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## CDSP SERVICE DOCUMENT

### BUDGET AND CHARGING METHODOLOGY

[DRAFTING NOTE TO BE DELETED FROM NEXT VERSION: Three separate changes are proposed in this draft 5.1, approval of each will be sought individually. For clarification the three changes that require approval are:

- 1) Changes to introduce Service Area 16
- 2) Changes to introduce Service Area 17
- 3) Changes to be made on approval of the introduction of Mandatory Specific Services as a sub category of Specific Services in the CDSP Service Document CDSP Service Description.]

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## 1 General

### 1.1 Introduction

1.1.1 This document (**Document**) is the Budget and Charging Methodology referred to in GT Section D3.1.4(a)(ii) and Clause 3.3(a) of the DSC Terms and Conditions and is a CDSP 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) **DSC** means the contract which is constituted by the DSC Agreement, the DSC Terms and Conditions and each of the CDSP Service Documents;
- (b) **Uniform Network Code** or **UNC** means the uniform network code prepared pursuant to Standard Special Condition A11(6) of the gas transporter's licence, as from time to time modified, and as made contractually binding (as incorporated into an individual gas transporter's individual network code) by the relevant framework agreement;
- (c) **DSC Terms and Conditions** means the DSC Terms and Conditions as defined in and for the time being in force pursuant to GT Section D;
- (d) terms defined in or for the purposes of 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 CDSP Service Document and not otherwise defined in this Document have the meanings given to them in that CDSP Service Document; and

(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 applicable procedures contained in 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, debt, 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;
- (d) a **Budget Amendment** is an amendment of the CDSP Budget pursuant to paragraph 4.7 or 4.8;
- (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;
- (f) the **Charging Year** is the CDSP Year for which Charges are to be determined;
- (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 paragraph 4.4.1;
- (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 (including any Mandatory Specific Service):
  - (i) the **Charging Measure** is the unit or other measure (as specified in the CDSP Service Description) by reference to which the Service is ordered or (as the case may be) use of the Service is measured; and
  - (ii) the **Charging Period** is the period (as specified in the CDSP Service Description) in respect of which Charges for the Service are to be invoiced;
- (j) references to a Customer Class include as separate Customer Classes (each a **Network Customer Class**):
  - (i) DN Operators;
  - (ii) Independent Gas Transporters; and
  - (iii) DN Operators and Independent Gas Transporters collectively;
- (k) **Annual Accounts** means the audited annual accounts (pursuant to Section 475 of the Companies Act 2006) 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 (including any Mandatory Specific Service); and

(m) **General Service Area** means a Service Area in respect of General Services.

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 Service 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; and
  - (v) such Charges are to be invoiced by the CDSP; and
- (b) the functions of the CDSP and the Committee in connection with the foregoing matters.

1.5.2 As provided in the Contract Management Arrangements, no decisions of the Committee are to be taken by the vote of Committee Representatives of a particular Customer Group only.

1.5.3 The CDSP shall keep this Budget and Charging Methodology under review and (where appropriate to ensure it complies with the requirements referred to in GT Section D1.2.2(a)(ii)) shall propose amendments to it under the Change Management Procedures.

## 2 Classification of Services, Costs and Charges

### 2.1 Services

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

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

2.1.2 General Services and Specific Services (including Mandatory Specific Services) are defined by Service Lines and grouped into Service Areas as provided in the CDSP Service Description.

## 2.2 Costs

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

2.2.2 **Service 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:

- (a) the Service Change Procedures set out in the Change Management Procedures, subject to paragraph 2.2.5; and
- (b) the operation of the DCC Contract Change Procedures.

2.2.5 The following Costs of the Service Change Procedures under the Change Management Procedures 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:
  - (i) the relevant Code Modification was not approved; and
  - (ii) such Business Evaluation was carried out before such non-approval occurred.

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 the 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).

2.2.8 For the purposes of this Document, any revenues or other amounts (such as payments from contractors or suppliers) received by the CDSP, other than in respect of Charges, shall be treated as negative Costs.

