

# DN Charging Methodology Forum

## SGN Dec 2021 Mod 186 Summary

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**SGN**

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# Key Revenue Changes

## GD2 updates

- **PIt** Updated inflation forecast reflects Oct 21 OBR forecast;
- **Ect** Impact of updated exit capacity bookings from Oct 21;
- **SLt** Updated shrinkage costs reflected November wholesale gas prices;
- **MPt** The forecast that has been included in respect of SoLR claims is based on preliminary figures provided by Ofgem based on initial estimates of claims received prior to 31 December 2021. Discussions with Ogem in relation to the processing of SoLR claims are ongoing so the final amount and timing of these claims is yet to be determined. Whilst we have included these preliminary SoLR forecasts in our mod186 report we await formal direction from Ofgem in relation to any SoLR claims for revenue charging within 2022/23;
- **ARt** December report reflects the impact of the CMA appeal;

## Risks and Sensitivities

- The inflation forecasts included within this report reflect that used for the November 2021 AIP. The inflation forecast impacting 22/23 tariffs will not change ahead of the publication of the tariffs in January, however forecasts issued since November AIP indicate inflation will likely increase in future years 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

DESCRIPTION	LICENCE TERM	PRICE BASE
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TABLE 1: ALLOWED REVENUE &amp; ARITHMETICAL PRICE CHANGE

ALLOWED REVENUE (AS PUBLISHED)	Art	NOMINAL
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TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE		%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE		%
<b>TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE</b>		<b>%</b>

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL
<b>TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)</b>	<b>Rt</b>	<b>NOMINAL</b>

ADJUSTMENT TERM (prior years movement in allowances)	ADjt	NOMINAL
CORRECTION TERM; K FACTOR	Kt	NOMINAL
LEGACY REVENUE	LARt	NOMINAL
<b>ALLOWED REVENUE (AS PUBLISHED)</b>	<b>Art</b>	<b>NOMINAL</b>

TABLE 4: ECN CHARGE ELEMENTS (NTS EXIT CAPACITY ONLY)

CORRECTION TERM; K FACTOR FOR ECN		NOMINAL
<b>ECN TOTAL ALLOWED REVENUE (AS PUBLISHED)</b>		<b>NOMINAL</b>

TABLE 5: LDZ &amp; CUSTOMER CHARGE ELEMENTS

DN ALLOWED REVENUE LESS ECN REVENUE		NOMINAL
DN COLLECTABLE REVENUE LESS ECN REVENUE		NOMINAL
UNDER / OVER RECOVERY CARRIED FORWARDS (LDZ & CUSTOMER)		NOMINAL

TABLE 6: PASS THROUGH COSTS

SHIRNKAGE	SLt	NOMINAL
MISCELLANEOUS COSTS	Mpt	NOMINAL
<b>TOTAL PASS THROUGH COSTS</b>		<b>NOMINAL</b>

TABLE 7: INFLATION

FORECAST INFLATION FACTOR; CPIH	Pit / Pt2018/19	
ASSUMED ANNUAL INFLATION FOR PRICE SETTING		
ACTUAL / FORECAST ANNUAL INFLATION		
DIFFERENCE (DRIVES CPIH TRUE UP)		

## Delta

2021/22	2022/23	2023/24	2024/25	2025/26
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0.0	210.1	56.1	28.7	32.4
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-	+30.7%	(18.6%)	(3.8%)	+0.4%
-	(3%)	+3%	(0%)	-
-	<b>+30.5%</b>	<b>(17.1%)</b>	<b>(3.4%)</b>	<b>+0.4%</b>

0.0	159.2	37.1	9.5	11.2
0.0	33.1	24.4	21.4	22.4
<b>0.0</b>	<b>192.2</b>	<b>61.5</b>	<b>30.9</b>	<b>33.6</b>

0.0	18.0	-5.4	-2.2	-1.2
0.0	0.0	0.0	0.0	0.0
0.0	-0.2	0.0	0.0	0.0
<b>0.0</b>	<b>210.1</b>	<b>56.1</b>	<b>28.7</b>	<b>32.4</b>

0.0	-1.7	0.0	0.0	0.0
<b>0.0</b>	<b>-1.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

14.9	211.8	56.1	28.7	32.4
14.9	211.8	56.1	28.7	32.4
0.0	0.0	0.0	0.0	0.0

0.0	3.9	1.6	1.2	0.9
0.0	168.7	33.7	0.0	0.0
<b>0.0</b>	<b>172.6</b>	<b>35.3</b>	<b>1.2</b>	<b>0.9</b>

