

| SOUTHERN | 2007/8 | 2008/9 | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
|--|---------------|---------------|----------------|----------------|----------------|----------------|
| Core Allowed | 359.6 | 385.4 | 399.2 | 398.5 | 404.1 | 411.4 |
| Cost Pass Through | 56 | 55.9 | 55.81 | 55.7 | 55.6 | 55.5 |
| Incentives (Shrinkage) | 16.8 | 13.4 | 13.1 | 12.7 | 12.4 | 12.0 |
| Final Allowed Rev per PCR | 432.4 | 454.7 | 468.1 | 466.9 | 472.1 | 478.9 |
| Inflation Assumed | 1.06 | 1.11 | 1.13 | 1.16 | 1.19 | 1.22 |
| Final Allowed Rev per PCR at prices of year | 460.0 | 503.4 | 530.7 | 542.0 | 561.2 | 583.0 |
| Cost Pass through Movements | -0.9 | -0.8 | 7.8 | 7.9 | 9.0 | 10.2 |
| Incentives Movement | -1.0 | 5.1 | 14.7 | 13.2 | 11.9 | 11.4 |
| K Movement | 7.9 | -4.8 | 0.2 | 0.0 | 0.0 | 0.0 |
| Final Allowed Revenue Latest Forecast | 465.9 | 503.0 | 553.5 | 563.1 | 582.2 | 604.6 |
| % of previous year | 121.1% | 107.9% | 110.0% | 101.7% | 103.4% | 103.8% |
| Forecast Collected Revenue | 470.5 | 502.8 | 553.5 | 563.1 | 582.2 | 604.6 |
| Forecast Under / Over Recovery (K) | 4.6 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Arithmetical Price level change needed for Collected to = Allowed (October 08 then April) | 31% | 7.2%* | -4.9% | 1.7% | 3.4% | 3.8% |

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.

Commentary

2007/8

Pass through movement is due to a reduction in Formula Rates and Licence Fees.
Decrease in the Shrinkage allowance has offset increases in Repex and Exit Incentive allowances.
K movement is an under recovery from 2006/7.
The over recovery is due to higher than forecast volumes.

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 - offsetting a negative Exit Incentive allowance.

2009/10 - 2012/13

Pass through movement is due to a change in Formula Rates, NTS Pension, Licence Fees and the Traffic Management Act.
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 11.0%
Capacity 172.0%