










UNC Modification	At what stage is this document in the process?
<h1>UNC 0841:</h1> <h2>Introduction of cost efficiency and transparency requirements for the CDSP Budget, and revisions to DSC change processes</h2>	<p>01 Modification</p> <p>02 Workgroup Report</p> <p>03 Draft Modification Report</p> <p>04 Final Modification Report</p>
<p>Purpose of Modification:</p> <p>The purpose of this Modification is to improve the ability of UNC Parties to fulfil their obligation jointly to control and govern the CDSP on an economic and efficient basis (under UNC General Terms, Section D, 1.4.4), through the introduction of explicit requirements for efficiency <u>and</u> greater transparency of the Budget <u>and revised governance change processes</u>.</p>	
<p>Next Steps:</p> <p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none">considered a material change and not subject to Self-Governanceassessed by a Workgroup <p>This Modification will be presented by the Proposer to the Panel on 16 March 2023. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>	
<p>Impacted Parties:</p> <p>High: None</p> <p>Medium: CDSP, Shippers, Distribution Network Operators, Independent Gas Transporters</p> <p>Low: Consumers</p> <p>None:</p>	
<p>Impacted Codes:</p> <p>Independent Gas Transporters UNC</p>	

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Modification timetable:		Transporter: Guv Dosanjh Cadent	
Pre-Modification Discussed	16 February 2023	 Gurvinder.Dosanjh@cadentgas.com	
Date Modification Raised	03 March 2023		
New Modification to be considered by Panel	16 March 2023		
First Workgroup Meeting	20 March 2023	 07773 151572	
Workgroup Report to be presented to Panel	15 June 2023	Systems Provider: Xoserve	
Draft Modification Report issued for consultation	19 June 2023		
Consultation Close-out for representations	07 July 2023	 UKLink@xoserve.com	
Final Modification Report available for Panel	13 July 2023	Other: Insert name	
Modification Panel decision	20 July 2023	 email address	
		 telephone	

1 Summary

What

This Modification proposes to provide for greater clarity of the content requirements for the Central Data Services Provider (CDSP) Annual Budget. Specifically, the current arrangements do not require the CDSP ~~to provide efficient services~~; to demonstrate that the expenditure proposed is efficient [and economic](#) and that it represents value for money to its Customers. The proposed changes are intended to allow for greater scrutiny of the Budget by ~~Stakeholders~~[stakeholders](#).

~~The Modification will also improve the governance of inputs to the Budget, as well as for future changes to governance procedures and processes for change under the Data Services Contract (DSC).~~

Why

Business plan requirements:

UNC Parties are mandated by the UNC to utilise the CDSP's services and are responsible for challenging and scrutinising the CDSP's Costs. This is in line with the Authority's decision on the Funding Governance and Ownership model. Key elements of the Authority's decision include that the CDSP be subject to industry accountability and governance. Under UNC General Terms, Section D, 1.4.4:

*"Each Party undertakes that it will act and exercise its rights and powers under the DSC in relation to the CDSP so as **jointly to control and govern the CDSP on an economic and efficient basis**" [emphasis added]*

The Authority decided that the CDSP Budget would be set via a consultative process and parties would work collaboratively to ensure that Costs are efficient and that the CDSP [Annual](#) Budget is fit for purpose. The CDSP is obliged under the [Data Services Contract \(DSC\)](#) Budget and Charging Methodology (BCM) to produce an annual Budget according to the defined Annual Process. The DSC does not prescribe that the CDSP's Costs should be economic and efficient. Also, the DSC prescribes very little of the necessary information that must be included in the CDSP Budget to facilitate parties scrutinising the proposals.

The CDSP's proposals have lacked transparency over several years. Key information needed to allow Parties to determine whether the proposals are economic and efficient have been excluded. The lack of transparency and the exclusion of relevant information have prevented meaningful scrutiny of ~~the multiple~~ [CDSP Annual](#) Budgets. The lack of transparency and the exclusion of relevant information have been consistent themes in the appeals of the CDSP [Annual](#) Budget in 2020, 2022 and 2023 (the 2022 and 2023 Appeals remain with Ofgem for decision). The CDSP has been notified of objections to all four CDSP Budgets since 2020.

