

## Agency Charging Statement

**Applies from 20 June 2011**

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**Issued on behalf of all Large Gas Transporters**

## 1. Introduction & Background

1.1 This publication sets out the charging methodology, charges and scope for User Pays Services and the scope of Core Services which will apply from 20 June 2011, as required by Standard Special Condition A15 (SSC A15) of the Gas Transporter Licence. Xoserve provides these services on behalf of the Gas Transporters as the appointed Agency. This document is published jointly by the following organisations:

National Grid Gas (Distribution)  
National Grid Gas (Transmission)  
Northern Gas Networks  
Scotland Gas Networks  
Southern Gas Networks  
Wales & West Utilities

and does not override or vary any of the statutory, licence or Uniform Network Code obligations upon the above organisations.

1.2 User Pays Services are categorised as Code Services or Non-Code Services. Code Services are those relating to certain Gas Transporter obligations contained in the Uniform Network Code. Non-Code Services are all other User Pays Services.

1.3 Charges for Code Services will be invoiced in the name of the relevant Gas Transporter who will collect the associated revenue:

(a) subject to (b), in accordance with Section S of the Transportation Principal Document of the Uniform Network Code and invoices will be issued by Xoserve utilising the UNC invoicing processes, or

(b) in accordance with invoices issued by Xoserve not utilising UNC processes, where the User Pays Service is of the type described in Appendix 1, item 6(b), or of the type described in Appendix 1, item 6(a) and the applicant does not satisfy all of the User Accession arrangements under Section V2 of Transportation Principal Document of the Uniform Network Code.

1.4 For Non-Code Services, except for Ad Hoc services for which paragraph 1.5 will apply, Conditions for the Provision of Services and Service Schedules will be published by Xoserve and users of such services shall request services via a Service Request. Charges for Non-Code Services will be invoiced in the name of Xoserve who will collect the associated revenue in accordance with the published Conditions. Invoices will be issued by Xoserve, their frequency depending on the nature and use of the service. Further details are provided in the Conditions.

1.5 Where a user wishes an alternative service which is not contestable, it may request an Ad-hoc Additional Service on a bilateral basis as described in Appendix 1, paragraph 7.

- 1.6 For all User Pays Services, supporting information will be provided with each invoice to allow users of such services to validate their invoices.

## **2. Scope of User Pays and Core Services**

- 2.1 User Pays Services are those services listed in Appendix 1.
- 2.2 The number and scope of User Pays Services are as shown in Appendix 1 of this document but such number may be revised from time to time by a modification to the Agency Charging Statement made in accordance with SSC A15.
- 2.3 Core Services are those services which are Transporter Agency Activities as defined in Section V6.5 of the Transportation Principal Document of the Uniform Network Code and which are not User Pays Services.

## **3. Charging Methodology**

- 3.1 The objectives of the charging methodology, as specified in SSC A15, are that:
- (a) Charges should, as far as reasonably practicable, reflect the costs in providing the services;
  - (b) Charges should not unduly discriminate between or unduly prefer any person or class or classes of person.
- 3.2 The charging methodology for the User Pays Services detailed in Appendix 1 is that the charge for each service will be set based on a forecast of costs to deliver the forecast demand for the service. The costs used to derive the charges will reflect the cost of employees and other expenses that can be directly associated with the provision of the service (excluding the original cost of developing the systems used to deliver the services), plus an appropriate level of overhead (property, systems etc) determined using an activity cost basis methodology (Appendix 3). The charges allow for a reasonable margin to be made when demand is at the forecast level.
- 3.3 In the event of new or amended services being treated as User Pays Services, the charging methodology will be reviewed once the details of the services have been defined.

## **4. Charging Basis and Charges**

- 4.1 The charging basis and charges for each of the User Pays Services is shown in Appendix 1. For the services categorised as Non-Code, further details of the triggers for incurring charges are provided in the Conditions for the Provision of Services and Service Schedules published by Xoserve. The Conditions also include details of the invoice dispute process for Non-Code Services.

