

Supplemental slides to accompany NGGD December MOD0186

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Approach for Dec-15 MOD0186

- Updated to Nov-15 HMT Forecasts for UK Economy which crystallises RPI for 16/17
- Standard RPI indices updates for Sep-15 and Oct-15
- Finalisation of MODt per 2015 AIP – main difference is cost of debt
- Collectable revenue updated in respect of finalised demand positions included in Oct-15 Indicatives
- Updated NTS Exit Capacity unit rates per publication in Oct-15
- Refreshed NIA expenditure forecast
- For the first time, we have included a projection of net Theft of Gas Recovery, which has the positive impact of returning recovered revenues back to customers
- Updated Shrinkage and Leakage forecast volumes



Headline changes to collectable revenue

NETWORK		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
EAST OF ENGLAND		622.3	599.9	624.3	656.8	665.5	671.6
LONDON		448.2	434.4	423.5	456.2	457.4	461.4
NORTH WEST		460.8	455.3	437.0	469.8	482.3	487.2
WEST MIDLANDS		325.0	322.7	329.7	351.9	360.0	362.8
COLLECTABLE REVENUE (OCT-15)		1,856.3	1,812.2	1,814.6	1,934.7	1,965.2	1,982.9
EAST OF ENGLAND		624.2	597.1	621.2	652.9	661.9	670.6
LONDON		447.6	433.3	423.0	453.3	454.7	460.1
NORTH WEST		461.8	453.5	435.2	466.4	478.7	486.3
WEST MIDLANDS		325.8	321.6	327.6	350.3	358.4	361.8
COLLECTABLE REVENUE (DEC-15)		1,859.4	1,805.4	1,807.0	1,922.8	1,953.6	1,978.8
EAST OF ENGLAND	▼	2.0	(2.8)	(3.2)	(4.0)	(3.7)	(1.0)
LONDON	▼	(0.6)	(1.1)	(0.5)	(2.9)	(2.7)	(1.2)
NORTH WEST	▼	1.0	(1.8)	(1.8)	(3.5)	(3.6)	(0.9)
WEST MIDLANDS	▼	0.8	(1.1)	(2.1)	(1.6)	(1.6)	(1.0)
CHANGE (£M)	▼	3.1	(6.8)	(7.6)	(11.9)	(11.6)	(4.1)
EAST OF ENGLAND	▼	0.3%	(0.5%)	(0.5%)	(0.6%)	(0.5%)	(0.1%)
LONDON	▼	(0.1%)	(0.3%)	(0.1%)	(0.6%)	(0.6%)	(0.3%)
NORTH WEST	▼	0.2%	(0.4%)	(0.4%)	(0.7%)	(0.7%)	(0.2%)
WEST MIDLANDS	▼	0.2%	(0.3%)	(0.6%)	(0.4%)	(0.5%)	(0.3%)
CHANGE (%)	▼	0.2%	(0.4%)	(0.4%)	(0.6%)	(0.6%)	(0.2%)



High level change drivers

	NGGD TOTAL					
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
COLLECTABLE REVENUE (OCT-15)	1,856.3	1,812.2	1,814.6	1,934.7	1,965.2	1,982.9
	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
INFLATION UPDATES ▼	-	(2.2)	(6.6)	(5.4)	(5.2)	(5.3)
FINALISED MODt PER 2015 AIP ▼	-	(5.3)	0.0	(0.0)	0.0	(0.0)
UPDATED NTS EXIT CAPACITY RATES (OCT-15) ▼	-	0.0	0.1	(7.3)	(7.3)	0.3
NIA EXPENDITURE FORECAST ▲	1.3	0.6	0.6	0.0	-	-
YTD NET THEFT OF GAS RECOVERY ▼	(0.6)	-	-	-	-	-
UPDATED SHRINKAGE VOLUMES FOR 15/16 & 16/17 ▲	-	-	0.8	0.8	0.9	0.9
UNDER / OVER RECOVERY - DEMAND UPDATES PER INDICATIVES ▼	5.1	0.2	(5.3)	(0.2)	-	-
UNDER / OVER RECOVERY - COLLECTED INCOME ▲	(2.7)	(0.0)	2.8	0.0	-	-
COLLECTABLE REVENUE (DEC-15)	1,859	1,805	1,807	1,923	1,954	1,979
CHANGE (£M) ▼	3	(7)	(8)	(12)	(12)	(4)
CHANGE (%) ▼	0.2%	(0.4%)	(0.4%)	(0.6%)	(0.6%)	(0.2%)

