

# DN Charging Methodology Forum

## SGN March 2020 Mod 186 Summary

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**SGN**

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# Key Revenue Changes

RPIAt Updated inflation in line with February 2020 Treasury forecast;

EIt Updated to reflect Oct 2019 Exit Capacity bookings;

SHRAt Reflects 2020/21 final proposals and shrinkage gas price 2020/21 onwards as per market forecast report 29 February 2020;

SHRRt Revised forecast 2019/20;

Rt Latest view of 2019/20 collected revenue;

Gd2 base revenue figures included within MOD186, reflect those published in December 2019 business plan: Alternative Cost of Capital Assumptions. All GD2 figures can be found at the following link under Financing and Efficiency [sgnfuture.co.uk](http://sgnfuture.co.uk)

Southern 2020/21 tariffs previously forecasts a 0.4% reduction due to the impact of revised 2018/19 NTS incentive. Ofgem final decision was for SGN not to include this within the tariffs and instead include it as part of the GD1 close out process.



DESCRIPTION	LICENCE TERM	2019/20	2020/21	2021/22	2022/23	2022/24	2024/25	2025/26
<b>TABLE 1: TOTAL CHARGE ELEMENTS (LDZ + CUSTOMER + ECN)</b>								
FORECAST RPI FACTOR	RPIft	0.00	0.00	0.0	0.0	0.0	0.0	0.0
ASSUMED ANNUAL INFLATION FOR PRICE SETTING		0.0%	0.0%	0.0	0.0	0.0	0.0	0.0
ACTUAL / FORECAST ANNUAL INFLATION		0.0%	-0.1%	0.0	0.0	0.0	0.0	0.0
OPENING BASE REVENUE ALLOWANCE (2009/10 PRICES)	PUt	0.0	0.0	498.3	505.7	500.8	500.4	497.5
PRICE CONTROL FINANCIAL MODEL ITERATION ADJUSTMENT (2009/10 PRICES)	MODt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RPI TRUE UP (2009/10 PRICES)	TRUt	0.0	0.0	0.0	0.0	0.0		
UPLIFT TO NOMINAL PRICES USING RPIft		0.0	0.0	203.0	220.3	232.5	247.0	260.4
<b>BASE REVENUE (NOMINAL)</b>	<b>BRt</b>	<b>0.0</b>	<b>0.0</b>	<b>701.8</b>	<b>726.5</b>	<b>733.3</b>	<b>747.4</b>	<b>757.8</b>
BUSINESS RATES ADJUSTMENT	RBt	0.0	0.0	0.0	-0.2	0.0	0.0	0.0
LICENSE FEES ADJUSTMENT	LFt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PENSION DEFICIT ADJUSTMENT	PDt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OTHER PASS THROUGH: THIRD PARTY DAMAGE & WATER INGRESS, THEFT OF GAS, MISC PASS THROUGH	TPWIt + TGt + MPt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>PASS THROUGH</b>	<b>PTt</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
NTS EXIT CAPACITY INCENTIVE REVENUE ADJUSTMENT	EIt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NTS EXIT CAPACITY COST ADJUSTMENT		0.0	0.0	0.0	0.1	0.0	0.0	0.0
<b>NTS EXIT CAPACITY REVENUE ADJUSTMENT</b>	<b>EXt</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
SHRINKAGE INCENTIVE REVENUE ADJUSTMENT	SHRRt	0.0	0.0	-0.1	-0.5	0.0	0.0	0.0
SHRINKAGE COST ADJUSTMENT	SHRAt	0.0	0.0	-1.0	-2.4	0.0	0.0	0.0
<b>SHRINKAGE REVENUE ADJUSTMENT</b>	<b>SHRt</b>	<b>0.0</b>	<b>0.0</b>	<b>-1.0</b>	<b>-2.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
BROAD MEASURE OF CUSTOMER SATISFACTION REVENUE ADJUSTMENT	BMt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ENVIRONMENTAL EMISSIONS INCENTIVE REVENUE ADJUSTMENT	EEIt	0.0	0.0	0.4	-0.4	0.0	0.0	0.0
DISCRETIONARY REWARD SCHEME REVENUE ADJUSTMENT	DRSt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NETWORK INNOVATION ALLOWANCE REVENUE ADJUSTMENT	NIAt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CORRECTION TERM REVENUE ADJUSTMENT	-Kt	0.0	0.0	-1.6	0.0	0.0	0.0	0.0
<b>MAXIMUM ALLOWED REVENUE</b>	<b>ARt</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>			
COLLECTABLE REVENUE	Rt	1.3	0.0	0.0	0.0	0.0	0.0	0.0
UNDER / OVER RECOVERY CARRIED FORWARDS	ARt - Rt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>





