

UNC Modification	At what stage is this document in the process?
<h1 style="margin: 0;">UNC 0841 <u>A</u>:</h1> <h2 style="margin: 0;">Introduction of cost efficiency and transparency requirements for the CDSP Budget</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #00a651; background-color: #00a651; color: white; padding: 2px; display: flex; align-items: center; justify-content: center;">01 Modification</div> <div style="border: 1px solid #00a651; background-color: #e6f2ff; padding: 2px; display: flex; align-items: center; justify-content: center;">02 Workgroup Report</div> <div style="border: 1px solid #00a651; background-color: #fff9e6; padding: 2px; display: flex; align-items: center; justify-content: center;">03 Draft Modification Report</div> <div style="border: 1px solid #00a651; background-color: #fff9e6; padding: 2px; display: flex; align-items: center; justify-content: center;">04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>The purpose of this Modification is to improve the ability of UNC Parties to fulfil their obligation jointly to control and govern the CDSP on an economic and efficient basis (under UNC General Terms, Section D, 1.4.4), through the introduction of explicit requirements for <u>economic and efficient, stated as 'to be carried out with a view to minimising costs without prejudicing delivery of CDSP services and agreed Key Performance Measures (KPM)'</u> and greater transparency of the Budget.</p>	
<p>Next Steps:</p> <p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none"> considered a material change and not subject to Self-Governance assessed by a Workgroup <p>This Modification will be presented by the Proposer to the Panel on 16 March 2023. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>	
<p>Impacted Parties:</p> <p>High: None</p> <p>Medium: CDSP, Shippers, Distribution Network Operators, Independent Gas Transporters</p> <p>Low: Consumers</p> <p>None:</p>	
<p>Impacted Codes:</p> <p>Independent Gas Transporters UNC</p>	

Commented [TS1]: Economic and Efficient Basis is very subjective. Change is to try to quantify this whilst still keeping the intent. This also links it to measurable items and defines the expectations (changed throughout the document)

Deleted: efficiency

Formatted: Not Highlight

Deleted: 4

Deleted: 31 July 2023

Deleted: th

Contents	
1	Summary 3
2	Governance 4
3	Why Change? 5
4	Code Specific Matters 7
5	Solution 7
6	Impacts & Other Considerations 14
7	Relevant Objectives 15
8	Implementation 16
9	Legal Text 16
10	Recommendations 17

Timetable	
Modification timetable:	
Pre-Modification Discussed	19 September 2023
Date Modification Raised	27 September 2023
New Modification to be considered by Panel	19 October 2023
First Workgroup Meeting	10 October 2023
Workgroup Report to be presented to Panel	16 November 2023
Draft Modification Report issued for consultation	17 November 2023
Consultation Close-out for representations	08 December 2023
Final Modification Report available for Panel (at short notice)	11 December 2023
Modification Panel decision	14 December 2023

Any questions?

Contact:
Joint Office of Gas Transporters

enquiries@gasgovernance.co.uk

0121 288 2107

Proposer:
[Tracey Saunders, Northern Gas Networks](#)

trsaunders@northernngas.co.uk

07557 614769

Transporter:
[Tracey Saunders, Northern Gas Network](#)

trsaunders@northernngas.co.uk

07580 215743

Systems Provider:
Xoserve

UKLink@xoserve.com

Deleted: Oorlagh Chapman – Centrica

Deleted: Oorlagh.chapman@centrica.com

Deleted: 16 February

Deleted:

Deleted: Guv Dosanjh | Cadent

Deleted: 03 March 2023

Deleted: 4

Deleted: 6

Deleted: March

Deleted: 20 March

Deleted: November

Formatted: Default Paragraph Font, Font: Not Bold

Commented [TS2]: The rest of the timings are all as per original proposal.

Deleted: 07773 151572

Deleted: 4

Deleted: 31 July 2023

Deleted: th

1 Summary

What

This Modification proposes to provide for greater clarity of the content requirements for the Central Data Services Provider (CDSP) Annual Budget. Specifically, the current arrangements do not require the CDSP to demonstrate that the expenditure proposed is efficient and economic and that it represents value for money to its Customers. The proposed changes are intended to allow for greater scrutiny of the Budget by stakeholders.

