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# **UNC FGO Workgroup 30.6.16**

## **Cost Allocation Review Process**

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# Cost Allocation – Work to Date

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- All pre-Nexus ASA Service Lines placed into 43 Service Groups based on ASA Services Schedule structure and Workgroup view of funding constituencies
- Costs attributed or allocated to each Service Group based on historical Cost Allocation Model (CAM) and Workgroup view of services that attract costs
- 2013/14 historical cost information used as a guide to service cost materiality
- CAM used in determination of constituencies' funding of CDSP in GT cost assessment submission to Ofgem January 2016
- Highlighted to Ofgem that CAM (and Charging Methodology) subject to further evolution as CDSP contractual framework is developed

# Cost Allocation – Review Drivers

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- Structure of DSC Service Schedules is different to ASA
  - Direct – Code / Non-Code
  - GT Agency – Code / Non-Code
  - iGT Agency – Code / Non-Code
- Work in progress mapping of ASA services into above structure retains references to high level service descriptions, e.g. ‘Manage Supply Point Registration’, ‘Provide Query Management’
- Amendment / addition / removal of some Service Lines as a result of introduction of Project Nexus
- DSC contractual counterparties extend beyond GTs to include Shippers and iGTs

# Cost Allocation – Review Process

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- Map 43 Service Groups to DSC Service Schedules, including to the high level service descriptions within each Schedule
- A range of Service Group to DSC Service Schedule mapping outcomes is possible:
  - One to one – cost attribution / allocation can remain the same
  - One to many – cost attribution / allocation may need to be more granular
  - Many to one – cost attribution / allocation is able to be less granular
- Review Project Nexus driven service changes – consider extent to which they challenge methodology for allocation of costs to services
- Identify services delivered outside of DSC (e.g. IX services to Traders, non-Code services to third parties)
- **OUTPUT: REVISED RULES FOR ATTRIBUTION / ALLOCATION OF CDSP COSTS TO SERVICES, BOTH WITHIN AND OUTSIDE OF DSC**

# Beyond Cost Allocation

- **INPUT: REVISED RULES FOR ATTRIBUTION / ALLOCATION OF CDSP COSTS TO SERVICES, BOTH WITHIN AND OUTSIDE OF DSC**
- Define DSC contractual counterparty/ies for each Service Schedule
- If DSC counterparties are in more than one constituency, define rules for apportionment between constituencies
- Define rules for apportionment between constituency members (in line with 'Application of Charging Principles' as discussed at Workgroup 13 June)
- Apply cost attribution / allocation rules and Charging Principles to CDSP cost forecasts to derive indicative Charges (excl. investment)
- For central services delivered outside of DSC, define charging methodology within relevant contracts