

Scotia Gas Networks  
January 2014 Mod 186 Forecast  
Scotland Network

TABLE 1

Description	RIO License Terms	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Assumptions
Assumed Year on Year Actual RPI		3.1%	3.1%	3.1%	3.1%	3.2%	3.0%	
Assumed Interest Rate	It	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	
<b>Total Charge Elements</b>								
Opening Base Revenue Allowance	PUt		256.5	249.4	243.3	256.0	259.5	Opening base revenue term incorporates core allowances for Pass-through costs, NTS Exit capacity, and Shrinkage costs.
Price Control Financial Model Iteration Adjustment	MODt			-1.2	-2.6	-3.2	-3.6	15/16 onwards reflects detail as per Table 2
RPI True Up	TRUt				1.3	0.0	0.0	A true-up the forecast RPI revenues, revenue adjustments and incentives. No variance assumed 2015-16 onwards.
Forecast RPI Factor	RPIFt		1.163	1.205	1.241	1.280	1.319	Assumed 13/14 value Calculated using Nov 12 Treasury Report 14/15 value using Nov 13 Report
<b>Base Revenue</b>	<b>BRt</b>		<b>298.3</b>	<b>299.1</b>	<b>300.4</b>	<b>323.7</b>	<b>337.6</b>	Sum of the above elements inflated by RPIFt
Business Rate Adjustment	RBt				-2.5	-2.9	-3.0	Due to miscalculation of the base allowance.
Licensee Fee Adjustment	LFt				0.1	0.1	0.1	
NTS Pensions Deficit Adjustment	PDt				-0.1	-0.1	-0.1	
<b>Pass Through</b>	<b>PTt</b>				<b>-2.5</b>	<b>-2.8</b>	<b>-2.9</b>	
Exit Capacity Incentive Revenue	EIt				0.1			Incentive outperformance for 13/14 to be recovered in 15/16. Nil assumption on incentive performance 2014/15 onwards.
Exit Capacity Allowance Adjustment					0.1	0.4	0.3	
<b>NTS Exit Capacity Revenue Adjustment</b>	<b>EXt</b>				<b>0.2</b>	<b>0.4</b>	<b>0.3</b>	Incentive outperformance for 13/14 to be recovered in 15/16. No current assumption on incentive performance 2014/15 onwards.
Broad Measure of Customer Satisfaction Revenue Adjustment	BMt				0.7	0.7	0.8	
Shrinkage Cost Adjustment	SHRAt				-0.7	-0.8	-1.3	Projected adjustment in respect of lower Shrinkage Volumes and Costs than initial Allowed Shrinkage Cost (27/12/13 view on price)
Shrinkage Incentive Adjustment	SHRRt				0.2	0.2	0.1	Projected Shrinkage Incentive Performance (does not include model benefit from improvements to LP Service calculation)
<b>Shrinkage Allowance Rev Adjustment</b>	<b>SHRt</b>				<b>-0.6</b>	<b>-0.7</b>	<b>-1.1</b>	Net Impact of Shrinkage Cost Adjustment and Incentive
Environmental Emissions Incentive Revenue Adjustment	EEt				0.6	0.6	0.7	Projected Incentive Performance
Discretionary Reward Scheme Revenue Adjustment	DRSt		0.3	0.4				As per Ofgem Panel decision- No assumptions made for future awards.
Network Innovation Allowance Revenue Adjustment	NIAt		1.3	1.3	1.4	1.5	1.5	Reflects utilising the full NIA
Correction Term Revenue Adjustment	Kt		-6.6		-0.8	0.0	0.0	2012-13 under-recovery carried forward into 2013-14. Note that forecast over-recovery in 2013-14 is carried forward into 2015-16 as per 2-year lag in RIO
<b>Maximum DN Allowed Revenue (including NTS Exit)</b>	<b>ARt</b>	<b>254.6</b>	<b>293.4</b>	<b>300.8</b>	<b>299.5</b>	<b>323.5</b>	<b>336.9</b>	Forecast total value of Allowed Revenue in each Formula Year
<b>Collectable Revenue (including NTS Exit)</b>	<b>Rt</b>	<b>261.1</b>	<b>294.1</b>	<b>300.8</b>	<b>299.5</b>	<b>323.5</b>	<b>336.9</b>	Forecast for 2013-14 based on April 2013 transportation charges.
Under/Over-Recovery Carried Forward (including NTS Exit)	Rt - ARt	6.4	0.8	0.0	0.0	0.0	0.0	Simplifying assumption is that transportation charges will track allowed revenue exactly from 2014-15 onwards.
<b>Arithmetical April Price Change (%) All Elements</b>				<b>4.4%</b>	<b>0.3%</b>	<b>8.7%</b>	<b>4.8%</b>	

