

DN Charging Methodology Forum

SGN March 2018 Mod 186 Summary

Paul Whitton



SGN

Your gas. Our network.

Key Revenue Changes

- RPIft Updated inflation for 2017/18 onwards in line with revised 21 February 2018 Treasury forecast;
- RBt Updated business rate costs from 2018/19 onwards;
- MPt Reflects final Ofgem direction of SOLR in 2018/19;
- Kt Update Collected revenue movements for 2017/18;
- MODt No update for 2018/19 onwards;

Sensitivities

- SGN voluntary contribution, no pricing impact in 2018/19. Certainty that the required revenue adjustments will take place. The report assumes that the contributions for 2018/19 and 2019/20 will be reflected through the November 2018 AIP.
- The cost of debt applied in 2018/19. Ofgem confirmed 14 March invention to redirect variable value COD as part of November 2018 AIP.



DESCRIPTION	LICENCE TERM	2017/18	2018/19	2019/20	2020/21	2021/22
TABLE 1: TOTAL CHARGE ELEMENTS (LDZ + CUSTOMER + ECN)						
FORECAST RPI FACTOR	RPIft	0.000	0.000	0.000	-0.003	
ASSUMED ANNUAL INFLATION FOR PRICE SETTING		0.0%	0.0%	0.0%	-0.2%	
ACTUAL / FORECAST ANNUAL INFLATION		0.1%	0.0%	0.0%	0.0%	
OPENING BASE REVENUE ALLOWANCE (2009/10 PRICES)	PUt	0.0	0.0	0.0	0.0	
PRICE CONTROL FINANCIAL MODEL ITERATION ADJUSTMENT (2009/10 PRICES)	MODt	0.0	0.0	0.0	0.0	0.0
RPI TRUE UP (2009/10 PRICES)	TRUt	0.0	0.0	0.4	0.4	0.0
UPLIFT TO NOMINAL PRICES USING RPIft		0.0	0.0	0.1	-1.3	
BASE REVENUE (NOMINAL)	BRt	0.0	0.0	0.6	-0.9	
BUSINESS RATES ADJUSTMENT	RBt	0.0	0.0	-0.1	-0.9	-1.7
LICENSE FEES ADJUSTMENT	LFt	0.0	0.0	0.0	0.0	0.0
PENSION DEFICIT ADJUSTMENT	PDt	0.0	0.0	0.0	0.0	0.0
OTHER PASS THROUGH: THIRD PARTY DAMAGE & WATER INGRESS, THEFT OF GAS, MISC PASS THROUGH	TPWIt + TGt + MPt	0.0	1.2	0.0	0.0	0.0
PASS THROUGH	PTt	0.0	1.2	-0.1	-0.9	-1.7
SHRINKAGE INCENTIVE REVENUE ADJUSTMENT	SHRRt	0.0	0.0	0.0	0.0	0.0
SHRINKAGE COST ADJUSTMENT	SHRAt	0.0	0.0	-0.3	-0.4	-0.4
SHRINKAGE REVENUE ADJUSTMENT	SHRt	0.0	0.0	-0.3	-0.4	-0.4
BROAD MEASURE OF CUSTOMER SATISFACTION REVENUE ADJUSTMENT	BMt	0.0	0.0	0.0	0.0	0.0
ENVIRONMENTAL EMISSIONS INCENTIVE REVENUE ADJUSTMENT	EEIt	0.0	0.0	0.0	0.0	0.0
DISCRETIONARY REWARD SCHEME REVENUE ADJUSTMENT	DRSt	0.0	0.0	0.0	0.0	0.0
NETWORK INNOVATION ALLOWANCE REVENUE ADJUSTMENT	NIAt	-0.6	0.0	0.0	0.0	0.0
CORRECTION TERM REVENUE ADJUSTMENT	-Kt	0.0	0.0	-1.9	0.0	0.0
MAXIMUM ALLOWED REVENUE	ARt	-0.6	1.2	-1.8	-2.2	
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE		-	(1.1%)	(0.4%)	(0.0%)	-
TABLE 6: RISKS AND SENSITIVITIES						
SGN VOLUNTARY CONTRIBUTION		-	-	0.0%	-	-
ASSUMES TRUE UP OF 2018/19 COST OF DEBT IN 2019/20 VIA ANNUAL ITERATION PROCESS		-	-	0.0%	-	-
SUPPLIER OF LAST RESORT CLAIM (ASSUMED IMPACT)		-	-0.2%	-	-	-
INITIAL VIEW OF XOSERVE 4 DECEMBER SNAPSHOT - AQ DATA FIX (REQUIRES FURTHER VALIDATION)		-	0.5%	-	-	-
		-	-	-	-	-
		-	-	-	-	-



