>18.0</b>
SOLR estimate		(2.7)	(2.7)			<b>(2.7)</b>
22/23 over collection		(2.7)	(2.7)			<b>(2.7)</b>
Rates	(1.7)	(1.3)	(3.0)	(1.5)	(1.5)	<b>(6.0)</b>
Exit (NTS prices)	(5.6)	(3.5)	(9.0)	0.4	(1.2)	<b>(9.9)</b>
<b>Total movement</b>	<b>5.6</b>	<b>19.4</b>	<b>25.0</b>	<b>26.1</b>	<b>21.0</b>	<b>72.2</b>

## Pipeline of re-opener applications

Activity	Trigger of application	Indicative expenditure increase (£ nominal)
Specified street works	Change in local authority approach. Material increase in costs to comply with new instructions	£5.1m per annum
HSE policy	Material increase in costs will occur to comply with working time directive for at minimum emergency staff	£10.4m per annum, except for 2021/22 reg year

## Forecast revenue impact of re-opener applications

Estimated revenue impact	23/24	24/25	25/26
Specified Streetworks Costs	2.0	1.1	1.3
HSE policy	0.7	1.1	1.6
<b>Total</b>	<b>2.6</b>	<b>2.2</b>	<b>2.9</b>