

DN Charging Methodology Forum

SGN December 2019 Mod 186 Summary

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SGN

Your gas. Our network.

Key Revenue Changes

- RPIft Updated inflation for 2020/21 in line with December 2019 Treasury forecast;
- MODt Updated to reflect November 2019 AIP final position;
- CDE As part of November 2019 AIP 2020/21 cost of debt figure confirmed as 1.09%;
- Elt Updated to reflect Oct 2019 Exit Capacity bookings;
- SHRt Shrinkage gas price 2020/21 onwards as per market forecast report 30 November 2019;
- BMt Updated with 2018/19 scores and forecast for future years

Sensitivities and Uncertainties

- Southern 2020/21 currently includes a 0.4% reduction to reflect impact of revised 2018/19 NTS incentive. Awaiting confirmation from Ofgem as to which mechanism they prefer us to return this through.
- Neither Southern or Scotland 2020/21 tariff position currently includes SoLR claims relating to Ovo and Shell. If claims are approved by Ofgem at the current levels this will see an increase in tariffs of approximately 0.1%.
- Currently Xoserve have 21 outstanding defects in relation to the calculation of AQ/SOQ's. These are likely to impact on the formula AQ/SOQ's we use to recover our tariffs. Whilst indications from Xoserve are that the majority of these are low materially, the scale of 5 of the 21 defects are as yet unknown.
- In addition to the above Xoserve are currently investigating volatility we have recently witnessed in the reports they provide. If the latest AQ/SOQ levels are correct there could be a further increase in 2020/21 tariffs.

Revenue Forecasts For GD2

- All GD2 figures can be found at the below website under *Financing and Efficiency*.

www.sgnfuture.co.uk



A plan for our shared future

RIIO-GD2 Business Plan

9 December 2019



Positive impact

Safe and efficient

Shared net-zero future



DESCRIPTION	LICENCE TERM	2019/20	2020/21	2021/22	2022/23
TABLE 1: TOTAL CHARGE ELEMENTS (LDZ + CUSTOMER + ECN)					
FORECAST RPI FACTOR	RPIFt	0.00	-0.01		
ASSUMED ANNUAL INFLATION FOR PRICE SETTING		0.0%	-0.8%		
ACTUAL / FORECAST ANNUAL INFLATION		-0.2%	-0.4%		
OPENING BASE REVENUE ALLOWANCE (2009/10 PRICES)	PUt	0.0	0.0		
PRICE CONTROL FINANCIAL MODEL ITERATION ADJUSTMENT (2009/10 PRICES)	MODt	0.0	-2.1	-1.1	-1.1
RPI TRUE UP (2009/10 PRICES)	TRUt	0.0	0.0	0.0	0.0
UPLIFT TO NOMINAL PRICES USING RPIFt		0.0	-7.2		
BASE REVENUE (NOMINAL)	BRt	0.0	-9.3	0.0	0.0
BUSINESS RATES ADJUSTMENT	RBt	0.0	-0.1	0.0	0.4
LICENSE FEES ADJUSTMENT	Lft	0.0	0.0	0.0	0.0
PENSION DEFICIT ADJUSTMENT	PDt	0.0	0.0	0.0	-0.1
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
PASS THROUGH	PTt	0.0	-0.1	0.0	0.3
NTS EXIT CAPACITY INCENTIVE REVENUE ADJUSTMENT	EIt	0.0	-0.1	-0.9	-0.5
NTS EXIT CAPACITY COST ADJUSTMENT		0.0	0.1	0.4	0.6
NTS EXIT CAPACITY REVENUE ADJUSTMENT	EXt	0.0	0.0	-0.5	0.1
SHRINKAGE INCENTIVE REVENUE ADJUSTMENT	SHRRt	0.0	0.0	-0.1	-0.1
SHRINKAGE COST ADJUSTMENT	SHRAt	0.0	0.1	-0.7	-0.7
SHRINKAGE REVENUE ADJUSTMENT	SHRt	0.0	0.1	-0.7	-0.8
BROAD MEASURE OF CUSTOMER SATISFACTION REVENUE ADJUSTMENT	BMt	0.0	0.0	0.0	-0.1
ENVIRONMENTAL EMISSIONS INCENTIVE REVENUE ADJUSTMENT	EEIt	0.0	0.0	0.0	0.0
DISCRETIONARY REWARD SCHEME REVENUE ADJUSTMENT	DRSt	0.0	0.0	0.0	0.0
NETWORK INNOVATION ALLOWANCE REVENUE ADJUSTMENT	NIAt	0.0	0.0	0.0	0.0
CORRECTION TERM REVENUE ADJUSTMENT	-Kt	0.0	0.0	0.0	0.0
MAXIMUM ALLOWED REVENUE	ARt	0.0	-9.4	0.0	0.0
COLLECTABLE REVENUE	Rt	0.4	-9.4	0.0	0.0
UNDER / OVER RECOVERY CARRIED FORWARDS	ARt - Rt	0.0	0.0		
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE		-	(1.0%)	-	-
TABLE 6: RISKS AND SENSITIVITIES					
Impact of proposed NTS Charging Methodology MOD0678					
Potential future effects of DEM. Changes to domestic EUC bands					
Incentive revenue impact due to revised October 2018 NTS capacity bookings			-0.4%		



