



June 2024 MOD0186

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Key Updates for Cadent's June 2024 MOD0186

Inflation

Updated inflation to reflect the latest March 24 OBR forecast.

Shrinkage

Updated shrinkage costs following a reduction in gas prices.

NTS Exit Capacity Costs

Updated NTS exit capacity pass through-costs following NTS pricing release in May 2024.

Movement in forecast Allowed Revenue

CADENT	2025/26		
	Adj from Prior Years	Rereforecast	Total
MOD0186 - Mar '24			2,363.9
Inflation true-up	(19.4)	(18.8)	(38.1)
Shrinkage	(16.5)	(9.1)	(25.6)
NTS Exit Capacity	(6.7)	10.6	3.9
Tax Allowances	1.9	(0.2)	1.7
Other	(2.9)	0.8	(2.1)
MOD0186 - Jun '24	(43.6)	(16.6)	2,303.7
Movement			(2.5%)

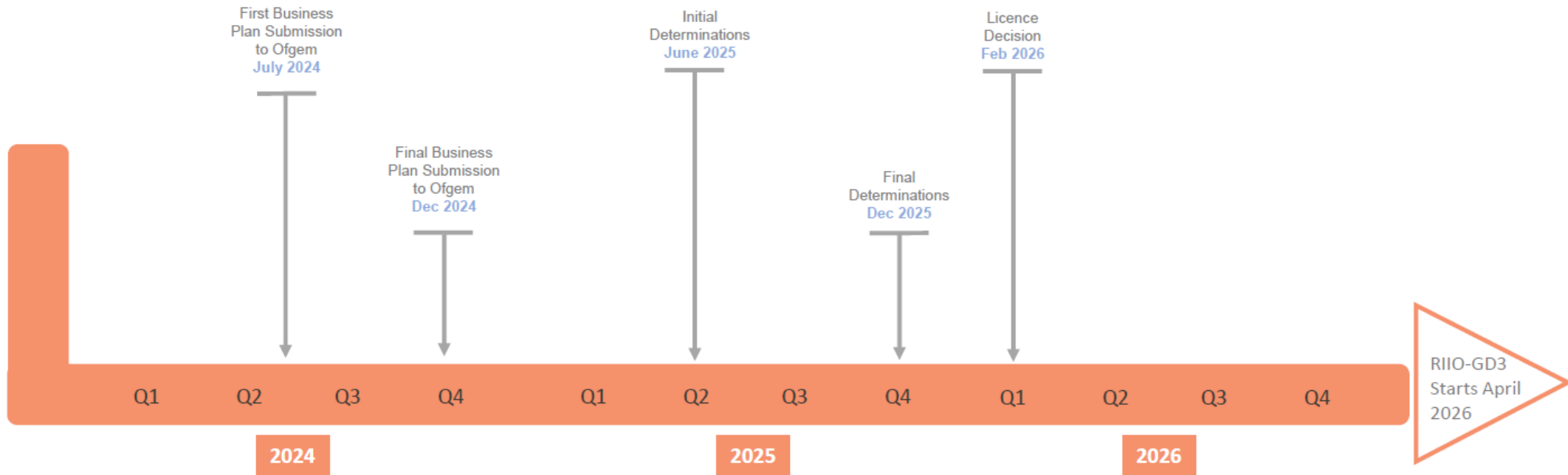
Overview

- **Inflation:** The March 2024 OBR forecast is lower causing a reduction in allowed revenues by c1.6%.
- **Shrinkage:** The volatility of gas prices in recent years made forecasting future gas prices accurately challenging. The market has seen a reduction in gas prices and therefore we have factored a reduction in gas prices into our forecasted revenues.
- **NTS Exit Capacity:** Gas Transmission provided an update of their gas prices which take effect from 1st October 2024. Gas prices are lower in FY 24/25 but higher in subsequent years.