Why

Business plan requirements:

UNC Parties are mandated by the UNC to utilise the CDSP's services and are responsible for challenging and scrutinising the CDSP's Costs. This is in line with the Authority's decision on the Funding Governance and Ownership model. Key elements of the Authority's decision include that the CDSP be subject to industry accountability and governance. Under UNC General Terms, Section D, 1.4.4:

*"Each Party undertakes that it will act and exercise its rights and powers under the DSC in relation to the CDSP so as **jointly to control and govern the CDSP on an economic and efficient basis**" [emphasis added]*

The Authority decided that the CDSP Budget would be set via a consultative process and parties would work collaboratively to ensure that Costs are efficient and that the CDSP Annual Budget is fit for purpose. The CDSP is obliged under the Data Services Contract (DSC) Budget and Charging Methodology (BCM) to produce an annual Budget according to the defined Annual Process. The DSC does not prescribe that the CDSP's Costs should be economic and efficient. Also, the DSC prescribes very little of the necessary information that must be included in the CDSP Budget to facilitate parties scrutinising the proposals. In the opinion of the original 0841 proposer: The CDSP's proposals have lacked transparency over several years. Key information needed to allow Parties to determine whether the proposals are economic and efficient have been excluded. The lack of transparency and the exclusion of relevant information have prevented meaningful scrutiny of multiple CDSP Annual Budget. The lack of transparency and the exclusion of relevant information have been consistent themes in the appeals of the CDSP Annual Budget in 2020, 2022 and 2023 (the 2022 and 2023 Appeals remain with Ofgem for decision). The CDSP has been notified of objections to all four CDSP Budgets since 2020.

How

Section D of the UNC General Terms governs the requirements and arrangements for the appointment and usage of a Central Data Services Provider (CDSP), following Standard Special Condition A15 of Gas Transporters' Licences (the CDSP Licence Condition).

The CDSP Licence Condition stipulates that a service agreement must be in place between the CDSP and Parties for the provision of services. This is defined as the DSC in the UNC, where the objectives of the contract are set. The objectives state that services must be provided "effectively" (UNC GTD 1.2.2).

This Modification proposes to introduce an additional DSC objective that requires the **costs for delivery of CDSP services and the performance of Non-Service Functions to be economic and efficient**, in addition to the current requirement to make service provision effective. Consequential changes to the UNC and the DSC suite of documents will be required to facilitate this change by making explicit how the objective is met, allowing Parties transparency of the required information and amending governance processes.

In summary, this Modification will:

- Make explicit the requirement that the costs incurred to deliver CDSP Services and to perform Non-Service Functions are efficient and economic, and

Deleted: ¶

Commented [TS3]: This insertion is purely made to clarify that this is a view of the proposer and therefore may not be the view of everyone.

Deleted: 4

Deleted: 31 July 2023

Deleted: th

Create a set of business plan information rules that specify the information that the CDSP must include in the CDSP Annual Budget.

2 Governance

Justification for Authority Direction

This Modification will require Authority Direction as it seeks to make changes to governance arrangements.

Requested Next Steps

This Modification should:

- be considered a material change and not subject to Self-Governance; and
- be assessed by a Workgroup.

The proposed timeline for development and implementation of this Modification is designed to inform and support the business planning cycle for CDSP Annual Budget 2024/25.

The draft Principles and Approach for the Business Plan are usually published in late June or early July, outlining the intended scope and content of the process and eventual drafts. Therefore, we suggest that Workgroup meetings take place from March to May, in order for a Draft Modification Report and Consultation to be issued in June, allowing the Principles and Approach to take account of the Workgroup's outputs.

Implementation of the Modification in September 2023 will allow the CDSP to incorporate the change in the publication of the first draft of the Business Plan document in October 2023.

Implementation of amendments to the DSC suite of documents and DSC governance in October 2023 will coincide with new Contract and Change Management Committee members taking up their seats. It will also allow the inclusion of the full change to be incorporated in the second draft Business Plan document, which should be published in late October 2023 or November 2023.

The proposed timeline and alignment to the indicative CDSP Annual Budget engagement cycle is provided in the table below:

Date	Modification milestone	CDSP Budget milestone
Mar 2023	Modification formally raised	
Mar-August 2023	Workgroup development	
Jun 2023		Publication of Business Plan 2024/25 Draft Principles & Approach, consultation
Jul 2023		
Sep 2023	Draft Modification Report & Consultation	
Oct 2023	Implementation of UNC changes	First Draft Business Plan 2024/25, consultation

Deleted: 4

Deleted: 31 July 2023

Deleted: th

Nov 2023	Implementation of DSC changes	Second Draft Business Plan 2024/25, consultation
Dec 2023		Final Draft Business Plan 2024/25, consultation
Jan 2024		Final Business Plan 2024/25 publication, with CDSP Board approval

3 Why Change?

Business plan requirements:

Each central services provider is a monopoly in its relevant segment of the energy value chain. Industry parties are dependent on these appointed monopoly central services providers to perform processes that facilitate the delivery of energy. Industry parties are legally mandated to utilise the services provided by the monopoly central services providers and cannot procure those services from other providers. Central services are funded by their users as part of the costs they incur to operate. Supplierscrutiny of monopoly central service providers' expenditure plans by industry parties is an established way of mitigating the risk of consumer detriment that could arise as a result of central service providers being monopolies. Ensuring value for money for consumers across all parts of the energy value chain, including from the costs incurred by monopoly central service providers, is more important than ever in the current cost of living crisis.

