

Change Proposal for Changes to DSC Service Documents (for changes that do not require funding or resources to implement)


Xoserve Requestor to fill in sections coloured ■


Xoserve Governance Team to fill out all of the information in the sections coloured ■

General Details

Change Reference:	XRN 5209	
Change Title:	Amendments to the CDSP Service Document - Budget & Charging Methodology v4	
Date Raised:	16/07/2020	
Xoserve Representative Details:	Name:	Nick Stace
	Email:	Nick.stace@xoserve.com
	Telephone:	0121 229 2470
	Business Owner:	Jayne McGlone
Change Requested	<input type="checkbox"/> Amendment to DSC Service Description Table	<input checked="" type="checkbox"/> Amendment to CDSP Service Document

Proposer Requirements

Amendment to CDSP Service Document	<p>This is a proposal to amend v4 of the Budget & Charging Methodology. The slide deck attached (which is based on what was submitted to the 15th July CoMC) provides the background to the change; a summary of our engagement with customers through attendance at various industry and constituency meetings; and the assessment of financial impacts on charges that result in the proposals below.</p> <div style="text-align: center;">  Cost Allocation COMC July ChMC Au </div> <ol style="list-style-type: none"> 1) To change the Charge Base Apportionment Table in paragraph 3.1 replacing the current 22 Service Areas with 15 new Service Area descriptions and for each new Service Area, the revised percentage allocations to Customers. 2) Clarified the definition of cost to include debt (per June CoMC discussions) 3) Cosmetic updates to paragraph references in paragraph 4
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	<p>4) Update references to Service Areas in paragraph 7.2.2. and include the Managing Change service area as an exception from the standard funding % calculation.</p> <p>A track changes version of the Budget and Charging Methodology v4 with the amendments described above is attached;-</p> <div style="text-align: center;">  <p>Budget and Charging Methodology v4.1 Op</p> </div>					
<p>Amendment to DSC Service Description Table</p> <table border="1" style="width: 100%;"> <tr> <td><input type="checkbox"/> Introduction of new lines</td> </tr> <tr> <td><input type="checkbox"/> Deletion of existing lines</td> </tr> <tr> <td><input type="checkbox"/> To merge existing lines</td> </tr> <tr> <td><input type="checkbox"/> Cosmetic changes</td> </tr> <tr> <td><input type="checkbox"/> Amendment to DSC Document</td> </tr> </table>	<input type="checkbox"/> Introduction of new lines	<input type="checkbox"/> Deletion of existing lines	<input type="checkbox"/> To merge existing lines	<input type="checkbox"/> Cosmetic changes	<input type="checkbox"/> Amendment to DSC Document	
<input type="checkbox"/> Introduction of new lines						
<input type="checkbox"/> Deletion of existing lines						
<input type="checkbox"/> To merge existing lines						
<input type="checkbox"/> Cosmetic changes						
<input type="checkbox"/> Amendment to DSC Document						

Presented at ChMC for information

Date	
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CoMC Voting Outcome

Voting Outcome:	<input type="checkbox"/> Amendment to CDSP Document	
	<input type="checkbox"/> Amendment to DSC Service Table	
Comments		
Meeting Date:	Click here to enter a date.	
Overall Outcome:	<input type="checkbox"/> No	<input type="checkbox"/> Yes

Section G: Change Pack

G1: Communication Detail

Comm Reference:	2634.5 – MT – JR
Comm Title:	XRN5209 Amendments to the CDSP Service Document - Budget & Charging Methodology v4
Comm Date:	16/07/2020

G2: Change Representation

Action Required:	For representation
Close Out Date:	31/07/2020

G3: Change Detail

Xoserve Reference Number:	XRN5209
Change Class:	Documentation
ChMC Constituency Impacted:	Shipper, DNO, IGT & NTS
Change Owner:	Nick Stace Email: nick.stace@xoserve.com
Background and Context:	<p>This is a proposal to amend v4 of the Budget & Charging Methodology. The slide deck attached (which is based on what was submitted to the 15th July CoMC) provides the background to the change; a summary of our engagement with customers through attendance at various industry and constituency meetings; and the assessment of financial impacts on charges that result in the proposals below.</p> <p>For more information please click here</p>

G4: Change Impact Assessment Dashboard (UK Link)

Functional:	N/A
Non-Functional:	N/A
Application:	N/A
User(s):	N/A
Documentation:	CDSP Service Document - Budget & Charging Methodology
Other:	N/A

G5: Change Design Description

XRN5209 describes the proposed changes to the CDSP Service Document – Budget and Charging Methodology following a Cost Allocation Review undertaken by Xserve. Xserve intends to seek approval of the proposed changes at CoMC on August 19th 2020.

Please see the summary below of the changes within the attached document.

1) To change the Charge Base Apportionment Table in paragraph 3.1 replacing the current 22 Service Areas with 15 new Service Area descriptions and for each new Service Area, the revised percentage allocations to Customers.