## 2.3 DCC Contract

2.3.1 In relation to the DCC Contract:

- (a) **DCC Costs** comprise:
  - (i) Costs (**DCC Service Costs**) in respect of the provision of CSS Services (including for the avoidance of doubt any liabilities incurred by the CDSP to any person under or in connection with the DCC Contract);

- (ii) Costs (**DCC Investment Costs**) comprising:
  - (aa) costs (other than costs within paragraph (bb) relating to the design, development, renewal, replacement and upgrade of fixed assets employed by the CDSP in the provision of CSS Services; and
  - (bb) costs of the CDSP in the operation of change management procedures under the DCC Contract including the design, development and implementation of changes to CSS Services (**DCC Contract Change Procedures**);

((aa) and (bb) together **DCC Investment**):

- (b) **DCC Charges** comprise:
  - (i) Charges (**DCC Service Charges**) payable by the DCC pursuant to the DCC Contract in respect of the CSS Services; and
  - (ii) Charges (**DCC Investment Charges**) payable by the DCC pursuant to the DCC Contract in respect of DCC Investment;
- (c) **DCC Shipper Charges** comprise:
  - (i) Charges (**DCC Shipper Service Charges**) to Shipper Users in respect of the net costs or revenues of providing CSS Services; and
  - (ii) Charges (**DCC Shipper Investment Charges**) to Shipper Users in respect of the net costs or revenues of DCC Investment

in each case taking into account revenues received by the CDSP in respect of DCC Charges.

2.3.2 DCC Shipper Charges may be positive (in which case they are payable to the CDSP) or negative (in which case they are payable by the CDSP).

2.3.3 In implementing the provisions of this Document the CDSP shall account separately for the Costs, Charges and revenues associated with those of the CDSP's activities which are:

- (a) associated with the DCC Contract (**DCC related**); and
- (b) not associated with the DCC Contract (**non-DCC**

#### **related). 2.4 Charges**

2.4.1 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 (including Mandatory Specific Services);

- (iii) charges (**Additional Service Charges**) made in respect of Additional Services; and
  - (iv) charges (**Third Party Service Charges**) made in respect of Third Party Services;
  - (v) DCC Service Charges and DCC Shipper Service Charges;
- (c) the following Charges in respect of Investment Costs:
- (i) charges (**Change Charges**) made to recover non-DCC related Change Costs; and
  - (ii) charges (**Infrastructure Charges**) made to recover non-DCC related Infrastructure Costs;
  - (iii) DCC Investment Charges and DCC Shipper Investment Charges.

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

2.4.3 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 between different Customer Classes:

No	Service Areas	Customer Classes				
		Shipper Users	Transporters			
			National Grid NTS	Distribution		Independent Gas Transporters
DN Operators and Independent Gas Transporters	DN Operators					
1	Manage Shipper Transfers	100%	-	-	-	-
2	Monthly AQ Processes	100%	-	-	-	-
3	Manage updates to customer portfolio	90%	-	-	10%	-
4	Meter Read/Asset processing	33%	-	-	67%	-
5	Demand Estimation obligations	50%	-	-	50%	-
6	Customer Relationship Management	63%	9%	28%	-	-
7	Customer Joiners/Leavers (UK Gas Market)	-	50%	-	50%	-
8	Energy Balancing (Credit Risk Management)	-	100%	-	-	-
9	Customer Reporting (all forms)	34%	7%	59%	-	-
10	Invoicing Customers	-	12%	-	88%	-
11	Management of Customer Issues	40%	5%	55%	-	-
12	Customer Contacts	50%	6%	44%	-	-
13	Managing Change	52%	7%	-	40%	1%
14	Gemini Services	-	100%	-	-	-
15	Value Added Services	80%	-	20%	-	-
16	Central Services Services Commissioning	100%				
17	Distribution Network wholly funded activities				100%	

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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 Service Change adds or removes a Service Area or adds a new Customer Class.

### 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 resulting Charge Base to activities of the CDSP; and
- (b) in relation to General Services and Specific Services (including Mandatory Specific Services), a model (**Cost Allocation Model**) which provides for the allocation (on the basis of the Cost Allocation Methodology) of Service Costs:
  - (i) in relation to General Services, to different Service Areas; and
  - (ii) in relation to Specific Services (including Mandatory Specific Services), to different Service Lines; on the basis of the input costs used to establish the CDSP Budget.

3.2.2 The CDSP shall make available to the Committee and each Customer details of the Cost Allocation Methodology and the Cost Allocation Model and each revision thereof.

