

UNC Draft Modification Report	At what stage is this document in the process?
<h1>UNC 0841:</h1> <h2>Introduction of cost efficiency and transparency requirements for the CDSP Budget</h2>	<div style="display: flex; flex-direction: column; gap: 10px;"> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center;"> 01 Modification </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center;"> 02 Workgroup Report </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; background-color: #e0e0e0;"> 03 Draft Modification Report </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification: 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 efficiency and greater transparency of the Budget.</p>	
<p>Next Steps: This Draft Modification Report is issued for consultation responses at the request of the Panel. All parties are invited to consider whether they wish to submit views regarding this Modification. The close-out date for responses is 07 March 2024, which should be sent to enquiries@gasgovernance.co.uk. A response template is available at www.gasgovernance.co.uk/0841. The Panel will consider the responses and agree whether or not this Modification should be made.</p>	
<p>Impacted Parties: High: None Medium: CDSP, Shippers, Distribution Network Operators, Independent Gas Transporters Low: Consumers</p>	
<p>Impacted Codes: Independent Gas Transporters UNC</p>	

Contents	
1	Summary 3
2	Governance 4
3	Why Change? 5
4	Code Specific Matters 7
5	Solution 7
6	Impacts & Other Considerations 13
7	Relevant Objectives 23
8	Implementation 25
9	Legal Text 25
10	Recommendations 25
11	Appended Representations 26
Timetable	
Modification timetable:	
Pre-Modification Discussed	16 February 2023
Date Modification Raised	03 March 2023
New Modification considered by Panel	16 March 2023
First Workgroup Meeting	20 March 2023
Workgroup Report to be presented to Panel	15 February 2024
Draft Modification Report issued for consultation	16 February 2024
Consultation Close-out for representations	07 March 2024
Final Modification Report available for Panel	13 March 2024
Modification Panel decision	21 March 2024

 Any questions?

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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 Budget¹ 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. 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.

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 Budgets. The lack of transparency and the exclusion of relevant information have been consistent themes in the appeals of the CDSP 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

¹ The "CDSP Budget" is introduced as a defined term in the UNC GTD 3.3.1 (constituting the CDSP Annual Budget referred to in the CDSP Licence Condition) and used in the DSC Budget and Charging Methodology.

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

The proposed timeline for development and implementation of this Modification is designed to inform and support the business planning cycle for CDSP Budget 2025/26.

The draft Statement of Planning Principles is required to be published by 30 June , outlining the intended scope and content of the process and eventual drafts. Therefore, we originally suggested 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 Statement of Planning Principles 2024/25 to take account of the Workgroup’s outputs. Due to strong Workgroup engagement and subsequent revisions to the Modification, additional meetings have taken place.

Implementation of the Modification in March 2024 will allow the CDSP to incorporate the change in the publication of the Statement of Planning Principles for the 2025/26 CDSP Budget to be published by 30 June 2024 and first draft of the Business Plan document to be published by 31 October 2024.

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

Date	Modification milestone	CDSP Budget milestone
Mar 2023	Modification formally raised	
Mar-Nov 2023	Workgroup development	
Jun 2023		Publication of Business Plan 2024/25 Draft Statement of Planning Principles, consultation
Sep 2023	Draft Modification Report & Consultation	
Sep 2023		First Draft Business Plan 2024/25, consultation
Nov 2023		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
Mar 2024	Implementation of UNC changes	
April 2024	Implementation of DSC changes	

Workgroup’s Assessment

The Workgroup reviewed the Self-Governance criteria and agreed that it is likely that this Modification does not meet the criteria due to the ROM costs and potentially affecting the rights of the industry to be engaged in proposed changes to the UNC. The latter point was related to the process involved with DSC Contract Committee agreeing the level of detail to be included in the Business Plan, which would be a restricted group.

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. Supplier scrutiny 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 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 Statement of 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 Budget.

There is a route for Appeal to the Authority if Parties do not consider the final CDSP 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 Budgets since 2020. 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.

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

Greater clarity and transparency of information in the CDSP 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 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.

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:²

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](#)

[https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2020-10/CDSP Service Document Contract Management Arrangements v2.0.pdf](https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2020-10/CDSP%20Service%20Document%20Contract%20Management%20Arrangements%20v2.0.pdf)

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 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

² 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.

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](#)

Context:

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.

This Modification intends to provide similar helpful Business Plan 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 CDSP Costs shall be efficient and economic.***

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 efficient and economic.

Extend the current DSC Objectives within UNC GTD 1.2.2 to specify that the CDSP Costs incurred in the delivery of CDSP Services and the performance of Non-Service Functions should be efficient and economic, to help facilitate the efficient and integrated operation of the gas industry.

2. ***Introduce a requirement on all Parties to ensure that CDSP Costs are efficient and economic.***

Introduce a new requirement into the UNC on all Parties to ensure that CDSP Costs are efficient and economic, in addition to the obligation to jointly govern the CDSP on an economic and efficient basis (under 'Agreement to engage the CDSP and be party to DSC').

3. ***Amend obligations on the CDSP in the DSC Terms and Conditions to require that the CDSP also ensures that CDSP Costs (as defined in UNC GTD 1.2.1(g)) are 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 (as defined in UNC GTD 1.2.1(g)) are economic and efficient,
- efficiently, economically and effectively perform Non-Service Functions, and

- if it procures third parties to establish and operate UK Link, those third parties shall efficiently, economically and effectively establish and operate UK Link.

4. Create and give effect to the Business Plan Information Rules.

Create the Business Plan Information Rules as a UNC Related Document in UNC GTD.

Require the CDSP to satisfy the requirements contained within the Business Plan Information Rules for the purposes of developing the CDSP Budget.