In the case of CDSP Services, the CDSP's Customers are mandated by the UNC to utilise the CDSP's services and are responsible for challenging and scrutinising the CDSP's costs. This is in line with the Authority's decision on the Funding Governance and Ownership model, which was implemented in 2017. Key elements of the Authority's decision are that the CDSP must be collectively owned by the Transporters, be not-for-profit and be subject to industry accountability and governance. The Authority decided that the CDSP Annual Budget would be set via a consultative process and Parties would work collaboratively to ensure that Costs are efficient and that the CDSP Budget is fit for purpose.

Under UNC General Terms, Section D, 1.4.4:

*"Each Party undertakes that it will act and exercise its rights and powers under the DSC in relation to the CDSP so as **jointly to control and govern the CDSP on an economic and efficient basis**" [emphasis added]*

The CDSP is obliged under the DSC Budget and Charging Methodology to produce an annual Budget with a defined Annual Process. The CDSP must provide to and discuss with the DSC Contract Management Committee drafts of the Planning Principles and the Budget itself. The BCM sets out that the CDSP can act as it considers appropriate in taking the Committee's views into account, prior to finalising the CDSP Annual Budget.

There is a route for Appeal to the Authority if Parties do not consider the final CDSP Annual Budget to be fit for purpose. This has been exercised in 2020, 2022 and 2023 (the 2022 and 2023 Appeals remain with Ofgem for decision). The CDSP has been notified of objections to all four CDSP Annual Budgets since 2020. [The Proposer of 0841 stated:](#) The grounds for Appeal have consistently raised that there is insufficient transparency and detail of information contained in the published Budgets to allow Parties to determine whether or not the CDSP is acting on an economic and efficient basis. Industry party feedback through the business planning processes and within Contract Management Committee has been consistent with these views.

[The following paragraphs are as stated by the proposer of 0841, and compare the CDSP against licenced and regulated entities so may not be a 'like for like' comparison. It is also worth noting that, whilst Xoserve is a](#)

Commented [TS4]: This is just to clarify that this is a view of the proposer and may not be the view of everyone.

Commented [TS5]: Whilst we understand the proposer of 0841 was making the comparison in regard to Monopoly providers it is worth pointing out that these all also appear to be licenced and regulated entities, unlike the CDSP. Additionally some of these, for example RIIO, is not an annual basis; so preparation on same scale but on an annual basis is not exactly like for like. The other entities are dealing with sums far greater than the CDSP so it may not be appropriate & proportionate. Additionally due to the make up of the board, industry parties are in a unique position to influence strategic direction/approach

Deleted: 4

Deleted: 31 July 2023

Deleted: th

monopoly supplier, it is managed very differently in that it is a Not For Profit with both Shipper and Network representatives on the board:

Business plans requirements for other monopoly providers in the energy value chain:

Greater clarity and transparency of information in the CDSP Annual Budget, comparable to that provided by other industry service providers in their annual business plans, is needed to allow Parties improved ability to meet their obligation under UNC GTD 1.4.4 and to ensure cost efficiency and value for money for consumers. Many other monopoly central services providers in the energy value chain are provided with clear guidance from the Authority, in some detail, of the expectations for the content of their annual Business Plans. For example, the Authority issued guidance to the Electricity System Operator (ESO) and the electricity and gas network companies relating to their RIIO-2 business plans. Also, additional guidance was issued to the ESO relating specifically to proposed IT investments.

The guidance was intended to facilitate scrutiny and challenge of budgets by the Authority and all stakeholders. The guidance stipulated the minimum expectations of the companies' business plans such as specific cost breakdown requirements, cost-benefit analysis methodologies, the treatment of uncertainties, robust stakeholder engagement and transparency of the information presented in their plans. The guidance made clear that the information in the business plans should be presented in sufficient transparency and granularity to allow scrutiny. For example, in the ESO's IT Investment guidance, the Authority included the following requirements:

- "...For these topic areas, we will require the ESO to share granular detailed information (e.g. as detailed as data on individual tasks) to provide us with micro-level snapshots of how money is spent. This in-depth review will provide us with insight as to whether the ESO's methods for delivering IT represent value for money"
- "We require access to a sufficient quality of information regarding the ESO's planned BP2 IT investments to ensure that our analysis allows for robust decision making and assurance. This information will provide transparency about the current ("as-is") and future ("to-be") states of the ESO's IT, as well as the specific means by which the as-is state will be evolved and adapted into the planned to-be state."