LDZ ECN Charge Elements (NTS Exit Capacity)								
Initial Allowed Revenue (AExt)			0.2	0.2	0.2	0.2	0.2	Allowed NTS Exit Capacity cost built into the opening base allowed revenue term (PUt)
<b>Inflated Base Allowance</b>			<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	
Cost True Up					0.1	0.4	0.3	
ECN K Added			0.0		-0.1	0.0	0.0	
<b>Allowed Revenue</b>	<b>0.2</b>		<b>0.3</b>	<b>0.2</b>	<b>0.3</b>	<b>0.7</b>	<b>0.6</b>	
<b>Collected Revenue</b>	<b>0.2</b>		<b>0.3</b>	<b>0.2</b>	<b>0.3</b>	<b>0.7</b>	<b>0.6</b>	
Under/Over Recovery	-0.0		0.0	0.0	0.0	0.0	0.0	
<b>ECN Charges Arithmetical April Price Change (%)</b>				<b>-31.7%</b>	<b>18.2%</b>	<b>146.4%</b>	<b>-11.2%</b>	

DN Charge Elements (Excluding NTS)								
<b>DN Allowed Revenue less Allowed ECN Revenue</b>	<b>254.4</b>		<b>293.1</b>	<b>300.6</b>	<b>299.2</b>	<b>322.8</b>	<b>336.3</b>	
<b>DN Collectable Revenue less Collectable ECN Revenue</b>	<b>260.9</b>		<b>293.8</b>	<b>300.6</b>	<b>299.2</b>	<b>322.8</b>	<b>336.3</b>	
DN Under/Over Recovery Carried Forward	6.5		-6.6	0.0	0.0	0.0	0.0	
<b>DN Arithmetical April Price Change (%)</b>				<b>4.4%</b>	<b>0.2%</b>	<b>8.5%</b>	<b>4.9%</b>	

SOQ October Impact Assumption								
Annual October SOQ Assumption			-2.9%	-1.5%	-1.5%	-1.5%	-1.5%	Potential for significant swings year on year assumed a mid point position based on recent historical data.

SOQ Impact on Collected Revenue Forecast (Oct - March)					
		LOW	MID	HIGH	
Assumed % SOQ as at October Impact Scenario		0.0%	-1.5%	-3.0%	
£m Collected Revenue Impact		2.0	0.0	-2.0	
% Price Change Impact		-0.7%	0.0%	0.7%	

Tax Allowance (09/10 Prices)								
Total Tax Allowance included in BRt (09/10 Prices)			0.0	0.0	7.0	16.7	17.1	

Price Change All Elements - Less Tax Allowance								
<b>Arithmetical April Price Change (%) All Elements less Tax Allowance</b>			<b>0.0%</b>	<b>0.0%</b>	<b>-2.6%</b>	<b>4.7%</b>	<b>4.7%</b>	

TABLE 2 (Nominal Prices)

