This draft paper was developed following the charging workgroup on 5 April and POB on 8 April. It was agreed at the POB meeting on 29 April that this would be a useful document for the 3 May workgroup to discuss as a starting point for further review.

Proposed next steps for charging and cost allocation workstream under FGO Programme

Process of development will be linked to all aspects of the FGO programme

A. Charging principles

Discussed at POB on 8 April, following development at charging workgroup on 5 April

1. Cost allocation and charging arrangements to provide greater transparency and accountability to all users.

2. Charges to be levied on users, based on a cost allocation according to their requirement for different services, with an incentive for cost control[1].

3. Changes to the charging methodology to be taken forward in future where these better meet the following objectives:

   a) Cost reflective, as far as possible;

   b) Facilitate competition;

   c) Reflect developments in the gas industry; and/or

   d) Facilitate CDSP users meeting their relevant obligations.

B. Develop service footprint as of 1 April 2017

Key considerations:

- Needs to cover both "services" provided to users in line with a contract, and "projects" where investment for a change requires funding from CDSP users

- IGT involvement, scheduled from 1 October 2016

- Nexus Go Live, scheduled for October 2016

- Impact of other industry developments

Aim

To understand what Xoserve, as service provider, expects to deliver to its users in 2017/18

Deliverables

- A full list of the services that Xoserve expects to provide to users on 1 April 2017, including a brief description of each and the users of each service – and specific notes on assumptions around changes to the current suite of services

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[1] Workgroup to also consider whether allocating services based on customer type (domestic versus non-domestic) would result in a significantly different cost allocation outcome.

- A full list of the investment/change projects that Xoserve expects to undertake in 2017/18, including a brief description of each and the users likely to benefit from each project – and specific notes on assumptions

Scope of activity

1. Xoserve to review the Level 2 list of services and confirm which will continue to be provided in 2017/18. Service groups to be categorised as:
   - Service delivery continues without change – Xoserve to provide a view of the users of service

   - Service delivery amended (describe how), but continues to be provided – Xoserve to provide a view of the users of service

   - Service no longer provided- Xoserve to describe trigger for removal

2. For those service groups that will continue to be provided, Xoserve to review the individual service lines sitting under each category and confirm which it will continue to provide in 2017/18. Service lines to be categorised as:
   - Service delivery continues without change – Xoserve to provide a view of users of services

   - Service delivery amended (describe how), but continues to be provided – Xoserve to provide a view of the users of service

   - Service no longer provided- Xoserve to describe trigger for removal

3. Xoserve to set out the details of any new services that it plans to provide in 2017/18, setting out:
   - Description of new service and reason for introduction

   - Timing of introduction of new service

   - Users of service

4. Xoserve to review business plan and confirm which projects it plans to undertake in 2017/18, and to set out:
   - Each project undertaken in 2017/18

   - Trigger for projects

   - Timing of projects

   - A view on users likely to benefit from projects

C. Develop view of cost drivers for each service, and indicative delivery costs

Key considerations:

- Charges to be cost reflective, as far as possible

- Classification of services and projects into different categories based on their cost drivers, may help in developing the charging methodology and provide a guide to suitable invoicing arrangements.

Aim

To understand what will drive the costs of delivering Xoserve's 2017/18 service footprint, to provide transparency and predictability around the costs to be funded by users.

Deliverables

For each service and project expected to be provided in 2017/18, a description of the cost drivers for providing that service/project and the indicative costs of doing so with a clear description of assumptions made.

Scope of activity

1. For each service expected to be provided in 2017/18 - outline the cost drivers and indicative delivery costs

   - Transactional processing – does the cost of providing these types of service fluctuate based on usage?

   - System provision – does the cost of providing these types of service remain flat regardless of levels of usage?

   - What other categories of service will Xoserve provide in 2017/18?

2. For each project planned for 2017/18 – outline the cost drivers and indicative delivery costs

   - Delivery of a project – does this suggest a flat charge?

   - How else could/should projects be classified for 2017/18?

3. Assess the implications of charging approach for invoicing arrangements.

D. Workgroup discussion on the above – will be a UNC 0565

Aim

   - Confirm service footprint for April 2017 – and identify any assumptions/risks to monitor over the coming months

   - Confirm classification categories for service/projects – to allow development of a draft charging methodology

   - Ensure that charging methodology is compatible with the emerging DSC

   - Confirm next steps of workplan

E. Documenting methodology and calculating charges

Aim

- Document assumptions used to develop the charging methodology, and charging methodology itself
- Provide an indicative calculation of charges for 2017/18 for each user