

## DSC SERVICE DOCUMENT

### BUDGET AND CHARGING METHODOLOGY

Version: [ ]

Effective date: [ ]

#### 1 General

##### 1.1 Introduction

1.1.1 This Document is the Budget and Charging Methodology referred to in Section GTD Paragraph [3.1.4(//)] and Clause [3.3[/]] of the DSC Terms and Conditions and is a DSC Service Document.

1.1.2 This Document is an integral part of and is incorporated in the DSC.

1.1.3 The version of this Document which is in force, and the date from which it is in force, is as stated above.

##### 1.2 Interpretation - general

1.2.1 In this Document:

- (a) **Uniform Network Code** or **UNC** means the Uniform Network Code [/];
- (b) a reference to Section GTD is to Section D of the General Terms of the Uniform Network Code;
- (c) **DSC Terms and Conditions** means the DSC Terms and Conditions as defined in and for the time being in force pursuant to Section GTD;
- (d) terms defined in the DSC Terms and Conditions and not otherwise defined in this Document have the meanings given to them in the DSC Terms and Conditions;
- (e) terms defined in any other DSC Service Document and not otherwise defined in this Document have the meanings given to them in that DSC Service Document;
- (f) the further provisions of the DSC Terms and Conditions as to interpretation apply.

1.2.2 In the case of any conflict between the provisions of this Document and any other part of the DSC the provisions of the DSC Terms and Conditions as to priority apply.

##### 1.3 Amendment

1.3.1 This Document may be amended in accordance with the Change Management Procedures.

##### 1.4 Interpretation – specific

1.4.1 In this Document:

- (a) references to the **Committee** are to the Contract Management Committee;
- (b) **Costs** means any cost, expense, liability or other outgoing of the CDSP, however arising or incurred, but not including amortisation or depreciation;
- (c) the **CDSP Budget** is a budget setting out the Costs which the CDSP expects to incur in a CDSP Year and the other matters provided for in paragraph [4];
- ~~(c)~~(d) an **Amended Budget** is an amended CDSP Budget pursuant to paragraph [7] or [7];
- ~~(d)~~(e) **Charge** means any charge made by the CDSP to a Customer or Third Party for the provision of a Service or otherwise for the recovery of any Costs;
- ~~(e)~~(f) the **Charging Year** is the CDSP Year for which [CDSP Charges] are to be determined;
- ~~(f)~~(g) for the purposes of calculating any Charge or Charges, a **Charge Base** is the relevant amount in respect of Costs, adjusted by a margin (and where applicable otherwise adjusted) as provided in paragraphs [7];
- ~~(g)~~(h) a **Charging Share** in relation to a Customer in a Customer Class is a proportion (aggregating one (1) for all Customers in that Customer Class) by reference to which a particular Charge Base is to be apportioned between such Customers for the purposes of calculating a Charge;
- (i) in relation to a Specific Service:
  - (i) ~~(i)~~ the **Charging Measure** is the unit or other measure (as specified in the Service Description) by reference to which the Service is ordered or (as the case may be) use of the Service is measured;
  - ~~(h)~~(ii) the **Charging Period** is the period (as specified in the Service Description) in respect of which Charges for the Service are to be invoiced;
- (j) ~~(j)~~ references to a Customer Class include as separate Customer Classes (each a **Network Customer Class**):
  - (i) ~~(i)~~ DN Operators;
  - (ii) Independent Gas Transporters; and
  - (iii) ~~(iii)~~ ~~IGTs, and~~ DN Operators and **Independent Gas Transporters** ~~IGTs~~ collectively;
- (k) **Annual Accounts** means the [audited statutory accounts] of the CDSP for a CDSP Year;
- (l) **Specific Service Change Charge Annex** is an Annex to this Document setting out the methodology for calculating Change Charges in respect of the Service Change in respect of a Specific Service.-

~~(1)~~1.4.2 A reference in this Document or any other part of the DSC to the Costs or Charge Base of or in respect of any activity of the CDSP (including the provision of any Service, and the

Change Procedures in connection with Service Changes) is to the Costs or Charge Base attributed and/or allocated to that activity in accordance with the Cost Allocation Methodology.

## **1.5 Scope and purpose**

### 1.5.1 This Document sets out

(a) the basis on which:

(i) the CDSP will establish the CDSP Budget for each CDSP Year;

(ii) the CDSP Budget may be appealed pursuant to the CDSP Licence Condition;

(iii) the CDSP's Charges for that CDSP Year are to be determined on the basis of the forecast Costs in the CDSP Budget;

(iv) the Annual Charging Statement is to be prepared to specify such Charges for the CDSP Year;

(v) such Charges are to be invoiced by the CDSP;

~~1.5.1~~(b) the functions of the CDSP and the Committee in connection with the foregoing matters.~~f~~

## **2 Classification of Services, Costs and Charges**

### **2.1 Services**

2.1.1 As provided in the Services Description, the Services provided by the CDSP comprise:

- (a) General Services;
- (b) Specific Services;
- (c) Additional Services; and
- (d) Third Party Services.

2.1.2 General Services and Specific Services are defined by Service Lines and grouped into Service Areas as provided in the Services Description.

### **2.2 Costs**

2.2.1 The Costs of the CDSP comprise Service Costs and Investment Costs.

2.2.2 **Service Costs** (also referred to as 'run-the-business' costs) are all Costs other than Investment Costs.

2.2.3 **Investment Costs** are Change Costs and Infrastructure Costs.

2.2.4 **Change Costs** are Costs of the CDSP in respect of the Change Procedures in respect of Service Changes set out in the Change Management Procedures, subject to paragraph [2.2.5~~f~~].

2.2.5 The following Costs of the Change Procedures under the Change Management Procedures ~~in respect of~~ in respect of any proposed Service Change are not Change Costs (and not Investment Costs), and accordingly are Service Costs:

(a) Costs incurred -up to and including the point at which the Change Management Committee approves or is deemed to approve an Evaluation Quotation Report sent by the CDSP; and

(b) In the circumstances specified in the Change Management Procedures, Costs of Business Evaluation in respect of a Modification Service Change where the relevant Code Modification was not approved and such Business Evaluation was carried out before such non-approval occurred.