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FORECAST RPI FACTOR	RPIft	0.00	-0.01		
ASSUMED ANNUAL INFLATION FOR PRICE SETTING (RPIft as a %)		0.0%	-0.8%		
ACTUAL / FORECAST ANNUAL INFLATION		-0.2%	-0.4%		
OPENING BASE REVENUE ALLOWANCE (2009/10 PRICES)	PUt	0.0	0.0		
PRICE CONTROL FINANCIAL MODEL ITERATION ADJUSTMENT (2009/10 PRICES)	MODt	0.0	-0.3	0.2	0.2
RPI TRUE UP (2009/10 PRICES)	TRUt	0.0	0.0	0.0	0.0
UPLIFT TO NOMINAL PRICES USING RPIft		0.0	-2.9		
BASE REVENUE (NOMINAL)	BRt	0.0	-3.1	0.0	0.0
BUSINESS RATES ADJUSTMENT	RBt	0.0	-0.1	0.0	0.2
LICENSE FEES ADJUSTMENT	Lft	0.0	0.0	0.0	0.0
PENSION DEFICIT ADJUSTMENT	PDt	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
PASS THROUGH	PTt	0.0	-0.1	0.0	0.1
NTS EXIT CAPACITY INCENTIVE REVENUE ADJUSTMENT	Eit	0.0	0.0	0.0	0.0
NTS EXIT CAPACITY COST ADJUSTMENT		0.0	0.0	0.0	0.0
NTS EXIT CAPACITY REVENUE ADJUSTMENT	Ext	0.0	0.0	0.0	0.0
SHRINKAGE INCENTIVE REVENUE ADJUSTMENT	SHRRt	0.0	0.0	0.0	0.0
SHRINKAGE COST ADJUSTMENT	SHRat	0.0	0.0	-0.2	-0.3
SHRINKAGE REVENUE ADJUSTMENT	SHRt	0.0	0.0	-0.3	-0.3
BROAD MEASURE OF CUSTOMER SATISFACTION REVENUE ADJUSTMENT	BMt	0.0	0.0	0.0	0.0
ENVIRONMENTAL EMISSIONS INCENTIVE REVENUE ADJUSTMENT	EEIt	0.0	0.0	0.0	0.0
DISCRETIONARY REWARD SCHEME REVENUE ADJUSTMENT	DRSt	0.0	0.0	0.0	0.0
NETWORK INNOVATION ALLOWANCE REVENUE ADJUSTMENT	NIAt	0.0	0.0	0.0	0.0
CORRECTION TERM REVENUE ADJUSTMENT	-Kt	0.0	0.0	0.0	0.0
MAXIMUM ALLOWED REVENUE	ARt	0.0	-3.2	0.0	0.0
COLLECTABLE REVENUE	Rt	0.2	-3.2	0.0	0.0
UNDER / OVER RECOVERY CARRIED FORWARDS	ARt - Rt	0.0	0.0		
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE		-	(0.2%)		
TABLE 6: RISKS AND SENSITIVITIES					
Impact of proposed NTS Charging Methodology MOD0678					
Potential future effects of DEM. Changes to domestic EUC bands					

2020/21 Price Change

	Sept MOD186	Dec MOD186	Movement
Southern	-0.5%	-1.4%	0.9%
Scotland	7.7%	7.5%	0.2%