

DN Charging Methodology Forum

SGN June 2023 Mod 186 Summary

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June updates

Key revenue changes

- SLt The update reflects final 2022/23 position and 6 June forecast of wholesale gas price for 2023/24 and beyond. Current forecast suggests an avg. p/therm of 92p for 2023/24 compared to 296p used for the tariffs. Shrinkage costs are currently subject to extreme volatility.
- ECt Reflects latest view of costs for 2023/24 onwards based on National Grids published final price from October 23, indicative prices for future years and SGN current capacity bookings.
- TTET Updated to reflect revised forecast of 2021/22 and 2022/23 super tax deduction as well as the inclusion of a forecast reflecting the Governments spring budget revision to capital expenditure for 2023/24 through to 2025/26.
- Plt Updated to reflect March 2023 OBR forecast and actual inflation upto March 2023.

June updates continued

Risks and Sensitivities

- The June mod186 contains elements of the 2023 Revenue Reporting Pack (RRP) that has already been signed off internally by SGN, notably pass-through costs. All inputs and revised forecasts, which form the final 2023 RRP/RFPR will be available in the September mod186.
- Wholesale gas prices are currently subject to volatility. The shrinkage cost forecast, which is driven by wholesale gas prices, may be subject to material change as we move through 2023/24.
- 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
Mar-23 MOD186	861.2	857.3	
Pass-through 18/19	-20.2	2.8	Update forecast of costs for 24/25, notably reductions in shrinkage and NTS
"Base Rev" 18/19	-8.9	-6.8	Primarily due to the inclusion of the Governments spring budget announcement for capatal expenditure
Inflation	-7.2	5.0	Updated for Mar23 OBR forecast, also includes impact of the other adjustments shown
ADJ inflation	-2.0	0.0	Updated for Mar23 inflation actuals, also includes impact of the above adjustments
ADJ "Base Rev"	-22.6	5.0	Primarily due to the updated view of tax super deduction forecast for 21/22 and 22/23 as a result of moving from c.40% cap project eligibility base to c.80%
ADJ Shrinkage	-38.0	0.0	Updated to include final 22/23 position and latest 23/24 forecast
ADJ Licensed Activity	0.6	0.0	Reflects final 22/23 position
ADJ NTS Exit	-19.1	0.0	Updated to reflect final 22/23 position and revised 23/24 forecasts following National Grids published final Oct 23 NTS price
Jun-23 MOD186	743.7	863.3	
<i>Total Movement</i>	<i>-117.4</i>	<i>6.1</i>	

Price Change	2024/25	2025/26
Total LDZ	-8.2%	11.6%
Total ECN	-22.8%	84.9%
Total SoLR	-100.0%	0.0%
Total distribution charges price change	(12.8%)	+16.1%



Scotland Gas

Scotland	2024/25	2025/26	Comments
Mar-23 MOD186	409.6	402.1	
Pass-through 18/19	-7.6	1.1	Update forecast of costs for 24/25, notably reductions in shrinkage and NTS
"Base Rev" 18/19	-10.7	-3.3	Primarily due to the inclusion of the Governments spring budget announcement for capital expenditure and the removal of net zero reopener (c£7m), now due to be recovered via Nat Grid
Inflation	-4.5	2.2	Updated for Mar23 OBR forecast, also includes impact of the other adjustments shown
ADJ inflation	-1.1	0.0	Updated for Mar23 inflation actuals, also includes impact of the above adjustments
ADJ "Base Rev"	-28.2	-2.0	Updated view of tax super deduction forecast for 21/22 and 22/23 as a result of moving from c.40% cap project eligibility base to c.80%. In addition, the removal of net zero reopener (c.£7m), due to be recovered via Nat Grid
ADJ Shrinkage	-13.9	0.0	Updated to include final 22/23 position and latest 23/24 forecast
ADJ Prescribed Rates	0.7	0.0	Reflects final 22/23 position
ADJ NTS Exit	-7.3	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	-0.5	0.0	Reflects final 22/23 position
Jun-23 MOD186	336.6	400.2	
<i>Total Movement</i>	<i>-73.0</i>	<i>-2.0</i>	

Price Change	2024/25	2025/26
Total LDZ	-10.1%	14.8%
Total ECN	-27.6%	92.6%
Total SoLR	-100.0%	0.0%
Total distribution charges price change	(14.8%)	+18.9%



Thank you



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