3.2.3 The Cost Allocation Methodology and Cost Allocation Model and their 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** is calculated as:

$$ASP_M / \sum ASP_M$$

where

$ASP_M$  is the aggregate number of the Supply Points for which the Shipper User is Registered User as at the 1st Day of Month M; and

$\sum$  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, and for each CDSP Year Y, the **Relevant Transporter Annual Charging Share** is:

$$ASP_Y / \sum ASP_Y$$

$ASP_Y$  is the aggregate number of Supply Points of each System or (as the case may be) IGT System operated by such DNO Operator or Independent Gas Transporter, as at 1 December in the year before the CDSP Year; and

$\sum$  is the sum over:

- (i) all DN Operators and Independent Gas Transporters; or
- (ii) all DN Operators; or
- (iii) all Independent Gas Transporters,

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; and
  - (iii) for National Grid NTS, one; and
- (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; and
  - (iii) for National Grid NTS, 100%.

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 CSEP Supply Point as defined in TPD Section A4.6.1; and
- (b) numbers of Supply Points shall be determined on the basis of the Supply Point Register or in the context of an IGT System the CSEP Supply Point Register as provided in TPD Section G1.22.2.

### 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 amount (of Costs, Charge Base or revenue):

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

### 3.5 Accounting principles

The CDSP Budget and Annual Accounts for each CDSP Year shall be prepared on an accruals basis in accordance with UK Generally Accepted Accounting Practice (**UK GAAP**).

## **4 CDSP Budget 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:

- (a) Annual Service Charge Base;
- (b) Charge Bases for Specific Services (including Mandatory Specific Services);
- (c) Core Annual Service Charge Base;
- (d) Annual DCC Service Charge Base;
- (e) Annual Change Charge Base;
- (f) Annual Infrastructure Charge Base; and
- (g) Annual DCC Investment 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 paragraphs 4.4 and 4.5.

4.1.3 The document containing the CDSP Budget may contain information relating to CDSP 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; and
- (b) the CDSP Budget may not be amended other than:
  - (i) by a Budget Amendment 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 Vote.

### **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 CDSP Budget.

4.2.2 The Statement of Planning Principles will address matters such as the planning period, planning assumptions, the strategic context, the scope of CDSP Services 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, Third Party Services, CSS Services, Service Change Procedures, infrastructure development including DCC Investment).

### 4.3 Forecast Costs

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 the following categories:

- (a) Service Costs; and
- (b) Investment Costs divided into:
  - (i) Infrastructure Costs, divided between:
    - (aa) Costs relating to UK Link Gemini; and
    - (bb) Costs other than relating to UK Link Gemini (**Balance-of-Infrastructure**); and
  - (ii) Change Costs,

(and sub-divided between DCC related and non-DCC related activities and into further categories to the extent required for the purposes of this Document).

### 4.4 Non-DCC related Costs -adjustment for margin

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

- (a) Annual Service Charge Base; and
- (b) Investment Charge Base divided into:
  - (i) initial Infrastructure Charge Base, divided between UK Link Gemini and Balance-of-Infrastructure; and
  - (ii) Change Charge Base,

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

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

4.4.3 The CDSP Budget will set out how the level of margin has been determined in accordance with paragraph 4.4.2.

#### 4.5 Non-DCC related Charge Bases - adjustments

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 for CDSP Year Y-1 in respect of:
  - (i) the Annual Service Charge Base;
  - (ii) the Charge Bases for Specific Services (including Mandatory Specific Services), Additional Services and Third Party Services; and
  - (iii) the revenues derived from Customer Charges, Specific Service Charges, Additional Service Charges and Third Party Service Charges; and
- (c) by adding or deducting (as appropriate) the amount of the Outturn Over/Under Amount for CDSP Year Y-2 in respect of:
  - (i) the Annual Service Charge Base;
  - (ii) the Charge Bases for Specific Services (including Mandatory Specific Services), Additional Services and Third Party Services; and
  - (iii) the revenues derived from Customer Charges, Specific Service Charges, Additional Service Charges and Third Party Service Charges.