Item Description	PCFM Term	Item Description	2014-15	2015-16	2016-17	2017-18	Assumptions	Frequency
Cost of Debt Adjustment (drives changes to WACC)	CDE			-2.6	-3.2	-3.6	Nov 13 update reflecting two bank average	Annual
Tax Trigger Event	TTE	Specified Financial Adjustments					Nil Assumption-Change to Tax treatment of mains & services repex in line with Ofgem assumptions	At any time
Tax Liability - gearing/interest costs	TGIE						Nil Assumption-Change to Tax treatment of mains & services repex in line with Ofgem assumptions	At any time
Pension Scheme Established Deficit	EDE						Nil Assumption-3 year Ofgem review in 2015/16	3-yearly review
Pension Scheme Administration and PPF Levy	APFE						Nil Assumption-3 year Ofgem review in 2015/16	3-yearly review
Legacy Capex RAV	LRAV	Legacy Price Control Adjustments					Assumed no material adjustment from forecast FP legacy adjustments. Dependent on ongoing AIP.	One-off
Legacy Allowed Revenue Adjustment	LAR						Assumed no material adjustment from forecast FP legacy adjustments. Dependent on ongoing AIP.	One-off
Legacy Streetworks Cost Adjustment	IAEAR							One-off
Actual Load-related Capex	ALC	Totex Incentive Mechanism					To early to assess nil assumption at present.	Annual
Actual Other Capex	AOX						To early to assess nil assumption at present.	Annual
Actual Controllable Opex	ACO						To early to assess nil assumption at present.	Annual
Actual Replacement Expenditure	ARE						To early to assess nil assumption at present.	Annual
Enhanced Physical Site Security (CNI)	IAEES	Uncertain Costs (Allowed Totex Adjustments)					Current forecast £4m over GDPCR1, uncertainty on timing of impact.	2 Reopeners
Specified Streetworks	IAESW						Recovery of streetwork cost dependent on ongoing TSA IAE equal to or less than £11.5m (15/16)	2 Reopeners
Change to Connection Charging Boundary	IAECCB						Nil Assumption at present	2 Reopeners
Smart Metering Roll-out	IAESM			0.0	0.0	0.0	Current view is that the revenue impact will be after 2017/18	Reopener -> Revenue Driver
Large Load Connections	IAELLC						Nil Assumption at present	2 Reopeners
Fuel Poor Network Extensions	IAEFP						Nil Assumption at present	1 Reopener (Flexible)
Agency Costs (FGO)	IAECA						Nil Assumption at present	1 Reopener (Flexible)
Mains & Services (Repex T2)	RE						Current additional length 2km immaterial	Annual
Innovation Roll-out Mechanism	IRM						Nil Assumption at present	Annual
<b>Total Potential Impact of Revenue Adjustments shown in Table 2</b>			<b>0.0</b>	<b>-2.6</b>	<b>-3.2</b>	<b>-3.6</b>		

Potential Value of Revenue Adjustments arising from factors known at the time of generating this Revenue Forecast

The information provided is in accordance with UNC Section V 5.13.1. This report is published without prejudice and the figures contained within in it are for indicative purposes only.

