

# DN Charging Methodology Forum

## SGN Jun 2022 Mod 186 Summary

Paul Whitton



**SGN**

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# Key Revenue Changes

## Updates

- PIt Updated inflation forecast reflects actuals for 22;
- SLt Updated shrinkage costs reflected 10 June position of wholesale gas prices;
- Totex Actuals for 21/22 and re-profiles forecast for remaining years of GD2;
- NZPt Removal of Net Zero re-opener from Scotland Gas;
- ECt Update view of costs based on NG published final price for Oct 22 and indicative price for future years;

## Risks and Sensitivities

- The mod186 report contains final totex figures for 2021/22, totex forecasts remain in line with allowances for GD2 as a whole. However, forecasts are constantly under review and will be subject to change as we move through 2022/23.
- Following Ofgem's open letter 20 April regarding recovery of LRSP claims from customers connected to GDN and IGT networks, SGN plan to apply for a mid-year price change as per Ofgem's 'minded to' position. SGN anticipate a reduction of c.£22m at SGN level for 2022/23 SOLR revenues, this will only impact the SoLR domestic rate for 2022/23 (i.e. no change to capacity/commodity rates).
- Latest super tax deduction forecasts reflect a reduction in the eligible capex projects which will increase revenues in 2023/24 tariffs. SGN continue to review the forecasts and will update accordingly.
- SGN are currently forecast c.£50m for SoLR costs relating to 2023/24 tariffs. This forecast is based on Ofgem's view as of December 2021 and is subject to change if/when valid claims are received from suppliers.



# Southern Gas movements and price update

Southern	2021/22	2022/23	2023/24	2024/25	2025/26	Comments
<b>Mar-22 MOD186 [updated Apr22]</b>	<b>696.2</b>	<b>951.0</b>	<b>841.4</b>	<b>806.3</b>	<b>822.1</b>	
Pass-through 18/19	0	0	6.3	6.7	1.1	Increase in shrinkage wholesale gas price
"Base Rev" 18/19	0	0	4.0	3.5	2.8	Updated re-profiling of Totex for remaining years of GD2
Inflation	0	0	18.7	18.4	17.4	Updated forecast for future years
ADJ inflation	0	0	9.8	0.0	0.0	True up based on latest forecast
ADJ "Base Rev"	0	0	-2.9	-12.3	-7.8	updated tax super deduction forecast for 21/22 and 22/23, Totex actuals for 21/22 and reprofiled 22/23.
ADJ Shrinkage	0	0	-10.3	0.0	0.0	Update forecast for 22/23
ADJ Licensed Activity	0	0	0.5	0.0	0.0	Update forecast for 22/23
ADJ Prescribed Rates	0	0	-1.8	0.0	0.0	Update forecast for 22/23
ADJ NTS Exit	0	0	-9.2	0.0	0.0	Update forecast for 22/23 based on NG final prices for Oct 22
<b>Jun-22 MOD186</b>	<b>696.2</b>	<b>951.0</b>	<b>856.6</b>	<b>822.5</b>	<b>835.6</b>	
<i>Total Movement</i>	<i>0.0</i>	<i>0.0</i>	<i>15.2</i>	<i>16.2</i>	<i>13.5</i>	

Price Change	2021/22	2022/23	2023/24	2024/25	2025/26
Total LDZ	-11.9%	35.7%	-10.7%	-4.6%	1.9%
Total ECN	14%	27.9%	-0.9%	2.5%	-1.1%
Total distribution charges price change	-11.1%	38.0%	-9.9%	-4.0%	1.6%

# Scotland Gas movements and price update

Scotland	2021/22	2022/23	2023/24	2024/25	2025/26	Comments
<b>Mar-22 MOD186 [updated Apr22]</b>	<b>322.3</b>	<b>458.1</b>	<b>392.9</b>	<b>377.5</b>	<b>380.9</b>	
Pass-through 18/19	0	0	2.5	2.8	0.7	Increase in shrinkage wholesale gas price
"Base Rev" 18/19	0	0	0.5	0.2	0.1	Updated re-profiling of Totex for remaining years of GD2 and removal of Net Zero re-opener
Inflation	0	0	8.4	8.2	7.8	Updated forecast for future years
ADJ inflation	0	0	4.8	0.0	0.0	True up based on latest forecast
ADJ "Base Rev"	0	0	-2.2	-5.0	-2.6	Updated tax super deduction forecast for 21/22 and 22/23, removal of Net Zero reopener, Totex actuals for 21/22 and reprofiled 22/23,
ADJ Shrinkage	0	0	-3.9	0.0	0.0	Update forecast for 22/23
ADJ Licensed Activity	0	0	0.2	0.0	0.0	Update forecast for 22/23
ADJ Prescribed Rates	0	0	-0.2	0.0	0.0	Update forecast for 22/23
ADJ NTS Exit	0	0	-3.8	0.0	0.0	Update forecast for 22/23 based on NG final prices for Oct 22
<b>Jun-22 MOD186</b>	<b>322.3</b>	<b>458.1</b>	<b>399.3</b>	<b>383.7</b>	<b>386.8</b>	
<i>Total Movement</i>	<i>0.0</i>	<i>0.0</i>	<i>6.4</i>	<i>6.2</i>	<i>5.9</i>	

Price Change	2021/22	2022/23	2023/24	2024/25	2025/26
Total LDZ	-16.7%	38.5%	-10.1%	-4.5%	1.0%
Total ECN	20269%	47.9%	-37.0%	3.1%	-1.3%
Total distribution charges price change	-7.8%	43.2%	-12.8%	-3.9%	0.8%