- **Much of the movement vs Oct MOD0186 comes from inflation, changes to NTS exit capacity rates for gas year 2016/17, and finalised demand positions for 15/16 impacting the projected under/over-recovery**
- **Network level drill down of each component shown in following slides**



Inflation

NETWORK	NOTES	2015	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
EAST OF ENGLAND	<i>BASED ON NOV-15 HMT FORECASTS FOR UK ECONOMY & AVAILABLE RPI INDICES TO NOV-15</i>	▼	-	(0.7)	(2.2)	(1.8)	(1.8)	(1.8)
LONDON		▼	-	(0.5)	(1.6)	(1.3)	(1.2)	(1.2)
NORTH WEST		▼	-	(0.5)	(1.6)	(1.3)	(1.3)	(1.3)
WEST MIDLANDS		▼	-	(0.4)	(1.2)	(1.0)	(1.0)	(1.0)
INFLATION (£M CHANGE)		▼	-	(2.2)	(6.6)	(5.4)	(5.2)	(5.3)
EAST OF ENGLAND		▼	-	(0.1%)	(0.4%)	(0.3%)	(0.3%)	(0.3%)
LONDON		▼	-	(0.1%)	(0.4%)	(0.3%)	(0.3%)	(0.3%)
NORTH WEST		▼	-	(0.1%)	(0.4%)	(0.3%)	(0.3%)	(0.3%)
WEST MIDLANDS		▼	-	(0.1%)	(0.4%)	(0.3%)	(0.3%)	(0.3%)
INFLATION (% CHANGE)		▼	-	(0.1%)	(0.4%)	(0.3%)	(0.3%)	(0.3%)

- Inflation movements include updates to both the RPIf and RPIA term.
- Nov-15 HMT Medium Term Forecasts for UK Economy which crystallises RPIf for 16/17 (and therefore Final Charges)
- Standard indices updates for Sep-15 and Oct-15 impacting RPIA



Finalised MOD per AIP

NETWORK	NOTES		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
EAST OF ENGLAND	<i>PRIMARILY COST OF DEBT DRIVEN WITH MINOR REC DIFFS TO TOTEX AND UNCERTAINTY MEASURES</i>	▼	-	(2.5)	0.0	(0.0)	(0.0)	(0.0)
LONDON		▼	-	(0.9)	0.0	(0.0)	0.0	0.0
NORTH WEST		▼	-	(1.2)	0.0	(0.0)	0.0	(0.0)
WEST MIDLANDS		▼	-	(0.7)	0.0	(0.0)	0.0	(0.0)
FINALISED MODt PER 2015 AIP (£M CHANGE)		▼	-	(5.3)	0.0	(0.0)	0.0	(0.0)
EAST OF ENGLAND		▼	-	(0.4%)	0.0%	(0.0%)	(0.0%)	(0.0%)
LONDON		▼	-	(0.2%)	0.0%	(0.0%)	0.0%	0.0%
NORTH WEST		▼	-	(0.3%)	0.0%	(0.0%)	0.0%	(0.0%)
WEST MIDLANDS		▼	-	(0.2%)	0.0%	(0.0%)	0.0%	(0.0%)
FINALISED MODt PER 2015 AIP (% CHANGE)		▼	-	(0.3%)	0.0%	(0.0%)	0.0%	(0.0%)

- Finalisation of MODt per 2015 AIP – main difference is cost of debt
- Cost of Debt has not been updated for future years, but we anticipate movement and the potential impact this may have has been included separately as a sensitivity



NTS Exit Capacity

NETWORK	NOTES		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
EAST OF ENGLAND	<i>BASED ON RATES ISSUED BY NTS IN OCT-15. IMPACT TO COST PASS THROUGH ELEMENT (INCENTIVE BASED ON t-3 INDICATIVES)</i>	▼	-	0.0	0.1	(2.6)	(2.6)	0.1
LONDON		▼	-	0.0	0.0	(1.5)	(1.5)	0.1
NORTH WEST		▼	-	(0.0)	0.0	(2.7)	(2.6)	0.1
WEST MIDLANDS		▼	-	0.0	0.0	(0.6)	(0.6)	0.1
UPDATED NTS EXIT CAPACITY RATES (£M CHANGE)		▼	-	0.0	0.1	(7.3)	(7.3)	0.3
EAST OF ENGLAND		▼	-	0.0%	0.0%	(0.4%)	(0.4%)	0.0%
LONDON		▼	-	0.0%	0.0%	(0.3%)	(0.3%)	0.0%
NORTH WEST		▼	-	(0.0%)	0.0%	(0.6%)	(0.5%)	0.0%
WEST MIDLANDS		▼	-	0.0%	0.0%	(0.2%)	(0.2%)	0.0%
UPDATED NTS EXIT CAPACITY RATES (% CHANGE)		▼	-	0.0%	0.0%	(0.4%)	(0.4%)	0.0%