- 4.2 The principles for charging for User Pays Modification Proposals are set out in UNC MOD213V and shall be in accordance with UNC Modification Rules, and pursuant to the User Pays Guidance Document.
- 4.3 The charges in respect of Service Item 10 (UNC Modification Proposal 0224 Facilitating the use of AMR in the Daily Metered Elective Regime) are consistent with the charging methodology principles detailed in Section 3, above. However, due to the phased nature of user forecast demand for the services, detailed in Appendix 2, the transactional charges have assumed a cost recovery period of two years from initial implementation. On completion of the initial two years these service charges will target a year in year cost recovery and will be reviewed in accordance with paragraph 4.4 below.
- 4.4 Gas Transporters are required to keep this publication under review and may from time to time modify the statement. It is anticipated that a review will take place at least annually and any review of this statement shall include, where necessary, an update of Appendix 2 (Forecast Demand), even if the updates do not result in subsequent changes to the charges outlined in Appendix 1.
- 4.5 All charges will become effective from the date of the statement and shall continue to be invoiced in line with the published Conditions.

**Appendix 1 – Schedule of User Pays Services and User Pays Service Charges**

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
1.Provision of Information	A range of services supporting the provision of information to various parties.	Non Code service	Those persons entitled to receive the service.	Internet based service to allow authorised users access to supply meter point data online. (Part 3 of the Conditions)	Monthly Charge for an IAD Account	£6.60
				User Telephone Enquiry. Telephone call(s) to information centre to obtain Supply Meter Point data. (Part 6 of the Conditions)	Band A*	-
				*Band A equates to pay-as-you-go at £3.60 a call. This is aimed at infrequent callers.	Band B up to 1,000 calls annually (charged in 12 equal monthly instalments)	£2,844 pa
					Band C up to 5,000 calls annually (charged in 12 equal monthly instalments)	£13,884 pa
					Band D up to 20,000 calls annually (charged in 12 equal monthly instalments)	£48,324 pa
					Band E up to 50,000 calls annually (charged in 12 equal monthly instalments)	£99,384 pa
					Band F up to 70,000 calls annually (charged in 12 equal monthly instalments)	£123,540 pa

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)				
					Band G up to 150,000 calls annually (charged in 12 equal monthly instalments)	£169,092 pa				
					Band H up to 250,000 calls annually (charged in 12 equal monthly instalments)	£217,392 pa				
					Charge per call in excess of annual band	£3.60				
					Charge per call in excess of monthly allowance	£3.60				
				Provision of M Number DVD containing supply meter point data. (Part 4 of the Conditions)	Annual Service	£968pa				
					Ad Hoc Per DVD	£310				
				Provision of data by email for users Meter Point Reference Numbers. (Part 2 of the Conditions)	Per email report 1-999 MPRNs	£55				
					Per email report 1,000-5,000 MPRNs	£80				
				2. Registered User Portfolio Reports	A range of portfolio information reports available to Users. (Part 5 of the Conditions)	Non Code service	Shippers under UNC	Query Management – Standards of Services	Annual Service (12 reports per year)	£192 pa
									Ad Hoc Service (per report)	£40

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
				Registered User Portfolio Statement	Annual Service (12 reports per year)	£288 pa
					Ad Hoc Service (per report)	£105
				Registered User Portfolio (for User portfolios not exceeding one million Supply Points)	Annual Service (12 reports per year)	£1,320 pa
					Ad Hoc Service (per report)	£650
				Registered User Portfolio (for User portfolios exceeding one million Supply Points)	Service Charge on application to Xoserve	
				CSEPs Portfolio Report	Annual Service (12 reports per year)	£288 pa
					Ad Hoc Service (per report)	£40
				Unique Sites Portfolio	Annual Service (12 reports per year)	£288 pa
					Ad Hoc Service (per report)	£40
				Annual Asset Portfolio	Annual Service (one report per year)	£1,116 pa
					Ad Hoc Service (per report)	£1,750