[Explanatory note:

- *We append the Business Plan Information Rules*
- *The purpose and objectives of the Business Plan Information Rules are included in Section 1 of the document; in outline here, providing the CDSP with the framework to demonstrate transparency of the CDSP Budget including the specified information categories that, as a minimum, are to be included in the draft and final versions of the CDSP Budget;*
- *For the avoidance of doubt, meeting the requirements of the Business Plan Information Rules in relation to the specified information categories (contained in Section 4 of the Business Plan Information Rules) is not relevant to the Statement of Planning Principles. The CDSP may of course make use of the Business Plan Information Rules to support preparation of any material throughout the business planning cycle if it finds it helpful to do so.]*

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 recommending that the Uniform Network Code Committee (UNCC) approves 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 that the UNCC approves 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).

6. Amend the Annual Process³ in the Budget and Charging Methodology for establishing the CDSP Budget to require that the CDSP and the Contract Management Committee also take account of the Business Plan Information Rules.

a. Amend the Annual Process in the Budget and Charging Methodology for establishing the CDSP Budget to require that the CDSP and the Contract Management Committee agree the lowest level of granularity for information presentation at the start of the Annual Process in the Budget and Charging Methodology.

Amend the Annual Process in the Budget and Charging Methodology to require that, at the start of the Annual Process, the CDSP shall agree with the Contract Management Committee the lowest level of granularity for each specified information category the CDSP shall present to satisfy the Business Plan Information Rules.⁴

Amend the Annual Process in the Budget and Charging Methodology to require the CDSP to adopt the lowest level of granularity for each specified information category in the most recently approved CDSP Budget if, by 31 July, the CDSP and the Contract Management Committee cannot agree upon the lowest level of granularity for each specified information category the CDSP shall present to satisfy the Business Plan Information Rules.

b. Amend the Annual Process in the Budget and Charging Methodology for establishing the CDSP Budget to require that the CDSP also takes account of the Business Plan Information Rules.

Amend the Annual Process in the Budget and Charging Methodology to require the CDSP, in the draft CDSP 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 Budget will meet the information requirements of the Business Plan Information Rules should it produce subsequent drafts prior to finalising the Budget.

³ 'Annual Process' is described in the Budget and Charging Methodology.

⁴ The lowest level of granularity of information can also be described as the minimum level of detail, or the level of detail that is *at least* expected to be provided – and which could of course be exceeded.

c. Amend the Annual Process in the Budget and Charging Methodology for establishing the CDSP Budget to require that the Contract Management Committee also takes account of whether the CDSP has met the requirements of the Business Plan Information Rules.

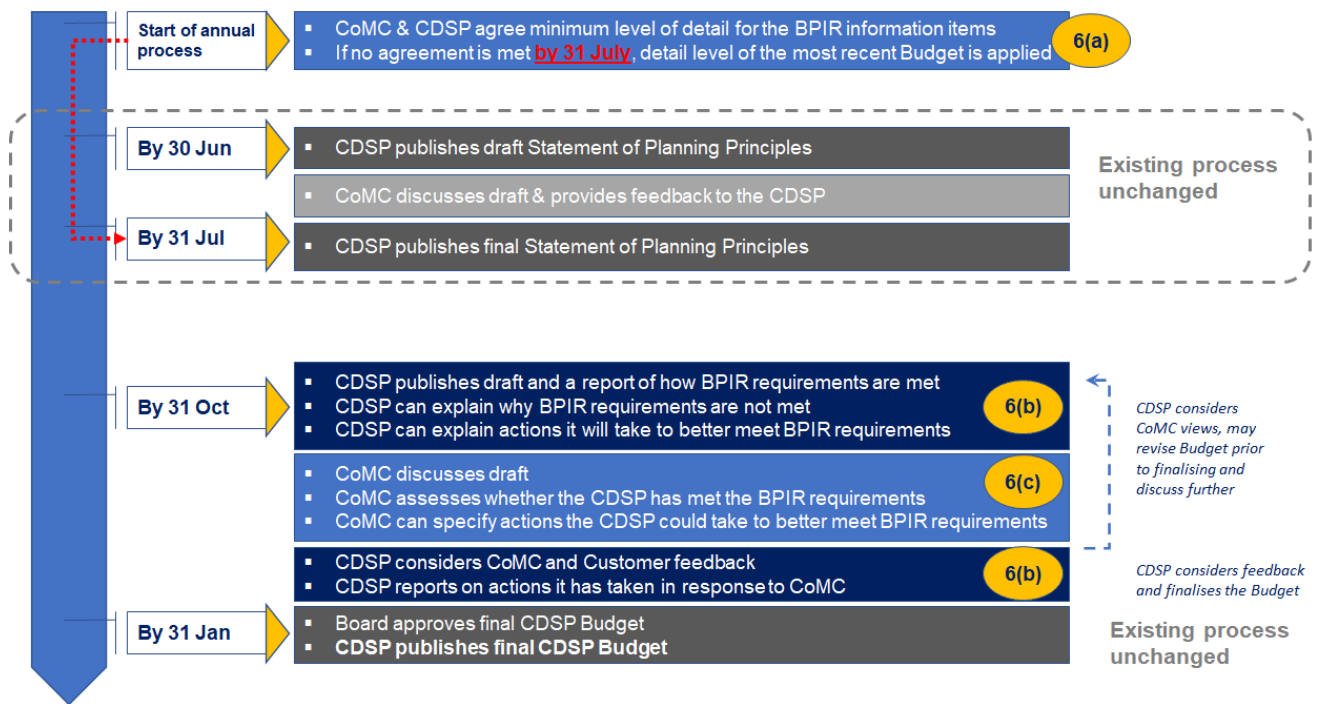
Amend the Annual Process in the Budget and Charging Methodology to require the Contract Management Committee to assess the draft CDSP Budget to determine whether the information requirements in the Business Plan Information Rules have been met.

Amend the Annual Process in the Budget and Charging Methodology to require the Contract Management Committee to discuss with the CDSP 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 require 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.

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

- *For the avoidance of doubt, meeting the requirements of the Business Plan Information Rules in relation to the specified information categories is not relevant to the Statement of Planning Principles.*
- *The CDSP shall use its best 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 Budget. Instead, this Business Rule creates the information requirements for the CDSP 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 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.*
- *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 Contract Management Committee engagement is intended to function.]*



7. Amend the Annual Process in the Budget and Charging Methodology for establishing the CDSP Budget to permit the CDSP to disclose relevant information considered commercially 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 Budget or supporting material considered commercially confidential to the Contract Management Committee only, provided such disclosure is not prohibited by any legal (including contractual) or regulatory obligation by which the CDSP is bound.