- Updated NTS Exit Capacity unit rates per publication in Oct-15 – impact to cost pass through element only as incentive based on May t-3 indicative prices
- Latest revised unit rates from NTS only apply to gas year 2016/17 – impacting the second half of 2016/17 and the first half of our 2017/18 Exit Capacity costs, hence the 2018/19 and 2019/20 cost pass through lines because of 2 year lagging



NIA

nationalgrid

NETWORK	NOTES	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
EAST OF ENGLAND	▲	0.4	0.2	0.2	0.0	-	-
LONDON	▲	0.3	0.1	0.1	0.0	-	-
NORTH WEST	▲	0.3	0.1	0.1	0.0	-	-
WEST MIDLANDS	▲	0.2	0.1	0.1	0.0	-	-
NIA EXPENDITURE FORECAST (£M CHANGE)		▲	1.3	0.6	0.6	0.0	-
EAST OF ENGLAND	▲	0.1%	0.0%	0.0%	0.0%	-	-
LONDON	▲	0.1%	0.0%	0.0%	0.0%	-	-
NORTH WEST	▲	0.1%	0.0%	0.0%	0.0%	-	-
WEST MIDLANDS	▲	0.1%	0.0%	0.0%	0.0%	-	-
NIA EXPENDITURE FORECAST (% CHANGE)		▲	0.1%	0.0%	0.0%	0.0%	-

- Refreshed NIA expenditure forecast – this is an in-year allowed revenue mechanism, so no lagged impact



Theft of gas – Miscellaneous pass-through

NETWORK	NOTES		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
EAST OF ENGLAND		▲	0.0	-	-	-	-	-
LONDON	<i>BASED ON YTD RECOVERIES NET OF</i>	▼	(0.1)	-	-	-	-	-
NORTH WEST	<i>INVESTIGATION COSTS</i>	▲	0.0	-	-	-	-	-
WEST MIDLANDS		▼	(0.5)	-	-	-	-	-
THEFT OF GAS (£M CHANGE)		▼	(0.6)	-	-	-	-	-
EAST OF ENGLAND		▲	0.0%	-	-	-	-	-
LONDON		▼	(0.0%)	-	-	-	-	-
NORTH WEST		▲	0.0%	-	-	-	-	-
WEST MIDLANDS		▼	(0.1%)	-	-	-	-	-
THEFT OF GAS (% CHANGE)		▼	(0.0%)	-	-	-	-	-

- **For the first time, we have been able to provide a forecast view of net Theft of Gas recovery.**
- **Performance in theft recovery continuing to improve resulting in net pass back to consumers and subsequent reduction in allowed revenue, predominantly in West Midlands network.**
- **Similar to NIA, this is an in-year allowed revenue mechanism, so no lagged impact**



Shrinkage & Leakage volumes

NETWORK	NOTES		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
EAST OF ENGLAND		▲	-	-	0.4	0.7	0.7	0.7
LONDON	IMPACT TO SHRINKAGE COSTS,	▼	-	0.0	0.1	(0.0)	(0.1)	(0.1)
NORTH WEST	SHRINKAGE INCENTIVE & EEI INCENTIVE	▲	-	(0.0)	0.3	0.3	0.3	0.3
WEST MIDLANDS	OF UPDATED 15/16 & 16/17 VOLUME FORECASTS	▼	-	-	(0.0)	(0.1)	(0.1)	(0.1)
SHRINKAGE & LEAKAGE VOLUMES (£M CHANGE)		▲	-	-	0.8	0.8	0.9	0.9
EAST OF ENGLAND		▲	-	-	0.1%	0.1%	0.1%	0.1%
LONDON		▼	-	0.0%	0.0%	(0.0%)	(0.0%)	(0.0%)
NORTH WEST		▲	-	(0.0%)	0.1%	0.1%	0.1%	0.1%
WEST MIDLANDS		▼	-	-	(0.0%)	(0.0%)	(0.0%)	(0.0%)
SHRINKAGE & LEAKAGE VOLUMES (% CHANGE)		▲	-	-	0.0%	0.0%	0.0%	0.0%

