

DN Charging Methodology Forum

SGN July 2015 Mod 186 Summary

Joanne Parker



SGN

Your gas. Our network.

Key Revenue Changes

RPIFt	May 2015 HM Treasury report forecasts lower RPI
MODt	Higher Cost of Debt forecast 2016/17 onwards Update of 2014/15 Totex position and revised forecast
BMt	Reflects indicated Stakeholder performance for 2014/15 and revised forecast
EXt	Updated NTS Costs price as per May 2015 statement
SHRAt	Lower Shrinkage cost forecast 2015/16 onwards
NIAt	NIA reflects final position for 2014/15

-All incentives reflect final position for 2014/15

-No change in forward SOQ assumptions

-Updated CNI sensitivity

HM Treasury Medium Term RPI Forecast

Movement- February 2015 to May 2015

	2014	2015	2016	2017	2018	2019	2020	2021
February 2015	HM Treasury	SGN	SGN	SGN				
	2.4%	1.2%	2.6%	3.2%	3.2%	3.0%	3.0%	3.0%
May 2015	Actual	HM Treasury	SGN	SGN				
	2.4%	1.1%	2.4%	3.0%	3.2%	3.0%	3.0%	3.0%
Movement	0.0%	-0.1%	-0.2%	-0.2%	No Change	No Change	No Change	No Change

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Latest Actual/Projected - February 2015	2.1%	1.5%	2.8%	3.2%	3.2%	3.0%
Latest Actual/Projected - May 2015	2.0%	1.4%	2.6%	3.1%	3.2%	3.0%
Latest Actual/Projected -Movement	-0.1%	-0.1%	-0.2%	-0.2%	No Change	No Change

Southern Revenue

Key Revenue Movements -All Charges

Row ref.	SGN - Southern		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
7	Forecast RPI Factor	RPIFt	-	-	-	-0.01	-0.01	-0.01
5	Price Control Financial Model Iteration Adjustment	MODt	-	-	(0.4)	(1.0)	(1.1)	(0.6)
6	RPI True Up	TRUt	-	-	(0.7)	(1.5)	-	-
	Base Revenue	BRt	-	-	(4.5)	(7.4)	(5.9)	(5.3)
12	Pass Through	PTt	-	-	0.1	0.2	0.2	0.3
14	Exit Capacity Allowance Adjustment		-	-	0.1	(1.0)	1.8	(1.3)
16	Shrinkage Cost Adjustment	SHRAt	-	-	(0.1)	(0.7)	(0.5)	(0.2)
17	Shrinkage Incentive Adjustment	SHRRt	-	-	0.1	-	-	-
19	Broad Measure of Customer Satisfaction Revenue Adjustment	BMt	-	-	1.3	1.1	1.1	1.2
20	Environmental Emissions Incentive Revenue Adjustment	EEIt	-	-	0.3	0.0	0.2	0.1
22	Network Innovation Allowance Revenue Adjustment	NIAt	(0.4)	-	-	-	-	-
23	Correction Term revenue Adjustment (K added)	-Kt	-	-	(0.1)	0.1	-	-
24	Maximum DN Allowed Revenue (including NTS Exit)	ARt	(0.4)	0.0	(2.9)	(7.7)	(3.0)	(5.2)
26	Under/Over-Recovery Carried Forward (including NTS Exit)	Rt - ARt	0.1	(0.1)	-	-	-	-
27	Arithmetical April Price Change Forecast All Charges				-0.4%	-0.7%	0.7%	-0.3%
	TABLE 6 : Annual Iteration Process (2009/10 Prices)		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
45	Cost of Debt Adjustment (drives changes to WACC)	CDE	0.0%	0.0%	0.04%	0.08%	0.13%	0.17%
46	Cost of debt adjustment - £ effect on revenue	CDE £ impact	-	-	0.8	1.8	2.0	2.9
48	Tax Liability - gearing/interest costs	TGIE	-	-	(1.4)	(2.9)	(3.5)	(6.4)
57	Totex Incentive Mechanism - Impact on revenue 2 years after		-	-	0.1	0.2	0.4	2.8
70	Total Potential Impact on Revenue		-	-	(0.4)	(1.0)	(1.1)	(0.6)
	TABLE 8 : Sensitivities to Table6 AIP (2009/10 Prices)							
75	Enhanced Physical Site Security (CNI)				5.0	3.7	4.3	0.0