~~2.2.5 -are not Change Costs (and not Investment Costs), and accordingly are Service Costs.~~

2.2.6 **Infrastructure Costs** are Costs of the CDSP, other than Change Costs, in respect of the renewal, replacement or upgrade of fixed assets employed by the CDSP in the provision of Services (excluding fixed assets employed and financed by a contractor or supplier of the CDSP).

2.2.7 For avoidance of doubt, Costs of the CDSP in respect of the development of Additional Services and Third Party Services are charged for as part of the Charge for those Services, and are not included in Change Costs (or in the Change Budget).

## 2.3 Charges

2.3.1 The CDSP's Charges comprise:

(a) a Charge (**Customer Charge**) in respect of participation as a Customer under the DSC;

(b) the following Charges in respect of Services:

(i) charges (**General Service Charges**) made in respect of General Services;

(ii) charges (**Specific Service Charges**) made in respect of Specific Services;

(iii) charges (**Additional Service Charges**) made in respect of Additional Services

(iv) charges (**Third Party Service Charges**) made in respect of Third Party Services;

(c) the following Charges in respect of Investment Costs:

(i) charges (**Change Charges**) made to recover Change Costs;

(ii) charges (**Infrastructure Charges**) made to recover Infrastructure Costs.

2.3.2 Except for Third Party Service Charges, all categories of Charge are payable by and only by Customers.

2.3.3 The amount of the Customer Charge is £nil per annum.

### 3 Preliminary

#### 3.1 Charge Base Apportionment Table

- 3.1.1 For the purposes of calculating General Service Charges, the **Charge Base Apportionment Table** is the table below which sets out the proportions in which amounts in respect of Service Costs in each Service Area (for General Services) are to be apportioned to different Customer Classes:

Service Area	Shipper Users	Transporters			
		Transmission	Distribution		
			DNs + IGTs	DNs	IGTs

- 3.1.2 ~~It is recognised that Service Changes are not expected of themselves to require amendment of the Charge Base Apportionment Table unless the would be changed only if a Service Change (see Change Management Procedure) added a new or removes d an entire a Service Area or adds a new Customer Class. The change to the Charge Base Apportionment Table would be done as part of the Service Change procedure.~~

#### 3.2 Cost Allocation Model

- 3.2.1 The CDSP will establish and keep under review and may from time to time revise:

(a) a methodology (**Cost Allocation Methodology**) which allocates (by attributing or otherwise allocating) Costs or a Charge Base to activities of the CDSP; and

~~(a)~~(b) in relation to General Services and Specific Services, a model (**Cost Allocation Model** which ~~The Cost Allocation Model will~~ provides for the allocation (on the basis of the Cost Allocation Methodology) of Service Costs:

~~(b)~~(i) in relation to General Services, to different Service Areas;

~~(c)~~(ii) in relation to Specific Services, to different Service Lines;

[on the basis of the input costs used to establish the CDSP Budget].

- 3.2.2 The **Cost Allocation Methodology and** Cost Allocation Model and ~~their its~~ application are subject to Contract Assurance Audit as provided in the Contract Management Arrangements.

#### 3.3 Charging Shares

- 3.3.1 This paragraph [3.3.] sets out the basis on which different Charging Shares are to be calculated for individual Customers within each Customer Class.

- 3.3.2 For each Customer which is a Shipper User and for each Month M, the **Shipper Monthly Charging Share** ~~for a Month~~ is calculated as:

$$ASP_M / \sum ASP_M$$

where

ASP<sub>M</sub> is the aggregate number of the Supply Points for which the Shipper User is Registered User as at [/] before Month M;

Σ is the sum over all Shipper Users

- 3.3.3 For each Customer which is a DN Operator or an Independent Gas Transporter, and for each Network Customer Class, the DNs and IGTs, the **Relevant Transporter Annual Charging Share** for a CDSP DSC-Year is:

$$ASP_Y / \sum ASP_Y$$

ASP<sub>Y</sub> is the aggregate number of Supply Points on each the [System or (as the case may be) IGT System] operated by such DNO Operator or Independent Gas Transporter; DN's or IGT's network as at [/] before the DSC Year, ~~derived from CDSP records~~

Σ is the sum over:

- ~~all~~ (i) all DN Operators ~~s~~ and Independent Gas Transporters ~~IGTs~~, or;
- (ii) all DN Operators, or
- (iii) all Independent Gas Transporters ~~IGTs~~,
- according to the Network Customer Class in question.

#### 3.3.4 In relation to a Customer Class:

(a) the Monthly Charging Share for a Month is:

- (i) for Shipper Users, the Shipper Monthly Charging Share for the Month;
- (ii) for DN Operators and Independent Gas Transporters, the Relevant Transporter Annual Charging Share for the CDSP Year in which the Month falls;
- (iii) for National Grid NTS, one;

(b) the Annual Charging Share for a CDSP Year is:

- (i) for Shipper Users, the arithmetic mean of the Shipper Monthly Charging Share for all Months in that CDSP Year;
- (ii) for DN Operators and Independent Gas Transporters, the Relevant Transporter Annual Charging Share for the CDSP Year;
- (iii) for National Grid NTS, one/

~~3.3.4 The Relevant Transporter Annual Charging Share for NTS is 1. [This may not be needed depending on precise drafting.]~~

#### 3.3.5 For the purposes of this paragraph 3.3:

- (a) a reference to a Supply Point in the context of an IGT System is to a Supply Point as defined in [UNCXX];
- (b) numbers of Supply Points shall be determined on the basis of the [cite relevant database of CDSP?].