The guidance was issued in accordance with the relevant conditions in their licences. Where provisions of the guidance required compliance of the monopoly central services providers, they were required to comply with the guidance as if it formed part of their licences. The guidance documents have enabled the companies to present plans that facilitate scrutiny and provide comfort that allowed expenditure allowances are in consumers' interests. We believe adopting a similar approach for the CDSP Annual Budget will be beneficial.

Change processes:

The procedures for changing the CDSP Service Documents (such as the BCM) are defined in the Change Management Procedures.

Change processes and governance routes for Service Documents were originally included in and discussed as part of this Modification. Some workgroup members suggested that the practical reality of the governance processes may differ from that written into the DSC. A Review Group will explore these issues separately to this Modification 0841.

The overall package of proposed changes will be effected in a hierarchy, through changes to the UNC with related and consequential changes to the DSC suite of subordinate documents.

Deleted: 4

Deleted: 31 July 2023

Deleted: th

4 Code Specific Matters

Reference Documents

Current and recent CDSP Budgets (Xoserve Business Plans): [Business plan \(xoserve.com\)](#)

DSC suite of documents: [DSC / CDSP Documents | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](#)

[UNC Modification 0813 – See Legal text explanation table](#)

[UNC Modification 0666 – See 29 August 2018 Legal Text Explanatory Document 0666](#)

[PAC Documents 5 6 7 Confidentiality Documents v2.0.pdf \(gasgovernance.co.uk\)](#)

[RIIO-2 Business Plan Guidance](#)

[RIIO-ED2 Business Plan Guidance](#)

[ESO Business Plan Guidance](#)

[Decision on IT Guidance for ESO Business Plan Guidance](#)

Documents to be amended in line with the Modification intention and requirements:¹

1. [UNC GTD - Uniform Network Code – General Terms Section D](#)
2. [DSC Terms & Conditions](#)
3. [CDSP Service Doc - Contract Management Arrangements](#)
4. [CDSP Service Doc - Budget and Charging Methodology](#)

Knowledge/Skills

Knowledge of CDSP and other central services provider (e.g., BSCCo, REC, ESO) budget and business planning guidance, rules and conventions; knowledge of DSC governance processes.

5 Solution

Outline

The proposed Modification consists of two elements, which will:

- Make explicit the requirement that the costs incurred in the delivery of CDSP Services, and the performance of Non-Service Functions should be efficient and economic, and

Create a set of Business Plan Information Rules that specify the information that the CDSP must include in the CDSP Annual Budget.

For the avoidance of doubt the required changes to UNC Code and DSC Changes will be effected in a hierarchy, through changes to the UNC with related and consequential changes to the DSC suite of documents subordinate. In other words, it will be necessary to include terms to the DSC to render the UNC changes, and cross-reference

¹ Housekeeping changes only are proposed to the suite of CDSP Service Documents. These changes are not material and therefore are not included in the list.

Deleted: 4

Deleted: 31 July 2023

Deleted: th

between the two documents. The Modification shall be progressed holistically due to the interlinked nature of the solution.

Documents to be amended in line with the Modification intention and requirements:

1. [UNC GTD - Uniform Network Code – General Terms Section D](#)
2. [DSC Terms & Conditions](#)
3. [CDSP Service Doc - Budget and Charging Methodology](#)
4. [CDSP Service Doc - Contract Management Arrangements](#)
5. We anticipate that changes will be needed to the Cost Allocation Methodology as it will be part of the BCM CDSP Service Document.

Context:

As stated by the proposer of 0841: Many other monopoly services providers are provided with clear guidance from the Authority, in some detail, of the expectations for the content of their annual Business Plans. This can include specific cost breakdown requirements and templates for conducting cost-benefit analyses. These are to enable scrutiny and challenge of budgets by the Authority and all stakeholders. In contrast the CDSP is not a licenced entity. This Modification intends to provide similar helpful Business Planning Information Rules for the CDSP to follow, which will support the approach, structure and content for the annual Business Plan. This will enable delivery of, and provide a test for, the demonstration of cost efficiency within the new DSC Objective contained in the UNC. The rules will include content and additional process requirements.

Each element of the solution and required changes are described below. Note that the nature of this proposal means that the Proposer prepared change-marked versions of the documents to support in Modification development and Legal Text provision. These changed-marked documents are superseded by the below Business Rules for this Modification, demonstrating the intended change. A draft of the proposed Business Plan Information Rules has been appended in addition to Business Rule 4. Additional explanatory text and a diagram has also been provided below as supplementary commentary to the proposed amendments.

Business Rules:

1. ***Make explicit the requirement that the CDSP's Costs shall be carried out with a view to minimising costs without prejudicing delivery of CDSP services and agreed Key Performance Measures (KPM).***
Introduce a new DSC Objective at UNC General Terms Section D (GTD), Interpretation, which will require the expenditure incurred in the delivery of CDSP Services and the performance of Non-Service Functions to be both carried out with a view to minimising costs without prejudicing delivery of CDSP services and agreed Key Performance Measures (KPM).