4.5.2 The **Core Annual Service Charge Base** is the Annual Service Charge Base adjusted as provided in paragraph 4.5.1.

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 the Infrastructure Charge Base; and
- (b) by adding or deducting (as appropriate) the amount of the Outturn Over/Over-Amount for CDSP Year Y-2 in respect of the Infrastructure Charge Base,
- (c) 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 and for Balance-of-Infrastructure.

#### 4.6 DCC related Charge Bases

4.6.1 The CDSP will calculate the Annual DCC Service Charge Base for a Charging Year (Y):

- (a) by determining the aggregate DCC Service Costs for the Charging Year;
- (b) by deducting the amounts forecast to be received by the CDSP in the Charging Year in respect of DCC Service Charges;

- (c) by adding a margin to the sum of the amounts in paragraphs (a) to (b);
- (d) by adding or deducting (as appropriate) the Forecast Over/Under Amount for CDSP Year Y-1 in respect of the Annual DCC Service Charge Base;
- (e) by adding or deducting (as appropriate) the Outturn Over/Under Amount for CDSP Year Y-2 in respect of the Annual DCC Service Charge Base; and
- (f) by deducting amounts written off as bad debts in respect of unpaid DCC Shipper Service Charges.

4.6.2 The CDSP will calculate the Annual DCC Investment Charge Base for a Charging Year (Y):

- (a) by determining the aggregate DCC Investment Costs for the Charging Year;
- (b) by deducting the amounts forecast to be received by the CDSP in the Charging Year in respect of DCC Investment Charges;
- (c) by adding a margin to the sum of the amounts in paragraphs (a) to (b);
- (d) by adding or deducting (as appropriate) the Forecast Over/Under Amount for CDSP Year Y-1 in respect of the Annual DCC Investment Charge Base;
- (e) by adding or deducting (as appropriate) the amount of the Outturn Over/Over-Amount for CDSP Year Y-2 in respect of the Annual DCC Investment Charge Base; and
- (f) by deducting amounts written off as bad debts in respect of unpaid DCC Shipper Investment Charges.

4.6.3 The margin (in paragraphs 4.6.1(c) and 4.6.2(c) respectively) will be set at a level which ensures that the CDSP maintains an adequate level of working capital during the Charging Year in respect of the relevant DCC related activities (taking account of such working capital at the start of the year including that funded by margin in prior CDSP Years).

4.6.4 The CDSP Budget will set out how the levels of margin have been determined in accordance with paragraph 4.6.3.

4.6.5 The CDSP may decide to divide a CDSP Year into a number of shorter periods (each a whole number of Months) for the purposes of paragraph 4.6.2, in which case:

- (a) each such period shall be treated as a separate Charging Year for the purposes of paragraphs 4.6.2 and 7.4;
- (b) the amounts (for the CDSP Year as a whole) in paragraphs 4.6.2(d), (e) and (f) shall be allocated to each such separate period pro rata the number of Months in each such period;
- (c) a separate Annual DCC Investment Charge Base shall be determined for each such period.

#### **4.7 Annual Process**

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

4.7.2 The CDSP will:

- (a) by 30 June in CDSP 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 the Committee in finalising the Statement of Planning Principles; and
- (d) by 31 July in CDSP Year Y-1, send the final Statement of Planning Principles to the Committee and each Customer.

4.7.3 The CDSP will:

- (a) by 31 October in CDSP Year Y-1, prepare and provide to the Committee and each Customer a draft CDSP Budget;
- (b) discuss the draft with the Committee;
- (c) provide to the Committee and each Customer such further information as the Committee may reasonably require in connection with its review of the draft CDSP Budget;
- (d) take into account, as it considers appropriate, the views of the 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; and
- (e) by the end of January in CDSP Year Y-1, send the final CDSP Budget to the Committee and each Customer.

4.7.4 The CDSP may (after the step at paragraph 4.7.3(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 4.7.3(e).

**4.8 Budget appeal**

4.8.1 A Customer may (subject to and in accordance with this paragraph 4.8) 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.

4.8.2 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 (or such longer period, not exceeding 30 Business Days, as the Committee may allow) 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; or

- (c) the final CDSP Budget was sent to the Customer (under paragraph 4.7.3(e)) less than 20 Business Days after the most recent draft CDSP Budget was sent to the Customer.

