

Principle/Application	Recommendation	Comment
<p>Principle 1 – Economic, Efficient and Transparent Application 2: “Charging arrangements do not create a negative cost benefit outcome for industry”</p>	<p>This should be deleted</p>	<p>The proposed wording cannot exist in isolation from the objectives charging methodologies are meant to achieve. Charging Methodologies are assessed against the Relevant Methodology Objectives (in the GT licence for example). One such objective is: <i>“that, so far as is so consistent, compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers;”</i></p>
<p>Principle 2 – Predictability and Certainty: “The CDSP Charging Methodology should provide users of CDSP services with predictable CDSP Charges, and should provide the CDSP with certainty and security of its revenue stream”</p>	<p>The following words should be deleted: “...and should provide the CDSP with certainty and security of its revenue stream”</p>	<p>This must be covered elsewhere in the new arrangements. For example, this could be covered in the DSC (enforcement arrangements), DSC (credit arrangements), etc. Additionally, charging methodologies, by nature, cannot provide security of revenue streams</p>
<p>Principle 2 – Predictability and Certainty Application 2: Charges are set to recover the approved CDSP Budget, and inclusive of a margin to generate working capital</p>	<p>This should be deleted</p>	<p>Arrangements relating to margins have not yet been finalised and agreed by industry parties.</p>
<p>Principle 2 – Predictability and Certainty Application 5: “The CDSP is protected from user failure to pay”</p>	<p>This should be deleted</p>	<p>This must be covered elsewhere in the new arrangements. For example, this could be covered in the DSC (enforcement arrangements), DSC (credit arrangements), etc.</p>

Principle/Application	Recommendation	Comment
		Additionally, charging methodologies, by nature, cannot provide protection against user failure to pay
<p>Principle 3 – Simplicity, Flexibility, Stability Application 3: “The methodology should not necessarily be reliant on the schedule of individual CDSP Service Lines as set out in the CDSP Service Description”</p>	This should be deleted	This statement conflicts with the basic principle that costs are targeted at those that impose the costs on the CDSP. Divergence between costs, the services that result in those costs being incurred and charges borne by Users does not align with that principle. Additionally, this will lead to cross-subsidies and may restrict or distort competition.
<p>Principle 4 - Services: “The CDSP Charging Methodology should reflect: •The structure of CDSP Services; and •The Service Areas that comprise the CDSP Service Description”</p>	This principle may need to be re-worded	Depending on the final definition of CDSP services and interaction between multiple charging methodologies for various types of Users. For example, if multiple methodologies are to be developed, the ‘main’ methodology will have to refer to other service such as services to traders
<p>Principle 6 - Basis of Charges: “In order to meet the objectives of CDSP revenue security, predictability for users of CDSP Services and administrative simplicity, CDSP Charges should be predominantly capacity driven (rather than usage driven)”</p>	The following words should be deleted: “”...should be predominantly capacity driven...”	The cost drivers for services have not yet discussed in detail in the workgroup. This was one of the outstanding actions to be completed following the submission of the cost assessment submission on January 2016. The wording of the principle must not prevent the application of the appropriate cost drivers
<p>Principle 9 – Calculation of Charges (Direct Services to Shippers): “For CDSP Direct Services to Shippers, the apportionment of charges to each Shipper is calculated by reference to the Supply Point Count of each Shipper on the first Gas Day of each monthly billing period</p>	This should be reworded to ...the apportionment of charges to each Shipper is calculated by reference to the appropriate cost drivers... [this wording covers both fixed and transactional costs]	As above, this has not been agreed given because the outstanding action has not been completed.

Principle/Application	Recommendation	Comment
OPTION FOR DISCUSSION: As 1), except that for certain services (for example, those that are currently defined as User Pays Services), there is a ‘transactional’ approach to the setting of charges based on an agreed measure of ‘usage’ or market share”		
Principle 10 – Investments (Functional Change) Application 1: “Investments that deliver change to CDSP systems functionality to meet the service requests of one or more Customer Classes are funded by all Core Customers in the requesting Customer Class(es)”	This should be reworded to “...funded by the relevant sub-category(ies) by all Core Customers in the requesting Customer Class(es)...”	Based on current wording, all Shippers would be required to fund invested requested by and would benefit only I&C shippers. Shippers that operate only in the domestic segment of the market must not be called on to fund such activities. Further, the existing wording creates cross subsidies and may restrict or distort competition.
Principle 10 – Investments (Functional Change) Principle 10 – Investments (Infrastructure) Principle 10 – Investments (Charges): “In respect of CDSP Charges that recover investment expenditure, the CDSP Charging Methodology should define rules for: •The users of CDSP Services who are to fund the investments; and •The levying of CDSP Charges period over the same time period as which the CDSP incurs investment expenditure”	The following words should be deleted: “The levying of CDSP Charges period over the same time period as which the CDSP incurs investment expenditure”	There is no reason why funding over shorter or longer time periods should not be implemented. Funding over longer periods can be a way of mitigating against volatility.
Principle 11 – Governance: “The CDSP Charging Methodology should be capable of review and amendment under DSC governance. Amendments should be made to be effective from the start of a CDSP Budget Year only.”	The UNC should be referred to instead of the DSC	In various decision documents relating to FGO and in the latest version of the GT licence modification, Ofgem has stated that the charging methodology should sit in the UNC. Established open governance arrangements relating to charging matters already exist in the UNC.
Principle 11 – Governance:	The following words should be deleted:	There may be instances in which the existing

Principle/Application	Recommendation	Comment
The CDSP Charging Methodology should be capable of review and amendment under DSC governance. Amendments should be made to be effective from the start of a CDSP Budget Year only.	“Amendments should be made to be effective from the start of a CDSP Budget Year only.”	methodology is materially flawed to the extent that an immediate change is required. No restriction should be placed on immediate changes in those circumstances.