DESCRIPTION	LICENCE TERM	2017/18	2018/19	2019/20	2020/21	2021/22
TABLE 1: TOTAL CHARGE ELEMENTS (LDZ + CUSTOMER + ECN)						
FORECAST RPI FACTOR	RPIFt	0.000	0.000	0.000	-0.003	
ASSUMED ANNUAL INFLATION FOR PRICE SETTING (RPIFT as a %)		0.0%	0.0%	0.0%	-0.2%	
ACTUAL / FORECAST ANNUAL INFLATION		0.1%	0.0%	0.0%	0.0%	
OPENING BASE REVENUE ALLOWANCE (2009/10 PRICES)	PUt	0.0	0.0	0.0	0.0	
PRICE CONTROL FINANCIAL MODEL ITERATION ADJUSTMENT (2009/10 PRICES)	MODt	0.0	0.0	0.0	0.0	0.0
RPI TRUE UP (2009/10 PRICES)	TRUt	0.0	0.0	0.2	0.2	0.0
UPLIFT TO NOMINAL PRICES USING RPIFT		0.0	0.0	0.1	-0.6	
BASE REVENUE (NOMINAL)	BRt	0.0	0.0	0.2	-0.4	
BUSINESS RATES ADJUSTMENT	RBt	0.0	0.0	0.0	-0.4	-0.8
LICENSE FEES ADJUSTMENT	LfT	0.0	0.0	0.0	0.0	0.0
PENSION DEFICIT ADJUSTMENT	PdT	0.0	0.0	0.0	0.0	0.0
OTHER PASS THROUGH: THIRD PARTY DAMAGE & WATER INGRESS, THEFT OF GAS, MISC PASS THROUGH	TPWIt + TGt + MPt	0.0	0.5	0.0	0.0	0.0
PASS THROUGH	PTt	0.0	0.5	0.0	-0.4	-0.8
SHRINKAGE INCENTIVE REVENUE ADJUSTMENT	SHRRt	0.0	0.0	0.0	0.0	0.0
SHRINKAGE COST ADJUSTMENT	SHRAt	0.0	0.0	-0.1	-0.1	-0.1
SHRINKAGE REVENUE ADJUSTMENT	SHRt	0.0	0.0	-0.1	-0.1	-0.1
BROAD MEASURE OF CUSTOMER SATISFACTION REVENUE ADJUSTMENT	BMt	0.0	0.0	0.0	0.0	0.0
ENVIRONMENTAL EMISSIONS INCENTIVE REVENUE ADJUSTMENT	EEIt	0.0	0.0	0.0	0.0	0.1
DISCRETIONARY REWARD SCHEME REVENUE ADJUSTMENT	DRSt	0.0	0.0	0.0	0.0	0.0
NETWORK INNOVATION ALLOWANCE REVENUE ADJUSTMENT	NIAt	-0.3	0.0	0.0	0.0	0.0
CORRECTION TERM REVENUE ADJUSTMENT	-Kt	0.0	0.0	-1.2	-0.9	0.0
MAXIMUM ALLOWED REVENUE	ARt	-0.3	0.5	-1.1	-1.8	
TOTAL DISTRIBUTION CHARGES ARITHMETICAL PRICE CHANGE		-	(0.8%)	(0.3%)	(0.2%)	
TABLE 6: RISKS AND SENSITIVITIES						
SGN VOLUNTARY CONTRIBUTION		-	-	0.0%	-	-
ASSUMES TRUE UP OF 2018/19 COST OF DEBT IN 2019/20 VIA ANNUAL ITERATION PROCESS		-	-	0.0%	-	-
SUPPLIER OF LAST RESORT CLAIM (ASSUMED IMPACT)		-	-0.2%	-	-	-
INITIAL VIEW OF XOSERVE 4 DECEMBER SNAPSHOT - AQ DATA FIX (REQUIRES FURTHER VALIDATION)		-	0.6%	-	-	-
		-	-	-	-	-
		-	-	-	-	-

Mod 0621-Amendments to Gas Transmission Charging Regime

Exit Capacity Revenue Recovered by SGN on NTS's Behalf

Summary Annual Exit Capacity Revenue Forecast	Current (£m)	Transitional 2019/20 (£m)	Enduring 2020/21 (£m)
Scotland	£0.2	£19.3	£27.9
Southern	£58.9	£43.1	£83.3

Mod 0621-Amendments to Gas Transmission Charging Regime

Please note that modification is currently at a proposal stage and there a number of proposed modifications that may have material outcome on the out-turn values.

To date SGN has been engaging directly with NTS to comprehend the impact on NTS exit capacity cost and charge levels. Going forward we will be looking to actively engage with all relevant stakeholders to highlight the potential impact of any proposed changes.

In order to engage with the process and understand the potential cost/price impacts relating to modification 0621 and it's alternates, we recommended :-

- Attendance at NTSCMF – www.gasgovernance.co.uk/Diary;
- A review of the associated published documentation – www.gasgovernance.co.uk/ntscmf;
- Monitoring the forecasted price impact as the process develops through DCMF and the published Mod 186 Reports.