Extend the current DSC Objectives within UNC GTD 1.2.2 to specify that the costs incurred in the delivery of CDSP Services and the performance of Non-Service Functions should be carried out with a view to minimising costs without prejudicing delivery of CDSP services and agreed Key Performance Measures (KPM), to help facilitate the efficient and integrated operation of the gas industry.

2. ***Introduce a requirement on all Parties to ensure that the CDSP's Costs are on based on activities being carried out with a view to minimising costs without prejudicing delivery of CDSP services and agreed Key Performance Measures (KPM).***

Introduce a new requirement into the UNC on all Parties to ensure that the CDSP's Costs are based on activities being carried out with a view to minimising costs without prejudicing delivery of CDSP services and agreed Key Performance Measures (KPM), in addition to the obligation to jointly govern the CDSP on the basis that it is carried out with a view to minimising costs without prejudicing delivery of CDSP services and agreed Key Performance Measures (KPM) (under 'Agreement to engage the CDSP and be party to DSC').

Commented [TS6]: This (and subsequent uses) are to retain the original 0841 text for ease of comparison but make it clear that it is as stated in the original modification.

Deleted: .

Deleted: ¶

Formatted: Font: Bold, Italic

Deleted: *efficient and economic.*¶

Deleted: efficient and economic

Deleted: efficient and economic

Deleted: *efficient and economic*

Deleted: efficient and economic

Deleted: on an economic and efficient basis

Deleted: 4

Deleted: 31 July 2023

Deleted: th

3. Amend obligations on the CDSP in the DSC Terms and Conditions to require that the CDSP also ensures that Costs are carried out with a view to minimising costs without prejudicing delivery of CDSP services and agreed Key Performance Measures (KPM).

Deleted: *efficient and economic*

Consequentially reflect the new requirements in Business Rules 1 and 2 above in the DSC Terms and Conditions by requiring the CDSP to:

- ensure that CDSP Costs are based on activities being carried out with a view to minimising costs without prejudicing delivery of CDSP services and agreed Key Performance Measures (KPM),
- ensure that CDSP activities are carried out with a view to minimising costs without prejudicing delivery of CDSP services and agreed Key Performance Measures (KPM), to effectively perform Non-Service Functions, and
 - to (or procure that third parties shall) carry out requirements with a view to minimising costs without prejudicing delivery of CDSP services and agreed Key Performance Measures (KPM) and effectively **establish (where practicable) and** operate UK Link.

Deleted: economic and efficient

Deleted: efficiently, economically and

Deleted: efficiently, economically

4. Create the Business Plan Information Rules.

Create the Business Plan Information Rules, the purposes of which are:

- to require the CDSP to conduct robust and high-quality engagement with stakeholders to inform the content of the Statement of Planning Principles and the CDSP Budget
- to require the CDSP to publish the drafts and final versions of the Statement of Planning Principles and CDSP Annual Budget
- to specify the minimum information requirements that the CDSP shall use reasonable endeavours to satisfy in the draft and final versions of the CDSP Annual Budget and that the Contract Management Committee shall use to assess whether the draft and final versions of the CDSP Annual Budget meet these requirements.

Commented [TS7]: Changes to this paragraph are around practicality of process. 'Ensure' could lead to an inefficient and/or uneconomic outcome etc. Also ensures that committee not agreeing does not result in a stalemate that impacts the overall process efficiency.

- Specify the minimum information requirements in the Business Plan Information Rules, which shall include requirements relating to:
 - transparency
 - stakeholder engagement
 - current performance
 - outputs
 - Investment proposals
 - Costs and expenditure
 - allocation of Costs to Customer Classes
 - assurance
 - a 'Redaction Statement' if any information is considered confidential and, therefore, should not be made publicly available.

Deleted: ensure are satisfied

The Business Plan Information Rules shall be created as the same or equivalent legal standing to the UNC or DSC.

The CDSP shall be required to satisfy the requirements contained within the Business Plan Information Rules.

Deleted: 4

Deleted: 31 July 2023

Deleted: th

[Explanatory note: we append draft Legal Text proposals for the Business Plan Information Rules to address these points.]

5. Create the process by which the Business Plan Information Rules can be amended.

Create a process by which the Business Plan Information Rules can be amended that involves a proposed amendment being submitted to the Contract Management Committee and that Committee assessing the proposed amendment, consulting Customers and approving the proposed amendment if certain criteria are met (described below).

Introduce a new clause that permits any Party to the DSC to propose an amendment to the Business Plan Information Rules.

Specify the minimum requirements that the proposing Party must ensure a proposed amendment satisfies:

- A proposed amendment must include a description of the need for the amendment and an assessment of how the proposed amendment better meets the DSC Objectives; and
- 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).