- Updated forecast to Shrinkage and leakage volumes



Under / Over Recovery

NETWORK	NOTES		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
EAST OF ENGLAND		▼	2.6	0.1	(2.7)	(0.1)	-	-
LONDON	<i>ADDITIONAL IMPACT TO 15/16</i>	▲	(0.5)	(0.0)	0.5	0.0	-	-
NORTH WEST	<i>COLLECTED REVENUE FORECAST FOR</i>	▼	1.8	(0.0)	(1.9)	0.0	-	-
WEST MIDLANDS	<i>FINALISED DEMAND POSITIONS</i>	▼	1.1	0.1	(1.1)	(0.1)	-	-
DEMAND PER OCT-15 INDICATIVES (£M CHANGE)		▼	5.1	0.2	(5.3)	(0.2)	-	-
EAST OF ENGLAND		▲	(1.1)	0.1	1.1	(0.1)	-	-
LONDON	<i>COLLECTED REVENUE TRACKING BEHIND</i>	▲	(0.3)	0.1	0.3	(0.1)	-	-
NORTH WEST	<i>FORECAST</i>	▲	(1.2)	(0.2)	1.2	0.2	-	-
WEST MIDLANDS		▲	(0.1)	(0.1)	0.1	0.1	-	-
COLLECTED REVENUE UPDATES (£M CHANGE)		▲	(2.7)	(0.0)	2.8	0.0	-	-
EAST OF ENGLAND		▼	1.5	0.2	(1.6)	(0.2)	-	-
LONDON	<i>COMBINED IMPACT TO 15/16 & 16/17</i>	▲	(0.8)	0.1	0.8	(0.1)	-	-
NORTH WEST	<i>COLLECTED REVENUE, AND</i>	▼	0.6	(0.2)	(0.7)	0.2	-	-
WEST MIDLANDS	<i>CORRESPONDING 2 YEAR LAGGED</i>	▼	1.0	(0.1)	(1.1)	0.1	-	-
NET OVER / UNDER RECOVERY (£M CHANGE)		▼	2.4	0.1	(2.5)	(0.1)	-	-
EAST OF ENGLAND		▼	0.2%	0.0%	(0.3%)	(0.0%)	-	-
LONDON		▼	(0.2%)	0.0%	0.2%	(0.0%)	-	-
NORTH WEST		▼	0.1%	(0.0%)	(0.1%)	0.0%	-	-
WEST MIDLANDS		▼	0.3%	(0.0%)	(0.3%)	0.0%	-	-
NET OVER / UNDER RECOVERY (% CHANGE)		▼	0.1%	0.0%	(0.1%)	(0.0%)	-	-

- Net over-recovery projected for 2015/16, mainly driven by finalisation of demand conditions from October 2015.



Cost of Debt sensitivity

NETWORK	NOTES		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
EAST OF ENGLAND		▼	-	-	(2.2)	(2.3)	(2.4)	(2.5)
LONDON	<i>CURRENTLY REVIEWING LONG TERM</i>	▼	-	-	(1.5)	(1.7)	(1.7)	(1.8)
NORTH WEST	<i>COST OF DEBT % RATES. SENSITIVITY</i>	▼	-	-	(1.5)	(1.6)	(1.7)	(1.7)
WEST MIDLANDS	<i>SHOWN IN TABLE 8 IN THE INTERIM</i>	▼	-	-	(1.1)	(1.2)	(1.3)	(1.3)
COST OF DEBT SENSITIVITY (£M CHANGE)		▼	-	-	(6.3)	(6.9)	(7.1)	(7.3)
EAST OF ENGLAND		▼	-	-	(0.4%)	(0.4%)	(0.4%)	(0.4%)
LONDON		▼	-	-	(0.4%)	(0.4%)	(0.4%)	(0.4%)
NORTH WEST		▼	-	-	(0.3%)	(0.3%)	(0.3%)	(0.4%)
WEST MIDLANDS		▼	-	-	(0.3%)	(0.4%)	(0.4%)	(0.4%)
COST OF DEBT SENSITIVITY (% CHANGE)		▼	-	-	(0.3%)	(0.4%)	(0.4%)	(0.4%)

- As previously mentioned, Cost of Debt has not been updated for future years, but we anticipate movement and the potential impact this may have has been included separately as a sensitivity in the Mod0186 report.