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CDSP Charging and Cost Allocation

UNC FGO Workgroup

3 May 2016

- Ofgem's Conclusions
- Work to date
 - Key points
 - KPMG to provide more in depth briefing
- Key Considerations

Ofgem's Conclusions

- The CDSP will be run as a not-for-profit organisation with funding coming from all CDS users
- The Cost Allocation Model and Charging Methodology should:
 - Seek to target costs towards parties based on their usage of particular Central Data Services (CDS)
 - Achieve a balance between cost reflectivity and simplicity
 - Be adaptable over time so as to accommodate new CDS and / or new CDS users
- Invoicing arrangements should ensure that CDS users have visibility of the costs to which they are exposed

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Work to date – key points

- Draft Cost Allocation Model and Charging Methodology in support of GT cost assessment submission to Ofgem
 - ‘Users’ or ‘beneficiaries’ for each ASA Service Line
 - Four constituencies: NGGT, GDNs, iGTs, Shippers
 - Service Lines grouped by common constituencies
 - Costs attributed / allocated to Service Line groups
 - Costs attributed / allocated to constituencies
 - Constituency costs allocated to constituency members (GDNs only)
 - Application to CDSP financial forecasts 2017 - 2021
 - Limited consideration of funding of investments

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Key Considerations (1 of 2)

- Costing, charging and invoicing arrangements need to be capable of:
 - Incorporation into DSC structure
 - Translation into legal text
- Application of margin when setting charges
 - Uplift on costs
 - Means of providing operational cash flow
 - Capable of variation
- Funding of investments
 - Expenditure and recovery – managing timing differences

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Key Considerations (2 of 2)

- Managing in year over- and under- recovery
 - Return to / recover from CDS users (not shareholders)
 - Timing – in year and/or next year?
 - Retention (partial) to provide operational cash flow?
 - Short-term borrowing?
- Transitional arrangements for work in flight at 1/4/17

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