

DN Charging Methodology Forum

SGN April 2015 Mod 186 Summary

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SGN

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Key Revenue Changes

RPIFt February 2015 HM Treasury report forecasts lower RPI

MODt Lower Cost of Debt forecast 2016/17 onwards

EXt Updated NTS Costs price as per January 2015 statement

SHRAt Lower Shrinkage cost forecast 2014/15 onwards

NIAt NIA updated position 2014/15

-No change in forward SOQ assumptions

HM Treasury Medium Term RPI Forecast

Movement-November 2014 to February 2015

	2014	2015	2016	2017	2018	2019	2020	2021
November 2014	HM Treasury	HM Treasury	HM Treasury	HM Treasury	HM Treasury	SGN	SGN	SGN
	2.5%	2.4%	3.2%	3.4%	3.2%	3.0%	3.0%	3.0%
February 2015	Actual	HM Treasury	HM Treasury	HM Treasury	HM Treasury	HM Treasury	SGN	SGN
	2.4%	1.2%	2.6%	3.2%	3.2%	3.0%	3.0%	3.0%
Movement	-0.1%	-1.2%	-0.6%	-0.2%	No Change	No Change	No Change	No Change

Row	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Latest Actual/Projected - November 2014	2.5%	2.6%	3.3%	3.4%	3.2%	N/A
Latest Actual/Projected - February 2015	2.1%	1.5%	2.8%	3.2%	3.2%	3.0%
2 Latest Actual/Projected -Movement	-0.4%	-1.1%	-0.5%	-0.1%	No Change	New

Southern Revenue

Key Revenue Movements -All Charges

Row	SGN - Southern		2014-15	2015-16	2016-17	2017-18	2018-19
7	Forecast RPI Factor (RPIFt)	RPIFt	-	-	-0.024	-0.027	-0.027
	RPIFt Impact on Opening Base Revenue		0.0	0.0	-14.8	-18.5	-16.6
6	RPI True Up	TRUt	0.0	0.0	-2.7	-9.0	0.0
5	Price Control Financial Model Iteration Adjustment	MODt	0.0	0.0	-0.4	-1.1	-1.5
	Base Revenue	BRt	0.0	0.0	-17.9	-28.5	-18.1
12	Pass Through	PTt	0.0	0.0	0.2	-0.5	-0.4
14	Exit Capacity Allowance Adjustment	Ext	0.0	0.0	0.2	1.2	1.8
16	Shrinkage Cost Adjustment	SHRAt	0.0	0.0	-0.2	-0.4	-0.7
22	Network Innovation Allowance Revenue Adjustment	NIAt	-0.7	0.0	-0.1	-0.1	-0.1
23	Correction Term revenue Adjustment	+Kt	0.0	0.0	-0.8	0.0	0.0
24	Maximum DN Allowed Revenue	ARt	-0.7	0.0	-18.6	-28.3	-17.5
26	Under/Over-Recovery Carried Forward	Rt-ARt	0.8	0.0	0.0	0.0	0.0
	TABLE 6: Annual Iteration Process (2009/10 Prices)		2014-15	2015-16	2016-17	2017-18	2018-19
45	Cost of Debt Adjustment		0.00%	0.00%	-0.03%	-0.05%	-0.07%
46	Cost of debt adjustment - £ effect on revenue - (9/10 prices)		-	-	(0.2)	(0.7)	(1.2)
57	Totex Incentive Mechanism - Impact on revenue 2 years after (9/10 prices)		-	-	(0.6)	(0.3)	(0.3)
65	Mains & Services (Repex T2)		-	-	0.4	0.1	0.1
69	Total Potential Impact on Revenue		-	-	(0.4)	(1.0)	(1.4)
	TABLE 8: SENSITIVITIES to TABLE :6 AIP (£m 2009/10 PRICES)		2014-15	2015-16	2016-17	2017-18	2018-19
73	Enhanced Physical Site Security (CNI/PSUP)		-	-	11.6	0.2	2.5

Southern

Key Revenue Movements- NTS Exit Capacity Charges

Row	Southern				
	TABLE 3 : NTS Exit Capacity Revenue				
	2014-15	2015-16	2016-17	2017-18	2018-19
33	-	-	-1.1	-1.2	-1.3
34	-	-	0.2	1.2	1.8
36	-	-	-0.9	0.0	0.5

Scotland Revenue

Key Revenue Movements -All Charges

Row	SGN - Scotland		2014-15	2015-16	2016-17	2017-18	2018-19	
7	Forecast RPI Factor (RPIFt)	RPIFt	-	-	-0.024	-0.027	-0.027	
6	RPIFt Impact on Opening Base Revenue		0.0	0.0	-6.2	-7.8	-7.1	
5	RPI True Up	TRUt	0.0	0.0	-1.1	-3.6	0.0	
5	Price Control Financial Model Iteration Adjustment	MODt	0.0	0.0	-0.3	-0.5	-0.8	
	Base Revenue	BRt			-7.6	-11.9	-7.9	
12	Pass Through	PTt	0.0	0.0	0.2	-0.1	0.1	
16	Shrinkage Cost Adjustment	SHRAt	0.0	0.0	0.4	0.4	0.2	
22	Network Innovation Allowance Revenue Adjustment	NIAt	-0.3	0.0	-0.1	-0.1	0.0	
23	Correction Term revenue Adjustment	+Kt	0.0	0.0	-0.3	0.0	0.0	
24	Maximum DN Allowed Revenue	ARt	-0.3	0.0	-7.3	-11.8	-7.7	
26	Under/Over-Recovery Carried Forward	Rt-ARt	0.3	0.0	0.0	0.0	0.0	
	TABLE 6: Annual Iteration Process (2009/10 Prices)		2014-15	2015-16	2016-17	2017-18	2018-19	
45	Cost of Debt Adjustment		0.00%	0.00%	-0.03%	-0.05%	-0.07%	
46	Cost of debt adjustment - £ effect on revenue - (9/10 prices)		0.0	0.0	-0.1	-0.3	-0.6	
57	Totex Incentive Mechanism - Impact on revenue 2 years after (9/10 prices)		0.0	0.0	-0.2	-0.2	-0.2	
69	Total Potential Impact on Revenue		0.0	0.0	-0.3	-0.5	-0.8	
	TABLE 8: SENSITIVITIES to TABLE 6: AIP (£m 2009/10 PRICES)		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
73	Shrinkage Allowance Adjustment Mod 4		-	-	-1.0	-0.3	-0.3	-0.4
	Enhanced Physical Site Security (CNI/PSUP)		-	-	-	-	-	6.0

Scotland

Key Revenue Movements –NTS Exit Capacity Charges

Row	Scotland TABLE 3 : NTS Exit Capacity Revenue	2014-15	2015-16	2016-17	2017-18	2018-19
33	Inflated Base Allowance	-	-	0.00	-0.01	-0.01
34	Cost True Up	-	-	0.00	0.02	0.02
36	Total Allowed Revenue	-	-	-0.01	0.01	0.01