Specify the responsibilities of the Contract Management Committee in relation to the proposed amendment. That Committee:

- shall consider the proposed amendment;
- shall assess whether the minimum requirements have been satisfied and invite the proposing Party to re-submit or withdraw the proposed amendments if the minimum requirements have not been satisfied;
- may invite the proposing Party to discuss the proposed amendment;
- shall send a consultation report to all DSC Parties and request responses, including the notice of the proposed amendment from the proposing Party and the Committee's views of the proposed amendment
- shall invite DSC Parties to respond within 20 working days; and
- review any feedback received from DSC Parties.

Specify that the Contract Management Committee may recommend to the UNCC the approval of the proposed amendment if, taking account of the consultation responses, the Committee is satisfied that the proposed amendment:

- 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).

[Explanatory note: Business Rule 4 does not specify the location of the Business Plan Information Rules. Further approval of an amendment may be required in addition (e.g. UNCC) (or an alternative approval route may need to be specified), depending on the status and location of the document as produced by the Legal Text provider following this Business Rule 5.]

6. Amend the Annual Process for establishing the CDSP Budget to require that the CDSP also takes account of the Business Plan Information Rules and to require that the Contract Management

Commented [TS8]: This is to clarify that whilst CoMC will be deciding on whether the change should be approved, it is the UNCC who have the final approval

Formatted: Highlight

Deleted: e

Deleted: 4

Deleted: 31 July 2023

Deleted: th

Committee also takes account of whether the CDSP has met the requirements of the Business Plan Information Rules

Amend the Annual Process in the Budget and Charging Methodology to require the CDSP to in addition (to existing processes) to discuss with the Contract Management Committee at the start of the Annual Process the minimum level of detail for the relevant information items the CDSP shall present to satisfy the Business Plan Information Rules.

Commented [TS9]: To have this as an absolute would appear to be in conflict with SSC A15 paragraph 3c of the GT licence.

(c) the CDSP consults with, and takes due regard of responses by Non-RGT Users in respect of its business plan and budget for CDSP Services.

Deleted: agree

Amend the Annual Process in the Budget and Charging Methodology to require the CDSP, in the draft CDSP Annual Budget, to:

- identify each instance in which the information requirements pursuant to the Business Plan Information Rules is not met;
- explain the reason(s) why the information requirements of the Business Plan Information Rules are not met; and
- describe the step(s) it will take, in so far as practicable, to ensure each subsequent draft CDSP Annual Budget will meet the information requirements of the Business Plan Information Rules;

Amend the Annual Process in the Budget and Charging Methodology to give opportunity for the Contract Management Committee to assess the draft CDSP Annual Budget to determine whether the information requirements in the Business Plan Information Rules have been met.

Commented [TS10]: (and below). This is to ensure that there is not a risk of an absolute being unable to be fulfilled for any unforeseen circumstance, which would then cause delays to the process. Removing efficiency.

Deleted: require

Deleted: require

Amend the Annual Process in the Budget and Charging Methodology to give opportunity for the CDSP and the Contract Management Committee to discuss the Committee's assessment of whether the CDSP has met the requirements of the Business Plan Information Rules.

Amend the Annual Process in the Budget and Charging Methodology to give opportunity for the Contract Management Committee to specify the action(s) the CDSP could take to meet the requirements of the Business Plan Information Rules if the Committee, having discussed its assessment with the CDSP, concludes there remain steps the CDSP could take to meet the requirements of the BPIR.

Deleted: require

[Explanatory notes to the process – for the legal text provider:

- The CDSP shall use reasonable endeavours to demonstrate transparency concerning 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.
- It is imperative that the CDSP will take responsibility for addressing any shortfall, doing what is best to meet the requirements (i.e. provision of information as requested or explanation of why it cannot meet the requirements).
- The requirements in this Business Rule do not change, impact or duplicate the existing governance processes for the approval of the CDSP Annual Budget. Instead, this Business Rule creates the information requirements for the CDSP Annual Budget, to support stakeholder and CDSP engagement with business plan development.
- The Contract Management Committee, as representatives of the wider industry constituencies, will provide review and feedback to the CDSP on the drafts of the CDSP Annual Budget against the Business Plan Information Rules.
- The CDSP may incorporate this feedback in subsequent drafts, as per its customary stakeholder engagement cycle, prior to presenting its final draft to its Board for approval.