~~3.3.5 An Annual Charging Share (for each Shipper User) may also be needed — see e.g. 6.2.1. This could be an arithmetic mean of the Monthly Charging Shares for the Charging Year.~~

### **3.4 Prior year adjustments**

3.4.1 For the purposes of this Document, in establishing the CDSP Budget for a CDSP Year (Y), in relation to any category of Costs [or Charge Base]:

- (a) the **Forecast Over/Under Amount** for Year Y-1 is the difference between:
  - (i) the amount of such Costs or Charge Base for Year Y-1 as forecast in the CDSP Budget for Year Y-1, and
  - (ii) the amount of such Costs or Charge Base for Year Y-1 as forecast when preparing the CDSP Budget for Year Y;
- (b) the **Outturn Over/Under Amount** for Year Y-2 is the difference between:
  - (i) the amount of such Costs or Charge Base for Year Y-2 as forecast when preparing the CDSP Budget for Year Y-1;
  - (ii) the outturn amount of such Costs or Charge Base for Year Y-2 as [shown in or determined from] the Annual Accounts for Year Y-2.

### **~~3.4~~3.5 Accounting principles**

The CDSP Budget and Annual Accounts for each CDSP Year shall be prepared ~~Budgets and accounting statements to be prepared~~ on an accruals basis in accordance with UK Generally Accepted Account Practice (UK GAAP).

## **4 ~~CDSP Annual process — B~~udget and Charge Bases**

### **4.1 Overview**

4.1.1 The CDSP Budget for the Charging Year is established for the purposes (among other things) of determining the following Charge Bases in order to calculate Charges as provided in this Document: ~~[To list the basic outputs required from the budget for charging purposes:~~

- (a) Annual Service Charge Base;
- (b) Charge Bases for Specific Services;
- ~~(b)~~(c) Core Annual Service Charge Base; ~~(after deduction of forecast costs / revenue attributable to Specific Charges and Third Party Services)~~
- ~~(e)~~(d) Annual Change Charge Base;
- ~~(d)~~(e) Annual Infrastructure Charge Base.}

#### 4.1.2 The CDSP Budget will include:

- (a) amounts in respect of forecast Costs in accordance with paragraph [4.3]; and
- (b) adjustments to such amounts to determine Charge Bases in accordance with paragraph [4.5].

#### 4.1.3 The document containing the CDSP Budget may contain information relating to years after the Charging Year but any such information has no effect for the purposes of the DSC and only the information relating to the Charging Year shall be counted as the CDSP Budget.

#### 4.1.4 For the avoidance of doubt, when the CDSP Budget for a CDSP Year has been finalised as provided in paragraph [4.6.3(d)]:

- (a) a Customer may not challenge or dispute the CDSP Budget other than by an appeal subject to and in accordance with paragraph [4.7];
- (b) the CDSP Budget may not be amended other than:
  - (i) by an Amended Budget subject to and in accordance with paragraph [4.7 or 4.8]; or
  - (ii) [by the CDSP to correct a minor mistake (not being a forecast error) with the approval of the Committee by a Unanimous Decision].

~~4.1.2~~.

## **4.2 Statement of planning principles**

4.2.1 The CDSP will establish a **Statement of Planning Principles** for the Charging Year setting out the basis on which the CDSP will establish ~~the a~~ CDSP Budget.

4.2.2 The Statement of Planning Principles will ~~address matters such as include the~~ planning period, ~~planning~~ assumptions, ~~the~~ strategic context, ~~the S~~service footprint ~~and the,~~ basis of financial forecasts.

4.2.3 The Statement of Planning Principles will cover all activities of ~~the~~ CDSP (including provision of ~~{Services including~~ Additional Services and Third Party Services, ~~Change Procedures, and infrastructure development~~).

## **4.3 ~~Forecast Costs~~CDSP Budget**

4.3.1 On the basis of the Statement of Planning Principles, the CDSP will establish the CDSP Budget in respect of Costs for the Charging Year by assessing the forecast input costs of performing the activities ~~planned in accordance with in~~ the Statement of Planning Principles, in the following categories:

- (a) Service Costs;
- (b) Investment Costs divided into:
  - (i) Infrastructure Costs (divided between Costs relating to UK Link Gemini and other Costs);



(ii) Change Costs;

(and sub-divided into further categories to the extent required for the purposes of this Document).

~~(a) — run the business (including people, systems, property, financing costs (if any), other);~~

~~(b) — investment, divided into change; infrastructure.~~

~~4.3.2 [/-~~

#### **4.4 Adjustment for margin**

4.4.1 The CDSP will adjust the forecast Costs ~~in the CDSP Budget~~ (in each category in paragraph 4.3.1) by adding a margin, to determine the following Charge Bases:

(a) Annual Service Charge Base;

(b) Investment Charge Base divided into:

(i) initial Infrastructure Charge Base, divided between:

(aa) the Charge Base relating to UK Link Gemini;

~~(i)(bb)~~ the Charge Base other than relating to UK Link Gemini (**Balance-of-Infrastructure**);

(ii) Change Charge Base.

4.4.2 The margin (expressed as a percentage) will be the same for each category of Cost and will be set at a level which ensures that the CDSP maintains an adequate level of working capital during the Charging Year (taking account of working capital at the start of the year including that funded by margin in prior CDSP Years).

~~4.4.24.3~~ The CDSP Budget will set out how the level of margin has been determined in accordance with paragraph 4.4.2~~[To set out principles on which margin is set.]~~

#### **4.5 Adjustments to Charge Bases ~~for Specific Charges~~**

4.5.1 The CDSP will adjust the Annual Service Charge Base for the Charging Year (Y):

(a) by deducting the amounts forecast to be received by the CDSP in the Charging Year in respect of Customer Charges, Specific Service Charges, Additional Service Charges and Third Party Service Charges;

(b) by adding or deducting (as appropriate) the Forecast Over/Under Amount ~~-recovery or Forecast Over-recovery~~ for CDSP Year Y-1 in respect of all [Costs] other than Change Costs and Infrastructure Costs;

(c) by adding or deducting (as appropriate) the amount of the Outturn Over/Under Amount ~~-to Forecast Under-recovery or Outturn-to-Forecast Over-recovery~~ for CDSP Year Y-2 in respect of all Costs other than Change Costs and Infrastructure Costs.

