

DN Charging Methodology Forum

SGN September 2016 Mod 186 Summary

Joanne Parker



SGN

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Key Revenue Changes

RPIft August 2016 Treasury update.

MODt Lower cost of debt, tax impact, 2015/16 Totex and Tier2a final positions and revised forecasts.

SHRR/EEIt Final 2015/16 position and updated forecasts.

SHRAt Higher Shrinkage cost forecast 2016/17 onwards.

BMt Final 2015/16 customer performance position.

RBt *Please note that Business Rates are currently being revalued impacting revenue 2019/20.

HM Treasury Medium Term RPI Forecast

Movement- May 2016 to August 2016

	2016	2017	2018	2019	2020	2021
	HM Treasury	HM Treasury	HM Treasury	HM Treasury	SGN	SGN
May 2016	1.8%	2.6%	3.1%	3.1%	3.3%	3.0%
August 2016	1.7%	2.8%	3.0%	3.1%	3.3%	3.0%
Movement	-0.1%	0.2%	-0.1%	0.0%	0.0%	0.0%

	2016-17	2017-18	2018-19	2019-20	2020-21
Latest actual/projected -May 2016	2.0%	2.7%	3.1%	3.1%	3.2%
Latest actual/projected -August 2016	2.0%	2.9%	3.0%	3.2%	3.2%
Movement	0.0%	0.1%	-0.1%	0.0%	0.0%

Scotland Key Revenue Movements-All Charges

SGN - Scotland		Key Movements June to September 2016 Mod 186				
Description		2016-17	2017-18	2018-19	2019-20	2020-21
Table 1 : Total Charge Elements (ECN + LDZ + Customer)						
2	Latest Actual/Projected RPI	(0.0%)	0.1%	(0.1%)	0.0%	0.0%
5	Price Control Financial Model Iteration Adjustment	-	1.0	2.4	1.2	0.3
6	RPI True Up	-	-	(0.1)	-	-
7	Forecast RPI Factor	0.000	0.001	0.000	0.000	0.000
	Base Revenue	-	1.6	3.2	1.6	0.6
8	Business Rate Adjustment	-	0.3	0.3	0.3	0.4
16	Shrinkage Cost Adjustment	-	(0.0)	0.1	0.3	0.3
17	Shrinkage Incentive Adjustment	-	(0.0)	0.1	0.1	0.1
19	Broad Measure of Customer Satisfaction Revenue Adjustment	-	(0.2)	-	0.0	0.0
20	Environmental Emissions Incentive Revenue Adjustment	-	(0.0)	0.4	0.4	0.4
24	Maximum DN Allowed Revenue (including NTS Exit)	-	1.7	4.1	2.8	1.7
27	Arithmetical April Price Change Forecast All Charges	0.0%	0.5%	0.7%	-0.4%	-0.4%
Table 6 : Annual Iteration Process Adjustment (2009/10 prices)						
51	Specified Financial Adjustments	-	(0.1)	0.9	0.3	(1.7)
57	Totex Incentive Mechanism (2 year lag)	-	1.1	1.5	0.9	2.1
71	Total value included in Table 1 in this forecast	-	1.0	2.4	1.2	0.3

Southern Key Revenue Movements-All Charges

SGN - Southern Description		Key Movements June to September 2016 Mod 186						
Row	Table 1 : Total Charge Elements (ECN + LDZ + Customer)		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
2	Latest Actual/Projected RPI		0.0%	0.0%	0.1%	-0.1%	0.0%	0.0%
5	Price Control Financial Model Iteration Adjustment	MODt	(0.0)	-	0.7	3.6	0.2	(4.4)
6	RPI True Up	TRUt	-	-	0.0	(0.2)	-	-
7	Forecast RPI Factor	RPIft	-	-	0.001	0.000	0.000	0.000
	Base Revenue	BRT	(0.0)	-	1.6	4.6	0.4	(6.0)
8	Business Rate Adjustment	RBt	-	-	0.8	0.8	0.8	0.8
9	Licensee Fee Adjustment	Lft	-	-	0.0	(0.5)	(0.5)	(0.5)
14	Exit Capacity Allowance Adjustment		-	-	0.0	0.0	(0.1)	(0.0)
16	Shrinkage Cost Adjustment	SHRAt	-	-	(0.0)	0.3	0.8	0.8
17	Shrinkage Incentive Adjustment	SHRRt	-	-	(0.0)	0.1	0.2	0.2
19	Broad Measure of Customer Satisfaction Revenue Adjustment	BMt	-	-	(0.5)	-	0.0	0.0
20	Environmental Emissions Incentive Revenue Adjustment	EEIt	-	-	-	0.3	0.4	0.6
22	Network Innovation Allowance Revenue Adjustment	NIAt	0.1	-	0.0	0.0	0.0	(0.0)
23	Correction Term revenue Adjustment (K added)	-Kt	-	-	0.1	-	-	-
24	Maximum DN Allowed Revenue (including NTS Exit)	ARt	0.1	-	1.9	5.7	2.0	(4.0)
26	Under/Over-Recovery Carried Forward (including NTS Exit)	Rt - ARt	(0.1)	-	-	-	-	-
27	Arithmetical April Price Change Forecast All Charges		0.0%	0.0%	0.3%	0.5%	-0.5%	-0.8%
	Table 6 : Annual Iteration Process Adjustment (2009/10 prices)							
51	Specified Financial Adjustments		-	-	2.9	0.4	0.0	(4.3)
57	Totex Incentive Mechanism (2 year lag)		-	-	(2.0)	2.9	(0.1)	(0.5)
65	Mains & Services -Repex T2a (2 year lag)	RE	-	-	(0.2)	0.3	0.2	0.3
70	Total value included in Table 1 in this forecast		-	(0.0)	0.7	3.6	0.2	(4.4)