
xserve



respect > commitment > teamwork

Fixed and Variable Costs Review

UNC FGO Workgroup (Charging)

5th September 2016

Context

- Workgroup has requested data in respect of Xoserve fixed and variable costs, and variable cost drivers
- Variable means “variable with service demand within a budget year”
- Data can be used to inform thinking on Charging Methodology proposals, particularly for Shipper Charges
 - Fixed cost: points to apportionment of costs based on agreed measure
 - Variable cost: points to ‘transactional’ or ‘usage’ based charge
- Xoserve Services Workgroup (leading to User Pays) conclusions:
 - Fluctuation in customer demand for some services can vary costs
 - Undesirable to apply ‘transactional’ charge to all such services
- Xoserve proposes that ‘transactional’ charging for those services currently designated as User Pays services continues under FGO model from 1.4.17

Cost Overview (CAT data for 2017/18)

		Major Services					
RTB Input Cost	£m	Supply Point Admin	Invoicing	Data Enquiry	Demand Estimation	Gemini Systems Support	M No
People	15.7	F with partial V	F	F with partial V	F	F	
Systems	17.8	F	F	F	F	F	F
Property	2.6	F	F	F	F	F	F
M Number	0.7						F
Data Collection	0.3				F		
Other	1.4	F	F	F	F	F	F
TOTAL	38.5						

Services with partially variable cost are already classified as User Pays services
Charges for these services will continue to be on a transactional basis