DSC SERVICE CHANGES – PROCESS

1 Introduction

1.1 This paper sets out basic proposals for a DSC service change process, and a number of issues for decision. This paper is intended to raise some broad principles and issues for discussion – leading to a more refined and detailed proposal as the next step.

1.2 The paper addresses changes to CDSP services under the DSC (ie broadly a change to the DSC Service Description), including adding or removing a service, or changing performance levels, etc (**Service Changes**). It does not cover:

(a) the creation or change of 'individual bespoke services'. (Since these are not specified in the DSC Service Description, they can't be changed by a change to the DSC Service Description);

(b) other amendments of the DSC;

(c) decisions on CDSP investments which are generic and not linked to specific service changes – these are not changes to the DSC as such.

1.3 The paper assumes there will be a DSC change management committee (**Committee**) comprising representatives of shippers, DNs, NTS and iGTs (as separate constituencies). It is provisionally assumed that (even if the appointment of shipper committee representatives involves different shipper constituencies) there is only one shipper constituency in the committee (on the basis that few or no CDSP services are supplied only to a sub-division of the shipper constituency).

2 Some principles

2.1 Classification of change

2.1.1 Service Changes can be classified as:

(a) **Code Changes** – changes which flow from a Code Modification (to UNC or IGT Code) – ie changes to Code Services. In the case of a Code Change, there is no choice under the DSC as to *whether* a Service Change is made (it is determined by Ofgem's decision on the Code Modification); and

(b) **Non-Code Changes** - changes to Non-Code Services. In this case, at various points in the process there may be a choice as to whether to proceed.

2.1.2 In each case, Service Changes can also be classified as:

(a) **Single Constituency Changes** – changes which alter service definition to one customer constituency only. Query exactly how would this be defined (by the customer class which pays for a service?) Changes to Agency Services are by definition Single Constituency Changes;

(b) **General Changes** – changes which alter service definition to more than one customer constituency. This could be because an individual service has more than one customer constituency, or because the change affects more than one service.

2.2   Single Constituency Change

2.2.1   Where a Single Constituency Change is proposed, provided it does not have an 'Adverse Impact', then decisions on the change will be made only by Committee members representing the relevant constituency. (In the case of a Code Change, such decisions will only concern the 'how'.)

2.2.2   'Adverse Impact' would need careful definition, including materiality, but could include:

(a)   the Service Change would conflict with the provision of existing services (for example by changing functionality within UK Link);

(b)   implementation of the Service Change would conflict with implementing another Service Change which is already in process (but subject to certain priority rules). This would mainly be about CDSP resource, and in any given case may perhaps be solved by extending timelines;

(c)   the Service Change would involve disclosure of confidential information (relating to customers of a different constituency) by the CDSP;

(d)   implementation would change a UK Link interface (without changing service definition) for other customers – but there would need to be some flexibility here.

What other things could count as 'Adverse Impact'?

2.2.3   General Changes, and changes proposed as Single Constituency Changes but which have an Adverse Impact, would be decided by the full Committee (but subject to some overall limits –see next point).

2.2.4   There could be overall limits on Non-Code Changes which could be approved by the Committee (outside which the change could only be made as a DSC change authorised by a Code Modification). An example would be a change which would actually conflict with the CDSP performing its UNC functions, or providing Code Services or a service required for compliance with a legal requirement (for example, by making UK Link functionality incompatible). Changes which required the CDSP to disclose confidential information might also be in this category.

2.3   Priority

2.3.1   Changes required to implement a Code Modification or to allow a Customer class to comply with a legal requirement (**Priority Service Changes**), should have implementation priority over other changes, to the extent that implementation would otherwise conflict.[1]

2.3.2   This has both ex-ante and ex-post implications:

(a)   Where a Service Change is proposed which is non-priority, and would conflict with implementing an existing Priority Service Change, its implementation would be delayed to remove the conflict (or else it would be rejected).

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[1] There may also be priority issues to address in contract management, to cater for on-going service provision in exceptional events.

