

# DN Charging Methodology Forum

## SGN Sept 2021 Mod 186 Summary

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**SGN**

Your gas. Our network.

# Key Revenue Changes

## GD2 updates

- Includes latest inflation forecast for all years of GD2. 2022/23 include a “true-up” of 2021/22 inflation.
- Latest view of pass-through costs, notable increases include shrinkage costs;
- Includes re-opener submission for cyber security, net zero pre-construction works and diversions

## New Risks and Sensitivities

- Tax super deduction has not been included in this submission. A further submission will be published on the JO website at the beginning of October reflecting the impact on tariffs;
- We continue to see large increases in wholesale gas prices, therefore pass-through costs may be subject to further increases ahead of the final 2022/23 tariffs;

## SGN - Southern Gas Network

## DELTA

DESCRIPTION	LICENCE TERM	PRICE BASE
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2022/23	2023/24	2024/25	2025/26
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TABLE 1: ALLOWED REVENUE &amp; ARITHMETICAL PRICE CHANGE

CURRENT ASSESSMENT OF ALLOWED REVENUE	ARt	NOMINAL
<i>memo; Allowed Revenue (as published) used for Price setting</i>	ARt	NOMINAL

34.1	20.6	20.1	19.3
34.1	20.6	20.1	19.3

YEAR ON YEAR MOVEMENT IN ALLOWED REVENUE	%
ADJUSTMENT FOR PRIOR YEAR OVER / UNDER RECOVERY	%
TOTAL % PRICE CHANGE BASED ON REVENUE	%
IMPACT OF CHANGE IN ANNUAL LOAD FACTORS	%
YEAR ON YEAR MOVEMENT IN AGGREGATE DEMAND	%
TOTAL % PRICE CHANGE BASED ON DEMAND/VOLUME	%
<b>TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE</b>	<b>%</b>

+4.9%	(2.1%)	(0.1%)	(0.2%)
-	-	-	-
+4.9%	(2.1%)	(0.1%)	(0.2%)
-	-	-	-
+0.1%	-	-	-
+0.1%	-	-	-
<b>+5.0%</b>	<b>(2.1%)</b>	<b>(0.1%)</b>	<b>(0.2%)</b>

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19
TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19
BUSINESS PLAN INCENTIVE	BPIt	18/19
OTHER REVENUE ALLOWANCES	ORAt	18/19
OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBt/DRSt	18/19
<b>TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)</b>	<b>Rt</b>	<b>18/19</b>

0.8	1.8	1.3	0.6
0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0
<b>0.8</b>	<b>1.8</b>	<b>1.3</b>	<b>0.5</b>

FORECAST INFLATION FACTOR; CPIH	Pit / PI2018/19	
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL
<b>TOTAL CALCULATED REVENUE NOMINAL</b>	<b>Rt</b>	<b>NOMINAL</b>

0.024	0.026	0.027	0.027
16.0	17.8	18.0	18.3
<b>16.8</b>	<b>19.6</b>	<b>19.3</b>	<b>18.9</b>

ADJUSTMENT TERM	ADJt	NOMINAL
CORRECTION TERM; K FACTOR	Kt	NOMINAL
LEGACY REVENUE	LARt	NOMINAL
<b>CURRENT ASSESSMENT OF ALLOWED REVENUE</b>	<b>ARt</b>	<b>NOMINAL</b>

12.3	1.0	0.8	0.4
7.0	0.0	0.0	0.0
-2.0	0.0	0.0	0.0
<b>34.1</b>	<b>20.6</b>	<b>20.1</b>	<b>19.3</b>



## SGN - Scotland Gas Network

## DELTA

DESCRIPTION	LICENCE TERM	PRICE BASE	2022/23	2023/24	2024/25	2025/26
<b>TABLE 1: ALLOWED REVENUE &amp; ARITHMETICAL PRICE CHANGE</b>						
<b>CURRENT ASSESSMENT OF ALLOWED REVENUE</b>	<b>Art</b>	<b>NOMINAL</b>	<b>22.0</b>	<b>12.9</b>	<b>14.2</b>	<b>13.5</b>
<i>memo; Allowed Revenue (as published) used for Price setting</i>	<i>Art</i>	<i>NOMINAL</i>	<i>22.0</i>	<i>12.9</i>	<i>14.2</i>	<i>13.5</i>
YEAR ON YEAR MOVEMENT IN ALLOWED REVENUE		%	+6.9%	(2.4%)	+0.4%	(0.2%)
ADJUSTMENT FOR PRIOR YEAR OVER / UNDER RECOVERY		%	-	-	-	-
<b>TOTAL % PRICE CHANGE BASED ON REVENUE</b>		<b>%</b>	<b>+6.9%</b>	<b>(2.4%)</b>	<b>+0.4%</b>	<b>(0.2%)</b>
IMPACT OF CHANGE IN ANNUAL LOAD FACTORS		%	-	-	-	-
YEAR ON YEAR MOVEMENT IN AGGREGATE DEMAND		%	(0.0%)	-	-	-
<b>TOTAL % PRICE CHANGE BASED ON DEMAND/VOLUME</b>		<b>%</b>	<b>(0.0%)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE</b>		<b>%</b>	<b>+6.9%</b>	<b>(2.4%)</b>	<b>+0.4%</b>	<b>(0.2%)</b>
<b>TABLE 2: ALLOWED REVENUE COMPOSITION</b>						
BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19	4.0	5.0	4.8	4.3
TOTAL OUTPUT DELIVERY INCENTIVE	ODIt	18/19	0.0	0.0	0.0	0.0
BUSINESS PLAN INCENTIVE	BPIt	18/19	0.0	0.0	0.0	0.0
OTHER REVENUE ALLOWANCES	ORAt	18/19	0.0	0.0	0.0	0.0
OTHER REVENUE TOTAL (inc. SIU/Cross subsidy adj.)	CSUBt/DRSt	18/19	0.0	0.0	0.0	0.0
<b>TOTAL CALCULATED REVENUE (FIXED 18/19 PRICES)</b>	<b>Rt</b>	<b>18/19</b>	<b>4.0</b>	<b>5.0</b>	<b>4.8</b>	<b>4.3</b>
<b>FORECAST INFLATION FACTOR; CPIH</b>	<i>PIt / PI2018/19</i>		<i>0.024</i>	<i>0.026</i>	<i>0.027</i>	<i>0.027</i>
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL	8.1	9.0	9.2	9.4
<b>TOTAL CALCULATED REVENUE NOMINAL</b>	<b>Rt</b>	<b>NOMINAL</b>	<b>11.9</b>	<b>13.9</b>	<b>13.7</b>	<b>13.4</b>
ADJUSTMENT TERM	ADJt	NOMINAL	6.0	-0.9	0.5	0.1
CORRECTION TERM; K FACTOR	Kt	NOMINAL	2.2	0.0	0.0	0.0
LEGACY REVENUE	LARt	NOMINAL	1.9	0.0	0.0	0.0
<b>CURRENT ASSESSMENT OF ALLOWED REVENUE</b>	<b>Art</b>	<b>NOMINAL</b>	<b>22.0</b>	<b>12.9</b>	<b>14.2</b>	<b>13.5</b>

# SGN GD2 Latest View Price Movements

Network	2021/22	2022/23	2023/24	2024/25	2025/26
Southern	-11.1%	5.8%	3.0%	0.3%	1.7%
Scotland	-7.8%	15.0%	-3.9%	0.1%	0.9%