Change processes:

~~The procedures for changing the CDSP Service Documents (such as the BCM) are defined in the Change Management Procedures (CMP). The Change Management Committee (ChMC) was designed to focus primarily on assessing technical changes to CDSP Services. However, the ChMC is also responsible for assessing changes to CDSP Service Documents. This means that the ChMC is responsible for assessing contract/finance related changes even though the Contract Management Committee is better placed to do so. Another weakness of the current arrangements is the Parties that propose changes to CDSP Service Documents are not required to demonstrate the merits of the proposals relative to the status quo.~~

How

Section D of the UNC General Terms governs the requirements and arrangements for the appointment and usage of a Central Data Services Provider (CDSP), following Standard Special Condition A15 of Gas Transporter's Licences ([the CDSP Licence Condition](#)).

The CDSP Licence Condition stipulates that a service agreement must be in place between the CDSP and Parties for the provision of services. This is defined as the ~~Data Services Contract (DSC)~~ in the UNC, where the objectives of the contract are set. The objectives state that services must be provided "effectively" (UNC GTD 1.2.2).

This Modification proposes to introduce an additional DSC objective that requires the **costs for delivery of CDSP services and the performance of Non-Service Functions to be economic and efficient**, in addition to the current requirement to make service provision effective. Consequential changes to the UNC and the DSC suite of documents will be required to facilitate this change by making explicit how the objective is met, allowing Parties transparency of the required information and amending governance processes.

In summary, this Modification will:

- Make explicit the requirement that ~~the costs incurred to deliver CDSP services~~ [Services and to perform Non-Service Functions are delivered efficiently](#) ~~are efficient and economic, and;~~
- Create a set of business plan [information](#) rules [that specify the information that the CDSP must include in the CDSP Annual Budget](#), ~~and~~
- ~~Re-work the change processes so that any contract/finance related matters are handled by the DSC Contract Management Committee and to specify criteria for testing DSC change proposals to ensure they represent improvement to the baseline.~~

2 Governance

Justification for Authority Direction

This Modification will require Authority Direction as it seeks to make changes to governance arrangements. ~~The consequential DSC changes would also amend the current conditions specifically to add the Authority's approval of changes to the charging methodology, consistent with other codes and processes for governance of charging matters.~~

Requested Next Steps

This Modification should:

- be considered a material change and not subject to Self-Governance; and
- be assessed by a Workgroup.

The proposed timeline for development and implementation of this Modification is designed to inform and support the business planning cycle for CDSP [Annual Budget](#) 2024/25.

The draft Principles and Approach for the Business Plan are usually published in late June or early July, outlining the intended scope and content of the process and eventual drafts. [Therefore](#), we suggest that Workgroup meetings take place from March to May, in order for a Draft Modification Report and Consultation to be issued in June, allowing the Principles and Approach to take account of the Workgroup's outputs.

Implementation of the Modification in September 2023 will allow the CDSP to incorporate the change in the publication of the first draft of the Business Plan document in October 2023.

Implementation of amendments to the DSC suite of documents and DSC governance in October 2023 will coincide with new Contract and Change Management Committee members taking up their seats. It will also allow the inclusion of the full change to be incorporated in the second draft Business Plan document, which should be published in late October 2023 or November 2023.

The proposed timeline and alignment to the indicative CDSP [Annual](#) Budget engagement cycle is provided in the table below:

Date	Modification milestone	CDSP Budget milestone
Mar 2023	Modification formally raised	
Mar- August May 2023	Workgroup development	
Jun 2023	Draft Modification Report & Consultation	Publication of Business Plan 2024/25 Draft Principles & Approach, consultation
Jul 2023	Final Modification Report	
Sep 2023	Final Modification Report Draft Modification Report & Consultation	
Oct 2023	Implementation of UNC changes	First Draft Business Plan 2024/25, consultation
Nov 2023	Implementation of DSC changes	Second Draft Business Plan 2024/25, consultation
Dec 2023		Final Draft Business Plan 2024/25, consultation
Jan 2024		Final Business Plan 2024/25 publication, with CDSP Board approval

3 Why Change?

Business plan requirements:

[Each central services provider is a monopoly in its relevant segment of the energy value chain.](#) Industry parties are dependent on [these](#) appointed [monopoly](#) central services providers to perform processes that facilitate the delivery of energy. [Industry parties are legally mandated to utilise the services provided by the monopoly central services providers and cannot procure those services from other providers.](#) Central services are funded by their users as part of the costs they incur to operate. [Scrutiny of monopoly central service providers' expenditure plans by industry parties is an established way of mitigating the risk of consumer detriment that could arise as a result of central service providers being monopolies.](#) Ensuring value for money for consumers across all parts of the energy value chain, including [from the costs incurred by monopoly](#) central service providers, is more important than ever in the current cost of living crisis.