Scotia Gas Networks  
January 2014 Mod 186 Forecast  
Southern Network

TABLE 1

Description	RiIO License Terms	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Assumptions
Assumed Year on Year Actual RPI		3.1%	3.1%	3.1%	3.1%	3.2%	3.0%	
Assumed Interest Rate	It	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	
<b>Total Charge Elements</b>								
Opening Base Revenue Allowance	PUt		612.8	592.1	603.0	604.8	608.6	Opening base revenue term incorporates core allowances for Pass-through costs, NTS Exit capacity, and Shrinkage costs.
Price Control Financial Model Iteration Adjustment	MODt			-2.8	-5.8	-7.2	-8.0	15/16 onwards reflects detail as per Table 2
RPI True Up	TRUt				3.2	0.0	0.0	A true-up the forecast RPI revenues, revenue adjustments and incentives. No variance assumed 2015-16 onwards.
Forecast RPI Factor	RPIFt		1.163	1.2051	1.2413	1.2804	1.3195	Assumed 13/14 value Calculated using Nov 12 Treasury Report 14/15 value using Nov 13 Report
<b>Base Revenue</b>	<b>BRt</b>		<b>712.7</b>	<b>710.2</b>	<b>745.3</b>	<b>765.2</b>	<b>792.5</b>	Sum of the above elements inflated by RPIFt
Business Rate Adjustment	RBt				-6.7	-7.3	-7.6	Due to miscalculation of the base allowance.
Licensee Fee Adjustment	LFt				0.3	0.3	0.3	
NTS Pensions Deficit Adjustment	PDt				-0.0	-0.0	-0.0	
Pass Through	PTt				-6.4	-7.0	-7.3	
Exit Capacity Incentive Revenue	Exit				2.9			Incentive outperformance for 13/14 to be recovered in 15/16. Nil assumption on incentive performance 2014/15 onwards.
Exit Capacity Allowance Adjustment					-2.9	-4.2	-2.5	
<b>NTS Exit Capacity Revenue Adjustment</b>	<b>EXT</b>				<b>-0.0</b>	<b>-4.2</b>	<b>-2.5</b>	
Broad Measure of Customer Satisfaction Revenue Adjustment	BMt				1.5	1.4	1.5	
Shrinkage Cost Adjustment	SHRAt				-2.0	-2.5	-3.8	Projected adjustment in respect of lower Shrinkage Volumes and Costs than initial Allowed Shrinkage Cost (27/12/13 view on price)
Shrinkage Incentive Adjustment	SHRRt				0.7	0.8	0.8	Projected Shrinkage Incentive Performance (does not include model benefit from improvements to LP Service calculation)
<b>Shrinkage Allowance Rev Adjustment</b>	<b>SHRt</b>				<b>-1.4</b>	<b>-1.7</b>	<b>-3.1</b>	<b>Net Impact of Shrinkage Cost Adjustment and Incentive</b>
Environmental Emissions Incentive Revenue Adjustment	EEIt				2.0	2.4	2.6	Projected Incentive Performance
Discretionary Reward Scheme Revenue Adjustment	DRSt		0.5	0.7				As per Ofgem Panel decision- No assumptions made for future awards.
Network Innovation Allowance Revenue Adjustment	NIAt		3.2	3.2	3.4	3.5	3.6	Reflects utilising the full NIA
Correction Term revenue Adjustment	Kt		10.2		-15.9	0.0	0.0	2012-13 under-recovery carried forward into 2013-14. Note that forecast over-recovery in 2013-14 is carried forward into 2015-16 as per 2-year lag in RIIO
<b>Maximum DN Allowed Revenue (including NTS Exit)</b>	<b>ARt</b>	<b>646.7</b>	<b>726.6</b>	<b>714.0</b>	<b>728.5</b>	<b>759.6</b>	<b>787.2</b>	Forecast total value of Allowed Revenue in each Formula Year
<b>Collectable Revenue (including NTS Exit)</b>	<b>Rt</b>	<b>636.6</b>	<b>741.9</b>	<b>714.0</b>	<b>728.5</b>	<b>759.6</b>	<b>787.2</b>	Forecast for 2013-14 based on April 2013 transportation charges.
Under/Over-Recovery Carried Forward (including NTS Exit)	Rt - ARt	-10.0	15.3	0.0	0.0	0.0	0.0	Simplifying assumption is that transportation charges will track allowed revenue exactly from 2014-15 onwards.
<b>Arithmetical April Price Change (%) incl NTS</b>				<b>-2.7%</b>	<b>3.1%</b>	<b>5.4%</b>	<b>4.7%</b>	

<b>DZ ECN Charge Elements (NTS Exit Capacity Only)</b>								
Initial Allowed Revenue (AExt)			45.0	46.7	46.7	46.7	46.7	Allowed NTS Exit Capacity cost built into the opening base allowed revenue term (PUt)
<b>Inflated Base Allowance</b>			<b>52.3</b>	<b>56.3</b>	<b>58.0</b>	<b>59.8</b>	<b>61.6</b>	
Cost True Up					-2.9	-4.2	-2.5	No assessment on cost adjustment for 2014/15 onwards
ECN K Added			2.8		-0.8	0.0	0.0	
<b>Total Allowed Revenue</b>	<b>30.3</b>		<b>55.1</b>	<b>56.3</b>	<b>54.3</b>	<b>55.6</b>	<b>59.1</b>	
<b>Collected Revenue</b>	<b>27.6</b>		<b>55.9</b>	<b>56.3</b>	<b>54.3</b>	<b>55.6</b>	<b>59.1</b>	
Under/Over Recovery	-2.7		0.8	0.0	0.0	0.0	0.0	
<b>ECN Charges Arithmetical April Price Change (%)</b>				<b>2.0%</b>	<b>-2.4%</b>	<b>3.4%</b>	<b>7.4%</b>	

<b>DN Charge Elements (Excluding NTS)</b>								
<b>DN Allowed Revenue</b>	<b>616.3</b>		<b>671.5</b>	<b>657.7</b>	<b>674.2</b>	<b>704.1</b>	<b>728.1</b>	
<b>DN Collectable Revenue</b>	<b>609.0</b>		<b>686.0</b>	<b>659.7</b>	<b>674.2</b>	<b>704.1</b>	<b>728.1</b>	
DN Under/Over Recovery Carried Forward	-7.3		14.5	0.0	0.0	0.0	0.0	
<b>DN Arithmetical April Price Change (%)</b>				<b>-3.1%</b>	<b>3.3%</b>	<b>5.5%</b>	<b>4.5%</b>	

<b>SOQ October Impact Assumption</b>								
Annual October SOQ Assumption			0.1%	-2.5%	-2.5%	-2.5%	-2.5%	Potential for significant swings year on year assumed a mid point position based on recent historical data.