~~4.5.2 [Forecast Budget Under/Over Recovery is the forecast difference between costs (plus margin) and revenues, for Y-1, forecast when preparing the budget for Y. Outturn Forecast Under/Over Recovery is the difference between the actual under or over recovery (based on the audited accounts) for Y-2 and the forecast when preparing the Y-1 budget.]~~

4.5.2 The **Core Annual Service Charge Base** is the Annual Service Charge Base adjusted as provided in paragraph 4.6.1.

4.5.3 The CDSP will adjust the initial Infrastructure Charge Base, to determine the Infrastructure Charge Base:

(a) by adding or deducting (as appropriate) the Forecast Over/Under Amount for CDSP Year Y-1 in respect of Infrastructure [Costs] [Charge Base];

(b) by adding or deducting (as appropriate) the amount of the Outturn Over/Over-Amount for CDSP Year Y-2 in respect of Infrastructure [Costs] [Charge Base]

applying such adjustment separately to the Infrastructure Charge Base (and in respect of Infrastructure Costs for Y-1 and Y-2) for UK Link Gemini.

~~4.5.3~~

#### **4.6 Annual Process**~~Budget consultation~~

4.6.1 The process for establishing the CDSP Budget for Charging Year (Y) is as set out below.

~~4.6.14.6.2~~ The CDSP will:

(a) by 30 June in Year Y-1, prepare and provide to the Committee and each Customer a draft Statement of Planning Principles;

(b) discuss the draft with the Committee;

(c) take into account, as it considers appropriate, the views of Committee in finalising the Statement of Planning Principles;

~~(d)~~ by 31 July in Year Y-1, send the final Statement of Planning Principles to the Committee and each Customer.

~~4.6.24.6.3~~ The CDSP will:

(a) by October 31 in Year Y-1, prepare and provide to the Committee and each Customer a draft CDSP Budget;

(b) discuss the draft with the Committee;

(c) take into account, as it considers appropriate, the views of Committee in finalising the CDSP Budget, and provide to the Committee a report that outlines the actions taken in response to the views of the Committee;

(d) by the end of January in Year Y-1, send the final CDSP Budget to the Committee and each Customer.

4.6.4 The CDSP may (after the step at paragraph 4.6.3(b)) provide a further draft or drafts of the CDSP Budget to the Committee before finalising and sending the CDSP Budget under the step at paragraph 4.6.3(d).

## **4.7 Budget appeal**

4.7.1 A Customer may (subject to and in accordance with this paragraph 4.7) appeal the CDSP Budget for the Charging Year on the grounds that the CDSP Budget is not fit for purpose for the CDSP to fulfil the obligation to provide Services consistent with paragraph [7(b)] of the CDSP Licence Condition.

4.7.2 A Customer may not appeal the CDSP Budget unless:

- (a) it had notified the CDSP and the Committee of its objection to the CDSP Budget within [20] Business Days after the draft CDSP Budget was sent or most recently sent to the Customer, or
- (b) the appeal relates to a change in the CDSP Budget as compared with the most recent draft which was sent to the Customer at least [20] Business Days before the final CDSP Budget was sent to the Customer under paragraph [4.6.3(d)].

4.7.3 The Customer shall give notice of the appeal to the Authority and send a copy of the notice to the CDSP, each Transporter and the Committee.

4.7.4 The Customer may not give notice of appeal more than [20] Business Days after the final CDSP Budget was sent to Customers under paragraph [4.6.3(d)].

4.7.5 The notice of appeal shall set out:

- (a) the basis on which the Customer considers the grounds for appeal (as provided in paragraph 4.7.1) are met;
- (b) the amendment to the CDSP Budget which the Customer considers necessary.

4.7.6 The CDSP shall send the notice of appeal to all Customers within [2] Business Days after it is received.

4.7.7 Within [20] Business Days after the notice of appeal was received:

- (a) the CDSP shall send to the Authority its opinion in respect of the appeal and such other information as it considers appropriate, and provide a copy of such opinion and information to the appealing Customer, the Committee and each other Customer;
- (b) any other Customer may send to the Authority (with a copy to the CDSP and the Committee) its opinion in respect of the appeal.

4.7.8 The CDSP shall provide to the Authority such further information as the Authority may request in connection with the appeal.

4.7.9 The Parties shall comply with any procedure or other requirement specified by the Authority in connection with its decision on the appeal.

4.7.10 If more than one notice of appeal is received the CDSP will invite the Authority to make a single or composite decision and direction in respect of all such appeals.

4.7.11 Until and unless the appeal is decided by the Authority, the CDSP shall proceed with the performance of the DSC (including the calculation and invoicing of Charges) on the basis of the CDSP Budget as finalised and sent under paragraph [4.6.3(d)]; and Customers shall pay such Charges so calculated and invoiced.

4.7.12 The appeal will be decided by the Authority's direction to the Transporters as provided in paragraph [/] of the CDSP Licence Condition.

4.7.13 When the appeal is decided:

(a) the Transporters shall notify the Authority's direction to the CDSP with a copy to the Committee;

(b) the CDSP shall send a copy of such direction to each Customer.

4.7.14 Where the Authority's direction requires a change in the CDSP Budget:

(a) the CDSP will amend the CDSP Budget to make the required change(s) in accordance with the direction;

(b) to the extent necessary, the CDSP will revise its planned activities for the Charging Year so as to allow for such change;

(c) the Committee has no power to make a decision which conflicts with implementation of the Authority's direction;

(d) with the approval of the Transporters, the CDSP may seek the Committee's views on any revision of its planned activities as provided in paragraph (b);

(e) the CDSP will send the Amended Budget to the Authority, the Committee and each Customer; and

(f) paragraph [4.9] shall apply.