2) Clarified the definition of cost to include debt (per June CoMC discussions)

3) Cosmetic updates to paragraph references in paragraph 4

4) Update references to Service Areas in paragraph 7.2.2. and include the Managing Change service area as an exception from the standard funding % calculation.

A track changes version of the Budget and Charging Methodology v4 with the amendments described above is attached;-

[Budget and Charging Methodology v4](#)

G6: Associated Changes

Associated Change(s) and Title(s):	N/A
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G7: CoMC

Target DSG discussion date:	15/07/2020
Any further information:	Send out for Industry review

G8: Implementation

Target Release:	Live from 01/04/2021
Status:	For Approval

Please see the following page for representation comments template; responses to uklink@xserve.com

Section H: Representation Response

H1: Change Representation

(To be completed by User and returned for response)

User Contact Details:	Organisation:	Northern Gas Networks	
	Name:	Helen Chandler	
	Email:	hchandler@northerngas.co.uk	
	Telephone:	01133975471	
Representation Status:	Support		
Representation Publication:	Publish		
Representation Comments:	Northern Gas Networks support the amendments made to the charging methodology. We would be in favour of a flexible change budget to allow for unexpected or urgent change but we would not want our monthly invoices to vary month to month so would support a reconciliation for the next financial year.		
Confirm Target Release Date?	Yes	«h1_userDataAlternative»	

H1: Xoserve' s Response

Xoserve Response to Organisations Comments:	Thank you for your representation, we will feed this into ChMC for a final decision.		
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H1: Change Representation

(To be completed by User and returned for response)

User Contact Details:	Organisation:	Orsted	
	Name:	Lorna	
	Email:	lolew@orsted.co.uk	
	Telephone:	02074511974	
Representation Status:	Approve		

Representation Publication:	Publish	
Representation Comments:	We support the proposed changev the Charge Base Apportionment Table to reduce the service areas from 22 to 15 and the inclusion of debt provision to be included in the budget & charging methodology.	
Confirm Target Release Date?	Yes	«h1_userDataAlternative»

H1: Xoserve' s Response

Xoserve Response to Organisations Comments:	Thank you for your representation, we will feed this into ChMC for a final decision.
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H1: Change Representation

(To be completed by User and returned for response)

User Contact Details:	Organisation:	Scotland and Southern Gas Networks
	Name:	Sally Hardman
	Email:	sally.hardman@sgn.co.uk
	Telephone:	01293818129
Representation Status:	Support	
Representation Publication:	Publish	
Representation Comments:	SGN supports the proposed amendments to the current charging methodology from 22 to 15 Service Lines being effective from 1st April 2021 and the inclusion of a debt provision. We would however wish to highlight the need for a process to be developed and implemented for the allocation of debt. In addition our preference would be for a fixed percentage change budget as is currently in place providing stability of costs.	
Confirm Target Release Date?	Yes	«h1_userDataAlternative»

H1: Xoserve' s Response

Xoserve Response to Organisations Comments:	Thank you for your representation, we will feed this into ChMC for a final decision.
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H1: Change Representation

(To be completed by User and returned for response)

User Contact Details:	Organisation:	Centrica
	Name:	Oorlagh Chapman
	Email:	Oorlagh.chapman@centrica.com
	Telephone:	07557614769
Representation Status:	Object	
Representation Publication:	Publish	
Representation Comments:	<p>Centrica do not think changes to the Budget and Charging Methodology (BCM) should be progressed via a route that was intended for IT changes. The Change Management Committee, which was convened specifically for IT and service changes, should not have responsibility for deciding on changes to the BCM. The responsibility of this should instead fall to the Contract Management Committee (or Ofgem) even though the existing governance dictates that. We believe the governance should be changed first and then the change progressed. In relation to the actual change proposed, we think the proposal is both incomplete and does not include enough information to assess the merit of the change.</p> <p>Change the Charge Base Apportionment Table:</p> <ul style="list-style-type: none"> The table is derived from the list of services and the allocation of costs to those services. Xoserve proposes replacing the current 22 Service Areas with 15 new Service Area descriptions and adding other new services This means linked changes: changes to the CDSP document in which the services are listed (the Services Document I think) and the Charge Base Apportionment Table in the BCM. The Charge Base Apportionment Table in the BCM cannot be changed in isolation. (We believe the cost allocation methodology also needs to be changed but these change arrangements fall within the scope of Contract Assurance Audit). <p>The cost allocation model is based on the existing set of services. It is impossible to replace the current 22 Service Areas with 15 new Service Area descriptions and add other new services without changing the existing cost allocation across services. The change proposal doe not include any information about how cost allocation changes or even the basis on which costs are allocated to the new services.</p> <p>Please clarify the definition of cost to include debt. During the early discussions about the treatment of debt during the FGO programme it was decided debt should not form part of the cost base. We do not object to debt being part of the cost base but it must be justified first and take the governance arrangements into account.</p>	

