

# DN Charging Methodology Forum

## SGN June 2018 Mod 186 Summary

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**SGN**

Your gas. Our network.

# Key Revenue Changes

- RPIFt Updated inflation for 2018/19 onwards in line with revised 23 May 2018 Treasury forecast;
- RBt Updated business rate costs from 2018/19 onwards reflect May CPI Treasury forecast;
- MPt Southern reflects Ofgem direction for ToG for years 2014/15 to 2016/17
- Ext Updated cost adjustment to reflect April 2018 Final prices.
- Kt Update Collected revenue movements for 2017/18;
- MODt Updated to reflect latest CoD 2018/19 figure of 1.91%

# Sensitivities

- SGN voluntary contribution, no pricing impact in 2018/19. Certainty that the required revenue adjustments will take place. The report assumes that the contributions for 2018/19 and 2019/20 will be reflected through the November 2018 AIP.



DESCRIPTION	LICENCE TERM	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>TABLE 1: TOTAL CHARGE ELEMENTS (LDZ + CUSTOMER + ECN)</b>							
FORECAST RPI FACTOR	RPIft	0.00	0.00	0.00	0.00	0.00	
ASSUMED ANNUAL INFLATION FOR PRICE SETTING		0.0%	0.0%	0.0%	-0.1%	0.0%	
ACTUAL / FORECAST ANNUAL INFLATION		0.0%	0.0%	-0.1%	0.0%	0.0%	
OPENING BASE REVENUE ALLOWANCE (2009/10 PRICES)	PUt	0.0	0.0	0.0	0.0	0.0	
PRICE CONTROL FINANCIAL MODEL ITERATION ADJUSTMENT (2009/10 PRICES)	MODt	0.0	0.0	0.0	-3.2	0.0	0.0
RPI TRUE UP (2009/10 PRICES)	TRUt	0.0	0.0	0.0	-0.1	-0.6	0.0
UPLIFT TO NOMINAL PRICES USING RPIft		0.0	0.0	0.0	-1.9	-0.8	
<b>BASE REVENUE (NOMINAL)</b>	<b>BRt</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-5.2</b>	<b>-1.4</b>	
BUSINESS RATES ADJUSTMENT	RBt	0.0	0.0	0.0	0.0	0.5	0.4
LICENSE FEES ADJUSTMENT	LFt	0.0	0.0	0.0	-0.1	-0.1	-0.1
PENSION DEFICIT ADJUSTMENT	PDt	0.0	0.0	0.0	0.0	0.0	0.0
OTHER PASS THROUGH: THIRD PARTY DAMAGE & WATER INGRESS, THEFT OF GAS, MISC PASS THROUGH	TPWIt + TGt + MPt	-0.2	0.0	0.0	0.0	0.0	0.0
<b>PASS THROUGH</b>	<b>PTt</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.4</b>	<b>0.3</b>
NTS EXIT CAPACITY INCENTIVE REVENUE ADJUSTMENT	EIt	0.0	0.0	0.0	0.0	0.0	0.0
NTS EXIT CAPACITY COST ADJUSTMENT		0.0	0.0	0.0	0.0	-1.0	-8.9
<b>NTS EXIT CAPACITY REVENUE ADJUSTMENT</b>	<b>EXt</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-1.0</b>	<b>-8.9</b>
SHRINKAGE INCENTIVE REVENUE ADJUSTMENT	SHRRt	0.0	0.0	0.0	-0.1	0.3	0.2
SHRINKAGE COST ADJUSTMENT	SHRt	0.0	0.0	0.0	0.4	2.6	1.5
<b>SHRINKAGE REVENUE ADJUSTMENT</b>	<b>SHRt</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>2.9</b>	<b>1.6</b>
BROAD MEASURE OF CUSTOMER SATISFACTION REVENUE ADJUSTMENT	BMt	0.0	0.0	0.0	0.0	0.0	0.0
ENVIRONMENTAL EMISSIONS INCENTIVE REVENUE ADJUSTMENT	EEIt	0.0	0.0	0.0	-0.6	0.2	0.2
DISCRETIONARY REWARD SCHEME REVENUE ADJUSTMENT	DRSt	0.0	0.0	0.0	0.0	0.0	0.0
NETWORK INNOVATION ALLOWANCE REVENUE ADJUSTMENT	NIAt	0.0	0.0	0.0	0.0	0.0	0.0
CORRECTION TERM REVENUE ADJUSTMENT	-Kt	0.0	0.0	-0.2	-1.7	0.0	0.0
<b>MAXIMUM ALLOWED REVENUE</b>	<b>ARt</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.2</b>	<b>-7.3</b>	<b>1.2</b>	
<b>TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.9%)</b>	<b>+1.1%</b>	<b>-</b>
<b>TABLE 6: RISKS AND SENSITIVITIES</b>							
SGN VOLUNTARY CONTRIBUTION		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ASSUMES TRUE UP OF 2018/19 COST OF DEBT IN 2019/20 VIA ANNUAL ITERATION PROCESS		0.0%	0.0%	0.0%	0.4%	0.0%	0.0%