(b) Where a Priority Service Change is proposed and conflicts with the implementation of an existing non-priority change, the programme for the non-priority change would need to be revised to remove the conflict.

2.3.3 As between Service Changes of the same priority status, 'first come first served' may be an appropriate starting point. In the case of competing Code Modification Changes, the Implementation Dates may be set to avoid a conflict.

2.3.4 It is unlikely that principles can be set to decide all issues of priority and the Committee (all members) will need to make some decisions on prioritising change.

2.3.5 Is it useful to defined further categories or sub-categories of priority status?

2.4 Cost of change

2.4.1 The cost of Service Changes will be recovered on the same charging basis as the services which are being changed, ie (roughly) the customers who receive and pay for the relevant service will pay for a change to that service. This applies both to the cost of evaluating a proposal for change, and implementing the change if approved.[2]

2.4.2 There will therefore be another class of charges (separate from service charges) for change/investment. To implement this an ex-post adjustment is likely to be needed, since at the start of the year it will not be known exactly what Service Changes will be brought forward or implemented.

2.4.3 In principle if costs are incurred by CDSP in evaluating a change proposal, and the change does not then go forward, those costs would still be recovered from the relevant customer constituency. Is there a *de minimis* limit to this?

2.4.4 There will be a change budget which is simply the CDSP's forecast of costs for known or anticipated Service Changes (and perhaps some margin to allow for others). The change budget will allow for 'change charges' to be levied on customers for known changes. However, whether a given Service Change was allowed for in the change budget will not make a difference to the process applied to a proposal for that Service Change. In any event, as noted above, an ex-post adjustment will be required for any Service Change to ensure the costs fall with the right customers.

2.4.5 If a Code Modification is not approved, how will any CDSP change costs be recovered?

2.5 Appeal

2.5.1 It has been proposed that decisions of the Committee would be open to appeal on the following basis:

(a) There would be a threshold requirement for an appeal;

(b) Where there is an appeal the UNCC would be required to give its view on the issue;

(c) Following the UNCC view, the appeal would need to be confirmed (with the same threshold), and would go to Ofgem for decision.

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[2] Based on a discussion in the charging workgroup.

2.5.2   If this approach is pursued questions to be decided include:

(a)   Should the appeal process apply only to certain kinds of decision of the Committee? If so, which?

(b)   Who should make the appeal? Any Customer(s), or only members of the Committee?

(c)   What threshold requirement should apply? A minimum percentage by number of Customers within a constituency?

(d)   What decisions could Ofgem make on appeal? Can it substitute its own decision? Or just choose between alternatives (or remit back to the Committee)?

2.5.3   We suggest these issues are discussed after the basic rules and processes have been developed further.

3   Processes

3.1   Existing ASA process

3.1.1   The ASA process is (in simplified terms) as follows:

(a)   a change is proposed by a Change Order submitted to Xoserve;

(b)   Xoserve responds with an Evaluation Quotation Report, basically a quotation for the work to evaluate the proposed change;

(c)   if the proposer wishes to proceed, it gives a Business Evaluation Order. (There are various other options);

(d)   Xoserve then carries out the business evaluation and provides a Business Evaluation Report which provides a detailed proposal to implement the change including options, timescales, costs;

(e)   if the proposer wishes to proceed it gives a Change Authorisation;

(f)   Xoserve then proceeds to implement the change on the basis of the Business Evaluation Report.

3.1.2   Under the DSC, to the extent this process is replicated, the steps after (a) would involve the Committee rather than the proposer.

3.1.3   Can the other options (at steps (c) and (e), ie apart from simply accepting or not going ahead) be simplified?

3.1.4   Is there still a need for a 'Rough Order of Magnitude' (ROM) process or is it superseded by these arrangements?

3.2   Non-Code Changes

3.2.1   Any Customer can propose a General Change by a Change Order). Only a Customer of the relevant constituency can propose a Single Constituency Change.

3.2.2   In what circumstances would the CDSP propose a Service Change?

3.2.3   The Change Order would describe the change (and presumably contain information to what the ASA requires). It would set out a target date for the Service Change to be effective. In the case of a Single Constituency Change it would also set out the proposer's opinion that it is a Single Constituency Change.