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 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 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.

Specify that, if any legal requirement that prevents the CDSP disclosing information to the Contract Management Committee, the CDSP must confirm to the Committee the nature of the legal obligation preventing disclosure and the nature of the information that cannot be disclosed.

Explanatory note:

- *The expectation is that the CDSP will act in good faith having due regard for the common purpose/objectives of the CDSP's customers.*

8. 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 Budget information considered commercially 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 Budget information considered commercially confidential if the CDSP chooses to disclose some information to the Contract Management Committee only.

Amend the Contract Management Arrangements to permit the CDSP to require any other person whose attendance the Contract Management Committee considers would facilitate the discussion of the commercially confidential aspects of the CDSP Budget during closed sessions of meetings of that Committee (as per Business Rule 9) to sign a non-disclosure agreement.

9. Amend the Contract Management Arrangements to permit closed sessions for discussion of the commercially confidential aspects of the CDSP 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 Budget or supporting material considered commercially confidential and was not included in the publicly available version of the draft or final CDSP 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, relevant personnel of the CDSP and its agents and any other person whose attendance the Committee considers would facilitate the discussion of the commercially confidential aspects of the CDSP Budget.

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

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?

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.

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

Workgroup review of Consumer Benefit Areas

A Workgroup Participant agreed that this Modification could improve the service, assuming scrutiny of the budget impacts the level of services. Another Participant challenged that at best it can be a marginal impact. There are some services that the CDSP does purchase which impact consumers (e.g. switching) and therefore those investments may be better/improved as a result of the budget being scrutinised. The Workgroup agreed that consumer benefits would be marginal.

Cross-Code Impacts

There are no known impacts to the IGT UNC.

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.

Rough Order of Magnitude (ROM) Assessment *(Cost estimate from CDSP)*

Assurance Activity Options	Indicative Cost Range
Assurance Audit conducted by 3rd Party (not under existing arrangement) (every year)	£45,000 - £70,000

CDSP Other Impacts

There will be a requirement for the CDSP to put in place third party assurance arrangements. The CDSP confirmed that there will be a need to introduce a new process to support the introduction of the changes implemented by this Modification. The CDSP confirmed that they will utilise existing resources to support the new process, which have been involved in creating the Business Plan 2024/2025.

Settlement Impacts and Performance Assurance Considerations

No impact on risk to Settlement.

Initial Representations

Xoserve (15 May 2023)

Initial Representation received from Xoserve (see link)

[Xoserve initial response to Mod0841 V1.0 \(3\).pdf \(gasgovernance.co.uk\)](#)

Panel Questions

Q1. How is efficiency defined

The term efficiency is used in the Licences and in the UNC. It is a known and frequently used term, which is well understood.

Q2. How does this Modification interact with the current Appeal and the Appeal process

The Modification does not interact with the current Appeal and the Appeals process.

Workgroup Impact Assessment

Workgroup Discussions

20 March 2023

The Proposer introduced the Modification and explained the proposal aims 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 efficiency, greater transparency of the Budget and revised governance processes. With the Modification proposing changes to UNC, IGT UNC and DSC which are required in order for the Budget to be more transparent and enable scrutiny by CDSP Customers, and for the Budget governance to be made more robust.

The Workgroup reviewed the list of proposed documents alongside the timetable, noting it may be challenging to bring this to Panel in June 2023 due to the work involved and that at least one full meeting will be required to review the Legal Text.

17 April 2023

Discussions around alternative means to achieve the objective took place with the Proposer pointing out that all current routes available had been exhausted (i.e., multiple Appeals, escalation etc) and therefore, they deemed this Modification necessary.

There was general consensus amongst the Workgroup that the proposed changes would have a positive impact by providing greater transparency around costs incurred.

The Proposer shared a list of documents that would require changes as a result of this Modification and then took the Workgroup through the proposed changes. It was noted that the legal text provider had not produced the amended documents and therefore a full line by line review of the legal text will be required by the Workgroup once it became available.

It is hoped that the changes will take effect in time for the next CDSP Budget 2024/2025.

Workgroup briefly discussed the CDSP Efficiency Review and concluded this will run separately to the Modification but its results will be of interest to those involved in the Workgroup. More information can be found in the documentation for the DSC Contract Management Committee.

<https://www.gasgovernance.co.uk/dsc-contract/140623>

Governance of documents

A Workgroup Participant noted that currently CDSP Service Documents only go to DSC Change out of courtesy and agreed it should be DSC Contract rather than DSC Change.

A Workgroup Participant advised that Third Party and Additional Service should sit under DSC Contract.

22 May 2023

Discussions around a proposed alternative approach, the introduction of a Guidance Document, which was put forward by the CDSP took place (see minutes for detail: [Workgroup 0841 22 May 2023 | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](#)). A Workgroup Participant suggested that a Guidance Document would allow the CDSP more flexibility, however, the Proposer pointed out that this would rely on the CDSP 'doing the right thing' but without having any obligation to adhere to the Business Plan rules. It was also pointed out that having codified rules, about how a Business Plan should be put together, is not unique and is a recognised approach across the industry.

A CDSP representative challenged that being able to get the Business Plan right the first time each year is difficult due to the subjectivity of requirements. The Proposer clarified it is *how* decisions are made and that being able to demonstrate full transparency is the intention of the Modification. The Proposer explained the process: the Business Plan will be presented to the DSC Contract Committee; the DSC Contract Committee will provide suggestions for CDSP to consider; the DSC Contract Committee will consider if CDSP has complied or if further work is required. In practice, the Committee will go through the Business Plan line by line and agree on each aspect of it.

