

DN Charging Methodology Forum

SGN December 2023 Mod 186 Summary

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December updates

Key revenue changes

- Pt Updated to reflect November OBR forecasts in line with Ofgem's inflation methodology.
- "Base Rev" Updated Price Control Deliverables, Uncertainty Mechanism's, and Totex classification aligned to Ofgem's view in addition to super tax forecasts
- PT Forecasted updates to CDSP, NTS, & confirmation of Ofgem's minded to position regarding SoLR claims

December updates continued

Risks and Sensitivities

- Wholesale gas prices are currently subject to volatility. The shrinkage cost forecast, which is driven by wholesale gas prices, is therefore subject to material change as we move through 2023/24. Current view from early Dec is a price of 101.5p per therm against the budget price of 292.74p per therm
- Ofgem has confirmed its final position regarding SoLR. Due to changes in claims we expect to charge £1.4m and £0.6m to shippers in 24/25 in Southern and Scotland respectively
- To adhere to SGNs five year tariff forecast obligation under the UNC, SGN have included a forecast for the first year of the GD3 price control. As discussions with Ofgem, regarding GD3 have not yet begun we have no basis to include any-forecasts, as a result SGN have taken the approach of rolling forward revenue levels from 2025/26. This approach does not represent SGNs view of GD3 revenues. These revenues could be materially different to the figures quoted and any use of 2026/27 tariff forecast should be done so recognising this uncertainty.

Southern Gas

Southern	2024/25	2025/26	Comments
Sept-23 MOD186	734.9	887.5	
Pass-through 18/19	-2.0	-5.0	Reduction of costs related to CDSP, NTS, & Confirmation of Ofgems position regarding SoLR claims
"Base Rev" 18/19	7.9	6.4	Updated PCD, UM's, Totex clasification, and super tax forecast
Other Revenue 18/19	-4.3	-0.3	Updated to reflect revised 23/24 forecast
Inflation	27.9	42.3	Updated for Nov23 OBR forecast
Legacy Revenue	-0.8	-0.9	Update of Legacy trueup
ADJ inflation	4.4	0.0	Updated for Nov23 OBR forecast of 23/24
Adj Legacy items	-0.2	0.0	Impact of OfGEM's closeout consultation (Fuel Poor)
ADJ "Base Rev"	5.6	-3.5	Updated PCD, UM's, Totex clasification, and super tax forecast
ADJ Shrinkage	-0.1	0.0	Updated to include final 22/23 position and latest 23/24 forecast
ADJ Licensed Activity	1.0	0.0	Reflects final 22/23 position
ADJ Pension Scheme Established Deficit Repair	-0.3	0.0	Updated forecast for 23/24
ADJ NTS Exit	-0.4	0.0	Updated to reflect final 22/23 position and revised 23/24 forecasts following National Grids published final Oct 23 NTS price
ADJ CDSP Costs	-0.7	0.0	Updated forecast for 23/24
ADJ Incentive Revenues	0.1	0.0	Updated forecast for 22/23
ADJ Other Revenue	-0.2	0.0	Updated forecast for 23/24
Dec-23 MOD186	772.7	926.4	

Southern Price Change	2024/25	2025/26
Total LDZ	-1.9%	15.8%
Total ECN	-17.4%	85.8%
Total SoLR	-101.8%	0.0%
Total distribution charges price change	(7.4%)	+19.9%



Scotland Gas

Scotland	2024/25	2025/26
Sept-23 MOD186	345.0	403.6
Pass-through 18/19	-1.1	-2.0
"Base Rev" 18/19	3.4	2.6
Other Revenue 18/19	-2.0	0.2
Inflation	12.9	19.4
K Correction term	-1.0	0.0
Legacy Revenue	0.1	0.0
ADJ inflation	2.0	0.0
ADJ "Base Rev"	2.4	-0.9
ADJ Shrinkage	-0.2	0.0
ADJ Licensed Activity	0.6	0.0
ADJ Pension Scheme Established Deficit Repair	0.7	0.0
ADJ NTS Exit	-0.6	0.0
ADJ CDSP Costs	-0.1	0.0
ADJ Stranraer LDZ	0.2	0.0
ADJ Other Revenue	0.4	0.0
Dec-23 MOD186	362.8	423.1

Comments
Reduction of costs related to CDSP, NTS, & Confirmation of Ofgems position regarding SoLR claims
Updated PCD, UM's, Totex classification, and super tax forecast
Updated to reflect revised 23/24 forecast
Updated for Nov23 OBR forecast
Updated forecast for 23/24
Update of Legacy trueup
Updated for Nov23 OBR forecast of 23/24
Updated PCD, UM's, Totex classification, and super tax forecast
Updated to include final 22/23 position and latest 23/24 forecast
Reflects final 22/23 position
Updated forecast for 23/24
Updated to reflect final 22/23 position and revised 23/24 forecasts following National Grids published final Oct 23 NTS price
Updated forecast for 23/24
Updated forecast for 23/24
Updated forecast for 23/24

Scotland Price Change	2024/25	2025/26
Total LDZ	2.1%	12.9%
Total ECN	-19.3%	85.9%
Total SoLR	-101.8%	0.0%
Total distribution charges price change	(3.8%)	+16.6%

Thank you



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