

DN Charging Methodology Forum

SGN March 2024 Mod 186 Summary

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March updates

Key revenue changes

- PTt Confirmation of Ofgem's final position regarding SoLR claims and updated forecast of shrinkage costs for 23/24

Risks and Sensitivities

- Wholesale gas prices are currently subject to volatility. The shrinkage cost forecast, which is driven by wholesale gas prices, is therefore subject to material change as we move through 2023/24. Current view from March is a price of 83.21p per therm against the budget price of 292.74p per therm. Furthermore, current forecast of expected gas prices through 24/25 are 72.7p compared to 129p when setting the tariffs
- 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 assuming an inflation rate of 2%. 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
Dec-23 MOD186	772.7	926.4	
Pass-through 18/19	1.7	-3.2	Confirmation of Ofgems position regarding SoLR claims
Inflation	0.5	-1.1	Updated for Nov23 OBR forecast
Mar 24 MOD186	774.8	912.8	

Southern Price Change	2024/25	2025/26
Total LDZ	-1.1%	13.8%
Total ECN	-16.5%	85.8%
Total SoLR	-96.8%	-100.0%
Total distribution charges price change	(6.5%)	+17.8%

Scotland Gas

Scotland	2024/25	2025/26	Comments
Dec-23 MOD186	362.8	423.1	
Pass-through 18/19	0.7	-1.2	Confirmation of Ofgem's position regarding SoLR claims
Inflation	0.2	-0.4	Updated for Nov23 OBR forecast
Mar-24 MOD186	363.7	418.2	

Scotland Price Change	2024/25	2025/26
Total LDZ	1.9%	11.4%
Total ECN	-17.9%	85.9%
Total SoLR	-96.8%	-100.0%
Total distribution charges price change	(3.7%)	+15.0%

Thank you



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