RIIO-3 update

Impact of General Election

- Confirmed delay to the Sector Specific Methodology Decision (SSMD) due to purdah (new date TBC) – decisions on potential changes for RIIO-3 have therefore been delayed, several of which may impact charges going forwards.
- No other changes to overall RIIO-3 timeline has been communicated by Ofgem.



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	704.4	791.4
TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)		%	(3.2)%	(1.2)%	6.2%	4.4%	7.0%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE		%	161.5%	61.4%	(42.5)%	(17.6)%	100.4%
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE		%	1.3%	42.6%	(11.9)%	(13.2)%	12.3%

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	594.7	747.8	649.2	586.2	602.8
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	604.0	620.8

FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	<i>PIt / PI2018/19</i>		1.053	1.119	1.241	1.279	1.301
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	31.5	89.6	158.5	168.7	187.0
TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)	Rt	NOMINAL	631.8	842.9	815.7	772.8	807.8

ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	(0.5)	48.4	(5.9)	(70.0)	(15.9)
CORRECTION TERM; K FACTOR	Kt	NOMINAL	2.3	(0.1)	2.6	-	-
LEGACY REVENUE	LARt	NOMINAL	12.5	30.3	(0.5)	1.6	(0.5)
ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	646.1	921.5	811.9	704.4	791.4

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	510.6	554.8
TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)		%	4.0%	5.6%	(10.6)%	17.0%	4.4%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE		%	78.7%	47.9%	(41.6)%	(20.3)%	116.5%
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE		%	1.6%	39.0%	(21.0)%	(0.7)%	8.6%

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	428.8	522.0	449.0	420.7	428.5
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	431.2	439.4

FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	<i>PIt / PI2018/19</i>		1.0525	1.1189	1.2412	1.2794	1.3013
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	22.7	62.5	109.4	120.5	132.4
TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)	Rt	NOMINAL	454.6	588.0	563.0	551.7	571.8

ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	0.8	35.1	(44.7)	(36.0)	(8.9)
CORRECTION TERM; K FACTOR	Kt	NOMINAL	1.7	(2.3)	3.2	-	-
LEGACY REVENUE	LARt	NOMINAL	11.3	30.3	(7.1)	(5.0)	(8.2)
ALLOWED REVENUE (AS PUBLISHED)	ARt	NOMINAL	468.4	651.1	514.5	510.6	554.8

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	453.2	640.5	589.0	478.6	543.6
TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)		%	(5.5)%	3.0%	7.4%	(1.7)%	8.2%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE		%	(4.1)%	22.5%	(28.2)%	(28.6)%	120.4%
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE		%	(4.9)%	41.3%	(8.0)%	(18.7)%	13.6%

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	414.0	521.0	458.8	405.6	414.4
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	417.5	426.5

FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	PIt / PI2018/19		1.0525	1.1189	1.2412	1.2794	1.3013
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	21.9	62.3	112.0	116.6	128.5
TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)	Rt	NOMINAL	439.6	586.6	576.5	534.2	555.0

ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	(2.0)	33.9	1.2	(55.3)	(10.4)
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	478.6	543.6

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	338.1	484.0	415.0	369.0	413.9
TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE (EXCL SOLR)		%	(7.0)%	3.8%	0.4%	8.6%	7.1%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE		%	30.0%	39.4%	(43.4)%	(13.4)%	119.6%
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE		%	(3.9)%	43.1%	(14.2)%	(11.1)%	12.2%

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	318.6	398.4	343.6	308.9	316.3
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	317.7	325.2

FORECAST INFLATION FACTOR; CPIH (AS PUBLISHED)	<i>PIt / PI2018/19</i>		1.0525	1.1189	1.2412	1.2794	1.3013
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	16.9	47.6	83.8	88.7	98.0
TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)	Rt	NOMINAL	338.2	448.5	431.0	406.4	423.1

ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL	(1.6)	28.5	(16.6)	(36.5)	(8.3)
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	369.0	413.9