~~Many other central service providers are provided with clear guidance from the Authority, in some detail, of the expectations for the content of their annual Business Plans. This can include specific cost breakdown requirements and templates for conducting cost-benefit analyses. These are to enable scrutiny and challenge of budgets by the Authority and all stakeholders. They also ensure that information is provided in a clear, consistent, comparable and timely manner.~~

In the case of CDSP Services, the CDSP's Customers are mandated by the UNC to utilise the CDSP's services and are responsible for challenging and scrutinising the CDSP's costs. This is in line with the Authority's decision on the Funding Governance and Ownership model, which was implemented in 2017. Key elements of the Authority's decision are that the CDSP must be collectively owned by the Transporters, be not-for-profit and be subject to industry accountability and governance. The Authority decided that the CDSP Annual Budget would be set via a consultative process and Parties would work collaboratively to ensure that Costs are efficient and that the CDSP Budget is fit for purpose.

Under UNC General Terms, Section D, 1.4.4:

*"Each Party undertakes that it will act and exercise its rights and powers under the DSC in relation to the CDSP so as **jointly to control and govern the CDSP on an economic and efficient basis**" [emphasis added]*

The CDSP is obliged under the DSC Budget and Charging Methodology (BCM) to produce an annual Budget with a defined Annual Process. The CDSP must provide to and discuss with the DSC Contract Management Committee, drafts of the Planning Principles and the Budget itself. The BCM sets out that the CDSP can act as it considers appropriate in taking the Committee's views into account, prior to finalising the CDSP Annual Budget.

There is a route for Appeal to the Authority if Parties do not consider the final CDSP Annual Budget to be fit for purpose. This has been exercised in 2020, 2022 and 2023 (the 2022 and 2023 Appeals remain with Ofgem for decision). The CDSP has been notified of objections to all four CDSP Annual Budgets since 2020. The grounds for Appeal have consistently raised that there is insufficient transparency and detail of information contained in the published Budgets to allow Parties to determine whether or not the CDSP is acting on an economic and efficient basis. Industry party feedback through the business planning processes and within Contract Management Committee has been consistent with these views.

Business plans requirements for other monopoly providers in the energy value chain:

Greater clarity and transparency of information in the CDSP Annual Budget, comparable to that provided by other industry service providers in their annual business plans, is needed to allow Parties improved ability to meet their obligation under UNC GTD 1.4.4 and to ensure cost efficiency and value for money for consumers.

~~Many other monopoly central services providers in the energy value chain are provided with clear guidance from the Authority, in some detail, of the expectations for the content of their annual Business Plans. For example, the Authority issued guidance to the Electricity System Operator (ESO) and the electricity and gas network companies relating to their RIIO-2 business plans. Also, additional guidance was issued to the ESO relating specifically to proposed IT investments.~~

~~The guidance was intended to facilitate scrutiny and challenge of budgets by the Authority and all stakeholders. The guidance stipulated the minimum expectations of the companies' business plans such as specific cost breakdown requirements, cost-benefit analysis methodologies, the treatment of uncertainties, robust stakeholder engagement and transparency of the information presented in their plans. The guidance made clear that the information in the business plans should be presented in sufficient transparency and granularity to allow scrutiny. For example, in the ESO's IT Investment guidance, the Authority included the following requirements:~~

- ~~"...For these topic areas, we will require the ESO to share granular detailed information (e.g. as detailed as data on individual tasks) to provide us with micro-level snapshots of how money is spent. This in-~~

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depth review will provide us with insight as to whether the ESO's methods for delivering IT represent value for money"

- "We require access to a sufficient quality of information regarding the ESO's planned BP2 IT investments to ensure that our analysis allows for robust decision making and assurance. This information will provide transparency about the current ("as-is") and future ("to-be") states of the ESO's IT, as well as the specific means by which the as-is state will be evolved and adapted into the planned to-be state."