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
				Transco Asset Portfolio	Annual Service (12 reports per year)	£456 pa
					Ad Hoc Service (per report)	£130
				Data Portfolio Snapshot	Annual Service (12 reports per year)	£456 pa
					Ad Hoc Service (per report)	£130
			Those persons entitled to receive the service.	IAD Last Accessed Report	Adhoc Service (per report)	£30
					Annual Service – 6 monthly (2 reports per year)	£56
					Annual Service – Quarterly (4 reports per year)	£84
					Annual Service – Monthly (12 reports per year)	£240



Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
3. AQ Enquiry	Tool to calculate a Speculative AQ Value of a Users Supply Meter Point on provision of meter read information.	Non Code service	Shippers under UNC	Provision of a Speculative AQ Value (Part 1 of the Conditions)	Per AQ Enquiry Requested	£0.015
4. Must Reads	If a shipper does not provide meter readings in compliance with the Uniform Network Code, the Gas Transporter may initiate processes to obtain a meter read, referred to as a 'must read'. A charge will be made for each must read.	Code services	Shippers under UNC	One meter at the supply point – National Grid Distribution	Per Read Requested	£53.17
				Two meters at the supply point – National Grid Distribution	Per Read Requested	£78.25
				Three or more meters at the supply point – National Grid Distribution	Per Read Requested	£103.32
				One meter at the supply point – Scotland Gas Networks	Per Read Requested	£62.72
				Two meters at the supply point – Scotland Gas Networks	Per Read Requested	£89.38
				Three or more meters at the supply point – Scotland Gas Networks	Per Read Requested	£116.04

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
				One meter at the supply point – Southern Gas Networks	Per Read Requested	£63.78
				Two meters at the supply point – Southern Gas Networks	Per Read Requested	£90.44
				Three or more meters at the supply point – Southern Gas Networks	Per Read Requested	£117.10
				One meter at the supply point – Northern gas Networks	Per Read Requested	£57.80
				Two meters at the supply point – Northern gas Networks	Per Read Requested	£88.60
				Three or more meters at the supply point – Northern gas Networks	Per Read Requested	£120.40
				One meter at the supply point – Wales & West Utilities	Per Read Requested	£47.28
				Two meters at the supply point – Wales & West Utilities	Per Read Requested	£94.57

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
				Three or more meters at the supply point – Wales & West Utilities	Per Read Requested	£207.52
5. Shipper Agreed Reads	Where Users cannot agree with an estimated opening reading, Xoserve will load an agreed revised reading submitted by the incumbent shipper.	Code services	Shippers under UNC	U01 File	Per Read	£0.11
				Email File	Per Read	£2.65
				Facsimile Transaction	Per Read	£9.20
6. User Admission	<p>The delivery and installation of IX equipment on the applicant's premises are required to enable the sending and receipt of communications under the Gas Transporter's Network Code.</p> <p>In addition, in order to accede to a Gas Transporter's Network Code a number of conditions are required to be satisfied. This process requires administration.</p>	Code services	Applicant Users who wish to be admitted to UNC	(a) The delivery and installation of IX equipment	Charged after accession to UNC <sup>1</sup>	Price on Application

<sup>1</sup> Applicant users will be required to sign an IXN installation agreement which will provide for the recovery of installation and removal costs in the event that an applicant user does not become a shipper user, as per current arrangements.

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
		Non Code service		(b) Administration of the shipper admission process.	Charged on application.	£4,700
7 Ad-hoc additional services	Ad-hoc services which are additional to those provided in items 1 to 6 inclusive and which are not contestable, i.e. there is no alternative source for the additional service.	Non Code service	Shippers under UNC	As agreed at the time of request.	Priced by quotation	Priced by quotation
8. USRV resolution service (UNC Modification 192 refers).	The resolution, by the Transporters agent, of a User Suppressed Reconciliation Value (USRV), in accordance with the Uniform Network Code	Code Services	Shippers under UNC	Desktop resolution service only	Per USRV resolution	£75
				Desktop and asset verification visit resolution, National Grid Gas Distribution North Thames LDZ	Per USRV resolution, including the costs of the asset verification visit	£140.41
				Desktop and asset verification visit resolution, National Grid Gas Distribution East Anglia, East Midlands, West Midlands, North West LDZs	Per USRV resolution, including the costs of the asset verification visit	£134.36

