Company Name: **Northern Gas Networks Limited**
Date: **April 2012**

TABLE 1

Description	Licence Term	10/11	11/12	12/13	13/14	14/15	Assumptions
Year on Year RPI		(0.4%)	4.7%	5.2%			Forecast based on Actuals upto 2012/13
RPI Effective % (A1)	RPI_t	14.5%	19.9%	26.1%			Cumulative calculation of RPI above
Core Allowed Revenue in 2005/06 Prices (A2)	Z_t	**276.9**	**283.6**	**286.8**	**-**	**-**	Per Gas Transporter Licence
Core Allowed Revenue in Nominal Prices (A)	RPI_t x Z_t	**317.0**	**340.0**	**361.6**	**403.4**	**414.2**	A = A2 x (1 + A1). Figures for 2013/14 onwards reflect RIIO-GD1 Business Plan proposal.
Allowed Pass-Through Items (B)	F_t	**(1.3)**	**(3.3)**	**(1.7)**	**-**	**-**	B = B1 + B2 + B3 + B4
Pass-Through Business Rates (B1)	RB_t	(0.9)	(2.9)	(3.0)	-	-	Figures in line with Jan-12 Mod 186
Pass-Through Licence Fees (B2)	LF_t	(0.5)	(0.3)	(0.3)	-	-	Figures in line with Jan-12 Mod 186
Pass-Through NTS Pension Deficit (B3)	PD_t	0.0	(0.1)	1.7	-	-	Figures in line with Jan-12 Mod 186
Pass-Through Others (B4): Theft of Gas, 3rd party Damage & Water Ingress, Miscellaneous Pass-Through	TG_t + $TPWI_t$ + MP_t	0.1	0.0	0.0	-	-	Figures in line with Jan-12 Mod 186
Correction Factor Forecast (C)	K_t	**1.7**	**(8.9)**	**(2.1)**	**0.6**	**0**	2011/12 over recovery has increased £1.4m since Jan-12 Mod 186, due to increased recovery of Commodity Revenue
Incentive Revenue and Other Adjustments Forecast (D)		**12.8**	**20.6**	**28.3**	-	-	D = D1 + D2
Shrinkage (D1)	Sh_t	8.5	10.0	11.6	-	-	Shrinkage reflects the latest view of forward gas price at Apr-12
Incentive Revenue and Other Adjustments Forecast Excluding Shrinkage (D2)	$MSRA_t$ + Ex_t + IAE_t + EEt + DRS_t + $IFISD_t$ + LMt	4.4	10.7	16.6	-	-	All figures are based on current forecasts and are consistent with calculations used in the Apr-12 Transportation Charging Statement
Final Allowed Revenue (E)	MR_t	**330.3**	**348.4**	**386.2**	**404.0**	**413.8**	E = A + B + C + D
Collected Revenue (F)	R_t	**339.0**	**350.4**	**385.6**	**404.0**	**413.8**	

Forecast Over / (Under) Recovery (G)	K_t	**8.7**	**2.0**	**(0.6)**	**0.0**	**0.0**	G = F - E
Arithmetical April Price % needed for Collected Revenue to equal Allowed Revenue		**8.4%**	**6.4%**	**10.3%**	**6.8%**	**5.1%**	
NTS Exit Capacity Costs recovered through new LDZ ECN charge				**5.9**	**11.8**	**11.8**	All figures are based on current NTS indicative charges
SOQ Assumption for October each year		(5.5%)	(1.8%)	(3.0%)	(3.0%)	(3.0%)	

Other Assumptions/Issues

1. No adjustment has been made for a Traffic Management Act IAE
2. No adjustment has been incorporated in respect of Tax IAE
3. The figures from 2013/14 onwards reflect the NGN RIIO-GD1 November 2011 Business Plan submission. No incentives or Pass Through adjustments have been modelled into the Final Allowed Revenue calculations

TABLE 2

Description Regulatory Year		2011/12			2012/13		Comments
£m	Lower (P10)	Central	High (P90)	Lower (P10)	Central	High (P90)	
Core Allowed Revenue (RPI Impact)	+ 0.0	340.0	+ 0.0	+ 0.0	361.6	+ 0.0	RPI Actuals impacting 2011/12 and 2012/13 now known and incorporated into Allowed Revenue calculation
Shrinkage (Wholesale Gas Price)	+ 0.0	10.0	+ 0.0	+ 7.6	11.6	+ 15.6	2011/12 Shrinkage now known. Uncertainties in 2012/13 due to volatility in wholesale gas prices
Incentives and adjustments	+ 8.7	10.7	+ 12.7	+ 12.6	16.6	+ 20.6	2011/12 Incentives and adjustments will be finalised by Jul-12
Collected Revenue Actual for 2011/12	+ 0.0	350.4	+ 0.0				Collected Revenue known for 2011/12 (unaudited)
Collected Revenue Forecast for 2012/13				+ 375.6	385.6	+ 395.6	Variances on Collected Revenue for 2012/13 may occur due to capacity revisions following implementation of the Annual Quantity Review in Oct-12