Nexus Impact on SOQ Charging

• Aim to clarify assumptions regarding the implementation of fixed SOQ charging under Nexus at Go Live 1st June.

• Look at historical revenue levels and the price swing impact that has been associated with the uncertainty of 1st of October volume changes (AQ Review and Load Factor).

• Highlight that currently revenue within year (October to March) is subject to significant movements due to changes from the assumed SOQ position in October used for tariff setting and the actual.

• SOQ/Charging timeline illustration.

• Less movement in K within year, impacting prices on 2 year lag. Anticipated this will improve the predictability of charges going forward from 2019/10.
GDN assumptions based on historical data. The actual position is impacted by the AQ review process and changes in Load Factor (LF) agreed by DESC and applied 1 October.

$$\text{SOQ} = \frac{\text{AQ}}{(365 \times \text{LF})}$$
## Current View of Nexus - Fixed SOQ Charging Timeline

### 2017/18 - SOQ Example with Illustrative values

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month</td>
<td>AUG</td>
<td>SEPT</td>
<td>OCT</td>
</tr>
<tr>
<td>Fixed</td>
<td>682</td>
<td>682</td>
<td>682</td>
</tr>
</tbody>
</table>

**Low level volume change anticipated between GDN Snapshot and Nexus Go Live**

- Revised SOQ, AQ, and LF
- AQ Review Process
- GDN Snapshot of volumes taken via Xoserve reports to set 2017/18 tariffs
- 2017/18 Charges Applied
- Fixed Snapshot Taken 2017/18 Charges
- Nexus - Go Live
- New Load Factor Applied
- Fixed Snapshot Taken 2018/19 Charges

### 2018/19 - SOQ Example with Illustrative values

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month</td>
<td>DEC</td>
<td>JAN</td>
<td>FEB</td>
</tr>
<tr>
<td>Rolling</td>
<td>680</td>
<td>680</td>
<td>681</td>
</tr>
<tr>
<td>Fixed</td>
<td>682</td>
<td>682</td>
<td>682</td>
</tr>
</tbody>
</table>

**New Load Factor Applied**

- Fixed Snapshot Taken 2018/19 Charges
- Fixed Snapshot Taken 2019/20 Charges
- 2019/20 Charges Applied
Summary

• 2017/18 Charges have been set assuming a Nexus Go Live date 1st June. GDN’s have assumed that there will be a low level of volume movement between the 1st October 2016 SOQ position and 1st May fixed SOQ charging snapshot.

• Nexus implementation should give increased transparency of process. It is also anticipated that charges from 2019/20 shall have significantly reduced levels of K (under/over recovery carried forward) further improving predictability of charges going forward.