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
				Desktop and asset verification visit resolution, Wales & West Utilities Wales North, Wales South and South West LDZs	Per USRV resolution, including the costs of the asset verification visit	£134.00
				Desktop and asset verification visit resolution, Scotland LDZ (including Scottish Independent Networks) and South East and Southern LDZs	Per USRV resolution, including the costs of the asset verification visit	£137.55
				Desktop and asset verification visit resolution, Northern Gas Networks North East and Northern LDZs	Per USRV resolution, including the costs of the asset verification visit	£132.00
9. User Pays DCA (UNC Modification 213V refers)	The provision of Detailed Cost Analysis (DCA) document to support a User Pays Modification Proposal, in accordance with UNC Modification Rules	Code Services	Shippers under UNC	A DCA document, provided by the Transporters, to the UNC Committee or UNC Work Group to support a <b>non</b> – implemented User Pays Modification Proposal	As set out in UNC MOD213V and in accordance with UNC Modification Rules, and pursuant to the User Pays Guidance Document with reference to individual quotations provided by the Transporters for the provision of DCA document	Priced on quotation

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
10. Daily Metered Elective Regime (UNC Modification 224 refers)	To facilitate the use of Automated Meter Reading (AMR) equipment in the business market a user may elect, on a voluntary basis, to use their own AMR equipment to supply daily meter readings to the relevant Transporter	Code Services	Shippers under UNC	The development costs incurred as a result of the implementation of modification 224. A one off charge in accordance with MOD0224 methodology, to be based on the number of eligible meter points on the modification implementation date	Per meter point in End User Category (EUC) band 6, 7, 8 and 9.	£99,015.84 (£35.72 per eligible meter point)
					Per meter point in End User Category (EUC) band 5	£154,096.08 (£26.79 per eligible meter point)
					Per meter point in End User Category (EUC) band 4	£330,517.16 (£17.86 per eligible meter point)
				Provision of daily meter read activities, provision of supporting information and invoicing services	Daily charge per DM Elective nominated meter point	£0.28
				Investigation and resolution of user created daily metered reconciliation error	Per reconciliation error resolution	£60
				Resolution and processing of consumption adjustment	Per consumption adjustment (ADJ1)	£37
				Provision of DME annual check read report	Ad Hoc service (per report)	£55

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
				Provision of DME meter inspection report	Ad Hoc service (per report)	£55
11. Modification Proposal 0279 - Improving the availability of meter read history and asset information	The provision of an annual report containing Meter Reading and Supply Meter information for any relevant Supply Points.	Code Services	Shippers under UNC	Recovery of the development costs incurred as a result of the implementation of this Modification Proposal. A one off charge in accordance with the methodology in the final modification report. Development costs to be recovered via a one-off charge to shippers	In proportion to the number of supply meter points in each Shipper's ownership as a proportion of the total number of supply meter points in all Shipper's ownership as measured on the date of the implementation of the modification proposal	tbc
				Annual report	Annual service (one report per year) per Shipper short code	£270

