

NGN Mod186 Pricing Statement

Movement from September 2019

**we are
the network**

Supporting Notes



- We have now included all GD2 years in the Mod186 statement. This is as per our December 2019 Business Plan Bid Proposal submission (Appendix A33). For presentation purposes we have discounted the plan numbers submitted in 18/19 prices back to 09/10 prices for Mod186 methodology and comparison to GD1.
- All supporting data for our business plan submission is now available on the NGN website <https://www.northerngasnetworks.co.uk/document-library/>
- Customer bill data included within our business plan submission includes the effects of Exit Capacity charges to highlight the total customer bill within the NGN network (note the Mod186 statement per current methodology always excludes Exit)
- November RPI data which is normally used to set prices for the following regulatory year is not available for this submission due to the General Election. Ofgem have agreed that RPI data published on Wednesday 18th December will be used for 20/21 prices. This will be updated for our 60 day statement.
- Note in GD2 years base revenues are inflated using CPI which is c.1% lower than RPI data.
- Finalised “Modt” data for 20/21 has been included as per the Ofgem November 2019 Annual Iteration Process. There was minimal movement (£0.2m) between our internal forecast and the final Ofgem calculations.
- Our SOQ assumption for 20/21 has been updated to reflect the latest data available. We are continuing to review this, along with updates on AQ defects, and will adjust accordingly for our 60 day notice.
- We await a decision from Ofgem on Mod687 – Creation of new charge to recover Last Resort Supply Payments. A claim for Together Energy £235k has been included within Allowed Revenue 20/21 data – until we receive confirmation from Ofgem the method of collecting this income is as per the current basis.

ALLOWED REVENUE	19/20	20/21	21/22	22/23	23/24	24/25	25/26
SEPTEMBER	437.0	441.6	441.6	441.6	441.6		
Adjustments to Base Revenue via "MOD" (9/10 prices)							
Cost of debt % September	1.59%	1.10%					
Cost of debt % December	1.59%	1.09%					
Cost of debt £ movement		(0.2)					
"MOD" Adjustment		(0.2)					
Change in Inflation %							
September (Based on HM Treasury Aug report)	2.7%	2.9%					
December (Based on HM Treasury Aug report)	2.7%	2.9%					
£ impact on change in inflation (including changes in "Mod" above)		(0.1)					
Total base revenue changes		(0.3)					
SOLR		0.2					
K factor		(0.0)					
DECEMBER	437.0	441.6	419.7	444.2	453.6	465.3	478.9
Difference		(0.1)	(21.9)	2.6	12.0		

Memo:							
In year (under)/over collection		12.5					
SOQ Assumption SEPTEMBER		(2.0%)					
SOQ Assumption DECEMBER		(1.6%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)
SOQ Assumption	Difference		0.4%				
LDZ Price Change	September	7.7%	1.4%				
LDZ Price Change	December	7.7%	1.0%	(8.2%)	7.5%	2.7%	5.1%
LDZ PRICE CHANGE %	Difference		(0.5%)				
Exit Capacity Price Change	September	12.1%	(55.8%)				
Exit Capacity Price Change	December	12.1%	(56.1%)	648.9%	14.5%	21.4%	2.2%
LDZ PRICE CHANGE %	Difference		(0.2%)				

GD2 data reflects our December 2019 business plan bid submission per Appendix A33, with 2 year lagged entries for GD1 included aswell. Final GD2 data published by Ofgem won't be available until c. Q4 2020