

SCHEDULE 1

Business Plan Information Rules

Purpose

The purpose of this document is to specify the information requirements that the CDSP shall ensure are satisfied in the draft and final versions of the CDSP Budget and that the Committee shall use to assess whether the draft and final versions of the CDSP Budget are compliant.

Definitions

Process for amending this document

Any DSC Party may propose an amendment to this document by submitting a notice to the Committee.

A proposed amendment must include:

- a description of the need for the document to be amended;
- proposed legal text; and
- an assessment of how the proposed amendment better meets the DSC Objectives.

A proposed amendment must not represent a material change in the balance of commercial or legal risk under the DSC as between the CDSP and Customers, or as between different Customer Classes (or Customers within a Customer Class).

The Committee shall consider the proposed amendment. The Committee may invite Proposer to discuss the proposed amendment.

The Committee shall send a consultation report to all DSC Parties and request responses. The report must include the notice of the proposed amendment from the Proposer and the Committee's views of the proposed amendment. The Committee shall invite DSC Parties to respond within 20 working days.

Taking account of the consultation responses, the Committee may approve the amendment if the Committee is satisfied that the proposed amendment:

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- better meets the DSC Objectives; and
- does not represent a material change in the balance of commercial or legal risk under the DSC as between the CDSP and Customers, or as between different Customer Classes (or Customers within a Customer Class)

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Transparency

The CDSP shall use its best endeavours to ensure transparency with respect to the development and content of the CDSP Budget. The CDSP shall ensure the minimum level of transparency that DSC Parties and other interested stakeholders require in order to meaningfully scrutinise the draft and final versions of the CDSP Budget.

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The CDSP shall publish in a level of detail agreed with the Committee (and the Committee shall have due regard to feedback from DSC Parties and interested stakeholders) the following on a dedicated, and unrestricted section of its website:

- draft Statement of Planning Principles and supporting material;
- non-confidential feedback on the draft Statement of Planning Principles;
- Final Statement of Planning Principles and supporting material;
- draft CDSP Budget and supporting material;
- non-confidential feedback on the draft CDSP Budget;
- further draft(s) of the CDSP Budget and supporting material;
- non-confidential feedback on further draft(s) of the CDSP Budget; and
- final CDSP Budget and supporting material.

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The CDSP may exclude information considered sensitive from the draft or final CDSP Budget, but only by exception. Information that has been excluded from the draft or the final CDSP Budget must be clearly and comprehensively described in a 'Redaction Statement' in the CDSP Budget. The 'Redaction Statement' must include:

- descriptions of the information that has been excluded;
- the reasons and justification for the exclusions;
- the interest, commercial or otherwise, that the CDSP considers would be prejudiced by disclosure;
- the CDSP's opinion of the extent to which the exclusions will curtail assessment of the CDSP Budget; and
- descriptions of the alternative ways in which the CDSP has sought to enable scrutiny of the CDSP Budget in lieu of the exclusions.

For the avoidance of doubt, the CDSP shall share the full and unredacted versions of the above items, excluding feedback received in confidence, with the Committee.

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Stakeholder engagement

The CDSP shall conduct robust and high-quality engagement with stakeholders to inform the content of the Statement of Planning Principles and the CDSP Budget.

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In the draft and final versions of the Statement of Planning Principles and the CDSP Budget, the CDSP shall explain:

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- how it actively sought views from stakeholders;
- how the content reflects and is informed by feedback from stakeholders;
- how the selected expenditure plans and investment options reflect stakeholders' priorities; and
- the reasons why any stakeholder feedback was not incorporated into the content.

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In the CDSP Budget, the CDSP shall also explain how it will carry out robust and high-quality engagement with stakeholders during Year Y relating to:

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- finalising activities and Costs that were uncertain and could not have been confirmed when the CDSP Budget was set;
- agreeing activities and Costs for which the need may arise during Year Y; and
- tracking progress of the delivery of the CDSP Budget, including transparent metrics which will enable stakeholders to assess progress and performance.

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Current performance

In the draft and final versions of the CDSP Budget, the CDSP shall describe performance during Year Y-1 and explain how that performance has informed the CDSP Budget for Year Y. The values of the Forecast Over/Under Amount for Year Y-1 and the Outturn Over/Under Amount for Year Y-2 must be stated in the CDSP Budget.

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For the levels of performance and service the CDSP has achieved and/or expects to achieve during Year Y-1, the CDSP Budget must include an explanation of:

- the differences between what the CDSP expected when the CDSP Budget for Year Y-1 was

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set and what the CDSP has achieved and/or expects to achieve during Year Y-1;

- the factors that have caused the differences;
- the impact of each factor;
- the steps that the CDSP has taken and will take during Year Y-1 to ensure levels of performance and service levels to be achieved during Year Y-1 do not fall below what was expected when the CDSP Budget for Year Y-1 was set; and
- how the differences between what the CDSP expected when the CDSP Budget for Year Y-1 was set and what the CDSP has achieved and/or expects to achieve during Year Y-1 have been considered when preparing the CDSP Budget for Year Y.

For the Forecast Over/Under Amount for Year Y-1, the CDSP Budget must include:

- details of the Forecast Over/Under Amount for Year Y-1;
- descriptions of the factors that have caused and will cause the Forecast Over/Under Amount for Year Y-1;
- quantification of impact of each factor on the Forecast Over/Under Amount for Year Y-1; and
- an explanation of how the Forecast Over/Under Amount for Year Y-1 has been considered when preparing the CDSP Budget for Year Y.