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
12. Apportionment of Unidentified Gas activity, (UNC Modification 229 refers)	<p>Set-up service</p> <p>A mechanism to apportion unidentified gas is to be developed and applied on an ongoing basis.</p> <p>The set-up activities include appointing an expert to develop a methodology to apply unidentified gas, and the means of assessing the amount of unidentified gas.</p> <p>This set up activity occurs each time an expert is appointed. There may be more than one set-up activity occurring within a year</p>	Code Service	Shippers under UNC incurring LDZ capacity invoice charges	<p>The activities in the set-up service include:</p> <ul style="list-style-type: none"> <li>- Establishment of terms of reference for the expert</li> <li>- Tender activity</li> <li>- Contract development activity</li> <li>- Appointment activity</li> <li>- All other set-up activities associated with the contractual appointment of the expert</li> <li>- Relevant Xoserve operational set up charges e.g. transportation invoicing set up for unidentified gas volumes</li> </ul>	<p>The charging basis is:</p> <ol style="list-style-type: none"> <li>1. Set-up costs incurred for the period between 1 April and 31 March each year.</li> <li>2. This value then Invoiced to Shippers in one instalment using the formula below to determine the Shipper charge for the relevant billing period;</li> </ol> <p>Total SOQ for all LDZs for the relevant billing period for each Shipper (as at the end of the relevant billing period (31<sup>st</sup> March)) as a percentage of the total SOQ for all LDZs for the relevant billing period for all Shippers (as at the end of the relevant billing period(31<sup>st</sup> March))</p>	Total industry charge to be recovered for the forthcoming year to be confirmed each June



Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
	<p>Ongoing service</p> <p>Ongoing application of the methodology</p>	Code Service	Shippers under UNC	<p>The activities for the ongoing service include:</p> <ul style="list-style-type: none"> <li>- Support provided to the expert in undertaking its activities</li> <li>- Convening meetings to discuss the statement</li> <li>- invoicing the values provided by the expert</li> <li>- All other activities not included within the set up charge</li> </ul>	<p>The charging basis is:</p> <ol style="list-style-type: none"> <li>1. Ongoing costs incurred for the period between 1<sup>st</sup> April and 31<sup>st</sup> March.</li> <li>2. This value then Invoiced to Shippers in one instalment using the formula below to determine the Shipper charge for each relevant billing period;</li> </ol> <p>Total SOQ for all LDZs for the relevant billing period for each Shipper (as at the end of the relevant billing period(31<sup>st</sup> March)) as a percentage of the total SOQ for all LDZs for the relevant billing period for all Shippers (as at the end of the relevant billing period (31<sup>st</sup> March))</p>	<p>Total industry charge to be recovered for the forthcoming year to be confirmed each June</p>

Service Item	Description	Type	Services Recipient	Service Detail	Charging Basis	Charge (£)
13. AQ Amendment Service Modification 292 refers	Set up service	Code Service	Shippers under UNC	The development costs incurred as a result of the implementation of modification 0292. A one off charge for the development changes.	100% charges to Shippers,  The charging basis for Shippers will be an allocation of the development costs to each Shipper based upon their number of SSP supply points in proportion to the total number of SSP supply points as measured on the date of the implementation of the modification.	Tbc
14 Updates to default System Marginal Buy Price and default System Marginal Sell Price. Modification 333A refers	Development service  The implementation of functionality to provide an annual update to the default System Marginal Buy Price and default System Marginal Sell Price	Code Service	Shippers under UNC	The costs incurred as a result of the implementation of modification 333A. A one-off charge following completion of the development.	Charging basis:  The costs apportioned to Shippers are to be charged to each Shipper based upon each Shipper's individual proportion of the previous 365 days gross daily imbalance energy. This imbalance proportion is to be measured as at the date of implementation	TBC

#### Other Charges and Payments

Service Item	Type	Service Detail	Charging Basis	Charge (£)
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Service Item	Type	Service Detail	Charging Basis	Charge (£)
1.Provision of Information	Non Code service	Internet based service to allow authorised users access to supply meter point data online. (Part 3 of the Conditions)	Daily Failure Rate for IAD services	£0.31
		User Telephone Enquiry Service Volume Band reduction charge. (Part 6 of the Conditions)	On reduction of the contracted User Telephone Enquiry Service Volume Band	£500