It was noted that the Workgroup cannot pre-judge what the Committee will do. What the Committee thinks is required also depends on the quality of the plan that is delivered, and that the DSC Contract Committee's concern will be around the uncertainty, what the baseline point is, and the rules. The Proposer suggested that this is nothing new in terms of what CDSP already do, it is about documenting it within the Business Plan.

A view was sought from those Workgroup participants that are also DSC Contract Committee members:

One member agreed in principle, stating transparency will be useful but has similar concerns as to how this will work in practice. Another member stated that there is a key concern that the Xoserve Board is not prevented

from setting a budget and fulfilling their duties and there seems to be a risk of a continual loop, if so, there is a risk of the Xoserve Board not being able to set the budget.

The Proposer clarified that this Modification would introduce a process:

- Provides a list of requirements that CDSP is required to conform to;
- The draft of the Business Plan goes to DSC Contract Committee;
- The DSC Contract Committee provides suggestions to CDSP.
- All discussions are documented.

The Proposer confirmed that there is no interaction between the Board's decision making process and the process being introduced as a result of this Modification. However, some Workgroup Participants noted that it does introduce additional decisions at the DSC contract committee which could shift the current dynamic. Some Workgroup Participants was also noted that this introduces a level of rigour that is required. Some Workgroup Participants believe the Modification introduces additional opportunities for other parties to engage with the Business Planning process.

If CDSP ignores the advice, there could be an appeal. Some Workgroup Participants believe that this Modification could reduce the chances of an appeal being required by providing greater transparency within the Business Planning process. Some Workgroup Participants believe that this Modification could actually increase the risk of Appeals being raised.

21 June 2023

A Request is due to be raised by Centrica which will incorporate some of the original considerations under this Modification which have since been removed (see amended Modification). This means that there will be no change to where the documents are reviewed under this Modification. Charging related tests will be introduced into the Change Management Procedures as part of this Modification.

Workgroup discussed whether the Business Plan Information Rules (specifying the minimum contents of the business plan and how the Business Plan should be drafted) should form part of the UNC or whether it could form a UNC Related Document. If it were a UNC related Document, the governance for this document was then further discussed noting that the Proposer was very keen to ensure that there should be a wide ranging, robust industry consultation to publicise changes proposed. The document itself can specify the process to change it, potentially including a DSC consultation route (with potential review by a DSC Committee) prior to it going to UNCC for approval. Workgroup and the Legal Text Provider appeared to be content with this suggestion.

A Workgroup participant asked whether there would be any change to the current Appeals process. The Proposer confirmed there are no planned changes being introduced with this Modification.

Workgroup reviewed the draft Business Plan Information Rules. Discussions covered the transparency requirements and how this might work in practice. The CDSP representative noted that the CDSP is aiming to meet as many of the requirements set out in this document ahead of the Modification being implemented.

26 July 2023

The Workgroup considered the changes made to Section 3 'Why Change'. A CDSP representative wished to note, that as the CDSP, they have no control over what costs/savings are passed onto consumers (via Shippers/Suppliers) and that this Modification may not result in cost savings for consumers. The Proposer stated that providing greater transparency should have a positive effect on ensuring costs are efficiently controlled.

The Workgroup reviewed the Business Plan Information Rules. A Workgroup participant enquired about the granular level of information and the comparison to the Authority guidance provided to licenced entities such as the Electricity System Operator (ESO). Another Workgroup participant noted that obligations required under licence conditions would be different to that of service providers and that licenced parties are required to provide suitable scrutiny, but not all information is in the full public domain. Therefore, they were not sure if the micro-

level snapshots of how money is spent was suitable, noting organisations like Elexon and other service providers do not have this level of scrutiny.

A CDSP representative also asked about the ESO comparison challenging this was not a like-for-like comparison with the CDSP being a service provider. It was suggested a comparison to Elexon would be more suitable in terms of the nature of service. The Proposer explained the intention is to increase the level of scrutiny and challenge of budgets, and that the reference tools, used in other areas of the industry offer examples of good practice. The examples / tools discussed were considered relevant for a monopoly Service Provider and therefore did not only apply / be relevant for a network company or a licenced party.

The Workgroup discussed how the costs would be assessed. The Proposer explained how confidential and non-confidential information could be managed through the current DSC Contract Management Procedures, with the use of confidentiality agreements similar to those signed by Performance Assurance Committee (PAC) members. It was noted that confidential meetings can be managed similarly to PAC where member-only meetings are held when reviewing commercially sensitive data. The Workgroup considered that the role of DSC Contract Management Committee Representatives would not need to change, however, the meeting arrangements may need to be adapted to avoid public access to cost information.

The Proposer summarised the change process for amending the Business Plan Information Rules to ensure amendments are controlled and appropriately approved. It was envisaged this would be approved by either the UNCC or DSC Contract Management Committee with certain parameters in place.

22 August 2023

The CDSP Representative shared the CDSP's view of the Business Plan Information Rules, explaining they had completed a high level assessment of whether the requirement could be met (on a reasonable endeavour basis), possibly/maybe met, or could not currently be met for the Business Plan Year 2024/2025.

The Workgroup discussed the difference between the Business Plan Information Rules and the DSC Contract Committees role in agreeing the level of information to be included in the Business Plan. The Proposer explained that the Business Plan Information Rules sets out the **type** of information required to be included in the Business Plan, whereas the DSC Contract Committee would agree the **level** of information to be included. The Modification also introduces the process to make amendments to the Business Plan Information Rules document, which is expected to be UNC Related Document.

There was a discussion around whether the Modification would reduce the risk of an Appeal being raised. A Workgroup Participant questioned whether the level of detail being agreed could open the door to more Appeals, considering that the level of detail is to be agreed in a committee that is only attended by a small number of representatives. A CDSP Representative agreed, commenting that one person may feel something is very well evidenced and another may not, which could actually increase the risk of an Appeal.

A discussion around what was meant by the DSC Contract Committee having to 'agree' the level of detail to be included in the Business Plan and whether a vote was required; and what would happen if agreement couldn't be reached and whether this would delay the budget process. The Proposer explained that the way in which the DSC Contract Committee comes to an agreement will not change as result of this Modification.

