

DN Charging Methodology Forum

SGN March 2016 Mod 186 Summary

Joanne Parker



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Key Revenue Changes

- 2020/21 Inclusion of price forecast for 2020/21.
- RPIFt February 2016 Treasury update, downward forecast 2016-2019.
- MODt Lower Cost of Debt forecast 2017/18 onwards;
Update of CNI line to reflect final allowances only. Costs now reflected through TIM;
Final Fuel Pool allowance update from April 2016.
Repex Tier 2a forecast update in Southern 2015/16 onwards.
- ECN NTS Exit Capacity indicative increase in Southern costs Oct 2016
- SHRR/EEIt Updated forecasts in line with 2016/17 Final Shrinkage Proposals
- SHRAt Lower Shrinkage cost forecast 2015/16 onwards.
- Kt Updated collected revenue positions.

HM Treasury Medium Term RPI Forecast

Movement- November 2015 to February 2016

	2016	2017	2018	2019	2020	2021
	HM Treasury	HM Treasury	HM Treasury	HM Treasury	SGN	SGN
November 2015	2.1%	3.0%	3.3%	3.3%	3.0%	3.0%
February 2016	1.7%	2.6%	3.2%	3.1%	3.2%	3.0%
Movement	-0.4%	-0.4%	-0.1%	-0.2%	0.2%	0.0%

	2016-17	2017-18	2018-19	2019-20	2020-21
Latest actual/projected -November 2015	2.3%	3.1%	3.3%	3.2%	3.0%
Latest actual/projected -February 2016	1.9%	2.8%	3.2%	3.1%	3.2%
Movement	-0.4%	-0.3%	-0.1%	-0.1%	0.2%

Scotland Key Revenue Movements-All Charges

SGN - Scotland		Key Movements					
Row	Description		2015-16	2016-17	2017-18	2018-19	2019-20
5	Price Control Financial Model Iteration Adjustment	MODt	-	-	(0.9)	0.3	(0.4)
6	RPI True Up	TRUt			(0.3)	(1.4)	-
7	Forecast RPI Factor	RPIFt			-0.010	-0.012	-0.014
	Base Revenue	BRT			(4.0)	(4.4)	(3.9)
10	NTS Pensions Deficit Adjustment	PDt				(0.1)	(0.1)
16	Shrinkage Cost Adjustment	SHRAt				(0.3)	(0.2)
17	Shrinkage Incentive Adjustment	SHRRt			(0.1)		
20	Environmental Emissions Incentive Revenue Adjustment	EEIt			(0.8)	(0.2)	(0.2)
23	Correction Term revenue Adjustment (K added)	Kt			(0.1)	0.7	-
24	Maximum DN Allowed Revenue (including NTS Exit)	ARt			(5.1)	(4.3)	(4.4)
26	Under/Over-Recovery Carried Forward (including NTS Exit)	Rt - ARt	0.1	(0.6)	-	-	-
27	Arithmetical April Price Change Forecast All Charges			-0.7%	-1.4%	0.4%	0.0%
Table 6 : Annual Iteration Process adjustment (2009/10 Prices)			2015-16	2016-17	2017-18	2018-19	2019-20
45	Cost of Debt Adjustment (drives changes to WACC)	CDE			-0.01%	0.00%	0.00%
46	Cost of debt adjustment - £ effect on revenue	CDE £ impact			(0.9)	(0.7)	(1.1)
57	Totex Incentive Mechanism - Impact on revenue (2 year lag)	TIM			1.8	0.7	0.4
58	Enhanced Physical Site Security (CNI)	IAEEPS			(2.0)		
63	Fuel Poor Network Extensions	IAEFP			0.3	0.3	0.3
70	Total Potential Impact of Revenue Adjustments shown in Table 1				(0.9)	0.3	(0.4)

Southern Key Revenue Movements-All Charges

Row	SGN - Southern		Key Movements				
	Description		2015-16	2016-17	2017-18	2018-19	2019-20
5	Price Control Financial Model Iteration Adjustment	MODt			(0.7)	(1.5)	1.0
6	RPI True Up	TRUt			(0.7)	(3.2)	
7	Forecast RPI Factor	RPIFt			-0.010	-0.012	-0.014
	Base Revenue	BRt	(0.0)	0.0	(7.8)	(13.3)	(6.6)
8	Business Rate Adjustment	RBt			0.1	0.1	0.1
10	NTS Pensions Deficit Adjustment	PDt			(0.1)	(0.3)	(0.3)
14	Exit Capacity Allowance Adjustment				0.1	1.5	1.8
16	Shrinkage Cost Adjustment	SHRAt			(0.4)	(1.3)	(0.7)
17	Shrinkage Incentive Adjustment	SHRRt			(0.1)	(0.1)	(0.1)
20	Environmental Emissions Incentive Revenue Adjustment	EEIt			(0.2)	(0.1)	(0.2)
22	Network Innovation Allowance Revenue Adjustment	NIAt				(0.1)	
23	Correction Term revenue Adjustment (K added)	-Kt			1.1	-	-
24	Maximum DN Allowed Revenue (including NTS Exit)	ARt			(7.4)	(13.7)	(6.1)
26	Under/Over-Recovery Carried Forward (including NTS Exit)	Rt - ARt	(1.0)	-	-	-	-
27	Arithmetical April Price Change Forecast All Charges			-0.5%	-1.4%	-1.2%	0.6%
	Table 5 : SOQ October impact assumption		2015-16	2016-17	2017-18	2018-19	2019-20
44	Annual October SOQ Assumption		0.0%	0.5%	0.5%	0.5%	0.5%
	Table 6 : Annual Iteration Process adjustment (2009/10 Prices)		2015-16	2016-17	2017-18	2018-19	2019-20
45	Cost of Debt Adjustment (drives changes to WACC)	CDE			-0.01%	0.00%	0.00%
46	Cost of debt adjustment - £ effect on revenue - (9/10 prices)	CDE £ impact	-	-	(0.4)	(0.2)	(0.4)
57	Totex Incentive Mechanism - Impact on revenue (2 year lag)	TIM	-	-	3.2	(0.6)	1.5
58	Enhanced Physical Site Security (CNI)	IAEEPS	-	-	(3.1)	(1.5)	(0.9)
63	Fuel Poor Network Extensions	IAEFP	-	-	0.2	0.2	0.2
65	Mains & Services (Repex T2)	RE	-	-	(0.5)	0.7	0.6
71	Total value included in Table 1 in this forecast		-	-	(0.7)	(1.5)	1.0