## Appendix 2: Updated Forecast Demand

Service Item	Service Detail		1 April 2010 Annual Forecast Demand (Apr 10 – Mar 11)
1.Provision of Information	Internet based service to allow authorised users access to supply meter point data online. (Part 3 of the Conditions)		19,500
	User Telephone Enquiry. Telephone call(s) to information centre to obtain Supply Meter Point data. (Part 6 of the Conditions)	Band B up to 1,000 calls	13
		Band C up to 5,000 calls	10
		Band D up to 20,000 calls	1
		Band E up to 50,000 calls	2
		Band F up to 70,000 calls	1
		Band G up to 150,000 calls	1
		Band H up to 250,000 calls	0
		Calls in excess of band	300
	Provision of M Number DVD containing supply meter point data. (Part 4 of the Conditions)	Annual Service	16
		Ad Hoc Per DVD	0
	Provision of data by email for users Meter Point Reference Numbers. (Part 2 of the Conditions)	Per email report 1-999 MPRNs	1,000
		Per email report 1,000-5,000 MPRNs	60
2. Registered User Portfolio Reports	Query Management – Standards of Services	Annual Service (12 reports per year)	6
		Ad Hoc Service (per report)	0
	Registered User Portfolio Statement	Annual Service (12 reports per year)	25
		Ad Hoc Service (per report)	0
	Registered User Portfolio (for User portfolios not exceeding one million Supply Points)	Annual Service (12 reports per year)	26
		Ad Hoc Service (per report)	0

Service Item	Service Detail		1 April 2010 Annual Forecast Demand (Apr 10 – Mar 11)
	CSEPs Portfolio Report	Annual Service (12 reports per year)	16
		Ad Hoc Service (per report)	0
	Unique Sites Portfolio	Annual Service (12 reports per year)	6
		Ad Hoc Service (per report)	0
	Annual Asset Portfolio	Annual Service (one report per year)	15
		Ad Hoc Service (per report)	0
	Transco Asset Portfolio	Annual Service (12 reports per year)	16
		Ad Hoc Service (per report)	0
	Data Portfolio Snapshot	Annual Service (12 reports per year)	13
		Ad Hoc Service (per report)	0
	IAD Last Accessed Report	Adhoc Service (per report)	1
		Annual Service – 6 monthly (2 reports per year)	0
		Annual Service – Quarterly (4 reports per year)	5
		Annual Service – Monthly (12 reports per year)	4
3. AQ Enquiry	Provision of a Speculative AQ Value (Part 1 of the Conditions)		2,818,866
4. Must Reads	One meter at the supply point		12,240
	Two meters at the supply point		870

Service Item	Service Detail		1 April 2010 Annual Forecast Demand (Apr 10 – Mar 11)
	Three or more meters at the supply point		1,040
5. Shipper Agreed Reads	U01 File		21,000
	Email File		30,000
	Facsimile Transaction		550
6. User Admission	Non-Code Services applicants		13
8. USRV filter failures	Desktop resolution		100
	Desktop resolution including site visit		40
10. Daily Metered Elective Services	DM Elective nominated meter points	Year 1	200
		Year 2	TBC
		Year 3 onwards	TBC
	Reconciliation error resolution		100
	Consumption Adjustments (ADJ1)		55
	DM Elective annual check read report		2
	DM Elective meter inspection report		2
11. MOD279 read and asset history report	Annual report per shipper short code		20
12 Apportionment of Unidentified Gas activity, (UNC Modification 229 refers)	Set up service		Once or more per year
	Ongoing service		Once per year
13 AQ Amendment Service Modification 292 refers	Set up service		Once, expected in 2012/13

<b>Service Item</b>	<b>Service Detail</b>	<b>1 April 2010 Annual Forecast Demand (Apr 10 – Mar 11)</b>
14 Updates to default System Marginal Buy Price and default System Marginal Sell Price. Modification 333A refers	Set up service	Once, expected in 2012/13

# ***Activity Cost Base (ACB) in Xoserve***

## ***An Overview of the Methodology***



## **1.0 Background**

The purpose of this paper is to provide a summary of the Activity Cost Base (ACB) methodology used in Xoserve.