4.8.3 The Customer shall give notice of the appeal to the Authority, the CDSP and the Committee Secretary.

4.8.4 The Customer may not give notice of appeal more than 20 Business Days after the final CDSP Budget was sent to Customers under paragraph 4.7.3(e).

4.8.5 The notice of appeal shall set out:

- (a) the basis on which the Customer considers the grounds for appeal (as provided in paragraph 4.8.1) are met; and
- (b) the amendment to the CDSP Budget, which the Customer considers necessary.

4.8.6 The Committee Secretary shall:

- (a) verify with the CDSP that the conditions in paragraphs 4.8.2 and 4.8.5 are met (and, if they are not, notify the Authority and the appealing Customer to that effect); and
- (b) send a copy of the notice to each Transporter, the Committee and all Customers within 2 Business Days after it is received.

4.8.7 Within 10 Business Days after the notice of appeal was received:

- (a) the CDSP shall, after discussing the appeal with the Committee (for which purposes an ad-hoc meeting of the Committee shall be convened), send to the Authority its opinion in respect of the matter subject to appeal and such other information as it considers appropriate (including any potential impact on performance of the DCC Contract), and provide a copy of such opinion and information to the appealing Customer, the Committee and each other Customer; and
- (b) any other Customer may send to the Authority (with a copy to the CDSP and the Committee) its opinion in respect of the matter subject to appeal.

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

4.8.9 The Parties shall comply with any procedure or other requirement specified by the Authority for the purposes of considering the appeal.

4.8.10 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.

4.8.11 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 4.7.3(e); and Customers shall pay such Charges so calculated and invoiced.

4.8.12 The appeal will be decided by the Authority's direction to the Transporters as provided in paragraph 13 of the CDSP Licence Condition.

4.8.13 When the appeal is decided:

- (a) the Transporters shall notify the Authority's direction to the CDSP with a copy to the Committee; and
- (b) the CDSP shall send a copy of such direction to each Customer.

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

- (a) the CDSP will, as soon as is reasonably practicable, 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) 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 4.10 shall apply.

4.8.15 If a question arises as to what is necessary to comply with the Authority's direction, the CDSP and the Committee shall not decide such question without the approval of the Transporters.

#### 4.9 Budget Amendment

4.9.1 This paragraph 4.9 applies if at any time following the finalisation of the CDSP Budget for the Charging Year:

- (a) it appears to the CDSP that:
  - (i) it will, during the Charging Year, incur Costs which were not included in the CDSP Budget;
  - (ii) 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**); and
  - (iii) 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; or
- (b) it appears to the CDSP that:
  - (i) it will not incur Costs during the Charging Year which were included in the CDSP Budget; and

- (ii) the amount of such Costs (in aggregate, and net of any increase in other Costs) exceeds 15% of the total Costs in the CDSP Budget (or such other threshold as the Committee may agree).

4.9.2 Where paragraph 4.9.1(a) 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 Service 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 to include such additional Costs, as follows;
- (c) the CDSP shall prepare and send to each Customer and the Committee:
  - (i) a draft of the amended CDSP Budget (and if appropriate an amendment of the Statement of Planning Principles) which will address the financial deficit; and
  - (ii) a proposed timetable for review and finalisation of the Budget Amendment;
- (d) steps equivalent to those in paragraph 4.7.3 shall apply in relation to the Budget Amendment on the basis of such timetable (as it may be revised by agreement between the CDSP and the Committee); and
- (e) paragraph 4.10 shall apply.

4.9.3 Where paragraph 4.9.1(b) applies:

- (a) the CDSP shall promptly inform the Committee of the situation, and discuss with the Committee whether the relevant Costs are likely to be incurred in the following CDSP Year, or there are activities of the CDSP planned for the following CDSP Year which could be brought forward; and
- (b) following such discussions, if (having regard to the inconvenience for Customers of a revision of the Annual Charging Statement) the Committee requires, the CDSP Budget shall be amended to exclude such avoided Costs (or such amount of them as the Committee requires).

4.9.4 The CDSP on behalf of the Transporters shall notify the Authority of the Budget Amendment and the consequent increase or decrease in Charges as provided in paragraph 4.9 as soon as the Budget Amendment is made.

4.9.5 Unless the Authority directs the Transporters to the contrary, a Budget Amendment may not be appealed under paragraph 4.8.

