

# DN Charging Methodology Forum

## SGN June 2024 Mod 186 Summary

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# June updates

## Key revenue changes

- **Plt** Updated to reflect March OBR data and forecasts in line with Ofgem's inflation methodology.
- **PTt** Increase in NTS costs based on latest indicative tariff provided by National Grid and an increase in shrinkage based on the 11<sup>th</sup> June wholesale price
- **SLt** 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 2024/25. Current view from June is a price of 88.54p per therm against the budget price of 129p per therm.

# June updates continued

## Risks and Sensitivities

- We have revised our forecast using the OBR forecasts released in March and with inflation being lower and more stable, this has impacted revenue
- With National Grid releasing their final tariff for NTS exit, there is a reduction of costs for 2024/25 and with the update to the indicative tariff for 2025/26 we are expecting an increase
- We are currently forecasting that there will be no SoLR claims for 2025/26, however, once we have had steer from Ofgem this may be subject to change
- 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.
- All 2023/24 actuals will be included in the September mod186 once these have gone through external audit and submitted to Ofgem.

# Southern Gas

Southern		2025/26	Comments
<b>Mar 24 MOD186</b>		<b>912.8</b>	
Pass-through 18/19		7.4	Increase in NTS costs based on NTS latest indicative prices and increase in shrinkage based on 11 Jun wholesale gas price
"Base Rev" 18/19		-0.2	Update tax allowance based on other revenue adjustments
Inflation		-12.2	Updated forecast due to OBR data released in March 24
ADJ inflation		-11.5	Updated to include actuals up to Mar 24 and OBR Mar 24 forecast
ADJ "Base Rev"		-1.9	Updated impact of tax clawback compared to revenue levels
ADJ Shrinkage		2.2	Reflects wholesale gas prices as at 11 Jun
ADJ NTS Exit		-3.4	Reflects NTS final rate from Oct 24, impacting 24/24 costs
<b>Jun 24 MOD186</b>		<b>893.2</b>	

Southern Price Change	2025/26
Total LDZ	10.8%
Total ECN	91.2%
Total SoLR	-100.0%
<b>Total distribution charges price change</b>	<b>+15.3%</b>

# Scotland Gas

Scotland	2025/26	Comments
<b>Mar-24 MOD186</b>	<b>418.2</b>	
Pass-through 18/19	3.1	Increase in NTS costs based on NTS latest indicative prices and increase in shrinkage based on 11 Jun wholesale gas price
"Base Rev" 18/19	-0.1	Update tax allowance based on other revenue adjustments
Inflation	-5.7	Updated forecast due to OBR data released in March 24
ADJ inflation	-5.3	Updated to include actuals up to Mar 24 and OBR Mar 24 forecast
ADJ "Base Rev"	-0.9	Updated impact of tax clawback compared to revenue levels
ADJ Shrinkage	1.0	Reflects wholesale gas prices as at 11 Jun
ADJ NTS Exit	-1.4	Reflects NTS final rate from Oct 24, impacting 24/24 costs
<b>Jun-24 MOD186</b>	<b>408.9</b>	

Scotland Price Change	2025/26
Total LDZ	8.6%
Total ECN	87.1%
Total SoLR	-100.0%
<b>Total distribution charges price change</b>	<b>+12.4%</b>

**Thank you**



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