Obligations are placed on Network Operators by Standard Special Condition A15(3)(ii) of the Gas Transporters' licence – “the costs of the agency shall be determined on an activity cost basis such that the services and systems costs associated with each activity, as set out within the uniform network code as being the scope of agency, are separately assessed and reported.”

The ACB methodology described below is intended to meet this obligation.

## **2.0 Activity Cost Base Methodology**

The scope of the methodology is the activities included in Schedule 2 of the Agency Services Agreement (ASA) which specifies the services Xoserve provides to the Network Operators. The services are shown in three levels of detail – Service Line (e.g. Provide and maintain Supply Point Register), Service Description (e.g. Manage Supply Point Register) and Service Requirement (e.g. Respond to Supply Point enquiry).

The cost base is split into five distinct areas.

- Employee costs (e.g. Salaries & Associated Costs, Agency and Travel & Subsistence).
- Non Employee costs (e.g. Printing and Stationary, Training and Telephones).
- Bought in services (Non IS) (e.g. Property, M Numbers, and Business Services).
- Bought in Services (IS Core).
- Bought in Services (IS projects).

Cost drivers are used to apportion costs for each area to each service line. Different drivers are used depending on the nature of cost involved. For example, activities that are labour intensive can be driven using proportions of manpower time spent against those activities. Cost drivers will be explained in greater detail in the next section.

## **3.0 Cost Driver Selection**

The cost drivers used are as follows.

### 3.1 Employee costs

#### 3.1.1 Direct - Departments who deliver ASA services

Xoserve uses a well established system to record time taken against activities. The activity codes from this system have been mapped to the most appropriate ASA service lines. Costs are allocated to service lines in proportion to the amount of resource used to complete the activity. Direct staff numbers are used to drive Salary and Associated Costs whilst Agency numbers are used to drive Agency costs.

#### 3.1.2 Support – Departments not delivering specific ASA services

The resources and costs of those departments who are not involved with the delivery of specific ASA services (e.g. HR, Finance & Business Support) are attributed in proportion to the total direct resource per service line.

### 3.2 Non Employee Costs

Where non employee costs are incurred as a result of delivering a particular service (e.g. RbD Audit), these will be allocated directly to that service line. The remainder of non staff costs are allocated across all service lines in proportion to the direct and support resource against it.

### 3.3 Bought in Services (Non IS)

Non IS bought in services are treated in the same way as non employee costs. Several bought in services can be allocated directly to service lines (e.g. Domestic M Number service outsourced to National Grid). The remainder of this type of bought in service are allocated to service lines in proportion to the direct and support resource against it.

### 3.4 Bought in Services (IS Core)

IS charges can be broken down into a number of categories. The bulk of the charges are incurred in running and maintaining applications such as Gemini, Invoicing 95 and Sites & Meters. Categories such as asset leasing charges, software licence costs and application workpacks are allocated to the relevant software application that has incurred the cost.

The total application costs are then allocated to the relevant service lines based upon recommendations provided by appropriate experts within the business.

The remainder of the categories are driven to service lines in proportion to the direct and support resource against it. These are :-

- Network Infrastructure
- Desktop
- Helpdesk
- Contract Management (purchase)

### 3.5 Bought in Services (IS Projects)

Expenditure incurred under Change Budget and Business Improvements categories is allocated, with input from Xoserve Business Projects, to the most appropriate service line. For example, any changes or improvements to the Supply Point Register will be allocated to that service line.

Infrastructure upgrade costs are allocated to the specific application which has benefited from the work being undertaken.

The cost drivers used are summarised below.

## **4.0 Summary**

The ACB methodology developed for Xoserve ensures that costs are allocated to activities using the most appropriate drivers: -

- Where possible, resource costs being allocated in proportion to time taken to complete activities.
- If a non staff or bought in service cost is incurred in the delivery of one or more service lines then the cost is allocated directly to the relevant service lines only.
- The cost of applications is driven to service lines based on advice from appropriate experts from within Xoserve.

# Summary of Cost Drivers

