

| SCOTLAND | 2007/8 | 2008/9 | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
|--|---------------|---------------|----------------|----------------|----------------|----------------|
| Core Allowed | 170.4 | 166.2 | 169.5 | 174.3 | 178.4 | 180.6 |
| Cost Pass Through | 17.6 | 17.5 | 17.46 | 17.4 | 17.37 | 17.3 |
| Incentives (Shrinkage) | 6.3 | 5.0 | 4.9 | 4.7 | 4.6 | 4.5 |
| Final Allowed Rev per PCR | 194.3 | 188.7 | 191.8 | 196.4 | 200.4 | 202.4 |
| Inflation Assumed | 1.06 | 1.11 | 1.13 | 1.16 | 1.19 | 1.22 |
| Final Allowed Rev per PCR at prices of year | 206.7 | 208.9 | 217.5 | 228.0 | 238.2 | 246.4 |
| Cost Pass through Movements | -1.7 | -1.6 | -1.4 | -1.2 | -1.0 | -0.7 |
| Incentives Movement | 0.9 | 2.8 | 5.9 | 5.6 | 5.2 | 5.0 |
| K Movement | 6.3 | 2.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| Final Allowed Revenue Latest Forecast | 212.3 | 212.9 | 221.9 | 232.4 | 242.4 | 250.7 |
| % of previous year | 117.0% | 100.3% | 104.2% | 104.7% | 104.3% | 103.4% |
| Forecast Collected Revenue | 209.6 | 212.9 | 221.9 | 232.4 | 242.4 | 250.7 |
| Forecast Under / Over Recovery (K) | -2.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Arithmetical Price level change needed for Collected to = Allowed (October 08 then April) | 24% | 2.3%* | -2.6% | 4.7% | 4.3% | 3.4% |

Disclaimer

This report is published without prejudice 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 later dates.

Core allowed revenue 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.

Increase in the Repex allowance outweighed the decrease in the Shrinkage allowance.

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, NTS Pension and Licence Fees.

Incentive movement is primarily driven by an increase in the Shrinkage allowance and adjustments due to Replacement and Innovation Funding incentive mechanisms.

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

2009/10 - 2012/13

Pass through movement is due to a change in Formula Rates, NTS Pension and Licence Fees.

Incentive movement is primarily driven by an increase in the Shrinkage allowance, and adjustments due to Replacement and Innovation Funding incentive mechanisms - and the Discretionary Reward Scheme from 2010/11.

* 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%