#### 4.10 Revision of Annual Charging Statement

4.10.1 This paragraph 4.10 applies where the CDSP amends the CDSP Budget:

- (a) following an appeal in accordance with paragraph 4.8; or

(b) in accordance with paragraph 4.9.

4.10.2 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 4.8.14(e) or (as the case may be) paragraph 4.9.2(c).

4.10.3 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; and
- (b) the revision of the Annual Charging Statement shall be effective from the next 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.

## 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 General Service Areas in the Charge Base Apportionment Table.

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

### 5.2 Apportionment of Annual Service Area Charge Base

5.2.1 For each General 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 General Service Area apportioned to each Customer Class is 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 General Service Areas; and
- (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; and
  - (ii) the Class Change Outturn Over/Under Amount for CDSP Year Y-2 for that Customer Class,

(in accordance with paragraph 8.4) and the resulting amount is 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 General Service Charges

5.5.1 For each Month in the Charging Year, the General 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, the General 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; and
- (b) aggregate the amounts in paragraph (a) over all Network Customer Classes to determine the General Service Charge.

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

#### 5.6 DCC Shipper Service Charges

5.6.1 The **Monthly DCC Service Charge Base** is 1/12 of the Annual DCC Service Charge Base.

5.6.2 For each Month in the Charging Year the DCC Shipper Charge for each Shipper User is calculated as the Shipper Monthly Charging Share (for that Month) of the Monthly DCC Service Charge Base.

### 6 Calculation of Specific Service Charges and Additional Service Charges

#### 6.1 Specific Services - Forecast Demand

6.1.1 In the CDSP Budget the CDSP will forecast the usage of or demand for each Service Line for a Specific Service (including any Mandatory Specific Service) in the Charging Year.

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 (including any Mandatory Specific Service) as provided in the CDSP Service Description.

#### 6.2 Cost forecast and Charge Base

6.2.1 For each Specific Service (including any Mandatory Specific Service) the CDSP will:

- (a) forecast the Costs of the Specific Service (including any Mandatory 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 4.4.1) to the forecast Costs.

### 6.3 Unit charge

6.3.1 For each Specific Service (including any Mandatory Specific Service) the unit Specific Service Charge is calculated by dividing the 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 (including any Mandatory Specific Service).

### 6.4 Additional Service Charges

6.4.1 Before making an Additional Services Offer the CDSP shall:

- (a) estimate the Costs of providing the Additional Service in the CDSP Year in which the Additional Service will start (to include any Costs of developing the Additional Service);
- (b) add the applicable margin (in accordance with paragraph 4.4.1) for that CDSP Year to determine a Charge Base;
- (c) determine an Additional Service Charge, or basis (and, where applicable, measure of usage) for calculating an Additional Service Charge, and an invoicing frequency, which will recover such Charge Base over the period in that CDSP Year in which the Additional Service is provided; and
- (d) decide whether the Charge should be subject to any adjustment to reflect outturn Costs (or where applicable usage) as compared with what was estimated in a CDSP Year.

6.4.2 For any CDSP Year after the first in which the Additional Service is provided, the CDSP will:

- (a) estimate the Costs and determine the Charge Base for the Additional Service; and
- (b) determine (on the basis referred to in paragraph 6.4.1(c) and (d)) the Additional Service Charge for the CDSP Year,

but the CDSP may continue to apply the prior year's Charge if it considers that (on the above basis) there would be no significant change.

## 7 Infrastructure Charges and DCC Shipper Investment 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.

### 7.2 Non-DCC related investment - Annual Customer Class Infrastructure Charge Base

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 as:

$$AICB_{bal} * AACCSB / \sum AACCSB$$

where

$AICB_{bal}$  is the Annual Infrastructure Charge Base for Balance-of-Infrastructure;

$AACCSB$  is the Adjusted ACCSCB calculated in accordance with paragraph 7.2.2; and

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

7.2.2 The **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 the following Service Areas relating to UK Link Gemini and Managing Change:

- (a) Service Area 8 - Credit risk management (including cash collection) and management of neutrality accounting processes;
- (b) Service Area 13 – Managing Change; and
- (c) Service Area 14 - Gemini system services.