DESCRIPTION	LICENCE TERM	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
<b>TABLE 1: TOTAL CHARGE ELEMENTS (LDZ + CUSTOMER + ECN)</b>								
FORECAST RPI FACTOR	RPIft	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ASSUMED ANNUAL INFLATION FOR PRICE SETTING (RPIft as a %)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ACTUAL / FORECAST ANNUAL INFLATION		0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
OPENING BASE REVENUE ALLOWANCE (2009/10 PRICES)	PUt	0.0	0.0	224.3	229.4	229.4	224.9	222.3
PRICE CONTROL FINANCIAL MODEL ITERATION ADJUSTMENT (2009/10 PRICES)	MODt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RPI TRUE UP (2009/10 PRICES)	TRUt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
UPLIFT TO NOMINAL PRICES USING RPIft		0.0	0.0	91.4	99.9	106.5	111.0	116.4
<b>BASE REVENUE (NOMINAL)</b>	<b>BRt</b>	<b>0.0</b>	<b>0.0</b>	<b>315.7</b>	<b>329.4</b>	<b>335.9</b>	<b>335.8</b>	<b>338.7</b>
BUSINESS RATES ADJUSTMENT	RBt	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
LICENSE FEES ADJUSTMENT	LFt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PENSION DEFICIT ADJUSTMENT	PDt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OTHER PASS THROUGH: THIRD PARTY DAMAGE & WATER INGRESS, THEFT OF GAS, MISC PASS THROUGH	TPWIt + Tgt + MPT	0.0	0.5	0.0	0.0	0.0	0.0	0.0
<b>PASS THROUGH</b>	<b>PTt</b>	<b>0.0</b>	<b>0.5</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
NTS EXIT CAPACITY INCENTIVE REVENUE ADJUSTMENT	EIt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NTS EXIT CAPACITY COST ADJUSTMENT		0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>NTS EXIT CAPACITY REVENUE ADJUSTMENT</b>	<b>Ext</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
SHRINKAGE INCENTIVE REVENUE ADJUSTMENT	SHRRt	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
SHRINKAGE COST ADJUSTMENT	SHRAt	0.0	0.0	-0.4	-0.9	0.0	0.0	0.0
<b>SHRINKAGE REVENUE ADJUSTMENT</b>	<b>SHRt</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.4</b>	<b>-1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
BROAD MEASURE OF CUSTOMER SATISFACTION REVENUE ADJUSTMENT	BMt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ENVIRONMENTAL EMISSIONS INCENTIVE REVENUE ADJUSTMENT	EIt	0.0	0.0	0.0	-0.6	0.0	0.0	0.0
DISCRETIONARY REWARD SCHEME REVENUE ADJUSTMENT	DRSt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NETWORK INNOVATION ALLOWANCE REVENUE ADJUSTMENT	NIAt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CORRECTION TERM REVENUE ADJUSTMENT	-Kt	0.0	0.0	-1.0	0.0	0.0	0.0	0.0
<b>MAXIMUM ALLOWED REVENUE</b>	<b>ARt</b>	<b>0.0</b>	<b>0.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
COLLECTABLE REVENUE	Rt	0.7	0.5	0.0	0.0	0.0	0.0	0.0
UNDER / OVER RECOVERY CARRIED FORWARDS	ARt - Rt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE</b>		<b>-</b>	<b>+0.3%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

