

National Grid Gas Distribution

MOD0186 Report (Mar-17)





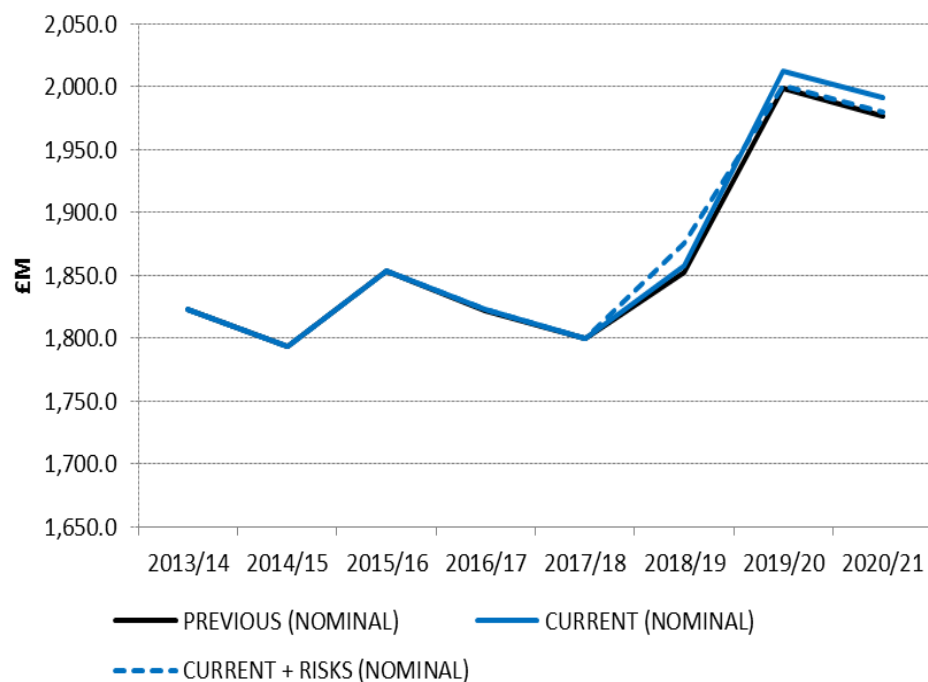
Headline movements in Collectable Revenue

- Headline change is the impact of increased inflation, with the 2 year lagging this will increase allowed revenues by £34.3m from 2018/19 through to the end of GD1
- A small increase in Gas Price Reference Cost is also predicted from 17/18 onwards, which will increase revenue received from pass through costs and the Shrinkage Incentive by £1.7m from 2019/20 through to 2020/21
- These increases will partially be offset by small reductions in revenue received via the Broad Measure Incentive and NIA cost forecast
- We have revised our expectations for 2016/17 Broad Measure Incentive, with the 2 year lag this will result in a £1.8m reduction in revenue in 2018/19. Positions for future years have been maintained.
- A reduction in NIA cost forecast for 17/18 will also result in a £1.3m reduction in revenue in 2019/20

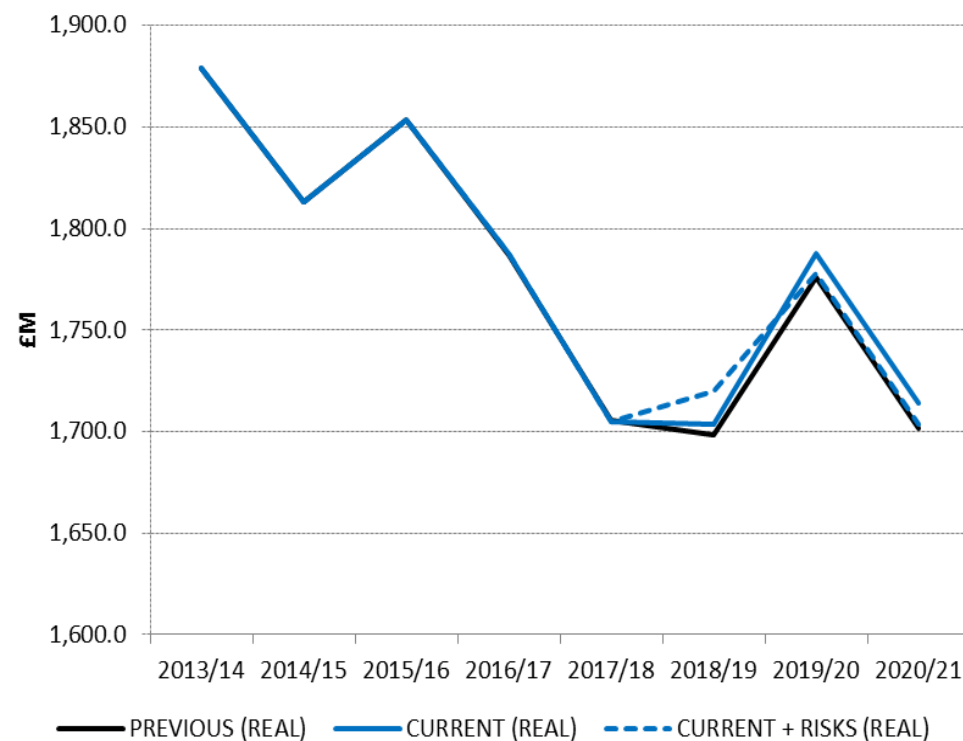


NGGD Level Collectable Revenue Movement

Movement in Collectable Revenue (Nominal)



Movement in Collectable Revenue (Real)