Southern

Key Revenue Movements- NTS Exit Capacity Charges

Row ref.	SGN-Southern Table 3 : NTS Exit Capacity Revenue	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
33	Inflated Base Allowance	-	-	(0.3)	(0.3)	(0.4)	(0.4)
34	Cost True Up	-	-	0.1	(1.0)	1.8	(1.3)
35	ECN (K added)	-	-	0.1	-	-	-
36	Total Allowed Revenue	-	-	(0.1)	(1.3)	1.4	(1.7)
39	ECN Charges Arithmetical April Price Change (%)	-	0.0%	-0.3%	-2.2%	4.8%	-5.0%

Scotland Revenue

Key Revenue Movements -All Charges

Row ref.	SGN - Scotland		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
7	Forecast RPI Factor	RPIFt	-	-	(0.01)	(0.01)	(0.01)	-
5	Price Control Financial Model Iteration Adjustment	MODt	-	-	3.1	(1.2)	(5.8)	(2.3)
6	RPI True Up	TRUt	-	-	(0.3)	(0.6)	0.0	0.0
	Base Revenue	BRT	-	-	2.2	(4.2)	(9.6)	- 5.1
12	Pass Through	PTt	-	-	0.1	0.3	0.3	0.4
14	Exit Capacity Allowance Adjustment		-	-	-	-	0.2	(0.1)
16	Shrinkage Cost Adjustment	SHRAt	-	-	-	(0.3)	(0.2)	(0.1)
19	Broad Measure of Customer Satisfaction Revenue Adjustment	BMt	■	■	-	0.5	0.4	0.5
20	Environmental Emissions Incentive Revenue Adjustment	EElT	■	■	-	0.2	0.1	0.1
22	Network Innovation Allowance Revenue Adjustment	NIAt	(0.1)	-	-	-	(0.1)	(0.1)
23	Correction Term revenue Adjustment (K added)	Kt	-	-	(0.1)	(0.1)	-	-
24	Maximum DN Allowed Revenue (including NTS Exit)	ARt	(0.1)	0.0	2.9	(3.7)	(8.7)	(4.3)
26	Under/Over-Recovery Carried Forward (including NTS Exit)	Rt - ART	0.1	0.1	-	-	-	-
27	Arithmetical April Price Change Forecast All Charges				1.0%	-2.2%	-1.5%	1.4%
	TABLE 6 : Annual Iteration Process (2009/10 Prices)		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
45	Cost of Debt Adjustment (drives changes to WACC)	CDE	-	-	0.04%	0.08%	0.13%	0.17%
46	Cost of debt adjustment - £ effect on revenue	CDE £ impact	-	-	0.5	0.5	0.9	0.9
48	Tax Liability - gearing/interest costs	TGIE	-	-	-	-	(3.9)	-
57	Totex Incentive Mechanism - Impact on revenue 2 years after		-	-	2.6	(1.8)	(2.8)	-
70	Total Potential Impact on Revenue		-	-	3.1	(1.3)	(5.9)	(2.3)
	TABLE 8 : Sensitivities to Table6 AIP (2009/10 Prices)							
73	Enhanced Physical Site Security (CNI)				9.7	-	-	(6.0)

Scotland

Key Revenue Movements –NTS Exit Capacity Charges

Row ref.	SGN-Scotland Table 3 : NTS Exit Capacity Revenue	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
34	Cost True Up	-	-	-	-	0.2	(0.1)
36	Total Allowed Revenue	-	-	-	-	0.2	(0.1)
39	ECN Charges Arithmetical April Price Change (%)	-	-	2.1%	(3.1%)	42.6%	(67.2%)