

DN Charging Methodology Forum

SGN Mar 2022 Mod 186 Summary

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SGN

Your gas. Our network.

Key Revenue Changes

Updates

- PIt Updated inflation forecast reflects actuals to Feb 22;
- SLt Updated shrinkage costs reflected January 22 position of wholesale gas prices;
- MPt Reflects final 22/23 claims;
- BDt Includes Jan 22 view of bad debt relating to failed shippers;
- Rt Includes tariff view for 21/22 & 22/23 and updated view of tax clawback for all years of GD2;

Risks and Sensitivities

- OBR Mar 22 forecast is due for publishing shortly, as there is likely to be a material movement from the Oct 21 forecast, SGN plans to republish the Mar mod186 to reflect the updated forecast;
- We are currently seeing extreme volatility in wholesale gas prices since the beginning of March, where forecasts materially differ day-to-day. As a result, SGN do not feel an updated forecast for shrinkage gas costs at this time will provide an accurate view of where costs for 22/23 and beyond will land. SGN has therefore taken the decision, for the current mod186, to keep forecast figures as per the 22/23 final tariffs. SGN hope to include a more stable forecast as part of the June MOD;
- The current mod186 report is based on delivery of totex in line with allowances. However, during the first year of GD2, the five year investment programme has been initially slower than anticipated and this will result in underspends against allowances. This will create timing differences for the remaining four years of GD2 and we therefore anticipate some revenue volatility in years three to five from the numbers presented as a result of the totex sharing and volume driver mechanisms. Upon completion of 21/22, and as part of our annual regulatory reporting, we will fully assess the impact of this first year which will inform the full GD2 forecast. SGN will update subsequent mod186 reports accordingly;

Southern Gas movements and price update

	2021/22	2022/23	2023/24	2024/25	2025/26	
Dec 21 MOD186 Allowed revenue	696.2	940.8	810.0	784.3	801.4	Comments
Calculated Revenue (incl. tax allowance) 18/19 prices	0.0	9.5	-0.3	4.3	4.4	Updated bad debt, final 22/23 SoLR claims, shrinkage costs reflect Jan 22 forecasts and lagged tax clawback
Inflation	0.0	1.1	4.4	5.1	5.3	Updated inflation actuals to Feb 22
Adjustment term (prior years movement in allowances)	0.0	-0.4	7.6	-5.0	-5.6	True up of inflation forecast for 21/22 & 22/23 impacting 23/24, updated pass-through offset by lagged tax clawback
Mar 22 MOD186 Allowed Revenue	696.2	951.0	821.7	788.7	805.5	21/22 & 22/23 reflect tariff position
<i>Total movement</i>	<i>0.0</i>	<i>10.2</i>	<i>11.7</i>	<i>4.4</i>	<i>4.0</i>	

	2021/22	2022/23	2023/24	2024/25	2025/26
Total LDZ & customer charges arithmetical price change	(11.9%)	+35.7%	(15.3%)	(3.8%)	+2.1%
Total ECN charges arithmetical price change	+13.8%	+27.9%	+8%	(6%)	+3%
Total distribution charges arithmetical price change	-11.1%	38.0%	-13.6%	-4.0%	2.1%

Scotland Gas movements and price update

	2021/22	2022/23	2023/24	2024/25	2025/26	
Dec 21 MOD186 Allowed revenue	322.4	455.0	377.8	366.6	372.0	Comments
Calculated Revenue (incl. tax allowance) 18/19 prices	0.0	4.2	-0.1	0.7	1.0	Updated bad debt, final 22/23 SoLR claims, shrinkage costs reflect Jan 22 forecasts and lagged tax clawback
Inflation	0.0	0.5	2.1	2.2	2.3	Updated inflation actuals to Feb 22
Adjustment term (prior years movement in allowances)	0.0	-1.6	3.5	-0.8	-1.4	True up of inflation forecast for 21/22 & 22/23 impacting 23/24, updated pass-through offset by 21/22 & 22/23 reflect tariff position
Mar 22 MOD186 Allowed Revenue	322.4	458.1	383.2	368.7	373.9	
<i>Total movement</i>	<i>0.0</i>	<i>3.1</i>	<i>5.5</i>	<i>2.1</i>	<i>1.9</i>	

	2021/22	2022/23	2023/24	2024/25	2025/26
Total LDZ & customer charges arithmetical price change	(16.7%)	+38.5%	(14.6%)	(3.6%)	+1.3%
Total ECN charges arithmetical price change	+20,269%	+47.9%	(32%)	(5%)	+2%
Total distribution charges arithmetical price change	-7.8%	43.2%	-16.3%	-3.8%	1.4%