Deleted: its best

Deleted: ensure

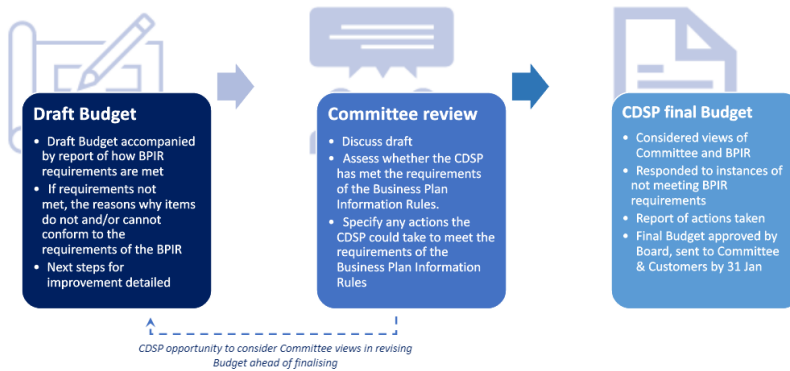
Deleted: 4

Deleted: 31 July 2023

Deleted: th

- This process provides the CDSP with the opportunity to explain to the Contract Management Committee the reasons why certain business plan items do not and/or cannot conform to the requirements of the Business Plan Information Rules, and for the Committee to respond.
- The diagram below shows how the CoMC engagement is intended to function (also see accompanying slides dated 13 Jun 2023).]

Business Plan Process in summary



7. Amend the Annual Process for establishing the CDSP Budget to permit the CDSP to disclose relevant information considered confidential to the Contract Management Committee only

Amend the Annual Process in the Budget and Charging Methodology to permit the CDSP to disclose relevant **information/content** of the draft or final CDSP Annual Budget or support material considered confidential to the Contract Management Committee only. provided disclosure is not subject to any legal requirement that prevents such disclosure.

Specify that, if the CDSP chooses to disclose some information to the Contract Management Committee only, the CDSP must include a 'Redaction Statement' in the publicly available version of the draft or final CDSP Annual Budget that explains:

- 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 Annual Budget; and
- descriptions of the alternative ways in which the CDSP has sought to enable scrutiny of the CDSP Annual Budget in lieu of the exclusions.

Commented [TS11]: This is highlighted in 0841 V4.0?

Deleted: .

Commented [TS12]: This is to prevent CDSP being forced between a breach of UNC or a breach of other contract or GDPR etc (as CoMC is not an agent).

Deleted: 4

Deleted: 31 July 2023

Deleted: th

8. Amend the Contract Management Arrangements to permit the CDSP to require members of the Contract Management Committee sign a non-disclosure agreement to facilitate disclosure of CDSP Annual Budget information considered confidential

Amend the Contract Management Arrangements to permit the CDSP to require members of the Contract Management Committee to sign a non-disclosure agreement to facilitate disclosure of CDSP Annual Budget information considered confidential if the CDSP chooses to disclose some information to the Contract Management Committee only.

9. Create a standard non-disclosure agreement to facilitate disclosure of CDSP Annual Budget information considered confidential

Create a standard non-disclosure agreement that the CDSP can require members of the Contract Management Committee to sign to facilitate disclosure of CDSP Annual Budget information considered confidential if the CDSP chooses to disclose some information to the Contract Management Committee only.

10. Amend the Contract Management Arrangements to permit closed sessions for discussion of confidential aspects of the CDSP Annual Budget

Amend the Contract Management Arrangements to allow for meetings of the Contract Management Committee to include closed sessions for the purpose of discussing content of the draft or final CDSP Annual Budget or support material considered confidential and was not included in the publicly available version of the draft or final CDSP Annual Budget.

Amend the Contract Management Arrangements to restrict attendance of closed sessions during meetings of the Contract Management Committee to only its members and their alternates.

11. Amend the TOR for the DSC Contract Management Committee

Amend the terms of reference for the DSC Contract Management Committee to require Committee members and their alternates to sign a non-disclosure agreement.

Housekeeping changes and corrections

Finally, the Modification will seek to make minor amendments to current drafting, in order to correct errors, update links to other documents, update reference tables and examples and align with UNC formatting

The following list covers the changes that are proposed.

Document	Summary changes
UNC GTD	<ul style="list-style-type: none"> 1.2.2 (ii) – Amend the reference from “paragraph 8(d)(ii) of the CDSP Licence Condition” to “paragraph 6(d)(ii) of the CDSP Licence Condition” for accuracy
All CDSP Service Documents	<ul style="list-style-type: none"> Administrative change to replace all occurrences of CSDP to CDSP
Contract Management Arrangements	<ul style="list-style-type: none"> 3.1.1 (a) – Numbering and formatting error to be corrected Administrative change to replace all occurrences of CSDP to CDSP

Deleted: 4
Deleted: 31 July 2023
Deleted: th

6 Impacts & Other Considerations

Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

There are no impacts identified on a current SCR as no SCR is currently in progress.

Consumer Impacts

Enduring enhancements to cost efficiency and value for money in central data service provision to the gas industry, potentially leading to lower costs to consumers than would otherwise be the case.

What is the current consumer experience and what would the new consumer experience be?

