

DN Charging Methodology Forum

SGN March 2017 Mod 186 Summary

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SGN

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Key Revenue Changes

RPIFt	February 2017 Treasury update.
MODt	Higher cost of debt forecast 2018/19 onwards
SHRA _t	Higher Shrinkage cost forecast 2016/17 onwards. Volumes reflect revised forecasts in line with 2017/18 final shrinkage proposals.
K _t	Southern 2016/17 Collected position update.

HM Treasury Medium Term RPI Forecast

Movement- November 2016 to February 2017

	2016	2017	2018	2019	2020	2021
	HM Treasury	HM Treasury	HM Treasury	HM Treasury	SGN	SGN
November 2016	1.8%	3.5%	3.1%	3.0%	3.1%	3.0%
	HM Treasury	HM Treasury	HM Treasury	HM Treasury	HM Treasury	SGN
February 2017	1.7%	3.5%	3.4%	3.2%	3.2%	3.3%
Movement	-0.1%	0.0%	0.3%	0.2%	0.1%	0.3%

	2016-17	2017-18	2018-19	2019-20	2020-21
Latest actual/projected -November 2016	2.2%	3.4%	3.1%	3.0%	3.1%
Latest actual/projected -February 2017	2.2%	3.5%	3.4%	3.2%	3.2%
Movement	0.0%	0.1%	0.3%	0.2%	0.1%

Scotland Key Revenue Movements-All Charges

SGN - Scotland			Key Movements				
Description			December 2016 to March 2017 Mod 186				
Table 1 : Total Charge Elements (ECN + LDZ + Customer)			2016-17	2017-18	2018-19	2019-20	2020-21
2	Latest Actual/Projected RPI		(0.0%)	0.1%	0.3%	0.2%	0.1%
5	Price Control Financial Model Iteration Adjustment	MODt	-	-	0.2	0.3	0.4
6	RPI True Up	TRUt	-	-	(0.1)	0.0	0.0
7	Forecast RPI Factor	RPIFt	0.000	0.000	0.004	0.006	0.009
Base Revenue		BRt	-	-	1.1	1.9	2.6
8	Business Rate Adjustment	RBt	-	-	0.0	0.0	(0.1)
16	Shrinkage Cost Adjustment	SHRAt	-	-	0.1	0.4	0.3
23	Environmental Emissions Incentive	EEIt	-	-	(0.0)	0.1	(0.0)
24	Maximum DN Allowed Revenue (including NTS Exit)	ARt	-	-	1.1	2.4	2.8
27	Arithmetical April Price Change Forecast All Charges		0.0%	-0.3%	0.4%	0.4%	0.1%
Table 6 : Annual Iteration Process Adjustment (2009/10 prices)			2016-17	2017-18	2018-19	2019-20	2020-21
45	Cost of Debt Adjustment (drives changes to WACC)	CDE	0.00%	0.00%	0.02%	0.03%	0.05%
46	Cost of debt adjustment - £ effect on revenue - (9/10 prices)	CDE £ impact	-	-	0.2	0.3	0.4

Southern Key Revenue Movements-All Charges

SGN - Southern Description		Key Movements December 2016 to March 2017 Mod 186				
Row	Table 1 : Total Charge Elements (ECN + LDZ + Customer)	2016-17	2017-18	2018-19	2019-20	2020-21
2	Latest Actual/Projected RPI	0.0%	0.1%	0.3%	0.2%	0.1%
5	Price Control Financial Model Iteration Adjustment	-	-	0.4	0.6	1.0
6	RPI True Up	-	-	(0.3)	-	-
7	Forecast RPI Factor	-	-	0.004	0.006	0.009
	Base Revenue	-	-	2.5	4.4	6.1
8	Business Rate Adjustment	-	-	(0.0)	0.0	(0.2)
10	NTS Pensions Deficit Adjustment	-	-	0.0	0.2	0.2
14	Exit Capacity Allowance Adjustment	-	-	0.0	(0.0)	(0.2)
16	Shrinkage Cost Adjustment	-	-	(0.1)	0.1	0.0
23	Correction Term revenue Adjustment (K added)	-	-	(0.8)	-	-
24	Maximum DN Allowed Revenue (including NTS Exit)	-	-	1.7	4.7	6.0
26	Under/Over-Recovery Carried Forward	0.7	-	-	-	-
27	Arithmetical April Price Change Forecast All Charges	0.0%	-0.1%	0.2%	0.4%	0.2%
Table 6 : Annual Iteration Process Adjustment (2009/10 prices)		2016-17	2017-18	2018-19	2019-20	2020-21
45	Cost of Debt Adjustment (drives changes to WACC)	0.00%	0.00%	0.02%	0.03%	0.05%
46	Cost of debt adjustment - £ effect on revenue	-	-	0.4	0.6	1.0