DESCRIPTION	LICENCE TERM	2017/18	2018/19	2019/20	2020/21	2021/22
<b>TABLE 1: TOTAL CHARGE ELEMENTS (LDZ + CUSTOMER + ECN)</b>						
FORECAST RPI FACTOR	RPIft	0.00	0.00	0.00	0.00	
ASSUMED ANNUAL INFLATION FOR PRICE SETTING (RPIft as a %)		0.0%	0.0%	-0.1%	0.0%	
ACTUAL / FORECAST ANNUAL INFLATION		0.0%	-0.1%	0.0%	0.0%	
OPENING BASE REVENUE ALLOWANCE (2009/10 PRICES)	PUt	0.0	0.0	0.0	0.0	
PRICE CONTROL FINANCIAL MODEL ITERATION ADJUSTMENT (2009/10 PRICES)	MODt	0.0	0.0	-1.3	0.0	0.0
RPI TRUE UP (2009/10 PRICES)	TRUt	0.0	0.0	-0.1	-0.3	0.0
UPLIFT TO NOMINAL PRICES USING RPIft		0.0	0.0	-0.8	-0.3	
<b>BASE REVENUE (NOMINAL)</b>	<b>BRT</b>	<b>0.0</b>	<b>0.0</b>	<b>-2.1</b>	<b>-0.6</b>	
BUSINESS RATES ADJUSTMENT	RBt	0.0	0.0	0.0	0.2	0.1
LICENSE FEES ADJUSTMENT	LFt	0.0	0.0	0.0	0.0	0.0
PENSION DEFICIT ADJUSTMENT	PDt	0.0	0.0	0.0	0.0	0.0
OTHER PASS THROUGH: THIRD PARTY DAMAGE & WATER INGRESS, THEFT OF GAS, MISC PASS THROUGH	TPWIt + Tgt + MPT	0.0	0.0	0.0	0.0	0.0
<b>PASS THROUGH</b>	<b>PTt</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>0.1</b>
NTS EXIT CAPACITY INCENTIVE REVENUE ADJUSTMENT	EIt	0.0	0.0	0.0	0.0	0.0
NTS EXIT CAPACITY COST ADJUSTMENT		0.0	0.0	0.0	0.0	-0.2
<b>NTS EXIT CAPACITY REVENUE ADJUSTMENT</b>	<b>EXt</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.2</b>
SHRINKAGE INCENTIVE REVENUE ADJUSTMENT	SHRRt	0.0	0.0	0.0	0.0	0.0
SHRINKAGE COST ADJUSTMENT	SHRAt	0.0	0.0	0.1	1.0	0.5
<b>SHRINKAGE REVENUE ADJUSTMENT</b>	<b>SHRt</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>1.0</b>	<b>0.6</b>
BROAD MEASURE OF CUSTOMER SATISFACTION REVENUE ADJUSTMENT	BMt	0.0	0.0	0.0	0.0	0.0
ENVIRONMENTAL EMISSIONS INCENTIVE REVENUE ADJUSTMENT	EEIt	0.0	0.0	-0.1	0.0	0.0
DISCRETIONARY REWARD SCHEME REVENUE ADJUSTMENT	DRSt	0.0	0.0	0.0	0.0	0.0
NETWORK INNOVATION ALLOWANCE REVENUE ADJUSTMENT	NIAt	0.0	0.0	0.0	0.0	0.0
CORRECTION TERM REVENUE ADJUSTMENT	-Kt	0.0	0.0	-0.8	0.0	0.0
<b>MAXIMUM ALLOWED REVENUE</b>	<b>ART</b>	<b>0.0</b>	<b>0.0</b>	<b>-2.9</b>	<b>0.6</b>	
<b>TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE</b>		<b>-</b>	<b>-</b>	<b>(0.9%)</b>	<b>+1.1%</b>	
<b>TABLE 6: RISKS AND SENSITIVITIES</b>						
SGN VOLUNTARY CONTRIBUTION		0.0%	0.0%	0.0%	0.0%	
ASSUMES TRUE UP OF 2018/19 COST OF DEBT IN 2019/20 VIA ANNUAL ITERATION PROCESS		0.0%	0.0%	0.4%	0.0%	

