

SCOTLAND	2007/8	2008/9
Core Allowed	170.4	166.2
Cost Pass Through	17.6	17.5
Incentives (Shrinkage)	6.3	5.0
Final Allowed Rev per PCR	194.3	188.7
Inflation Assumed	1.06	1.11
Final Allowed Rev per PCR at prices of year	206.7	208.9
Cost Pass through Movements	-1.7	-0.7
Incentives Movement	0.1	1.2
K Movement	6.3	1.3
Final Allowed Revenue Latest Forecast	211.5	210.7
% of previous year	116.6%	99.7%
Forecast Collected Revenue	210.2	213.6
Forecast Under / Over Recovery (K)	-1.3	2.9
Arithmetical October Price level change needed for Collected to = Allowed	24%	-3%*

Disclaimer

This report is published in advance of Mod 186 being implemented. It is published without prejudice basis and whilst every effort has been made to ensure the accuracy of the information, it is subject to several estimations and forecasts and will not necessarily bear any relation to either the indicative or actual price change that Scotia Gas Networks will publish at a later date for October 2008.

Core allowed revenue for 2008/09 excludes amounts recovered from NTS in relation to independent systems

SGN has not incorporated any Traffic Management Act cost recoveries via the reopener in this analysis

Commentary

2007/8

Pass through movement is due to a reduction in Formula rates and Licence fees.

The incentive movement is neutral due to the drop in forecast shrinkage allowance being balanced by the movement in the repex and exit incentives.

K movement is an under recovery from 2006/7.

The under recovery in 2007/08 is mainly due to the under recovery being brought forward from 2006/07 - this affect being reduced by the higher than forecast throughput

2008/9

Pass through movement is due to a change in Formula Rates and licence fees.

Incentive movement is primarily driven by the allowance adjustments from the replacement incentive mechanism

95/5 Capacity/Commodity methodology implemented from 1 October 2008.

This is an increase to new rates under 95/5 methodology, not an increase to Oct 07 rates.

Approximate scaling factors to apply to Oct 07 charges to calculate charges under new 95/5 methodology are:

Commodity 9.5%

Capacity 191.7%