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 for UK Link Gemini.

### 7.3 Non-DCC related investment - 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 calculated as the Customer's Monthly Charging Share of 1/12 of the Annual Customer Class Infrastructure Charge Base for the relevant Customer Class; and
- (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.

### 7.4 DCC Shipper Investment Charges

7.4.1 The **Monthly DCC Investment Charge Base** for a Month in a Charging Year is 1/M of the Annual DCC Investment Charge Base; where M is 12 or, where (in accordance with paragraph 4.6.5) the Charging Year is a shorter period, the number of Months in such period.

7.4.2 For each Month in the Charging Year the DCC Shipper Investment Charge for each Shipper User is calculated as the Shipper Monthly Charging Share (for that Month) of the Monthly DCC Investment Charge Base.

## 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 under the Service Change Procedures, excluding those activities referred to in paragraph 2.2.5, in the Charging Year (**Chargeable Change Activities**) (and for the avoidance of doubt such activities do not include the operation of the DCC Contract Change Procedures).

8.1.2 This paragraph 8 sets out the basis on which:

- (a) for General Service Changes:
  - (i) Change Charges for Customers will be calculated after the Charging Year (paragraph 8.2);
  - (ii) Provisional Change Charges for Customers are calculated before the Charging Year (paragraph 8.3); and
  - (iii) a reconciliation and adjustment in respect of Change Charges is made after the Charging Year (paragraph 8.4); and
- (b) for Specific Service (including any Mandatory Specific Service) Changes, specific Change Charges will be determined.

8.1.3 The total Change Charge Base (**Change Budget**) in the CDSP Budget for a CDSP Year shall be determined as the sum of:

- (a) the estimated Charge Base in respect of Chargeable Change Activities for all General Service Changes taken into account in the CDSP Budget (as provided in paragraph 8.3.2(a); and
- (b) an additional amount sufficient to cover the likely Costs of any Changeable Charge Activities (for General Service Changes) which are not foreseen in the CDSP Budget.

## 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;
- (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;
- (c) the Change Costs of Chargeable Change Activities are determined in accordance with the Cost Allocation Methodology;
- (d) the Charge Base is calculated by adding a margin (in accordance with paragraph 4.4.1) to such Costs; and
- (e) the Charge Base is apportioned:
  - (i) where relevant, between Service Areas, in the proportions determined under paragraph (b); and

(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; and

$ACB_{SC}$  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).

8.2.3 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).

### 8.3 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.

8.3.2 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, the CDSP will estimate the relevant Costs and (by adding a margin in accordance with paragraph 4.4.1) determine the 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; and
- (c) the CDSP will estimate the Annual Class Change Charge Base (as provided in paragraph 8.2.2) on the basis of the uplifted amounts referred to in paragraph (b), and such estimate is the Provisional Annual Class Change Charge Base.

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).

8.3.4 The percentage uplift in paragraph 8.3.2(b) will be set so as to allow the CDSP to recover, by Provisional Change Charges, the whole of the Change Budget.

8.3.5 No adjustment shall be made within the Charging Year in respect of the Provisional Class Annual Change Charge Base for any Customer Class.

### 8.4 Adjustment in respect of provisional charges

8.4.1 In relation to a CDSP Year Y, the CDSP will, when preparing the CDSP Budget for Year Y:

- (a) determine the Forecast Over/Under Amount in respect of the Charge Base for each General Service Change for which the CDSP has performed or will perform Chargeable Change Activities in Year Y-1; and
- (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 (and is applied as set out in paragraph 5.3.1(b)(i)); and

- (c) determine the Outturn Over/Under Amount in respect of the Charge Base for each General Service Change for which the CDSP has performed or will perform Chargeable Change Activities in Year Y-2; and
- (d) 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 (d) for each Customer Class is the **Class Change Outturn Over/Under Amount** for Year Y-2 (and is applied as set out in paragraph 5.3.1(b)(ii)).

8.4.2 For avoidance of doubt, paragraph 8.4.1 shall apply in respect of all General Service Changes including any which were not foreseen in the CDSP Budget for Year Y-1 or Y-2.