The guidance was issued in accordance with the relevant conditions in their licences. Where provisions of the guidance required compliance of the monopoly central services providers, they were required to comply with the guidance as if it formed part of their licences. The guidance documents have enabled the companies to present their plans that facilitate scrutiny and provide comfort that allowed expenditure allowances are in consumers' interests. Adopting a similar approach for the CDSP Annual Budget will be beneficial.

Change processes:

The procedures for changing the CDSP Service Documents (such as the BCM) are defined in the Change Management Procedures (CMP). The Change Management Committee (ChMC) was designed to focus primarily on assessing technical changes to CDSP Services. However, the ChMC is also responsible for assessing changes to CDSP Service Documents. This means that the ChMC is responsible for assessing contract/finance related changes even though the Contract Management Committee is better placed to do so.

Change processes and governance routes for Service Documents were originally included in and discussed as part of this Modification. Some workgroup members suggested that the practical reality of the governance processes may differ from that written into the DSC. A Review Group will explore these issues separately to this Modification 0841.

Another weakness of the current arrangements is the Parties that propose changes to CDSP Service Documents are not required to demonstrate the merits of the proposals relative to the status quo. Parties that propose changes that affects how charges are calculated are not required to explain how the changes, if implemented, better achieve the DSC Charging Methodology Objectives. Parties that propose other types of changes are not required to explain how the changes, if implemented, better achieve the DSC Objectives.

The overall package of proposed changes will be effected in a hierarchy, through changes to the UNC with related and consequential changes to the DSC suite of subordinate documents.

4 Code Specific Matters

Reference Documents

Current and recent CDSP Budgets (Xoserve Business Plans): [Business plan \(xoserve.com\)](#)

DSC suite of documents: [DSC / CDSP Documents | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](#)

[UNC Modification 0813 – See Legal text explanation table](#)

[UNC Modification 0666 – See 29 August 2018 Legal Text Explanatory Document 0666](#)

[PAC Documents 5_6_7 Confidentiality Documents v2.0.pdf \(gasgovernance.co.uk\)](#)

[RIIO-2 Business Plan Guidance](#)

[RIIO-ED2 Business Plan Guidance](#)

[ESO Business Plan Guidance](#)

[Decision on IT Guidance for ESO Business Plan Guidance](#)

Documents to be amended in line with the Modification [intention and requirements](#):¹

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1. [UNC GTD - Uniform Network Code – General Terms Section D](#)
2. [DSC Terms & Conditions](#)
3. ~~[CDSP Service Doc – Credit Policy](#)~~
4. ~~[CDSP Service Doc – Change Management Procedures](#)~~
5. ~~[CDSP Service Doc - Contract Management Arrangements](#)~~
- 6.3. ~~[CDSP Service Doc – Contract Management Arrangements](#)~~
- 7.4. ~~[CDSP Service Doc - Budget and Charging Methodology](#)~~

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Knowledge/Skills

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Knowledge of CDSP and other central services provider (e.g. BSCCo, REC, ESO) budget and business planning guidance, rules and conventions; knowledge of DSC governance processes.

5 Solution

Outline

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The proposed Modification consists of ~~two~~three elements, which will:

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- Make explicit the requirement that [the costs incurred in the delivery of CDSP Services and the performance of Non-Service Functions should be efficient and economic](#)~~services are delivered efficiently, and;~~
- Create a set of business plan [information](#) rules [that specify the information that the CDSP must include in the CDSP Annual Budget](#)~~, and~~
- ~~Re-work the change processes so that any contract/finance related matters are handled by the DSC Contract Management Committee and to specify criteria for testing DSC change proposals to ensure they represent improvement to the baseline.~~

The overall package will be effected in a hierarchy, through changes to the UNC with related and consequential changes to the DSC suite of documents subordinate. In other words, it will be necessary to include terms to the DSC to render the UNC changes, and cross-reference between the two documents. The package should be progressed holistically due to the interlinked nature of the solution.