~~To set out an appeal process as required by the draft licence condition.~~

~~Will need to include provisional use of the original budget, and true-up based on Ofgem decision.~~

#### **4.8 Budget Amendment**

4.8.1 This paragraph [4.8] applies if at any time following the finalisation of the CDSP Budget for the Charging Year it appears to the CDSP that:

(a) it will, during the Charging Year, incur Costs which were not included in the CDSP Budget;

(b) as a result, it will or is likely at any time within the CDSP Year to be unable to pay its Costs as they fall due for payment (**financial deficit**);

(c) it is not feasible to resolve the financial deficit by rescheduling activities so as to defer or avoid the incidence of Costs without failing or risking failure to meet any of its obligations or responsibilities under the DSC or any TPS Agreement.

#### 4.8.2 Where this paragraph [4.8] applies:

- (a) the CDSP shall promptly inform the Committee of the situation and discuss with the Committee any measures (including any rescheduling of activities under the Change Procedures or in respect of any infrastructure development) which may avoid or mitigate the financial deficit without any material impact on the provision by the CDSP of Services;
- (b) unless the financial deficit can be avoided by measures approved by the Committee under paragraph (a), the CDSP Budget shall be amended as follows;
- (c) the CDSP shall prepare and send to each Customer and the Committee:
  - (i) a draft of the Amended Budget [(and if appropriate an amendment of the Statement of Planning Principles)] which will address the financial deficit;
  - (ii) a proposed timetable for review and finalisation of the Amended Budget;
- (d) paragraph [4.6.3] shall apply in relation to the Amended Budget on the basis of such timetable (as it may be revised by agreement between the CDSP and the Committee);
- (e) paragraph 4.9 shall apply.

4.8.3 The CDSP [on behalf of the Transporters] shall notify the Authority of the Amended Budget and the consequent increase in Charges as provided in paragraph 4.9 [when?].

#### 4.9 Revision of Annual Charging Statement

4.9.1 This paragraph 4.9 applies where the CDSP amends the CDSP Budget:

- (a) following an appeal in accordance with paragraph [4.7]; or
- (b) in accordance with paragraph [4.8].

4.9.2 The CDSP shall prepare and send a revised Annual Charging Statement to the Committee and each Customer at the same time that it sends the Amended Budget to the Committee and Customers pursuant to paragraph [4.7.14(e)] or (as the case may be) paragraph [4.8.2(d)].

4.9.3 The revised Annual Charging Statement:

- (a) shall be determined in accordance with the rules in this Document by reference to the Amended Budget but so that the increase or decrease (pursuant to the amendment of the CDSP Budget) in each Charge Base (or each affected Charge Base) is recovered or rebated through Charges to Customers in the period from the effective date (in accordance with paragraph (b)) of the revision until the end of the Charging Year;
- (b) the revision of the Annual Charging Statement shall be effective from the next following Month for which Invoices have not already been sent (or if later, the first Month of the CDSP Year), and shall be used for the purposes of determining all Charges to Customers in respect of that Month and subsequent Months in the CDSP Year.

~~To set out circumstances (to include a successful appeal) in which the Annual Budget might be revised, and the application of the revised budget in recalculating charges.~~

## **5 Calculation of General Service Charges**

### **5.1 Allocation of Core Annual Service Charge Base**

5.1.1 The CDSP will apply the Cost Allocation Model to allocate the Core Annual Service Charge Base to each of the Service Areas in the Charge Base Apportionment Table.

5.1.2 The amount of the Core Annual Service Charge Base allocated to each Service Area is ~~This gives~~ the **Annual Service Area Charge Base** for ~~the each~~ Service Area.

### **5.2 Apportionment of Annual Service Area Charge Base**

5.2.1 For each Service Area, the Annual Service Area Charge Base is apportioned between each Customer Class in the Area Customer Group on the basis of the proportions set out in the Charge Base Apportionment Table.

5.2.2 The amount of the Annual Service Area Charge Base for a Service Area apportioned to each Customer Class is ~~This gives~~ the **Annual Service Area Class Charge Base** for the Customer Class.

### **5.3 Aggregation of Annual Service Area Class Charge Base**

5.3.1 For each Customer Class:

(a) ~~,~~ the Annual Service Area Class Charge Base is aggregated over all Service Areas;

(b) the aggregate amount is adjusted by adding or deducting (as appropriate):

(i) the Class Change Forecast Over/Under Amount for CDSP Year Y-1 for that Customer Class;

(ii) the Class Change Outturn Over/Under Amount for CDSP Year Y-2 for that Customer Class;

(in accordance with paragraph 8.4)

~~5.3.1~~ ~~and the resulting amount is to give~~ the **Annual Customer Class Service Charge Base**.

### **5.4 Monthly Customer Class Charge Base**

5.4.1 The **Monthly Customer Class Service Charge Base** for each Customer Class is 1/12 of the Annual Customer Class Service Charge Base.

### **5.5 Monthly Service Charges**

5.5.1 For each Month in the Charging Year ~~the a Shipper User's~~ Monthly Service Charge for each Shipper User is calculated as the Monthly Shipper Charging Share (for that Month) of the Monthly Customer Class Service Charge Base for Shipper Users.

5.5.2 For each Month in the Charging Year ~~a [Transporter's]~~ the Monthly Service Charge for each DN Operator and Independent Gas Transporter is calculated as follows:

(a) for each Network Customer Class, calculate the Relevant Transporter Annual Charging Share (for that year) of the Monthly Customer Class Service Charge Base~~Costs~~;

~~(a) — for the relevant class (NTS, DN + IGT, DN, IGT);~~

(b) aggregate the amounts in paragraph (a) over all Network Customer Classes to determine each of such relevant classes to arrive at a single the Monthly Service Charge.

5.5.3 For each Month in the Charging Year the Monthly Service Charge for National Grid NTS is equal to the Monthly Customer Class Service Charge Base.

## **6 Calculation of Specific Service Charges**

~~[Specific Charges are calculated as follows:~~

### **6.1 Forecast Demand**

~~(a)~~ 6.1.1 In the [Statement of Planning Principles] [CDSP Budget] ~~in the [CDSP Budget]~~ the CDSP will forecasts the usage of or demand for each Service Line for which is a Specific Service in the Charging Year.;

~~(b)~~ 6.1.2 ~~Such~~ usage or demand is expressed by reference to the Charging Measure [and where applicable the Charging Period] for the Specific Service as provided in the Service Description.;

### **6.2 Cost forecast and Charge Base**

6.2.1 For each Specific Service the CDSP will:

(a) forecast the Costs of the Specific Service on the basis of the forecast usage or demand; and

(b) determine the Charge Base by adding the margin (as provided in paragraph [1]) to the forecast Costs.