0.000	0.022	0.028	0.030	0.031
-	+1.5%	+0.5%	+0.1%	+0.0%
+0.5%	+1.5%	+0.5%	+0.1%	+0.0%
+0.5%	-	-	-	-

## SGN - Scotland Gas Network

DESCRIPTION	LICENCE TERM	PRICE BASE
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TABLE 1: ALLOWED REVENUE &amp; ARITHMETICAL PRICE CHANGE

ALLOWED REVENUE (AS PUBLISHED)	Art	NOMINAL
TOTAL LDZ & CUSTOMER CHARGES ARITHMETICAL PRICE CHANGE		%
TOTAL ECN CHARGES ARITHMETICAL PRICE CHANGE		%
<b>TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE</b>		<b>%</b>

TABLE 2: ALLOWED REVENUE COMPOSITION

BASE REVENUE (INCLUDING TAX ALLOWANCE)		18/19
INFLATION TRUE-UP TO NOMINAL PRICES		NOMINAL
<b>TOTAL CALCULATED REVENUE NOMINAL (AS PUBLISHED)</b>	<b>Rt</b>	<b>NOMINAL</b>

ADJUSTMENT TERM (prior years movement in allowances)	ADJt	NOMINAL
CORRECTION TERM; K FACTOR	Kt	NOMINAL
LEGACY REVENUE	LART	NOMINAL
<b>ALLOWED REVENUE (AS PUBLISHED)</b>	<b>Art</b>	<b>NOMINAL</b>
<i>memo; Current assessment Allowed Revenue</i>	Art	NOMINAL

TABLE 4: ECN CHARGE ELEMENTS (NTS EXIT CAPACITY ONLY)

INFLATED NTS EXIT CAPACITY PASS-THROUGH ALLOWED REVENUE	AECT	NOMINAL
CORRECTION TERM; K FACTOR FOR ECN		NOMINAL

TABLE 5: LDZ &amp; CUSTOMER CHARGE ELEMENTS

DN ALLOWED REVENUE LESS ECN REVENUE	NOMINAL
DN COLLECTABLE REVENUE LESS ECN REVENUE	NOMINAL

TABLE 6: PASS THROUGH COSTS

SHIRNKAGE	SlT	NOMINAL
MISCELLANEOUS COSTS	MPT	NOMINAL
<b>TOTAL PASS THROUGH COSTS</b>		<b>NOMINAL</b>

TABLE 7: INFLATION

FORECAST INFLATION FACTOR; CPIH	Pit / PI2018/19	
ASSUMED ANNUAL INFLATION FOR PRICE SETTING		
ACTUAL / FORECAST ANNUAL INFLATION		
DIFFERENCE (DRIVES CPIH TRUE UP)		

## Delta

0.0	96.6	25.1	13.3	15.4
-	+34.3%	(19.0%)	(3.4%)	+0.6%
-	(10.0%)	+4.7%	+0%	(0%)
-	<b>+30.1%</b>	<b>(15.4%)</b>	<b>(3.1%)</b>	<b>+0.5%</b>

0.0	72.2	17.5	4.8	5.4
0.0	15.2	11.5	10.1	10.4
<b>0.0</b>	<b>87.4</b>	<b>29.1</b>	<b>14.9</b>	<b>15.8</b>

0.0	9.0	-4.0	-1.6	-0.4
0.0	0.0	0.0	0.0	0.0
0.0	0.1	0.0	0.0	0.0
<b>0.0</b>	<b>96.6</b>	<b>25.1</b>	<b>13.3</b>	<b>15.4</b>
4.9	96.6	25.1	13.3	15.4

0.0	-1.5	0.0	0.0	0.0
0.0	-1.6	0.0	0.0	0.0

0.0	99.8	25.1	13.3	15.4
0.0	99.8	25.1	13.3	15.4

0.0	1.5	0.6	0.5	0.4
0.0	75.1	15.0	0.0	0.0
<b>0.0</b>	<b>76.6</b>	<b>15.6</b>	<b>0.5</b>	<b>0.4</b>

0.000	0.022	0.028	0.030	0.031
-	+1.5%	+0.5%	+0.1%	+0.0%
+0.5%	+1.5%	+0.5%	+0.1%	+0.0%
+0.5%	-	-	-	-

# SGN GD2 Latest View Price Movements

Network	2021/22	2022/23	2023/24	2024/25	2025/26
Southern	-11.1%	36.7%	-13.9%	-3.2%	2.2%
Scotland	-7.8%	42.0%	-17.0%	-3.0%	1.5%