



September 2023 MOD0186

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Key Updates for Cadent's September 2023 MOD0186

Key updates since June MOD0186 include;

- Updated 2022/23 actual cost and performance information to align to Regulatory Reporting Packs submitted to Ofgem
- Updated forecast (23/24 onward) cost to align with Regulatory Reporting to Ofgem

Further details from our Regulatory Reporting can be found here: [Strategic Performance Overview 2023 \(cadentgas.com\)](https://www.cadentgas.com/strategic-performance-overview-2023)

The revenue forecast provided on the subsequent slide looks forward to the year ending March 2025.

We would expect the consultation process relative to the next price control to commence at the back end of this financial year.

Movement in forecast Allowed Revenue for the year 24/25

Overview

- There have not been significant movements in inflation since the last MOD186 review, however, following the government's Autumn statement we may expect a revision in the Office of Budget Responsibilities assessment of forecast inflation. This will be incorporated in future MOD186 reports.
- The largest item impacting revenue change this quarter is the up-date for latest RRP information which impacts the true up for shrinkage costs relative to previous forecasts.
- We have not up-dated unit costs to reflect changes in demand, pending the latest XoServe data set on this expected in December.

CADENT	LDZ	ECN	SoLR	TOTAL
MOD0186 - June '23	1,996.5	110.3	-	2,106.8
Base Revenue Adjustment	5.1	-	-	5.1
Adjustment in relation to current year	(41.1)	-	-	(41.1)
Other smaller changes	1.6	(1.6)	-	(0.0)
MOD0186 - Sept '23	1,962.1	108.7	-	2,070.8
Movement	(1.7%)	(1.5%)	-	(1.7%)

Next Steps

- We will release our Indicative charges in November 2023
- Subsequent to this, the December MOD0186 report be updated based on the latest revenue model provided by Ofgem known as the “PCFM” following the Annual revenue setting process.
- We would expect this to align closely to final charges and include up-dates for inflation, latest shrinkage cost estimates (if forecasts change), any changes in the cost of capital and allowances that index with macro-economic data.

Appendix

DESCRIPTION	LICENCE TERM	PRICE BASE	2021/22	2022/23	2023/24	2024/25	2025/26
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TABLE 1: ALLOWED REVENUE & ARITHMETICAL PRICE CHANGE

ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	646.1	921.5	811.9	716.4	788.2
TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)		%	(3.2)%	(1.2)%	6.2%	(5.8)%	5.2%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE		%	161.5%	61.4%	(42.5)%	(23.2)%	87.4%
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE		%	1.3%	42.6%	(11.9)%	(11.8)%	10.0%

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	594.7	747.8	649.2	597.3	610.6
TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	-	0.6	2.5	3.1	3.2
BUSINESS PLAN INCENTIVE	BPIt	18/19	0.0	0.2	0.2	0.2	0.2
OTHER REVENUE ALLOWANCES	ORAt	18/19	5.5	4.7	5.2	14.4	14.5
OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBt/DRSt	18/19	-	-	-	-	-
TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)	Rt	18/19	600.2	753.4	657.2	615.0	628.6

FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	<i>Pit / PI2018/19</i>		1.053	1.119	1.241	1.252	1.255
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	31.5	89.6	158.5	154.9	160.3
TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)	Rt	NOMINAL	631.8	842.9	815.7	769.9	788.8

ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	(0.5)	48.4	(5.9)	(55.0)	-
CORRECTION TERM; K FACTOR	Kt	NOMINAL	2.3	(0.1)	2.6	-	-
LEGACY REVENUE	LARt	NOMINAL	12.5	30.3	(0.5)	1.5	(0.6)
ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	646.1	921.5	811.9	716.4	788.2
<i>memo; Current assessment Allowed Revenue</i>	<i>ARt</i>	<i>NOMINAL</i>	<i>677.0</i>	<i>914.9</i>	<i>811.9</i>	<i>716.4</i>	<i>788.2</i>

DESCRIPTION	LICENCE TERM	PRICE BASE	2021/22	2022/23	2023/24	2024/25	2025/26
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TABLE 1: ALLOWED REVENUE & ARITHMETICAL PRICE CHANGE

ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	468.4	651.1	514.5	509.3	546.6
TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)		%	4.0%	5.6%	(10.6)%	5.0%	3.7%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE		%	78.7%	47.9%	(41.6)%	(19.9)%	86.9%
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE		%	1.6%	39.0%	(21.0)%	(1.0)%	7.3%

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	428.8	522.0	449.0	423.3	430.8
TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	-	1.0	1.7	2.4	2.8
BUSINESS PLAN INCENTIVE	BPIt	18/19	0.0	(0.0)	(0.0)	(0.0)	(0.0)
OTHER REVENUE ALLOWANCES	ORAt	18/19	3.2	2.6	2.9	8.1	8.2
OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBt/DRSt	18/19	-	-	-	-	-
TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)	Rt	18/19	432.0	525.6	453.6	433.8	441.8

FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	Pit / PI2018/19		1.0525	1.1189	1.2412	1.2518	1.2549
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	22.7	62.5	109.4	109.2	112.6
TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)	Rt	NOMINAL	454.6	588.0	563.0	543.0	554.4

ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	0.8	35.1	(44.7)	(28.8)	-
CORRECTION TERM; K FACTOR	Kt	NOMINAL	1.7	(2.3)	3.2	-	-
LEGACY REVENUE	LARt	NOMINAL	11.3	30.3	(7.1)	(4.9)	(7.9)
ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	468.4	651.1	514.5	509.3	546.6
<i>memo; Current assessment Allowed Revenue</i>	<i>ARt</i>	<i>NOMINAL</i>	<i>472.4</i>	<i>629.9</i>	<i>514.5</i>	<i>509.3</i>	<i>546.6</i>

RECOVERED REVENUE (+ FORECAST)	RRt	NOMINAL	468.4	651.1	514.5	509.3	546.6
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TABLE 1: ALLOWED REVENUE & ARITHMETICAL PRICE CHANGE

ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	453.2	640.5	589.0	477.5	536.5
TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)		%	(5.5)%	3.0%	7.4%	(13.9)%	7.8%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE		%	(4.1)%	22.5%	(28.2)%	(29.6)%	92.7%
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE		%	(4.9)%	41.3%	(8.0)%	(18.9)%	12.3%

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	414.0	521.0	458.8	407.8	416.1
TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	-	0.1	2.3	2.3	2.4
BUSINESS PLAN INCENTIVE	BPIt	18/19	0.0	(0.0)	(0.0)	(0.0)	(0.0)
OTHER REVENUE ALLOWANCES	ORAt	18/19	3.7	3.1	3.5	9.6	9.7
OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBt/DRSt	18/19	-	-	-	-	-
TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)	Rt	18/19	417.7	524.2	464.5	419.7	428.2

FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	<i>PIt / PI2018/19</i>		1.0525	1.1189	1.2412	1.2518	1.2549
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	21.9	62.3	112.0	105.7	109.2
TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)	Rt	NOMINAL	439.6	586.6	576.5	525.4	537.3

ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	(2.0)	33.9	1.2	(47.6)	-
CORRECTION TERM; K FACTOR	Kt	NOMINAL	1.7	2.6	11.8	-	-
LEGACY REVENUE	LARt	NOMINAL	13.9	17.5	(0.6)	(0.3)	(0.9)
ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	453.2	640.5	589.0	477.5	536.5
<i>memo; Current assessment Allowed Revenue</i>	<i>ARt</i>	<i>NOMINAL</i>	<i>478.4</i>	<i>645.8</i>	<i>589.0</i>	<i>477.5</i>	<i>536.5</i>

RECOVERED REVENUE (+ FORECAST)	RRt	NOMINAL	453.2	640.5	589.0	477.5	536.5
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TABLE 1: ALLOWED REVENUE & ARITHMETICAL PRICE CHANGE

ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	338.1	484.0	415.0	367.6	409.5
TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)		%	(7.0)%	3.8%	0.4%	(6.5)%	7.3%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE		%	30.0%	39.4%	(43.4)%	(14.3)%	87.8%
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE		%	(3.9)%	43.1%	(14.2)%	(11.4)%	11.4%

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	318.6	398.4	343.6	311.3	318.1
TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	-	0.1	1.1	1.8	1.8
BUSINESS PLAN INCENTIVE	BPit	18/19	0.0	(0.0)	(0.0)	(0.0)	(0.0)
OTHER REVENUE ALLOWANCES	ORAt	18/19	2.7	2.3	2.6	7.0	7.1
OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBt/DRSt	18/19	-	-	-	-	-
TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)	Rt	18/19	321.3	400.8	347.3	320.0	327.0

FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	<i>Pit / PI2018/19</i>		1.0525	1.1189	1.2412	1.2518	1.2549
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	16.9	47.6	83.8	80.6	83.4
TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)	Rt	NOMINAL	338.2	448.5	431.0	400.6	410.4

ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	(1.6)	28.5	(16.6)	(32.1)	-
CORRECTION TERM; K FACTOR	Kt	NOMINAL	1.4	0.9	1.4	-	-
LEGACY REVENUE	LARt	NOMINAL	0.1	6.1	(0.9)	(0.9)	(0.9)
ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	338.1	484.0	415.0	367.6	409.5
<i>memo; Current assessment Allowed Revenue</i>	<i>ARt</i>	<i>NOMINAL</i>	<i>351.4</i>	<i>476.3</i>	<i>415.0</i>	<i>367.6</i>	<i>409.5</i>

RECOVERED REVENUE (+ FORECAST)	RRt	NOMINAL	338.1	484.0	415.0	367.6	409.5
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