The Proposer stated that the goal of the Modification is not to reduce Appeals per se; it's hoped that fewer Appeals will be a consequence of improved ability to scrutinise the Business Plan, and referred to the purpose of the Modification:

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 efficiency and, greater transparency of the Budget.

It was also noted that the current Business Plan Consultation process was not changing as a result of this Modification.

Review of ROM

The CDSP shared the draft ROM with the Workgroup explaining that there were two elements which made up the cost:

Element	Estimated Range	
	Low	High
CDSP Assurance Resource	£50,000	£70,000
3rd Party Assurance	£330,000	530,000
Total	£380,000	£600,000

There was a challenge from some of the Workgroup Participants around why the costs were so high considering this should be a process that is already being carried out. A CDSP Representative explained that there was uncertainty around the detail required to ensure adherence to the ‘Third-party assurance activities’ as outlined in the Business Plan Information Rules.

A Workgroup Participant suggested that assuring Business Planning activities is something that other parties do as part of their Business Planning process (e.g., A professional auditing company certifying a Board budget, independent verification of the budget etc). Other Workgroup Participants agreed.

The Proposer explained that the expectation was for the CDSP to develop a Business Plan based on the Business Plan Information Rules and then have a third party assure against the activities undertaken, noting that other monopoly organisations do this. The Proposer then shared an extract from another party that follow a similar Business Plan assurance process [Talkbook template \(www.utilities.co.uk\)](http://www.utilities.co.uk): *a review of compliance with Ofgem’s Business Plan guidance and guidance in their Sector Specific Methodology Decision document; a series of checks to validate the accuracy and consistency of the numbers presented in the main Business Plan narrative.*

Review of Legal Text

The Legal Text provider was asked whether the Business Rules within the Modification were sufficient to commence work on the Legal Text. They agreed that they would discuss the Business Rules with the lawyers and feedback to the next Workgroup. They did point out that BR11 may need to be removed and therefore a revised version of the Modification may be required. However, it was agreed that the feedback from the lawyers would be considered first.

A discussion around whether the Business Plan Information Rules document would be approved by DSC Contract Committee or UNCC. The Legal Text provider stated that they expect the document to be reviewed by the DSC Contract Committee, but approval would be via the UNCC. They also confirmed that they expected the document would become a UNC Related Document. A Workgroup Participant did raise a query around General Terms D and whether DSC Committees are independent of UNCC.

19 September 2023

A Workgroup participant highlighted, in relation to the Third Party Assurance and requirement for a full third party audit to be conducted on a yearly basis, that this was not economical, and an audit would usually be on request or targeted to a specific area. The Proposer highlighted this would not require an extensive review and would merely be a sense check to ensure the efficiency and robustness of process in meeting the requirements of the Business Plan Information Rules, as well as the accuracy of the numbers. It was discussed amongst the Workgroup what it was specifically that is being audited, with the Proposer confirming it was the output of the process as opposed to the process itself. A discussion took place on whether the use of the internal audit team could be used in conjunction with an external audit team as a hybrid, the Workgroup agreed that this could be an option.

A Transporter representative raised a concern around the wording of “minimum level of detail” having to be agreed in Business Rule 6, could cause a conflict when being read in conjunction with the Standard Special Condition A15 (3C) of the Gas Transporter Licence, suggesting the wording be amended to read “to give opportunity to the Committee”. The Proposer, disagreed with this point, stating that there is nothing to prevent the CDSP from providing more detailed information or less in the form of a summary. Further, there does not appear to be anything preventing the CDSP from responding to both the requirements of the UNC and Business Rule 6.

[Standard Special Condition - PART A Consolidated - Current.pdf \(ofgem.gov.uk\)](#)

October 2023

A discussion around ‘economic efficiency’ took place. A workgroup participant pointed out that in terms of UNC-related obligations, economic efficiency flows from the licence and the licence does not define economic efficiency. It was also noted that economic efficiency can be demonstrated in different ways and that in relation to the provision of CDSP services, there is already a phrase around economic efficiency.

It was noted that CDSP is already following the some of the Business Plan Information Rules (BPIR) and there is already an expectation that CDSP will service their clients and that the BPIR document will go out as an instruction manual that will ensure that there is a framework that CDSP can adhere to.

The latest version of the BPIR was reviewed and a query was raised about the definition of the term ‘resources’. The proposer clarified that this is a general term that covers not only the money but also any other resources required to deliver services. The proposer clarified that the term resources include headcount, FTEs, and anything else the CDSP might need such as an additional rented workspace etc. It was recognised that the BPIR should not cause the CDSP to breach of any legal or regulatory requirement binding on them.

November 2023

The workgroup discussed the CDSP assurance resource element covered within the ROM, noting that as Xoserve had produced their business plan (BP24) which largely reflects the contents within the modification, then why are additional resources required to implement this modification as they must have existed to produce BP24. Chair sought to clarify that Xoserve had to utilise additional resources this year but at their own risk. However, providing these additional resources would be unsustainable should the modification be implemented as the additional work being delivered was unfunded.

The CDSP representative clarified that it is not their intention to revert back to the previous BP process and they will be including the level of detail provided this year, for the subsequent years.

The proposer explained that it appears that the additional resource is something which would be required going forwards regardless of whether the modification is implemented or not and would like to understand why those costs for additional resources are linked to the modification.

The CDSP representative confirmed that the costs are derived from the requirements from when the modification was first raised as they, CDSP, made a decision to try and follow the rules being proposed, recognising that there was good practice which could be adopted by the CDSP, even though the modification had not been implemented. It was acknowledged that the additional resources need to be funded, whether it is through the modification or via a different route.

The proposer acknowledged that the additional resource/costs will be needed but does not understand why it is linked to the modification, if it has already been established that the additional resources will be need going forward.

Chair sought to clarify and noted 0841 potentially meant that the additional resources were required. And further noted that if the modification was not implemented, would the CDSP revert back to previous ways of working and therefore the additional resource would not be required.