Collectable Revenue Trace

COLLECTABLE REVENUE TRACE		NATIONAL GRID GAS DISTRIBUTION							
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
COLLECTABLE REVENUE (PREVIOUS)		1,823.3	1,793.5	1,853.6	1,822.2	1,799.9	1,852.2	1,998.9	1,977.3
INFLATION	▲	-	-	-	-	-	8.0	13.2	13.1
GAS PRICE REFERENCE COST	▲	-	-	-	-	-	(0.1)	1.0	0.7
BROAD MEASURE INCENTIVE	▼	-	-	-	-	-	(1.8)	-	-
NIA COST FORECAST	▼	-	-	-	-	-	0.0	(1.3)	-
OVER / UNDER RECOVERY	▼	-	-	-	0.7	(0.6)	(0.7)	0.6	-
OTHER CHANGES	▲	-	-	-	-	-	0.0	(0.0)	-
COLLECTABLE REVENUE (NEW)		1,823.3	1,793.5	1,853.6	1,822.9	1,799.3	1,857.6	2,012.4	1,991.0
% MOVEMENT		-	-	-	+0.0%	(0.0%)	+0.3%	+0.7%	+0.7%



Collectable revenue trace: Inflation

INFLATION		2018/19	2019/20	2020/21
EAST OF ENGLAND (£M)	▲	2.7	4.4	4.4
LONDON (£M)	▲	1.9	3.2	3.2
NORTH WEST (£M)	▲	2.0	3.2	3.2
WEST MIDLANDS (£M)	▲	1.5	2.4	2.4
NGGD (£M)	▲	8.0	13.2	13.1
EAST OF ENGLAND (%)	▲	+0.4%	+0.7%	+0.7%
LONDON (%)	▲	+0.4%	+0.7%	+0.7%
NORTH WEST (%)	▲	+0.4%	+0.7%	+0.7%
WEST MIDLANDS (%)	▲	+0.4%	+0.7%	+0.7%
NGGD (%)	▲	+0.4%	+0.7%	+0.7%

- Figures are variance to those previously forecasted within Dec-16 MOD0186
- This reflects actual RPI positions to Jan 2017, and HM Treasury 'Forecasts for the UK Economy' published February 2017
- Continuing to observe a trend of increasing inflation

HMT Inflation Forecasts	2016	2017	2018	2019	2020
Nov-16	1.8%	3.5%	3.1%	3.0%	3.1%
Feb-17	1.8%	3.5%	3.4%	3.2%	3.2%
Change	-	-	+0.3%	+0.2%	+0.1%

Financial Year Inflation Forecast	2016/17	2017/18	2018/19	2019/20	2020/21
Dec-16	1.9%	3.4%	3.1%	3.0%	3.1%
Feb-17	2.0%	3.5%	3.4%	3.2%	3.2%
Change	+0.1%	+0.1%	+0.3%	+0.2%	+0.1%



Collectable revenue trace: GPRC

GAS PRICE REFERENCE COST		2018/19	2019/20	2020/21
EAST OF ENGLAND (£M)	▲	(0.0)	0.4	0.2
LONDON (£M)	▲	(0.0)	0.2	0.1
NORTH WEST (£M)	▲	(0.0)	0.3	0.2
WEST MIDLANDS (£M)	▲	(0.0)	0.2	0.1
NGGD (£M)	▲	(0.1)	1.0	0.7
EAST OF ENGLAND (%)	▲	(0.0%)	+0.1%	+0.0%
LONDON (%)	▲	(0.0%)	+0.0%	+0.0%
NORTH WEST (%)	▲	(0.0%)	+0.1%	+0.0%
WEST MIDLANDS (%)	▲	(0.0%)	+0.1%	+0.0%
NGGD (%)	▲	(0.0%)	+0.1%	+0.0%

- Figures are variance to those previously forecasted within Dec-16 MOD0186
- Small increases in Gas Price Reference Costs from 2017/18
- This will in turn push up shrinkage costs, and pass through revenue
- It will also slightly increase the value of the Shrinkage Incentive
- Our GPRC forecasts are sourced from ICIS energy pricing reports

FORMULA YEAR	2016/17	2017/18	2018/19	2019/20	2020/21
CURRENT (£/GWH)	13,521	14,378	14,416	14,848	15,293
PREVIOUS (£/GWH)	13,556	13,716	13,975	14,394	14,826
CHANGE (£/GWH)	-35	662	441	454	467
CHANGE (%)	0%	5%	3%	3%	3%



Collectable revenue trace: Broad Measure

BROAD MEASURE INCENTIVE		2018/19	2019/20	2020/21
EAST OF ENGLAND (£M)	▲	0.2	-	-
LONDON (£M)	▼	(0.4)	-	-
NORTH WEST (£M)	▼	(1.1)	-	-
WEST MIDLANDS (£M)	▼	(0.5)	-	-
NGGD (£M)	▼	(1.8)	-	-
EAST OF ENGLAND (%)	▲	+0.0%	-	-
LONDON (%)	▼	(0.1%)	-	-
NORTH WEST (%)	▼	(0.2%)	-	-
WEST MIDLANDS (%)	▼	(0.2%)	-	-
NGGD (%)	▼	(0.1%)	-	-

- Figures are variance to those previously forecasted within Dec-16 MOD0186
- Updated expectation for 2016/17 Broad Measure Incentive Performance
- Future targets remain unchanged



Risks and Uncertainties

- Maintained position on the impact of Pension Deficits post separation of the Distribution business from NGG Plc.
- This is pending clarification of Ofgem view on amendment to pass through allowances (which would require licence change)
- Continuing to show as a risk item in the March 2017 report