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### **Final Notice Southern Transportation Charges effective from 1<sup>st</sup> April 2018**

Please find attached the notice of Southern Gas Networks transportation charges effective from 1<sup>st</sup> April 2018.

Based on the the latest available forecasts of allowed and collected revenue there is a requirement for an overall increase of 5.6% to average charge levels.

These charges reflect:

- An inflationary impact on 2018/19 revenue of 5.2%. The two components of this are, the forecast year on year RPI impact (3.4%) and the movement in the adjustment to reconcile 2016/17 RPI forecast to the actual position (1.8%), which is subject to a two-year lag;
- The year on year 2018/19 Base Revenue as stated by Ofgem for the RIIO-GD1 Price Control adjusted as directed by Ofgem's Annual Iteration Process;
- The 2016/17 actual pass through costs (compared to allowances) and incentives which are on a two-year lag;
- In 2018/19 an adjustment in allowed revenue relating to a Last Resort Supply Payment;
- The 2016/17 over/under recovery (K) position which is also on a two-year lag;
- A forecasted collected revenue position reflecting the latest view (December 2017) of SOQ's.

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