~~(c) — (adjusted by margin to create Charge Base) are allocated to the Service Line (using the Cost Allocation Model) on the basis of such forecast demand;~~

### **6.3 Unit charge**

6.3.1 For each Specific Service the unit Specific Service Charge ~~for the Specific Service is~~ calculated by dividing the ~~aggregate allocated~~ Charge Base by the amount (expressed by reference to the relevant Charging Measure [and where applicable the Charging Period]) of the forecast demand or usage.

6.3.2 No adjustment is made in respect of the Specific Service Charges determined in accordance with paragraph 6.3.1 by reference to outturn Costs of, or usage of or demand for, the relevant Specific Service.

(d)

## 7 Infrastructure Charges

### 7.1 Introduction

7.1.1 Infrastructure Charges are payable by Customers in respect of the Costs incurred by the CDSP in the Charging Year in renewing, replacing or upgrading fixed assets.

### ~~7.1.2~~ 7.2 Annual Customer Class Infrastructure Charge Base

~~7.1.1~~ 7.2.1 Subject to paragraph 7.2.3, for each Customer Class the **Annual Customer Class Infrastructure Charge Base** for the Charging Year is calculated ~~for each Customer Class~~ as:

$$AIC_{bal} * A_{ACCSCB} / \sum A_{ACCSCB}$$

where

$AIC_{bal}$  — is the Annual Infrastructure Charge Base for Balance-of-Infrastructure

$A_{ACCSCB}$  is the Adjusted ACCSCB calculated in accordance with paragraph 7.1.2  
— ~~Annual Customer Class Service Charge Base per 4.3.1~~

$\sum$  is the sum over all Customer Classes.

7.2.2 **Adjusted ACCSCB** is the amount calculated for each Customer Class as the Annual Customer Class Service Charge Base in accordance with paragraph 5.3.1 on the basis that the aggregation over Service Areas excludes Service Areas designated in the Charge Base Apportionment Table as related to UK Link Gemini.

7.2.3 For National Grid NTS, the Annual Customer Class Infrastructure Charge Base is the sum of:

- (a) the amount determined in accordance with paragraph 7.2.1; and
- (b) the whole of the Annual Infrastructure Charge Base in respect of UK Link Gemini.

### ~~7.2~~ 7.3 Monthly Infrastructure Charges

7.3.1 For each Customer in any Customer Class:

- (a) subject to paragraph (b), the **Monthly Infrastructure Charge** for each Month in the Charging Year is ~~s for each Customer are~~ calculated as the Customer's Monthly Charging Share of 1/12 of the Annual Customer Class Infrastructure Charge Base for the relevant Customer Class;

~~7.2.1~~ (b) for DN Operators and Independent Gas Transporters the Monthly Infrastructure Charge is calculated by aggregating the amounts in paragraph (a) over the Network Customer Classes.

~~7.2.2~~ It may be convenient to define  $ACCSCB / \sum ACCSCB$  as a **General Charging Proportion** for a Customer Class.



## 8 Change Charges

### 8.1 Introduction

8.1.1 Change Charges are payable by Customers in respect of Service Changes for which the CDSP performs activities, ~~excluding those activities referred to in paragraph 2.2.5, in the a~~ Charging Year (Chargeable Change Activities).

8.1.2 This paragraph 8 sets out the basis on which:

(a) for Service Changes in respect of General Services (General Service Changes):

~~(a)~~(i) Change Charges for Customers will be calculated after the Charging Year;

~~(b)~~(ii) Provisional Change Charges for Customers are calculated before the Charging Year;

(iii) a reconciliation and adjustment in respect of Change Charges is made after the Charging Year;

~~(e)~~(b) for Service Changes in respect of Specific Service (Specific Service Changes), a specific Change Charges will be determined.

8.1.3 [The **Change Budget Amount** is the amount of the aggregate Charge Base in the CDSP Budget ~~(adjusted for margin)~~ in respect of Chargeable Change Activities.]

### 8.2 Calculation of Change Charges for General Service Changes

8.2.1 For each General Service Change for which the CDSP performs a ~~[~~Chargeable Change Activity~~]~~ in the Charging Year:

(a) ~~[~~the Service Change is assigned to a Service Area by reference to the Service Line or Service Lines to which the Service Change relates~~]~~;

~~(a)~~(b) if the Service Change relates to Service Lines in more than one Service Area, the Service Change is assigned to each such Service Area in proportions determined by the CDSP to reflect its assessment of the proportions in which the Change Costs are allocable to each such Service Area;

~~(b)~~(c) the Change Costs ~~of allocated to the~~ Chargeable Change Activities~~y~~ are determined ~~calculated~~ ~~[~~in accordance with the Cost Allocation Methodology~~]~~;

~~(e)~~(d) ~~[~~the a-Charge Base is calculated by adding a margin (in accordance with paragraph [/]) to such Costs~~]~~;

(e) the ~~such~~ Charge Base is apportioned:

(i) where relevant, between Service Areas, in the proportions determined under paragraph (b); and

~~(d)~~(ii) between each Customer Class, on the basis of the proportions set out in the Charge Base Apportionment Table for the relevant Service Area or Areas.

8.2.2 For each Customer Class, the Annual Class Change Charge Base is calculated as:

$$\sum_{SA} \sum_{SC} ACB_{SC}$$

where

$\sum_{SA}$  is the sum over Service Areas

$\sum_{SC}$  is the sum over General Service Changes for a Service Area

$ACB_{SC}$  is the amount of the Charge Base in respect of each General Service Change apportioned to the Customer Class under paragraph 8.2.1(e).