# Mod 0621-Amendments to Gas Transmission Charging Regime



## SGN - UNC Modification 0621 Illustrative Impact on TO Exit Capacity (ECN) and Exit Commodity Charge Levels

Action 0501/1

### TO NTS Exit Capacity and Commodity

#### £'s Indicative Bill Impact

0-73.2	Exit Capacity Minimum
0-73.2	Exit Capacity Maximum
73.2-732	Exit Capacity Minimum
73.2-732	Exit Capacity Maximum
732-5,861	Exit Capacity Minimum
732-5,861	Exit Capacity Maximum
>5,861	Exit Capacity Minimum
>5,861	Exit Capacity Maximum
0-73.2	Exit Commodity
73.2-732	Exit Commodity
732-5,861	Exit Commodity
>5,861	Exit Commodity
0-73.2	Combined Minimum
0-73.2	Combined Maximum
73.2-732	Combined Minimum
73.2-732	Combined Maximum
732-5,861	Combined Minimum
732-5,861	Combined Maximum
>5,861	Combined Minimum
>5,861	Combined Maximum

### Scotland

SOQ (kWh)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
113	£0.08	£0.04	£0.04	£8	£11	£7
	£0.12	£0.08	£0.04	£11	£15	£9
1,540	£1.1	£0.6	£0.6	£104	£152	£90
	£1.7	£1.1	£0.6	£155	£211	£125
11,536	£8	£4	£4	£779	£1,137	£676
	£13	£8	£4	£1,158	£1,579	£937
186,124	£136	£68	£68	£12,568	£18,343	£10,899
	£204	£136	£68	£18,682	£25,476	£15,123
	£3	£3	£3	£3	£1	£0
	£48	£41	£43	£45	£13	£0
	£384	£331	£342	£357	£115	£0
	£7,693	£6,625	£6,807	£7,100	£3,292	£0
	£3	£3	£3	£11	£12	£7
	£3	£3	£3	£14	£16	£9
	£49	£42	£43	£149	£165	£90
	£50	£42	£43	£199	£224	£125
	£393	£335	£346	£1,136	£1,252	£676
	£397	£339	£346	£1,515	£1,694	£937
	£7,829	£6,694	£6,875	£19,668	£21,634	£10,899
	£7,897	£6,762	£6,875	£25,782	£28,768	£15,123

### Southern

SOQ (kWh)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
132	£7	£7	£6	£5	£6	£9
	£14	£15	£11	£8	£10	£15
1,709	£88	£97	£83	£61	£79	£117
	£185	£199	£140	£102	£132	£196
13,325	£686	£756	£647	£477	£613	£912
	£1,444	£1,551	£1,094	£798	£1,026	£1,526
152,436	£7,845	£8,648	£7,400	£5,453	£7,011	£10,433
	£16,525	£17,742	£12,519	£9,125	£11,740	£17,463
	£3	£3	£3	£3	£1	£0
	£44	£38	£39	£41	£12	£0
	£368	£317	£328	£342	£115	£0
	£6,190	£5,331	£5,477	£5,712	£2,652	£0
	£10	£10	£9	£8	£7	£9
	£18	£18	£14	£11	£11	£15
	£132	£135	£122	£102	£91	£117
	£229	£237	£179	£143	£144	£196
	£1,054	£1,073	£974	£818	£727	£912
	£1,813	£1,868	£1,422	£1,139	£1,141	£1,526
	£14,085	£13,979	£12,877	£11,165	£9,663	£10,433
	£22,715	£23,073	£17,996	£14,837	£14,392	£17,463

# Mod 0621-Amendments to Gas Transmission Charging Regime

Assumptions used to illustrate figures on page 6:-

- The analysis reflects the impact on Transmission Services only - Transmission Services CWD Model V2.2 has been used to determine the firm exit capacity prices by offtake;
- The forecasted impact of the change in GDN exit capacity (ECN) and NTS exit commodity charge levels,
- GDN's have used best endeavours to accurately reflect the exit commodity impact using the rates as published and advised by NTS in the 0621 analysis workbook (Exit Prices tab);
- The current level of GDN bookings as at October 2017;
- That there are no changes to the revenue mechanisms currently in place for GD1, cost v allowance variance reflected on a two year lagged basis;
- That Ofgem will re-set allowances at the start of GD2 to reflect NTS forecasted costs;
- The impacts shown reflect the charging period April to March;
- Charges which comprise the current LRMC levied cost do not reflect any updated view published on 1 May 2018 by the NTS.

Note: DN's have no control as to how the impacts of the ECN charge will be passed through to end consumers. Without changes to charging methodology or DNs absorbing some cash flow impact, then changes to ECN will flow through to customers in line with their use of DN capacity.