Documents to be amended in line with the Modification [intention and requirements](#):

1. [UNC GTD - Uniform Network Code – General Terms Section D](#)
2. [DSC Terms & Conditions](#)
3. ~~[CDSP Service Doc – Credit Policy](#)~~
4. ~~[CDSP Service Doc – Change Management Procedures](#)~~
5. ~~[CDSP Service Doc – Contract Management Arrangements](#)~~

¹ Housekeeping changes only are proposed to the [Contract Management Arrangements](#); suite of CDSP Service Documents. These ~~these~~changes are not material and therefore ~~this document is not~~ are not included in the list.

[6.2. CDSP Service Doc – Third Party and Additional Services Policy](#)

[7.3. CDSP Service Doc - Budget and Charging Methodology-](#)

4. CDSP Service Doc - Contract Management Arrangements

We anticipate that changes will be needed to the Cost Allocation Methodology ~~as and Cost Allocation Model in the course of transition to becoming~~ ~~they are appended to it will be part of the BCM as part of this~~ CDSP Service Documents. ~~Housekeeping changes only are proposed to the Contract Management Arrangements; these are not material and therefore this document is not listed above.~~

Many other ~~monopoly central services providers are provided with clear guidance from the Authority, in some detail, of the expectations for the content of their annual Business Plans. This can include specific cost breakdown requirements and templates for conducting cost-benefit analyses. These are to enable scrutiny and challenge of budgets by the Authority and all stakeholders. They also ensure that information is provided in a clear, consistent, comparable and timely manner.~~

This Modification intends to provide similar helpful business planning information rules for the CDSP to follow, which will support the approach, structure and content for the annual Business Plan. This will enable delivery of, and provide a test for, the demonstration of cost efficiency within the new DSC Objective contained in the UNC. The rules will include content and additional process requirements.

Each element of the solution and required changes are described below. Note that the nature of this proposal means that the Proposer ~~has~~ prepared change-marked versions of the documents to support in Modification development and Legal Text provision. ~~These changed-marked documents are in addition to superseded by the below effectively form the Business Rules for this Modification, demonstrating the intended change. A draft of the proposed Business Plan Information Rules has been appended in addition to Business Rule 4. Additional~~ ~~The explanatory text and a diagrams has also been provided below provide as structured supplementary commentary to the proposed amendments.~~

Business Rules:

1. ~~Make explicit the requirement that the CDSP's Costs~~ ~~DSC services are shall be delivered~~ ~~efficiently~~ ~~efficient and economic.~~

~~1. -~~
~~This Modification will~~ ~~introduce~~ a new DSC Objective at UNC General Terms Section D (GTD), Interpretation, which will require the ~~costs expenditure uncurd in the delivery~~ of CDSP Services and the performance of Non-Service Functions to be both efficient and economic.

~~It will also~~ ~~Extend the current DSC Objectives within UNC GTD 1.2.2 to specify that the costs incurred in the delivery of CDSP Services and the performance of Non-Service Functions should be efficient and economic, CDSP should provide services efficiently, economically and effectively to help facilitate the efficient and integrated operation of the gas industry.~~

1.2. ~~Introduce a requirement in the DSC Terms and Conditions for on all Parties to ensure that the CDSP's~~ ~~e~~ ~~Costs are efficient, and economic.~~

~~In addition, a~~ ~~requirement will to be placed~~ ~~introduce a new requirement into the UNC on all Parties to ensure that the CDSP's~~ ~~e~~ ~~Costs~~ are efficient and economic, in addition to the obligation to jointly govern the CDSP on an economic and efficient basis (under 'Agreement to engage the CDSP and be party to DSC').

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Commented [K12]: Business Rules have been added below and replace the marked-up legal text originally provided to support this modification. The mark-up was intended to suggest a route to implement the change, the Legal Text provider may recommend and draft alternative routes

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3. Reference the new DSC Objective obliging the Amend obligations on the -CDSP in the DSC Terms and Conditions to require that the CDSP also to ensure, that eCosts are efficient and economic- in the DSC Terms and Conditions³ and DSC Budget and Charging Methodology (BCM).

Consequentially reflect the ~~These new requirements in Business Rules 1 & 2 above~~ UNC changes should also consequentially be reflected in the DSC Terms and Conditions, and DSC Budget and Charging Methodology by requiring the CDSP to:

- ~~(BCM), with the introduction of a reference to the new DSC Objective obliging the CDSP to ensure that CDSP eosts Costs are economic and efficient,~~
~~efficiently, economically and effectively~~ Specifically, this should reference efficient operation of UK Link and efficient delivery of perform Non-Service Functions, and.