For the Outturn Over/Under Amount for Year Y-2, the CDSP Budget must include:

- details of the Outturn Over/Under Amount for Year Y-2;
- descriptions of the factors that have caused and will cause the Outturn Over/Under Amount for Year Y-2;
- quantification of impact of each factor on the Outturn Over/Under Amount for Year Y-2; and
- an explanation of how the Outturn Over/Under Amount for Year Y-2 has been considered when preparing the CDSP Budget for Year Y.

Outputs

In the draft and final versions of the CDSP Budget, the CDSP shall describe the outcomes it proposes to achieve for Customers and consumers by the end of Year Y. The CDSP shall also describe the outputs its proposes to deliver in order to achieve those outcomes. The proposed commitments (outcomes and outputs) must be appropriate, well-evidenced and reflect continuous improvement.

In the draft and final versions of the CDSP Budget, the CDSP shall explain:

- the measures of the existing levels of service that Customers and consumers receive and how
- the proposed levels of service for Year Y represent an improvement;

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- how the CDSP will measure and report on progress against the proposed commitments;
- how the CDSP will seek feedback on its performance and progress against the commitments;
- the consequences to Customers, consumers and the CDSP of the non-delivery of each commitment; and
- where relevant, the levels of service that are provided by comparator organisations.

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The CDSP shall propose commitments that:

- reflect the services that Customers and consumers require;
- are as complete as possible in capturing the activities and Costs of the CDSP;
- represent long-term value for Customers and consumers; and
- where relevant, allow comparison to outputs and outcomes delivered by comparator organisations.

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Investment proposals

In the draft and final versions of the CDSP Budget, the CDSP shall clearly justify the need for each proposed Investment.

For each proposed Investment, the CDSP shall:

- explain why the Investment is needed;
- describe the drivers for the level of Investment, and describe the drivers;
- describe the options considered for meeting Customers' and consumers' needs over the medium- to long-term and the outputs that are associated with each option;
- describe the approach for comparing investment options;
- state any underlying assumptions and describe inputs;
- explain why the preferred option was selected and why other options were discounted, including the reasoning and the assessment against selection criteria;
- describe in detail any impacts on service and performance during delivery, the risks associated with delivery and the proposed approaches to mitigating those risks;
- demonstrate that the proposed Investment represents value for money for Customers and consumers;
- present the expenditure profile;
- explain how the Costs to be recovered will be allocated to Customer Classes and justify the proposed allocation; and
- explain the reason(s), if any of the associated Costs will not be categorised as Investment Costs.

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Each Investment proposal must be accompanied by a cost-benefit analysis (CBA). The CDSP shall use the CBA as a robust decision support tool in conjunction with other appropriate means of justifying the proposed Investment and the selection of the preferred option. Each CBA must include:

- the detailed methodology;
- evidence of a structured approach to identifying and developing options;
- the "Do Nothing" option and, where relevant, the "Deferral" option;
- the value of each option across a range of plausible scenarios and sensitivities;
- the outputs that would be delivered by each option;
- an explanation and the supporting analysis of how the preferred option was selected and why the other options were considered less beneficial;
- the risks, costs and benefits that have not been considered or monetised as part of the analysis;
and
- assumptions, inputs, calculations and results.

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For the avoidance of doubt, the CBAs form a part of the CDSP Budget and must be published in the draft and final versions of the CDSP Budget.

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Costs and expenditure

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In the draft and final versions of the CDSP Budget, the CDSP shall include the details of the resources needed to deliver all proposed activities and commitments by the end of Year Y. The CDSP shall:

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- state the value of the total expenditure required to deliver CDSP Services regardless of the extent to which the expenditure is treated as Costs;
- clearly set out the key drivers of Costs;
- explain its Costs and workload forecasts, particularly where these diverge from historical trends;
- present the Costs and workload forecasts at a detailed level, including differentiating between 'internal' and 'external' Costs, and compare the forecasts to historical data;
- justify the proposed combination of 'internal' and 'external' resources;
- explain in detail the activities it has undertaken to satisfy itself that the 'external' Costs are efficient and represent value for money;
- explain how efficiency and innovation will be used to reduce Costs;
- present expenditure profiles.

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In the draft and final versions of the CDSP Budget, the CDSP shall demonstrate that the level of resources its proposes are required to all proposed activities and commitments are efficient. The CDSP Budget must include:

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- a comparison of efficiency forecasts against efficiency gains realised in previous periods;
- a description of how the CDSP sought to identify efficiencies;
- evidence of the efficiency of the proposed expenditure, for example as compared to historical benchmarks and/or benchmarking with relevant comparators including other monopoly service providers;
- justification for the relevant comparators selected;
- details of the assumptions and the justification for projected changes in the efficient levels of unit costs over time (i.e. ongoing efficiencies) caused by improvements in delivery, innovation, procurement, etc.;
- an explanation of how any historical data has been used to derive efficiency forecasts, including a justification for the time period selected;
- an explanation of how the enduring effects from efficiencies generated from Investments have been included;
- an explanation of the interactions between ongoing efficiency forecasts and the quality of outputs.

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In the draft and final versions of the CDSP Budget, the CDSP shall robustly justify the proposed application of inflation to the categories of Costs. The CDSP shall also explain why the way in which it proposes to apply inflation to the categories of Costs best represents Customers' and consumers interests.

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Allocation of Costs to Customer Classes

In the draft and final versions of the CDSP Budget, the CDSP shall present and justify the allocation of Costs to Customer Classes for each item (e.g. CDSP Service or Investment). For each item, the CDSP Budget must include:

- the methodology used to derive the allocation;
- the details of any assumptions; and
- descriptions of the data relied on to derive the allocation.

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