

DN Charging Methodology Forum

Nexus Implementation - Fixed SOQ Charging

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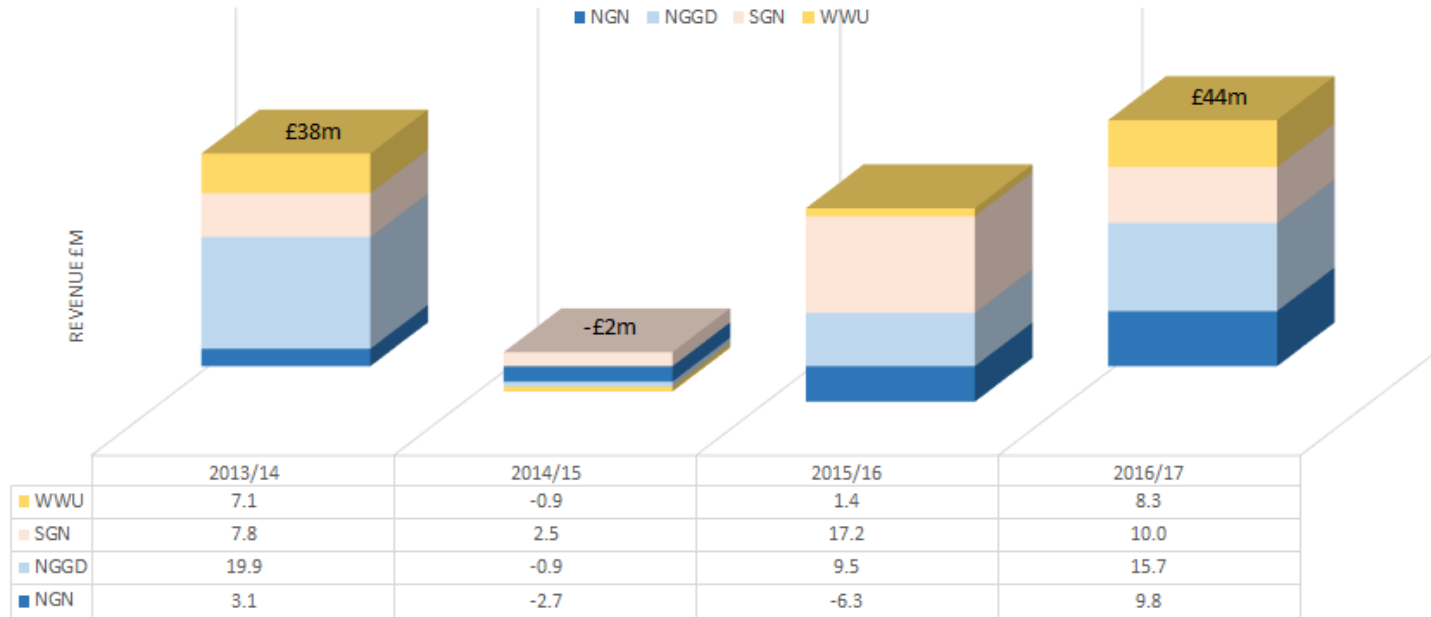
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Nexus Impact on SOQ Charging

- Aim to clarify assumptions regarding the implementation of fixed SOQ charging under Nexus at Go Live 1st June.
- Look at historical revenue levels and the price swing impact that has been associated with the uncertainty of 1st of October volume changes (AQ Review and Load Factor).
- Highlight that currently revenue within year (October to March) is subject to significant movements due to changes from the assumed SOQ position in October used for tariff setting and the actual.
- SOQ/Charging timeline illustration.
- Less movement in K within year, impacting prices on 2 year lag. Anticipated this will improve the predictability of charges going forward from 2019/10.

SOQ ASSUMPTION REVENUE IMPACT £M



Price Impact	2015/16	2016/17	2017/18	2018/19
All GDNs	-1.0%	0.1%	-0.6%	-1.2%

GDN assumptions based on historical data. The actual position is impacted by the AQ review process and changes in Load Factor (LF) agreed by DESC and applied 1 October.

$$SOQ = AQ / (365 * LF)$$



Current View of Nexus -Fixed SOQ Charging Timeline

2017/18 -SOQ Example with illustrative values

Rolling	675	675	680	680	680	680	681	681	682	682	682	683	683	679	679	680	680	680	680	
Fixed											682									

Low level volume change anticipated between GDN Snapshot and Nexus Go Live

Year	2016						2017										2018			
Month	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
	AQ Review Process		Revised SOQ-AQ and LF	GDN Snapshot of volumes taken via Xoserve reports to set 2017/18 tariffs				2017/18 Charges Applied	Fixed Snapshot Taken 2017/18 Charges	Nexus - Go Live						New Load Factor Applied	Fixed Snapshot Taken 2018/19 Charges			

2018/19 -SOQ Example with illustrative values

Rolling	680	680	681	681	681	681	681	682	682	682	687	687	687	688	688	688	689
Fixed	682						680										687

Year	2017				2018										2019		
Month	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR
	Fixed Snapshot Taken 2018/19 Charges				2018/19 Charges Applied							New Load Factor Applied	Fixed Snapshot Taken 2019/20 Charges				2019/20 Charges Applied

Summary

- 2017/18 Charges have been set assuming a Nexus Go Live date 1st June. GDN's have assumed that there will be a low level of volume movement between the 1st October 2016 SOQ position and 1st May fixed SOQ charging snapshot.
- Nexus implementation should give increased transparency of process. It is also anticipated that charges from 2019/20 shall have significantly reduced levels of K (under/over recovery carried forward) further improving predictability of charges going forward.