

# NGN Mod186 Pricing Statement

Movement from March 2020

**we are  
the network**

## Supporting Notes

- We continue to include all GD2 years in the Mod186 statement. This is as per our December 2019 Business Plan Bid Proposal submission (Appendix A33) and also now includes our estimate of any additional allowances needed to match the latest NTS prices published for the new exit capacity methodology.
- For presentation purposes we have discounted the plan numbers submitted in 18/19 prices back to 09/10 prices for Mod186 methodology and comparison to GD1. All supporting data for our business plan submission are available on the NGN website <https://www.northerngasnetworks.co.uk/document-library/>
- Customer bill data included within our business plan submission includes the effects of Exit Capacity charges to highlight the total customer bill within the NGN network (note the Mod186 statement per current methodology always excludes Exit).
- Note in GD2 years base revenues are inflated using CPI which is c.1% lower than RPI data.
- We have included the latest update of long term gas prices which is lower than the assumed values in the GD2 business plan, hence a 2 year true up being presented. It is anticipated that the final proposal data may get rebased though to reflect latest prices.
- Exit Capacity Mod678 has now been approved with an implementation date of 1<sup>st</sup> October 2020. This will result in NGN incurring additional cost of c.£15m during October 20 and March 21 (compared against March Mod186) with a corresponding revenue catch up 2 years later in 22/23, assuming that the 2 year lag licence methodology continues into GD2. Additional allowances have also been added to the base revenue for GD2 years to meet the new unit prices published by NTS under this methodology.
- We will not finalise all 19/20 true ups that feed 21/22 revenue until RRP is completed which is now due by 31<sup>st</sup> August. The next update should also be inclusive of Initial Proposals which are published on 9<sup>th</sup> July.

ALLOWED REVENUE	19/20	20/21	21/22	22/23	23/24	24/25	25/26	
<b>MARCH</b>	<b>437.0</b>	<b>439.9</b>	<b>413.6</b>	<b>436.3</b>	<b>446.4</b>	<b>457.8</b>	<b>470.9</b>	
Change to base allowed revenue (Exit Mod678 : 09/10 prices)			3.0	3.4	5.1	5.5	4.7	
<b>Change in Inflation %</b>								
March (Based on HM Treasury Feb report)	2.5%	2.4%	1.8%	1.9%	2.0%	2.0%	2.0%	
June (Based on HM Treasury May report)	2.6%	1.7%	1.5%	1.7%	1.8%	1.8%	1.8%	
Difference	0.1%	(0.7%)	(0.4%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)	
Cumulative change in inflation	0.1%	(0.6%)	(1.0%)	(1.2%)	(1.4%)	(1.6%)	(1.8%)	
£ impact on change in inflation (including changes in "Mod" above)			(2.8)	(4.4)	(3.7)	(4.4)	(5.8)	
£ Impact of changes in RPI on RPI true up (relating to 19/20 and 20/21)			0.2	(2.0)	0.0			
<b>Total base revenue changes</b>			<b>(2.5)</b>	<b>(6.3)</b>	<b>(3.7)</b>	<b>(4.4)</b>	<b>(5.8)</b>	
<b>Pass through changes:</b>								
Rates			(0.1)	0.2				
License Fee			0.2	0.2				
Exit Capacity			0.1	16.3	(0.0)	(0.0)	(0.0)	
Shrinkage pass thru (gas price impact)			0.1	(0.8)	(0.2)	(0.1)	(0.0)	
<b>Total</b>			<b>0.3</b>	<b>15.9</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>(0.1)</b>	
K factor		(0.0)	0.0	(0.1)	0.0	(0.0)	0.0	
<b>JUNE</b>	<b>437.0</b>	<b>439.9</b>	<b>414.3</b>	<b>449.0</b>	<b>447.6</b>	<b>458.8</b>	<b>469.8</b>	
<b>Difference</b>		<b>(0.0)</b>	<b>0.7</b>	<b>12.7</b>	<b>1.2</b>	<b>1.0</b>	<b>(1.1)</b>	
<b>Memo:</b>								
<b>In year (under)/over collection</b>	<b>12.5</b>	<b>(0.0)</b>						
<b>Total Price Change</b>	<b>March</b>	<b>7.7%</b>	<b>0.6%</b>	<b>(9.2%)</b>	<b>7.1%</b>	<b>2.9%</b>	<b>5.1%</b>	<b>5.1%</b>
<b>Total Price Change</b>	<b>June</b>	<b>7.7%</b>	<b>0.6%</b>	<b>(10.2%)</b>	<b>5.9%</b>	<b>3.3%</b>	<b>4.9%</b>	<b>5.0%</b>
<b>TOTAL PRICE CHANGE %</b>	<b>Difference</b>			<b>(1.0%)</b>	<b>(1.3%)</b>	<b>0.4%</b>	<b>(0.2%)</b>	<b>(0.1%)</b>

GD2 data reflects our December 2019 business plan bid submission per Appendix A33, inclusive of latest mod678 adjustments, with 2 year lagged entries for GD1 included aswell. Initial Proposals will be available in July with final GD2 data published by Ofgem in