	<p>The change management arrangements and the template do not require the proposer of a change to explicitly explain how the proposed changes is better than the status quo. This is not appropriate, changes to charging methodologies should have to be demonstrated to be better. This seems to be an omission. The proposed change makes no reference to the Charging Methodology Objectives for the CDSP in the GTs' licence (SCA.15A) or the relevant charging objectives in the UNC. Without a way of demonstrating the proposal is better than the status quo, it is unclear how parties or the Change Management Committee are expected to assess the proposal.</p>	
Confirm Target Release Date?	No	Further information required

H1: Xserve' s Response

Xoserve Response to Organisations Comments:	<p>Response to Centrica Comments re XRN5209</p> <p>Comment 1 <i>“Centrica do not think changes to the Budget and Charging Methodology (BCM) should be progressed via a route that was intended for IT changes. The Change Management Committee, which was convened specifically for IT and service changes, should not have responsibility for deciding on changes to the BCM. The responsibility of this should instead fall to the Contract Management Committee (or Ofgem) even though the existing governance dictates that. We believe the governance should be changed first and then the change progressed. “</i></p> <p>Response</p> <ul style="list-style-type: none"> • We were asked by July CoMC to ensure that all Customers had an opportunity to formally comment of the changes proposed to the Budget and Charging Methodology and it was agreed at that meeting that raising a Change Pack that would be circulated for consultation was the most appropriate route for this to happen. Whilst this Change Pack will be viewed at ChMC in August, CoMC will still be the body that approves this change as agreed at July CoMC. • We can support a review of the governance around changes being made to CDSP Service Documents if requested. <p>Comment 2 <i>“In relation to the actual change proposed, we think the proposal is both incomplete and does not include enough information to assess the merit of the change. Change the Charge Base Apportionment Table: • The table is derived from the list of services and the allocation of costs to those services. Xoserve proposes replacing the current 22 Service Areas with 15 new Service Area descriptions and adding other new services This means linked changes:</i></p>
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changes to the CDSP document in which the services are listed (the Services Document I think) and the Charge Base Apportionment Table in the BCM. The Charge Base Apportionment Table in the BCM cannot be changed in isolation. (We believe the cost allocation methodology also needs to be changed but these change arrangements fall within the scope of Contract Assurance Audit). The cost allocation model is based on the existing set of services. It is impossible to replace the current 22 Service Areas with 15 new Service Area descriptions and add other new services without changing the existing cost allocation across services. The change proposal does not include any information about how cost allocation changes or even the basis on which costs are allocated to the new services. “

Response

- We attended a number of industry meetings in May, June and July with each of the customer constituency groups. These meetings were used as more of a deep dive into why the changes were needed along with the financial impacts of old vs new.
- The consequential changes required to other CDSP Service Documents as a result of the amendments to the Budget and Charging Methodology are planned for August Change Pack.
- The cost allocation methodology principles or detail of how any model would work isn't part of the B&CM. It is up to the CDSP to establish, review and from time to time revise this methodology as set out in paragraph 3.2 of the Budget and Charging Methodology. The principles of allocating resources be that direct people, applications or support costs to Service Areas that consumes them remains exactly the same as before (which is consistent with the requirements set out in Std Special Licence Condition 15A (para 3 (ii)). Given we are proposing new Service Areas where necessary we have had to remap our resources but as we have demonstrated via our presentations there is a great deal of commonality between the current and proposed service area descriptions.

Comment 3

“Please clarify the definition of cost to include debt. During the early discussions about the treatment of debt during the FGO programme it was decided debt should not form part of the cost base. We do not object to debt being part of the cost base, but it must be justified first and take the governance arrangements into account.”

Response

- The decision to amend the definition of 'cost' to include debt was agreed at CoMC on 17 June 2020.

Comment 4

“The change management arrangements and the template do not require the proposer of a change to explicitly explain how the proposed changes is better than the status quo. This is not appropriate, changes to charging methodologies should have to be demonstrated to be better. This seems to be an omission. The

proposed change makes no reference to the Charging Methodology Objectives for the CDSP in the GTs' licence (SCA.15A) or the relevant charging objectives in the UNC. Without a way of demonstrating the proposal is better than the status quo, it is unclear how parties or the Change Management Committee are expected to assess the proposal. "

Response

- The benefits of the changes are set out in the slide deck included in the Change Pack.
- The proposed changes are to the Charge Base Apportionment Table. Paragraph 3.2.1 of the Budget and Charging Methodology allows for the CDSP to establish, keep under review and from time to time. We have taken extra steps to make sure that all customers are aware of the proposed changes to the Charge Base Apportionment Table and provide the opportunity to feed back any comments.

Version Control

Document

Version	Status	Date	Author(s)	Remarks

Template

Version	Status	Date	Author	Remarks
0.1	Draft	13/05/2020	Angela Clarke	Template created based on DSC Change Proposal Document doc v7
0.2	Sent for review	15/06/2020	Angela Clarke	Amended to make it clear that any changes are presented at ChMC for information only
1	Approved	25/06/2020	Angela Clarke	Final version approved by Sam Lattimer
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