



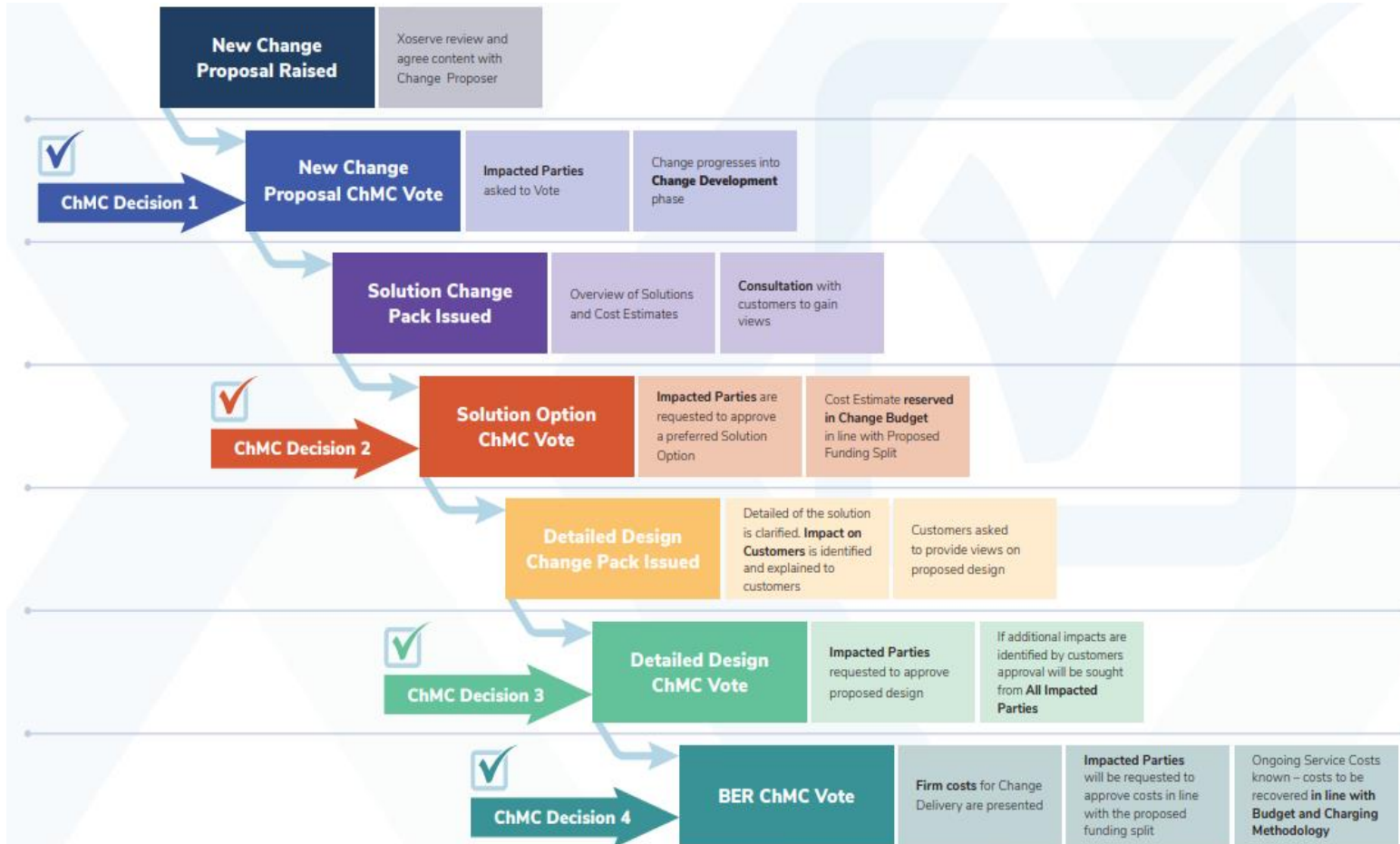
Change Management Procedure Review – Funding Splits and Voting Arrangements

Assessment performed in Q1 2023

Background

- CDSP Service Document Change Management Procedures last updated 9 November 2018.
- We've seen a change in the spending behaviour of customers which has driven us to revisit Change Management Procedures under DSC
- Our interpretation of how DSC change process works at a high level is set out on next slide – is this in line with how DSC Parties understand the process works today?

DSC Change Governance Process - Voting Decision Points



Process to Agree Funding – In Summary

- A DSC Change Proposer can propose funding to be applied to a DSC Change Proposal
- Funding arrangements initially cover the Change Delivery costs, and will be reserved from the General Change Budget until firm costs are approved
- Impacted parties vote at multiple stages (4) in the process
- BER approval confirms Change Delivery costs and drawdown on DSC General Change Budget
- Ongoing Service Costs (if applicable) are also set out in the BER and shall be recovered in line with Budget and Charging Methodology
- If a UNC Modification leads to a DSC Change Proposal the proposed funding arrangements set out in the UNC Workgroup will be applied
- UNC Modifications are DSC Priority Service Change and should not be impeded by DSC approval
- Impacted Parties are able to review and approve the Detailed Design in order to ensure the technical and operational solution is understood and implemented appropriately

Ongoing costs following delivery of ANY change

- Ongoing costs following delivery of ANY change - need a decision point in the process to lock down funding/funding splits - which must align to the B&CM.
- Improvements for agreeing funding splits in two stages; 1) change delivery; 2) ongoing service costs.