The proposer stated that the CDSP mentioned that has been done for this year and will form the baseline moving forward and that there will be no reversion of a lesser form of a business plan. Therefore, the costs will be backed into the subsequent business plan regardless of whether the modification is implemented.

The CDSP mentioned that they will continue to develop the business plan, following the process which has been followed this year, and noted that everyone is in agreement that additional resource is required. CDSP further mentioned that they could remove the additional resources from the ROM and include it in BP24 as an ongoing cost moving forward.

December 2023

The proposer confirmed that the Business Plan Information Rules (BPIR) will be created as a new UNC related document.

A CDSP representative questioned whether the default level or a timeline can be agreed upon by which point the lowest level of granularity, for each specified information category, needs to be presented by the CDSP. Another CDSP representative agreed, stating that a clear timeline would help avoid delays.

The Chair enquired whether having a specified date is restrictive to the CDSP. A CDSP representative responded, stating that it is helpful rather than restrictive as if the date was not agreed, there would be no clarity as to the time by which the detail needs to be agreed.

The proposer emphasised that this refers to the minimum level of detail and CDSP can exceed this and provide more detail than the minimum level.

When discussing the DSC Contract Committee meetings and non-disclosure agreements, a workgroup participant noted that Committee members represent their constituencies and asked whether signing a non-disclosure agreement would prevent them from discharging their responsibility of representing their constituencies. The legal text provider representative was asked whether the lawyers had any concerns about this. The legal text provider representative confirmed that the lawyers did not raise any concerns about this. The Workgroup accepted this.

ROM Discussion: A CDSP representative noted that being able to achieve the same results as Business Plan 2024 without any additional resources may not be sustainable. Therefore, the intention was that the additional costs required for achieving the standards of Business Plan 2024 will not be incorporated into the ROM but the CDSP will include the additional resource requirements, which were introduced when creating the 2024 Business Plan, will be included in the budget moving forward. ER clarified that JR wanted to check whether there would be any challenges to the budget if those costs were included.

The proposer questioned whether it is correct for CDSP to remove everything from the ROM that refers to them requiring extra resources. A CDSP representative confirmed that it is correct, and the amended ROM would now only include costs that are related to the additional requirements being introduced as part of the modification and not those that are already in place. The proposer asked whether they should expect an increase of £50k to £60k in the budget which is the cost of the resources required to produce the BP24 and future business plans, regardless of whether the modification is implemented or not. The Chair confirmed that now that the costs had been removed from the 0841 ROM the costs needed to be included somewhere as it was now an enduring cost associated with producing the business plan.

The proposer asked a question around the co-source audit arrangement and whether that really means zero costs.

A CDSP representative explained that Xoserve put aside money for external audits in a co-source plan and they agree with the third party on what needs to be audited each year, noting that Xoserve could ensure that the business plan is included as part of the audit.

A CDSP representative clarified that each year there is a finite number of things the CDSP can ask to be audited as a part of the co-source agreement. The CDSP could incorporate the business plan into this plan, however, this means that something that would have previously been chosen for auditing would need to be sacrificed. CDSP noted that if the industry does not wish to sacrifice one of the audits, there would be additional costs involved in updating the co-source arrangement as this would be seen as additional work.

January 2024

Following previous discussions around having a date by which the lowest level of granularity needed to be agreed by, the proposed confirmed that a drop dead date around providing the lowest level of granularity has now been added with the date being 31 July, this has also been reflected in the Legal Text. This date was decided as a result of discussions between the proposer and the CDSP, the CDSP representative confirmed they are happy with this date.

The CDSP representative stated that Xoserve was broadly happy with the modification as it currently stands and confirmed that the final draft of BP24 has now been published pending approval by Xoserve's Board. Xoserve believe the published draft of BP24 represents an appropriate level of transparency and detail and that it intends to maintain this level of detail in future business plans.

February 2024

TS confirmed that since the last workgroup meeting, Modification 0841A had been withdrawn and that she was now happy with Modification v8.0 and the Business Plan Information Rules v6.0. See further text below regarding the withdrawal of 0841A.

The workgroup reviewed the legal text, and a discussion took place around sub committees and voting with a concern being raised that the DSC Contract Committee could be considered a sub committee of UNCC and therefore being able to approve changes without UNCC oversight. The legal text provider agreed to take the issues away and speak to the lawyers regarding the wording of 12.3 Modifications:

12.3.1 Subject to paragraph 12.3.2, Should a User or Transporter wish to propose modifications to any of the Documents, such proposed modifications shall be submitted to the Uniform Network Code Committee and considered by the Uniform Network Committee or any relevant sub-committee where the Uniform Network Committee so decide by majority vote.

12.3.2 Should a User or Transporter wish to propose a modification to the Business Plan Information Rules, such modification shall only be considered by the Uniform Network Code Committee (or any relevant sub-committee) in the event the relevant change proposal (in accordance with the DSC) is recommended for approval by the Contract Management Committee.

The workgroup did agree, that if the sub committee and voting issues are resolved with revised legal text, then they are satisfied that it meets the intent of the Solution.

Text was provided by the CDSP for review by the workgroup.

Text Provided by CDSP

One of the purposes of the Business Plan Information Rules (BPIR) is:

- to require the CDSP to describe in the final CDSP Budget the assurance activities conducted by a sufficiently independent third-party (to assess whether the CDSP Budget is robust in content and in relation to meeting the BPIR requirements), and any remedial actions that the CDSP undertook in response to the assurance activities.*

The BPIR goes onto describe the outputs required from the third-party assurance activities (described in clause 5). This includes a description of the assurance activities, any remedial actions required and the assessment as to whether the BPIR requirements have been satisfied.

In order to meet these requirements in the most efficient way, we previously discussed with workgroup the most appropriate time to undertake the assurance activities.

To confirm, the view and expectation to achieve this, is to undertake the assurance activities after the first draft of the Business Plan. This allows the assurer to undertake the required review and provide an assessment on areas which require remedial actions. We expect this will give the CDSP time ahead of the final draft to address these areas and make the required changes where possible.

