

DN Charging Methodology Forum

SGN September 2023 Mod 186 Summary

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September updates

Key revenue changes

- RRP The September mod186 contains the final Revenue Reporting Pack (RRP) data, actuals for 2022/23 and forecasts for all future years
- Totex Actuals for 21/22 and reprofiled forecast for remaining years of GD2; as per RRP submission
- VCMt Reflects latest view of costs for 2023/24 onwards including OfGEM's agreement to include an element of Fuel Poor Allowance under Vulnerability and Carbon Monoxide Allowance.
- Pit Updated to reflect actuals up to June in line with OfGEM's inflation methodology.

September updates continued

Risks and Sensitivities

- We have not updated the shrinkage forecast for this version due to minimal movement from our forecast and this reflects the forecast to be included in our 1st dry run submission to OfGEM
- Due to the high rate of inflation and slower than predicted fall from its height in November 2022 this may affect the OBR forecasts in future publications.
- To adhere to SGNs five year tariff forecast obligation under the UNC, SGN have included a forecast for the first year of the GD3 price control. As discussions with Ofgem, regarding GD3 have not yet begun we have no basis to include any-forecasts, as a result SGN have taken the approach of rolling forward revenue levels from 2025/26. This approach does not represent SGNs view of GD3 revenues. These revenues could be materially different to the figures quoted and any use of 2026/27 tariff forecast should be done so recognising this uncertainty.

Southern Gas

| Southern | 2024/25 | 2025/26 | Comments |
|---|--------------|--------------|---|
| Jun-23 MOD186 | 743.7 | 863.3 | |
| Pass-through 18/19 | -2.2 | -2.3 | Update forecast of costs for 24/25, notably reductions Pension Deficit |
| "Base Rev" 18/19 | -1.4 | 2.9 | Further update to Totex and to super tax deduction forecasts |
| Other Revenue 18/19 | 12.2 | 14.2 | Updated to reflect 22/23 RRP now includes Fuel Pool allowance moving to VCMA as agreed with OfGEM |
| Inflation | 6.7 | 8.5 | Updated for Mar23 OBR forecast, also includes actuals to Jun23 |
| ADJ inflation | 2.9 | 0.0 | Updated for Mar23 inflation actuals, also includes impact of the above adjustments |
| ADJ "Base Rev" | -15.8 | 0.9 | Updated 22/23 RRP actuals for PCD's, UM's, & Totex and revised forecast for 23/24 |
| ADJ Pension Scheme Established Deficit Repair | -4.2 | 0.0 | Updated 22/23 RRP actuals and revised forecast for 23/24 |
| ADJ CDSP Costs | -1.1 | 0.0 | Updated 22/23 RRP actuals and revised forecast for 23/24 |
| ADJ Incentive Revenues | 4.0 | 0.0 | Updated forecast for 22/23 |
| ADJ Other Revenue | -10.2 | 0.0 | Reflects final 22/23 RRP |
| Sept-23 MOD186 | 734.9 | 887.5 | |
| <i>Total Movement</i> | <i>-8.8</i> | <i>24.2</i> | |

| Southern Price Change | 2024/25 | 2025/26 |
|--|----------------|---------------|
| Total LDZ | -7.6% | 16.5% |
| Total ECN | -16.8% | 84.9% |
| Total SoLR | -100.0% | 0.0% |
| Total distribution charges price change | (12.1%) | +20.8% |

Scotland Gas

| Scotland | 2024/25 | 2025/26 | Comments |
|---|--------------|--------------|--|
| Jun-23 MOD186 | 336.6 | 400.2 | |
| Pass-through 18/19 | -1.4 | -1.4 | Update forecast of costs for 24/25, notably reductions Pension Deficit |
| "Base Rev" 18/19 | 0.5 | -3.1 | Further update to Totex and to super tax deduction forecasts |
| Other Revenue 18/19 | 4.9 | 5.8 | Updated to reflect 22/23 RRP now includes Fuel Poor allowance moving to VCMA as agreed with OfGEM |
| Inflation | 3.2 | 2.5 | Updated for Mar23 OBR forecast, also includes actuals to Jun23 |
| ADJ inflation | 1.4 | 0.0 | Updated for Mar23 inflation actuals, also includes impact of the above adjustments |
| ADJ "Base Rev" | 5.6 | -0.3 | Updates reflect the final 22/23 RRP position, primarily a reduction in PCD's and Totex, offset by uncertainty mechanisms |
| ADJ Shrinkage | -0.3 | 0.0 | Updated to include final 22/23 position and latest 23/24 forecast |
| ADJ Pension Scheme Established Deficit Repair | -2.7 | 0.0 | Updated 22/23 RRP actuals and revised forecast for 23/24 |
| ADJ Other Revenue | -3.1 | 0.0 | Reflects final 22/23 RRP |
| Sept-23 MOD186 | 345.0 | 403.6 | |
| <i>Total Movement</i> | <i>8.4</i> | <i>3.4</i> | |

| Scotland Price Change | 2024/25 | 2025/26 |
|--|---------------|---------------|
| Total LDZ | -4.4% | 12.9% |
| Total ECN | -23.6% | 92.6% |
| Total SoLR | -100.0% | 0.0% |
| Total distribution charges price change | (9.4%) | +17.0% |

Thank you



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