Voting Arrangements for DSC Change Only

What do the rules say?

UNC GT-D paragraph 4.3

Unless the DSC specifically states that a unanimous vote is required, then any decision is made by a simple majority of those eligible to vote.

UNC Modification Rules

The UNC Mod Rules that apply to DSC Committees do not relate to DSC Committee voting arrangements.

DSC Change Management Procedures paragraph 4:

Unless the proposed change has an 'Adverse Impact' on Customers of any Customer Class then a decision by the ChMC shall be made by a simple majority.

A change that has an 'Averse Impact' would require a unanimous decision by the ChMC.

Adverse Impact

A change is considered to have an Adverse Impact in a number of scenarios – financial impact is not one of those.

UNC/DSC extracts

UNC GT-D:

4.3.4 "Decisions of a DSC Committee shall be made:

- (a) where expressly so provided in the DSC or this Section D, by the unanimous vote of the Voting Representatives who are present at the relevant meeting and who vote in respect of the matter to be decided (a "Unanimous Vote"); and
- (b) except as provided in paragraph (a) by a simple majority of the votes of the Voting Representatives who are present at the relevant meeting and who vote in respect of the matter to be decided, and accordingly, where a Voting Representative is not present at the relevant meeting or abstains from voting in respect of a decision, such Representative shall not be counted in determining whether a unanimous vote or (as the case may be) a simple majority of votes has been obtained."

DSC Change Management Procedures:

"4.2.1 Where a Proposed Service Change

(a) is a Restricted Class Change; and

(b) does not or would not have an Adverse Impact in relation to Customer(s) of a Customer Class which is not a Relevant Customer Class,

then, subject to the Priority Principles in paragraph 4.5, decisions of the Committee under this paragraph 4 in respect of the Proposed Service Change shall be made by the vote of Committee Representatives of the Relevant Customer Class(es) only.

4.2.2 Where a Proposed Non-Modification Service Change would have an Adverse Impact within paragraph 4.4.1 (a) or (b) on Customers of any Customer Class, then decisions of the Committee under this paragraph 4 in respect of the Proposed Service Change shall only be made by the Unanimous Vote in a Full Vote of the Committee."

"4.4.1 Service Change has or would have an Adverse Impact on Customers of a particular Customer Class if:

- Relevant a) Implementing the Service Change would involve a modification of UK Link which would conflict with the provision of existing Services for which such Customer Class is a Customer Class;
 - b) the Service Change would involve the CDSP disclosing Confidential Information relating to such Customers to Customers of another Customer Class or to Third Parties;
 - b) Implementing the Service Change would conflict to a material extent with the Implementation of another Service Change (for which such Customer Class is a Relevant Customer Class) with an earlier Proposal Date and which remains Current, unless the Service Change is a Priority Service Change which (under the Priority Principles) takes priority over the other Proposed Service Change; or
- (a) Implementing the Service Change would have an Adverse Interface Impact (as provided in paragraph 5.1.3) for such Customers."

Options – presented on 2 February 23

- Option 1
 - There is provision for the paragraph 4 of the Change Management Procedures to be amended at the request or with the agreement of the CDSP. This would require a unanimous vote in a full vote. If customers agreed that approval of a specific change required a unanimous decision this would remove the issue around number of votes
 - Benefit – no change required to DSC or UNC.
 - Risk – would require a unanimous vote in a full vote to make any change to procedure for each individual change that is funded by multiple customer groups.
- Option 2
 - Amend the definition of 'Adverse Impact' (para 4.4) to include any financial impact to a relevant customer class. Includes this in para 4.2.2 which would make this scenario a requirement for a unanimous vote.
 - Benefit – can be amended under DSC rather than requiring a Mod
 - Benefit – any non modification service change that will be funded by multiple customer classes will require a unanimous vote for approval.
 - Risk – is there a scenario where this would impede any proposed change from proceeding?
 - Note – the budget for a modification service change should be agreed during mod work group discussions and any required change to budget and charging methodology should be set out in the mod proposal.

Option Considerations

- Option 2 – may be a risk that changes that have majority support could be prevented from progressing due to a lack of unanimous support
 - This would not be a risk to regulatory changes as ‘Adverse Impact’ is only considered in relation to a ‘Non-Modification Service Change’
- Could consider an option to change GT-D and voting arrangements to ensure equal number of votes between respective constitutes NGT/IGT/DNs/Shippers – i.e. 6 votes each
 - Would this achieve the required result or could we find ourselves in circumstances where decisions are split more often
 - A change to amend voting in relation to ‘Non-Modification Service Changes’ to unanimous if all voting parties are impacted would remove the need for equal votes and therefore remove the requirement for a Mod to amend GT-D.