Based on this, the CDSP expect the main assessment to be completed after the first draft of the Business Plan, with a follow-up check on the areas identified to be improved where the CDSP has taken remedial action ahead of the final draft.

The CDSP believe this meets the requirements within the BPIR to have an assessment of the BPIR being satisfied within the final version of the Business Plan, whilst also giving time for the CDSP to act on any areas for improvement.

The Proposer recognises that the CDSP may want to carry out a review following the first draft but that the main assessment / assurance activity should be completed on the final draft as it may not be sensible doing a review after the first draft as there may still be ‘moving parts’, and that is why the assurance activity should be completed on the final version.

A workgroup participant pointed out that there was an inconsistency between what the CDSP deem to be the requirements in BPIR and what the Proposer believes, regarding when the assurance activity takes place. There can be several reviews throughout the process, but the final assurance activity is a requirement which should happen at the point the final draft Business Plan is agreed.

The assurance activity is to confirm that the Business Plan has been created in accordance with the BPIR.

The scope of the assurance activities shall include:

- an assessment of the extent to which the Business Plan Information Rules have been satisfied in the final version of the CDSP Budget and the supporting material; and
- proportionate checks (for example through a sampling approach or other standard practice) to validate the accuracy and consistency of the numbers presented in the CDSP Budget and the supporting material

It is expected that the final draft Business Plan includes an assurance statement following the assurance activity taking place.

Withdrawal of Modification 0841A

TS confirmed that due to the publication of version 6 of the Business Plan information Rules (for Modification 0841), which were amended as per discussions between Centrica and Northern Gas Networks, and the fact that a large number of the original differences introduced by 0841A now being incorporated into 0841, Northern Gas Networks decided to formally withdraw UNC 0841A: Introduction of cost efficiency and transparency requirements for the CDSP Budget (alternative).

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 on an economic and efficient basis,⁵ and the minimum requirement for economic, efficient and transparent charging for the provision of the CDSP Services.⁶ 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.).

⁵ Gas Transporter Standard Special Condition A15, 4 (c) (i).

⁶ Gas Transporter Standard Special Condition A15, 6 (d) (ii).

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.

It could also be anticipated that greater transparency and information provision may result in a reduced burden of administration, through a lower likelihood of appeals processes.

Workgroup Assessment of Relevant Objectives

The workgroup reviewed the proposer's assessment of the relevant objectives, and the workgroup did not raise any concerns or objections.

8 Implementation

If this Modification is approved no later than May 2024 it would allow for the changes to be incorporated in the development of the CDSP Budget 2025/26.

9 Legal Text

Legal Text has been provided by Cadent and is published alongside this report.

Workgroup Assessment

The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution based on the changes agreed during the 05 February 2024 workgroup meeting regarding Section V – General 12.3.1 and 12.3.2 to address the reference to UNCC sub committees and voting.

Text Commentary & Text

Link: [0841 - Introduction of cost efficiency and transparency requirements for the CDSP Budget | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk/0841)

10 Recommendations

Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that this Modification should proceed to consultation.

Panel's Recommendation to Interested Parties

The Panel have recommended that this report is issued to consultation and all parties should consider whether they wish to submit views regarding this Modification.

Panel have also asked respondents to note that Modification 0841A was raised as an alternative to 0841 on 27 September 2023 and was withdrawn on 26 January 2024. The information is available with all of the other 0841 documentation, as normal.

<https://www.gasgovernance.co.uk/0841>

11 Appended Representations

Initial Representation – Xoserve

Xoserve response/comments on Modification 0841

Background

In the first instance, Xoserve would like to note that it is supportive of the proposed intention behind the modification – to provide for more transparency in the budget process aimed at facilitating “the objective of economic, efficient and transparent charging for the provision of the CDSP Services” (Gas Transporter Standard Special Condition A15, 6(d)(ii)) and joint control and governance of the CDSP “on an economic and efficient basis” (Gas Transporter Standard Special Condition A15, 4(c)(i)).

However, Xoserve would like to express several high-level, but potentially significant, concerns with the proposal, as further detailed in the table below. Also, Xoserve would like to highlight its reservations around the timings and proposed scope of this proposed Modification (and its resulting effectiveness) in light of the ongoing efficiency review.

High-level summary of Xoserve concerns

Modification component/aspect	Potential resulting Risk(s)	Xoserve input/comment/proposal
<p>Governance change proposed via new BCM 4.7.4: <i>“Committee will...assess whether the draft CDSP Budget is compliant with the rules and specify the action(s) the CDSP will need to take to make the draft CDSP Budget fully compliant with the rules.”</i></p>	<p>It is unclear what ‘rules’ refers to in this section, but assuming it refers to compliance with the information requirements detailed in s11, then given the subjective nature of those requirements, making the CDSP ‘fully compliant’ with such rules is an unknown, open-ended requirement.</p> <p>This subjectivity component, together with the governance change that the Committee will assess such compliance, effectively creates a potential ‘loop’ that could result in the CDSP Budget not being agreed, which could put Transporters at risk of breaching the Gas Transporter Standard Special Condition requirement A15 6(c) as this licence condition requires them to ensure that the DSC includes <i>“obligations on CDSP to produce, in consultation with Relevant Users of CDSP Services, and publish an annual budget in respect of the delivery of CDSP Services”</i>. If the CDSP Budget is never agreed owing to this loop, it cannot be finally produced and published.</p> <p>Similarly, this level of governance could – even if agreement could ultimately be reached – lead to significant delays in the CDSP Budget process.</p> <p>Also, lack of, or delay in reaching, agreement on a CDSP Budget could impact Xoserve’s ability to perform its obligations effectively, which could impact not just the whole gas industry, including stakeholders.</p>	<p>Xoserve would strongly recommend that existing Business Plan governance processes are unchanged. However, we recognise that a more detailed process could be developed around the ‘in consultation with’ component anticipated by the GT SSLC A15. (and is further provided for in the existing process at BCM 4.7.3, where the Committees views will be taken into account as Xoserve considers appropriate).</p> <p>However, if some form of more formalised governance mechanism were required to be built in, then an appropriate process needs to be factored in to avoid such a ‘loop’ and to avoid any delays to the CDSP Budget process, such process should consider:</p> <ul style="list-style-type: none"> - Caveats on use of alternates to keep balance on ‘voting power’ - Agreed process (including timings and specific steps) for discussing the CDSP Budget and any items of dispute with view to working in good faith to resolve - what level of agreement constitutes approval - what happens if that level of approval isn’t obtained - Clarification that Xoserve Board has ultimate authority to approve the CDSP Budget whether or not approved by CoMC, to both close loop and ensure no dual governance issue. <p>Also, if a governance mechanism is built in upfront then the ‘checks and balances’ provided for as part of the existing process (e.g. the appeals process and the right for annual Contract Assurance Audit in the Contract Management</p>