3.2.4   The CDSP provides a EQR to the Committee. In the case of a Single Constituency Change the EQR would include the CDSP's confirmation (or otherwise) that it is a Single Constituency Change, but not a view on Adverse Impact.

3.2.5   The Committee decides whether to accept the EQR and proceed to business evaluation. In the case of a Single Constituency Change only the relevant Committee members vote.

3.2.6   The Business Evaluation Report would include:

(a)   how to implement, timelines and costs;

(b)   options where applicable (presumably it is a judgement for the CDSP as to whether there are options and what they are);

(c)   if it is a Single Constituency Change, the CDSP's views on whether it has an Adverse Impact;

(d)   the CDSP's views on priority issues where applicable (see above), including (in the case of a Priority Change) what rescheduling of existing changes is needed, or perhaps options for rescheduling different changes;

(e)   some specific points such as:

(i)   whether the Service Change impacts UK Link interfaces;

(ii)   whether changes to the UK Link Manual are required.

3.2.7   The Committee (or relevant members in case of a Single Constituency Change without Adverse Impact) decide whether to go ahead to implement the proposed Service Change. Where the Business Evaluation Report proposes options, they decide between the options. What other decisions might be made (see the ASA choices).

3.2.8   Questions as to whether proposed change qualifies as a Single Constituency Change, or has an Adverse Impact, are decided by the Committee as a whole (but subject to appeal – see above).

3.3   Code Modification Changes

3.3.1   The process for Code Modification Changes would differ in some ways from the process outlined above.

3.3.2   Following any Modification Proposal the CDSP should be requested to provide a report on whether a Service Change is required. (This could become a preliminary part of the 'Change Order'.)

(a) It's probably better to have a formalised process for this (ie a specific trigger in the shape of a notice to the CDS). Who should make this request? The Code Administrator?

(b) When should the request be made? (This should be tied in to the modification procedures.)

(c) Should there be a basis to delay the Change Order to the CDSP (or even postpone it until after an Ofgem decision has been made on the Modification Proposal)?

(d) Would the CDSP write its own Change Order, based on the Modification Proposal? Are there questions to be answered in framing the Change Order, which the Panel (or Code Administrator) is better placed to answer, than the CDSP?

3.3.3 Is an Evaluation Quotation Report needed? It can't influence the outcome. What options would the Committee have, after receiving an Evaluation Quotation Report?

3.3.4 The Business Evaluation Report stage would be similar to the Non-Code process:

(a) if there are options, the Committee would decide between them (but see below on whether it's wrapped into the Code Modification process);

(b) where there are priority issues (conflicts) with an existing Priority Change, that could not be managed by rescheduling other non-priority changes, that would have to be addressed by setting the Implementation Date for the current Code Modification to remove the conflict, or changing the implementation date for the pre-existing Priority Change;

(c) what other decisions/choices would the Committee have when receiving the Business Evaluation Report? (See existing ASA options.)

3.3.5 It has been proposed that where there is a Code Modification the 'how' (i.e. the implementation of the Service Change) could be part of what is decided on by Ofgem in relation to the Code Modification (ie contained in the Final Modification Report). This means the Business Evaluation Report would become part of the FMR.

(a) The approach could be that this is only necessary if the Committee is not unanimous in approving (or deciding between options in) the Business Evaluation Report;

(b) Could we allow for the Committee to identify whether there will be a difference of opinion (on the 'how') at any earlier stage than a Business Evaluation Report? The CDSP could at an earlier stage (eg the EQR?) identify whether there are likely to be significant choices in implementation – if not the Business Evaluation Report could be postponed.

3.3.6 Some other issues for consideration are:

(a) What liaison is needed between the Committee and the Panel in respect of a Code Modification Change?

(b) At what point is the Implementation Date of the Code Modification set? Is it given to the CDSP or is it derived from the CDSP's report? (Or is there a need to allow for both cases?)