## 8.5 Change Charges for Specific Service Changes

8.5.1 Where a Service Change is made to add or vary a Specific Service (including any Mandatory Specific Service), as part of the Service 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 (including Mandatory 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; and
- (d) an adjustment in respect of such Change Charges after the CDSP Year to reconcile Forecast Over/Under Amounts and Outturn Over/Under Amounts.

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 (including Mandatory 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 CDSP Budget, as set out in paragraphs 9.2, 9.3, 9.4 and 9.5.

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, by 31 January in Year Y-1, prepare and send the Annual Charging Statement to the Committee and each Customer.

9.1.4 The CDSP shall keep the Annual Charging Statement under review, but it is acknowledged that:

- (a) the Annual Charging Statement sets out the result of the application of the rules in this Document to the CDSP Budget;
- (b) accordingly, in the absence of:
  - (i) an error in the application of such rules; or
  - (ii) a Budget Amendment; or
  - (iii) an amendment of this Document taking effect within the Charging Year;

no review or amendment of the Annual Charging Statement is likely to be required; and

- (c) if this Document complies with the requirements referred to in GT Section D1.2.2(a)(ii) it can be assumed that the Annual Charging Statement complies with those requirements.

9.1.5 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 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; and
  - (ii) for each Customer Class, the Annual Service Area Class Charge Base; and
- (b) for each Customer Class, the Annual Customer Class Service Charge Base.

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; and
- (b) the unit Service Charge based on the applicable Charging Measure.

### 9.3 Infrastructure 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); and
- (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 Annual 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 (including Mandatory Specific Service) Changes, the Annual Charging Statement will set out, for each Specific Service (including Mandatory Specific Service) Change:

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

### 9.5 DCC Charges

9.5.1 In respect of DCC Charges, the Annual Charging Statement will set out:

- (a) the Annual DCC Service Charge Base; and
- (b) the Annual DCC Investment Charge Base.

## 10 Payment and Invoices

### 10.1 Obligation to pay

10.1.1 Each Customer shall pay to the CDSP:

- (a) the Customer Charge;
- (b) the General Service Charge in respect of each Month;
- (c) Specific Service Charges in respect of each Month or other Charging Period;
- (d) the Monthly Infrastructure Charge in respect of each Month;
- (e) the Provisional Change Charge in respect of each Month;
- (f) the Change Charge for each Specific Service Charge in respect of each Month or other period for which such Charge is calculated;

- (g) in the case of Shipper Users only:
  - (i) the DCC Shipper Service Charge in respect of each Month;
  - (ii) the DCC Shipper Investment Charge in respect of each Month;
- (h) 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;

- (i) 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; and
- (j) 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 an invoice (**Invoice**):

- (a) to each Customer in respect of each Month setting out the amounts payable by that Customer in respect of Charges (other than DCC Shipper Charges) for that Month or (as applicable) for Charging Periods or other periods for which Charges are payable in that Month;
- (b) to each Shipper User in respect of each Month setting out the amounts payable by that Shipper User in respect of DCC Shipper Charges for that Month.

10.2.2 The CDSP will send each Invoice for a Month (M) to the Customer by no later than the last day of Month M (but no delay in sending an Invoice shall affect the Customer's obligation to make payment, based on the actual date of the Invoice).

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; and
- (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 Conventional Notice.

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 (including Mandatory Specific Services) and Additional Charges) any other Charging Periods or other period to which the Invoice relates;
- (c) except as provided under paragraph (d), the amount payable by the Customer in respect of:
  - (i) the Customer Charge;
  - (ii) the Monthly Service Charge;
  - (iii) Specific Service Charges;
  - (iv) the Monthly Infrastructure Charge;
  - (v) the Provisional Change Charge;
  - (vi) the Change Charge for each Specific Service Charge;
  - (vii) Additional Service Charges; and
  - (viii) any other charge or amount payable by the Customer as provided in paragraph 10.1.1(g) or (i);
- (d) in the case of an Invoice for DCC Shipper Charges, the amount payable by the Shipper User in respect of:
  - (i) DCC Shipper Service Charges;
  - (ii) DCC Shipper Investment Charges;
- (e) VAT in respect of such amounts;
- (f) such further details as are required by Law relating to VAT; and
- (g) the date by which (in accordance with Clause 5.2 of the DSC Terms and Conditions) payment is due.

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 (including any Mandatory 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; and
- (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.