		Arrangements) should be varied appropriately to reflect this updated governance.
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Requirement imposed (BCM 4.7.3(b)) for the draft CDSP Budget to <i>"identify each instance in which the draft CDSP Budget is not compliant with the information requirements pursuant to s11, explain the reasons for non-compliance and describe the step(s) it will take to ensure each subsequent draft CDSP draft is fully compliant."</i>	Given the subjective nature of the requirements set out in section 11 (such as 'robust and high-quality' and 'well-evidenced and stretching'), this is an open-ended, unknown requirement that could prevent Xoserve from getting to the point that the CoMC assessed the draft CDSP Budget to be compliant (with the resulting risks as identified above).	Remove subjective measures and agree appropriate guidance instead based around objective measures (equivalent to the <i>"clear guidance from the Authority, in some detail, of the expectations for content of their annual Business Plans"</i> that is provided by the Authority to many other central service providers, such as Recco and Elexon as is referred to in Paragraph 5 (Solution) of the UNC Mod
<p>Multiple references to subjective measures in other documents:</p> <p><u>DSC Ts&Cs:</u></p> <ul style="list-style-type: none"> - s3.4 and s6.1 'efficiently, economically and effectively' - s3.9 'efficient and economic' <p><u>UNC GT-D</u></p> <ul style="list-style-type: none"> - s1.2.2(d), s1.4.5, s3.1.3(e), 'efficient and economic' 	Subjective criteria do not provide any party with comfort as to what is required to be provided/what they are providing, which simply builds in ambiguity and opportunities for disagreement/dispute, which is detrimental to all concerned.	<p>Objective criteria to be agreed in relation to any obligations.</p> <p>It may be that the outputs of the Efficiency Review could help to formulate what constitutes some of the objective criteria in this regard.</p> <p>It may also be that the outputs from the Efficiency Review will provide CoMC with further assurance that the CDSP services are being delivered in an efficient and economical way. Adopting this benchmarking as part of the annual Business Plan process (with associated costs included in future CDSP Business Plans) would negate the need for the process to be so substantially adjusted via the proposed code amendment.</p>
A new BCM s11.3.2 provides that <i>'The CDSP shall publish in a level of detail agreed with the Committee...the following information...</i>	This lack of specificity and reliance on reaching agreement of what are the agreed specifics at a later date raises a similar issue to the issues caused by subjectivity in terms of the 'loop' and building in potential disputes. The scope of any such detail agreed would also need to be considered in the context of the concerns around confidentiality set out below.	In relation to any such appropriate obligations, agree the detail of what is required upfront.

<p>A new BCM 11.3.1 provides “<i>The CDSP shall use its best endeavours to ensure transparency with result to the development and content of the CDSP Budget.</i>”</p>	<p>Such overarching provisions raise similar concerns to those around subjectivity and lack of specificity.</p>	<p>If more detailed provisions are agreed and set out as to what, for example, the transparency requirements are then compliance with those obligations should satisfy the related requirement to ensure transparency. We would propose that such overarching obligations be removed or, as a minimum, tied to the remainder of the related provision (e.g. by inserting ‘as further provided for in this section 11.3’ at the end of 11.3.1).</p>
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<p>A new BCM 11.3.3 provides that ‘<i>Information considered sensitive may be excluded from the draft or final CDSP Budget but only by exception</i>’ with a requirement to detail any reasons for exclusion.</p> <p>A new BCM 11.3.5 further provides that ‘<i>The CDSP must share the full and unredacted versions of the items in paragraph 11.3.2, excluding feedback received in confidence, with the Committee.</i>’</p>	<p>It is not appropriate for Xoserve to be required to share any information/material, the disclosure of which would put it in breach of any duty of confidentiality and/or contractual obligations of confidentiality. It is also not in the DSC parties’ interest for Xoserve to be placed in such a position given that any resulting liability incurred by Xoserve is borne by the DSC Parties.</p> <p>Similarly, there is lack of clarity as to whether certain sensitive information will be granted such exception.</p> <p>There is the potential to prejudice future procurement events by making commercially sensitive data available, albeit to a small select group.</p>	<p>Any requirement to share information/material with the Committee must be subject to appropriate carve outs/caveats in relation to material/information in respect of which Xoserve owes a duty of confidentiality and/or contractual confidentiality obligations to any third party.</p> <p>Further, the right to exclude sensitive information should be by default not exception but, as a minimum, a pre-agreed list of sensitive information that is exempt should be agreed to provide certainty and avoid confusion and potential for dispute.</p>
<p>Cost Allocation Methodology and Cost Allocation Model being re-classified as CDSP Service Documents via amendment to 3.1.4 in GT-D</p>	<p>Xoserve assumes that at the point that the BCM was created and identified as a CDSP Service Document due consideration was given to whether the Cost Allocation Methodology and Cost Allocation Model should also be so identified and that it was determined that specifically excluding them from constituting CDSP Service Documents best reflected the agreed FGO arrangements, which a change to the classification of these documents would not.</p>	<p>That said, provided that such re-categorisation is limited to a complete version of the Cost Allocation Methodology and an unpopulated version of the Cost Allocation Model then Xoserve has no objection.</p> <p>Would need to consider a limit to how these documents could be amended – perhaps commit to review every [x] number of years or as and when certain conditions are met.</p>