~~8.2.2 Charge Base is aggregated (over all Service Areas, and all Service Changes for a given Service Area) to give the Annual Class Change Charge Base.~~

8.2.3 The Change Charge payable by each Customer for General Service Changes for the Charging Year is the Customer's [Annual Charging Share] of the Annual Class Change Charge Base, aggregated for DN Operators and Independent Gas Transporters over all Network Customer Classes.

~~8.2.3~~

### 8.3 Provisional Change Charges

8.3.1 For each Month of the Charging Year Customers will pay Charges (Provisional Change Charges) calculated in accordance with this paragraph 8.3 in respect of General Service Changes.

~~8.3.1 as follows.~~

8.3.2 For each Customer Class, the Provisional Annual Class Change Charge Base shall be determined as follows:

- (a) for each General Service Change which is taken into account in the CDSP Budget, ~~which is known when the Budget is established~~, the CDSP will estimate the relevant Costs and Charge Base;
- (b) the amount of the Charge Base for each such Service Change will be increased by a percentage uplift as provided in paragraph [8.3.4];
- (c) the CDSP will estimate the Annual Class Change Charge Base on the basis of the uplifted amounts referred to in paragraph (b), and such estimate is the Provisional Annual Class Change Charge Base.
  - ~~(a) and the amount payable by each Customer Class by way of Change Charge in respect of such Service Change in accordance with paragraph 8.2 above;~~
  - ~~(b) the CDSP will calculate the Residual Change Charge Base as the amount of the Change Budget Amount less the aggregate amount of estimated Change Charges under paragraph [?];~~
  - ~~(c) the Residual Change Charge Base is be allocated between Customers based on [what?].~~

8.3.3 For each Customer the Provisional Change Charge for a Month is its Monthly Charging Share of 1/12 of the Provisional Annual Class Change Charge ~~[Base~~ (aggregated for DN Operators and Independent Gas Transporters over all Network Customer Classes).

~~8.3.28.3.4~~ The percentage uplift in paragraph [8.3.2(b)] will be set so as to allow the CDSP to recover by Provisional Change Charges an amount specified in the CDSP Budget as sufficient to cover the Costs of any Changeable Charge Activities which are not foreseen in the CDSP Budget. ~~] is the aggregate of the amounts calculated in respect of that Customer under paragraphs [8.3.1(a) and (c)]; the monthly charge is 1/12th.~~

~~8.3.38.3.5~~ No adjustment shall be made within the Charging Year in respect of ~~No within-year change is made in respect of the~~ Provisional Class Annual Change Charge Base for any Customer Classs.

#### **8.4** ~~Year-end~~ Adjustment in respect of provisional charges

8.4.1 In relation to a CDSP Year Y, ~~Following the end of each Charging Year~~ the CDSP will, when preparing the CDSP Budget for Year Y: ~~calculate~~

(a) determine the Forecast Over/Under Amount in respect of the [Change Costs] [Charge Base] for each General Service Change for which the CDSP has performed or will perform Chargeable Change Activities in Year Y-1;

(b) on the basis of what is determined under paragraph (a), determine for each Customer Class the Forecast Over/Under Amount in respect of the Annual Class Change Charge Base for Year Y-1;

and the amount determined under paragraph (b) for each Customer Class is the **Class Change Forecast Over/Under Amount** for Year Y-1.

(a) determine the Outturn Over/Under Amount in respect of the [Change Costs] [Charge Base] for each General Service Change for which the CDSP has performed or will perform Chargeable Change Activities in Year Y-2;

(b) on the basis of what is determined under paragraph (c), determine for each Customer Class the Outturn Over/Under Amount in respect of the Annual Class Change Charge Base for Year Y-2;

and the amount determined under paragraph (b) for each Customer Class is the **Class Change Outturn Over/Under Amount** for Year Y-2.

~~8.4.1~~ , for each Customer:

(a) ~~the aggregate amount payable in respect of Change Charges calculated in accordance with paragraph 8.2;~~

(b) ~~the aggregate amount which has been paid by the Customer by way of Provisional Change Charges;~~

~~(c) the difference between (a) and (b).~~

~~8.4.2~~ An adjustment payment is made in respect of such difference.

~~8.4.38.4.2~~ ~~[For avoidance of doubt, any difference in aggregate between the Change Budget Amount and the amounts payable by Customers by way of Change Charges will form part of the adjustment under paragraph 4.6.1 in respect of under or over recoveries.]~~

## **8.5 Change Charges for Specific Service Changes**

8.5.1 Where a Service Change is made to add or vary a Specific Service, as part of the Change Procedures the methodology for calculating Change Charges in respect of the Change Costs of Chargeable Change Activities will be established in accordance with the Change Management Procedures.

8.5.2 Such methodology shall provide for:

- (a) the basis on which, in each CDSP Year, Change Charges are to be calculated by reference to the Charge Base (on the basis of Costs accruing in the CDSP Year) for the Specific Service Change;
- (b) the Customer(s) or Customer Class(es) who are to pay such Change Charges;
- (c) the CDSP to forecast such Change Costs and determine a Charge Base when preparing the CDSP Budget;
- (d) any adjustment in respect of such Change Charges after the CDSP Year.

8.5.3 The CDSP shall amend the Specific Service Change Charge Annex to include each such methodology when it is established.

8.5.4 The CDSP shall calculate Change Charges for each Specific Service Change in accordance with such methodology.

## **9 Annual Charging Statement**

### **9.1 General**

9.1.1 The Annual Charging Statement for the Charging Year sets out the Charge Bases and other details determined by applying the rules in this Document to the ~~result of applying the rules in 4, 5 and 6 to the~~ CDSP Budget, as set out in paragraphs 9.2, 9.3 and 9.4.

9.1.2 The Annual Charging Statement shall contain supporting information sufficient to explain how the Charge Bases and Charges set out in the statement have been calculated (on the basis of the rules in this Document) by reference to the CDSP Budget for the Charging Year and (where applicable) the CDSP Budget or Annual Accounts for any prior CDSP Year.