<b>SOQ Impact on Collected Revenue Forecast (Oct - March)</b>					
Assumed % SOQ as at October Impact Scenario			LOW	MID	HIGH
£m Collected Revenue Impact			7.9	0.0	-7.9
% Price Change Impact			-1.1%	0.0%	1.1%

<b>Tax Allowance (09/10 Prices)</b>							
Total Tax Allowance included in BRt (09/10 Prices)			0.0	0.0	35.7	40.8	41.1

<b>Price Change All Elements Less Tax Allowance</b>							
<b>Arithmetical April Price Change (%) All Elements less Tax Allowance</b>			<b>0.0%</b>	<b>0.0%</b>	<b>-2.9%</b>	<b>4.5%</b>	<b>4.7%</b>

TABLE 2 (09/10 Prices)

Item Description	PCFM Term	Item Description	2014-15	2015-16	2016-17	2017-18	Assumptions	Frequency
Cost of Debt Adjustment (drives changes to WACC)	CDE	Specified Financial Adjustments		-5.8	-7.2	-8.0	Nov 13 update reflecting two bank average	Annual
Tax Trigger Event	TTE						Nil Assumption-Change to Tax treatment of mains & services repex in line with Ofgem assumptions	At any time
Tax Liability - gearing/interest costs	TGIE						Nil Assumption-Change to Tax treatment of mains & services repex in line with Ofgem assumptions	At any time
Pension Scheme Established Deficit	EDE						Nil Assumption-3 year Ofgem review in 2015/16	3-yearly review
Pension Scheme Administration and PPF Levy	APFE	Legacy Price Control Adjustments					Nil Assumption-3 year Ofgem review in 2015/16	3-yearly review
Legacy Capex RAV Adjustment	LRAV						Assumed no material adjustment from forecast FP legacy adjustments. Dependent on ongoing AIP.	One-off
Legacy Allowed Revenue Adjustment	LAR						Assumed no material adjustment from forecast FP legacy adjustments. Dependent on ongoing AIP.	One-off
Legacy IFI Cap Adjustment	IFIAR							One-off
Legacy Streetworks Cost Adjustment	IAEAR	Totex Incentive Mechanism						One-off
Actual Load-related Capex	ALC						To early to assess nil assumption at present.	Annual
Actual Other Capex	ACOC						To early to assess nil assumption at present.	Annual
Actual Controllable Opex	ACO						To early to assess nil assumption at present.	Annual
Actual Replacement Expenditure	ARE	Uncertain Costs (Allowed Totex Adjustments)					To early to assess nil assumption at present.	Annual
Enhanced Physical Site Security (CNI)	IAEES						Current forecast £12m over GDP1, uncertainty on timing of impact.	2 Reopeners
Specified Streetworks	IAESW						Recovery of streetwork cost dependent on ongoing TMA IAE equal to less than £2.4m (15/16)	2 Reopeners
Change to Connection Charging Boundary	IAECCB						Nil Assumption at present	2 Reopeners
Smart Metering Roll-out	IAESM			0.0	0.0	0.0	Current view is that the revenue impact will be after 2017/18	Reopener -> Revenue Driver
Large Load Connections	IAELLC						Nil Assumption at present	2 Reopeners
Fuel Poor Network Extensions	IAEFP							1 Reopener (Flexible)
Agency Costs (FGO)	IAECA						Nil Assumption at present	1 Reopener (Flexible)
Mains & Services (Repex T2)	RE						Current additional length 6km immaterial	Annual
Innovation Roll-out Mechanism	IRM						Nil Assumption at present	
<b>Total Potential Impact of Revenue Adjustments shown in Table 2</b>			<b>0.0</b>	<b>-5.8</b>	<b>-7.2</b>	<b>-8.0</b>		

Potential Value of Revenue Adjustments arising from factors known at the time of generating this Revenue Forecast

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