

DN Charging Methodology Forum

SGN September 2022 Mod 186 Summary

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SGN

Your gas. Our network.

Key Revenue Changes

Updates

- RRP 2021/22 includes final RRP position;
- PIt Updated inflation forecast reflect June actuals for 22, March OBR forecast for future years;
- SLt Updated shrinkage costs reflect 16 September position of wholesale gas prices. These show an avg p/therm of 404p for 22/23 compared to 236p include in the tariffs;
- Totex Actuals for 21/22 and re-profiles forecast for remaining years of GD2; as per RRP submission;
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Risks and Sensitivities

- SoLR charges – SGN currently forecast c.£50m for SoLR costs relating to 2023/24 tariffs. This forecast is based on Ofgem’s view as of Dec 21 and is subject to change if/when valid claims are received from suppliers.
- To adhere to SGNs five year tariff forecast obligation under the UNC, we have included a forecast for the first year of 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.
- Wholesale gas prices are currently subject to extreme volatility. The shrinkage cost forecast, which is driven by wholesale gas prices, is therefore subject to material change ahead of finalising 2023/24 tariffs.

Southern Gas movements and price update

Southern	2021/22	2022/23	2023/24	2024/25	2025/26	Comments
Jun-22 MOD186	696.2	951.0	856.6	822.5	835.6	
Pass-through 18/19	0	0	34.8	15.6	9.7	Increase in shrinkage wholesale gas price
"Base Rev" 18/19	0	0	7.0	4.8	0.4	Updated re-profiling of Totex for remaining years of GD2
Other revenue allowance	0	0	0.5	0.5	0.5	Updated forecast for future years
Inflation	0	0	9.2	5.2	3.1	Actuals to June22, OBR Mar22 forecast for future years
ADJ inflation	0	0	0.2	0.0	0.0	True up based on latest forecast
ADJ "Base Rev"	0	0	-9.1	-0.2	-0.4	updated tax super deduction forecast for 21/22 and 22/23, Totex actuals for 21/22 and reprofiled 22/23.
ADJ Shrinkage	0	0	33.7	0.0	0.0	Final 21/22 position plus updated forecast for 22/23
ADJ Licensed Activity	0	0	0.2	0.0	0.0	Final 21/22 position plus updated forecast for 22/23
ADJ Pension Scheme Established Deficit Repai	0	0	2.4	0.0	0.0	Final 21/22 position plus updated forecast for 22/23
ADJ NTS Exit	0	0	0.0	0.0	0.0	Update forecast for 22/23 based on NG final prices for Oct 22
ADJ Incentive Revenues	0	0	3.3	0.0	0.0	Final 21/22 position plus updated forecast for 22/23
ADJ Other Revenue	0	0	-5.5	0.0	0.0	Final 21/22 position plus updated forecast for 22/23
Sep-22 MOD186	696.2	951.0	933.4	848.5	849.0	

Price Change	2021/22	2022/23	2023/24	2024/25	2025/26
Total LDZ & SoLR	-11.9%	35.7%	-1.9%	-10.1%	0.2%
Total ECN	14%	27.9%	-0.9%	2.5%	-1.1%
Total distribution charges price change	-11.1%	38.0%	-1.8%	-9.1%	0.1%

Scotland Gas movements and price update

Scotland	2021/22	2022/23	2023/24	2024/25	2025/26	Comments
Jun-22 MOD186	322.3	458.1	399.3	383.7	386.8	
Pass-through 18/19	0	0	13.6	6.4	4.2	Increase in shrinkage wholesale gas price
"Base Rev" 18/19	0	0	0.5	2.9	-1.0	Updated re-profiling of Totex for remaining years of GD2
Other Revenue 18/19	0	0	0.2	0.2	0.2	Updated forecast for future years
Inflation	0	0	3.2	2.4	1.1	Actuals to June22, OBR Mar22 forecast for future years
ADJ inflation	0	0	0.1	0.0	0.0	True up based on latest forecast
ADJ "Base Rev"	0	0	-12.5	-0.2	-0.5	updated tax super deduction forecast for 21/22 and 22/23, Totex actuals for 21/22 and reprofiled 22/23.
ADJ Shrinkage	0	0	12.5	0.0	0.0	Final 21/22 position plus updated forecast for 22/23
ADJ Licensed Activity	0	0	0.1	0.0	0.0	Final 21/22 position plus updated forecast for 22/23
ADJ Prescribed Rates	0	0	-0.6	0.0	0.0	Final 21/22 position plus updated forecast for 22/23
ADJ Pension Scheme Established Deficit Repai	0	0	1.0	0.0	0.0	Final 21/22 position plus updated forecast for 22/23
ADJ NTS Exit	0	0	-0.2	0.0	0.0	Update forecast for 22/23 based on NG final prices for Oct 22
ADJ CDSP Costs			0.3	0.0	0.0	
ADJ Stranraer LDZ			-1.1	0.0	0.0	
ADJ Incentive Revenues			2.1	0.0	0.0	Final 21/22 position plus updated forecast for 22/23
ADJ Other Revenue			-2.5	0.0	0.0	Final 21/22 position plus updated forecast for 22/23
Sep-22 MOD186	322.3	458.1	416.1	395.3	390.7	

Price Change	2021/22	2022/23	2023/24	2024/25	2025/26
Total LDZ & SoLR	-16.7%	38.5%	-6.0%	-5.6%	-1.1%
Total ECN	20269%	47.8%	-37.0%	3.1%	-1.3%
Total distribution charges price change	-7.8%	43.2%	-9.2%	-5.0%	-1.2%