9.1.3 The CDSP shall prepare and send the Annual Charging Statement to the Committee and each Customer at the same time that it sends the final CDSP Budget in accordance with paragraph [/].

~~9.1.4~~ 9.1.4 If any Party considers there is an error in the Annual Charging Statement such Party shall notify the Committee and the CDSP; and the CDSP shall discuss the matter with the Committee and (where necessary to ensure the statement complies with this Document) shall correct and reissue the Annual Charging Statement.

### **9.2 General Service Charges**

9.2.1 In respect of General Service Charges, the Annual Charging Statement will set out:

- (a) for each Service Area:
  - (i) the Annual Service Area Charge Base~~Cost~~
  - (ii) for each Customer Class, the Annual Service Area Class Charge Base~~Costs~~;
- (b) for each Customer Class, the Annual Customer Class Service Charge Base~~Costs~~;
- ~~(c) indicative unit amounts based on aggregate SOQs for all Shipper Users and Supply Points for all Transporters?~~

### ~~9.3~~ **Specific Service Charges**

9.2.2 In respect of Specific Service Charges, the Annual Charging Statement will set out, for each Service Line:

- (a) the Charge Base for each Service Line;

~~9.3.1(b) the unit Service Charge based on the applicable Charing Measure to set out rates and relevant units for Specific Service Charges.~~

### ~~9.4~~ **Infrastructure Investment Charges**

9.3.1 In respect of Infrastructure Charges, the Annual Charging Statement will set out:

- (a) the Annual Infrastructure Charge Base (separately for UK Link Gemini and Balance-of-Infrastructure);
- (b) for each Customer Class, the Annual Customer Class Infrastructure Charge Base.

### **9.4 Change Charges**

9.4.1 In respect of Change Charges for General Service Charges, the Charging Statement will set out the Provisional Annual Class Change Charge Base for each Customer Class.

9.4.2 In respect of Change Charges for Specific Service Changes, the Charging Statement will set out, for each Specific Service Change:

- (a) the Charge Base;
- (b) such other charging information as is provided for in the methodology in the Specific Service Change Charge Annex.

~~9.4.1 Charging Statement to set out details of Infrastructure Charges and Change Charges.~~

## **10 Payment and Invoices**

### **10.1 Obligation to pay**

10.1.1 Each Customer shall pay to the CDSP:

- (a) the Monthly Service Charge in respect of each Month;

- (b) Specific Service Charges in respect of each Month or other Charging Period;
- (c) the Monthly Infrastructure Charge in respect of each Month;
- (d) the Provisional Change Charge in respect of each Month;
- (e) the Change Charge for each Specific Service Charge in respect of each Month or other period for which such Charge is calculated;
- (f) any other charge determined in accordance with Budget and Charging Methodology and provided for in the Annual Charging Statement;

each calculated by reference to the Annual Charging Statement in accordance with the provisions of this Document;

- (g) Additional Service Charges, calculated in accordance with the Additional Service Offer for each Additional Service provided to the Customer, in respect of each Month or other period for which such Charge is calculated;
- (h) any other amount payable by the Customer pursuant to any provision of the DSC.

10.1.2 Amounts in respect of Charges stated in this Document or stated in or derived from the Annual Charging Statement are exclusive of applicable value added tax (VAT), and each Customer shall pay applicable VAT in addition to such amounts.

## 10.2 Invoices - general

10.2.1 The CDSP shall prepare and send to each Customer an invoice (Invoice) in respect of each Month setting out the amounts payable by that Customer in respect of Charges for that Month or (as applicable) for Charging Periods or other periods for which Charges are to payable in that Month.

10.2.2 The CDSP will send the Invoice for a Month (M) to the Customer by the [/]th day of Month M (but no delay in send an Invoice shall affect the Customer's obligation to make payment).

10.2.3 By agreement with a Customer the CDSP may:

- (a) send different Invoices in respect of different Charges;
- (b) include, in an Invoice sent in Month M, Charges for any Month or Months following Month M;
- (c) agree a discount in respect of such Charges, for such accelerated invoicing and payment, not exceeding the time value of such accelerated payment based on a reasonable assumption as to the CDSP's cost of borrowing, and to be forfeit if the Customer is late in making payment.

10.2.4 Invoices shall be sent by [/].

10.2.5 The CDSP shall determine the format of Invoices but shall consult the Committee before making any material change in the format of Invoices.

## 10.3 Invoice - content

10.3.1 Each Invoice shall set out (subject to paragraph 10.2.3(a)):

- (a) the name of the Customer;
- (b) the Month or (pursuant to paragraph 10.2.3(b)) Months to which the Invoice relates, and (for Specific Services and Additional Charges) any other Charging Periods or other period to which the Invoice relates;
- (c) the amount payable by the Customer in respect of:
  - (i) the Monthly Service Charge;
  - (ii) Specific Service Charges;
  - (iii) the Monthly Infrastructure Charge;
  - (iv) the Provisional Change Charge;
  - (v) the Change Charge for each Specific Service Charge;
  - (vi) Additional Service Charges;
  - (vii) any other charge or amount payable by the Customer as provided in paragraph 10.1.1(f) or (h);
- (d) [VAT];
- (e) the date by which (in accordance with Clause [/] of the DSC Terms and Conditions) payment is due;
- (f) [/].

10.3.2 Each Invoice shall set out or shall be accompanied by a statement setting out:

- (a) the Customer's Monthly Charging Share;
- (b) where applicable, the Customer's Annual Charging Share;
- (c) the amount (by Charging Measure [and Charging Period where applicable]) of each Specific Service provided to the Customer;
- (d) the basis on which the Customer's Charges have been calculated from the Charge Bases set out in the Annual Charging Statement and the details in paragraphs (a), and (c) above;
- (e) such information as may be required to show the basis of calculating a Change Charge for a Specific Service Change in accordance with the applicable methodology in the Specific Service Change Charge Annex;
- (f) [/].

**10** — **s**

~~To set out what detail will be contained in individual invoices and supporting information for each charge~~

## ~~11~~ **Timetable**

~~To set out the expected timetable for the annual processes as above.~~