[The following paragraph and Consumer Benefit Area impacts is in the view of the original 0841 proposer:](#)

CDSP Services which directly impact consumers, such as switching supplier, may be positively impacted on both cost and performance, through improved ability for stakeholders to engage on efficiency. Consumers may also benefit from enduring reductions in the cost elements for central services which are passed through to them by suppliers.

Commented [TS13]: This is to clarify that this section has not been changed from 0841 V4.0, but that this is in that proposers views and may not be the views of everyone.

Impact of the change on Consumer Benefit Areas:

Area	Identified impact
<p>Improved safety and reliability</p> <p>The proposals may lead to improvements in performance of services which directly impact vulnerable consumers by allowing greater scrutiny of the efficiency of CDSP activities by industry stakeholders.</p>	Positive
<p>Lower bills than would otherwise be the case</p> <p>Consumer bills may be reduced on an enduring basis due to improved opportunity for industry stakeholders to understand and challenge the cost efficiency and value for money of CDSP Services.</p>	Positive
<p>Reduced environmental damage</p> <p>None</p>	None
<p>Improved quality of service</p> <p>CDSP Services which directly impact consumers, such as switching supplier, may be positively impacted on both cost and performance, through improved ability for stakeholders to engage on efficiency.</p>	Positive
<p>Benefits for society as a whole</p> <p>None</p>	None

Deleted: 4

Deleted: 31 July 2023

Deleted: th

Cross-Code Impacts

Possible interactions with and impacts on the iGT UNC should be reviewed.

EU Code Impacts

None.

Central Systems Impacts

None. While there will be changes to the requirements on the CDSP, these will be information provision related only, not systems related.

7 Relevant Objectives

Impact of the Modification on the Transporters' Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	Positive
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

Relevant Objective c):

Transporters are obligated under licence to provide CDSP Services through an appointed CDSP. The licence sets out the requirement for the UNC to include the obligation on parties to jointly control and govern the CDSP

Deleted: 4

Deleted: 31 July 2023

Deleted: th

on an economic and efficient basis,² and the minimum requirement for economic, efficient and transparent charging for the provision of the CDSP Services.³ The licence also requires consultation of CDSP service users in the development of the annual Budget and their participation in decision making for the ongoing operation of the CDSP. This Modification will have positive impacts for improved efficiency across all these obligations through defining information and transparency requirements more clearly, improving participative governance of cost allocation tools.

Relevant Objective d):

Greater transparency and scrutiny of information allows shippers and suppliers better to manage their costs and risk profiles. With greater granularity and transparency of CDSP expenditure, parties will be able to include more information in forecasts of the charges that they pay for CDSP Services. This should serve to improve accuracy and development of individual risk and other assumptions incorporated. This will have a positive impact on competition between Shippers and between suppliers.

Relevant Objective f):

The UNC provides for the establishment of the CDSP and obligates usage of CDSP Code Services by all parties. It also obliges the CDSP to produce an annual Budget and for all parties to enter into the DSC. Further, each party must *act and exercise its rights and powers under the DSC in relation to the CDSP so as jointly to control and govern the CDSP on an economic and efficient basis* (GTD 1.4.4.).

The proposals in this Modification will have a positive impact on the efficiency of the implementation of these conditions, specifically in the economic and efficient control and governance of the CDSP. The introduction of business plan rules, outlining the content requirements that are consistently needed for stakeholders to undertake this role more effectively, is clearly a positive outcome.

The 0841 proposer stated: It could also be anticipated that greater transparency and information provision would result in a reduced burden of administration, through a lower likelihood of appeals processes. However should a party wish to appeal we believe they would still do so.

Commented [TS14]: Added in to qualify this statement further as again this is in the view of the 0841 proposer
Deleted: ¶

8 Implementation

Implementation is proposed for 1 October 2023. This allows for the Modification to be incorporated in the development of the CDSP Budget 2024/25.

Formatted: Tab stops: 15 cm, Left

As the first step of the CDSP Budget process officially starts in June of the prior year, whereby the Business Plan Draft Principles and Approach and consultation is issued, implementation ahead of this should allow the changes to be fully incorporated at the start of the process.

Commented [TS15]: Added to give additional clarity to timelines for the budget process

9 Legal Text

Text Commentary

Insert text here.

Deleted: 4
Deleted: 31 July 2023
Deleted: th

² Gas Transporter Standard Special Condition A15, 4 (c) (i).
³ Gas Transporter Standard Special Condition A15, 6 (d) (ii).

Text

Business Plan Information Rules are appended in mark-up form.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- [Treat 0841A as an Alternative to 0841](#)
- Agree that Authority Direction should apply.
- Refer this proposal to a Workgroup for assessment.

Commented [TS16]: Standard Alternative text

Deleted: 4

Deleted: 31 July 2023

Deleted: th