- ~~to (or procure that third parties shall) efficiently, economically and effectively establish and operate UK Link.~~ Finally, the

4. Introduce a requirement in to the DSC Budget and Charging Methodology (BCM) for the CDSP to evidence efficiency of costs in the Business Plan.

~~The purpose prescribed to the BCM in the UNC should be amended the BCM in the UNC to include the information that must be included in the annual CDSP Budget.~~

~~This must~~ The BCM must direct the CDSP to identify each instance in which the draft CDSP Budget is not compliant with ~~does not meet the information requirements pursuant to the Business Plan Information Rules;~~

~~explain the reason(s) for the non-compliance the requirements of the Business Plan Information Rules are not met; and~~

~~describe the step(s) it will take, in so far as practicable, to ensure each subsequent draft CDSP Budget is fully compliant will meet the information requirements of the Business Plan Information Rules;~~

~~discuss the draft and the instances where the requirements of the Business Plan Information Rules are not met of non-compliance with the Committee; Committee.~~

~~Under the BCM, The CDSP shall use its best endeavours to ensure transparency concerning the development and content of the CDSP Budget. The CDSP shall ensure the minimum level of transparency that DSC Parties and other interested stakeholders require in order to meaningfully scrutinise the draft and final versions of the CDSP Budget.~~

~~The BCM shall require the CDSP shall to agree on the level of detail for information provision with the DSC Contract Committee at the commencement of the Business Planning Process.~~

~~• The CDSP is to provides the information, where ::~~

~~• The Committee considers if the information provided through the draft budget meets with the requirements set out in the Business Plan Information Rules and reaches within the level of agreed detail;~~

~~• If the requirements are not met, the CDSP shall provide a statement of justification as to why.~~

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~~A document should be introduced to the DSC Budget and Charging Methodology (BCM). This will form part of the Business Plan rules described below.~~

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~~It is imperative that the CDSP will take responsibility for addressing any shortfall, doing what is best to meet the requirements (i.e. provision of information as requested or explanation of why it cannot meet the requirements).~~

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~~4. 5. Create a set of the business Business plan Plan information rulesRules.~~

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~~Create the Business Plan Information Rules, the purposes of which are:~~

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- ~~• to require the CDSP to conduct robust and high-quality engagement with stakeholders to inform the content of the Statement of Planning Principles and the CDSP Budget~~
- ~~• to require the CDSP to publish the drafts and final versions of the Statement of Planning Principles and CDSP Annual Budget~~
- ~~• to The purpose of this document is to specify the minimum information requirements that the CDSP shall ensure are satisfied in the draft and final versions of the CDSP Annual Budget and that the and that the Contract Management Committee shall use to assess whether the draft and final versions of the CDSP Annual Budget meet these requirements.~~

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~~Specify the Many other central service providers are provided with clear guidance from the Authority, in some detail, of the expectations for the content of their annual Business Plans. This can include specific cost breakdown requirements and templates for conducting cost-benefit analyses. These are to enable scrutiny and challenge of budgets by the Authority and all stakeholders. They also ensure that information is provided in a clear, consistent, comparable and timely manner.~~

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~~This Modification intends to provide similar helpful business planning information rules provide the requirements for the CDSP to follow, which will support the approach, structure and content for the annual Business Plan. This will enable delivery of, and also provide a test for, the demonstration of cost efficiency within the new DSC Objective contained in the UNC. The rules will should include content and additional process requirements.~~

~~Firstly, the purpose prescribed to the BCM in the UNC should be amended to include that it should provide for the information that must be included in the annual CDSP Budget.~~

~~The information requirements themselves will sit in a Business Plan Information Rules document, which will be and introduced as a UNC Related document as part of the BCM. These Rules should include:~~

- ~~• the minimum requirements of the plan content e.g. data granularity, evidence, etc;~~
- ~~• requirement for the CDSP to explain why and how the draft Budget does not comply with the business plan rules, and~~
- ~~• requirement for the CoMC to assess whether the minimum requirements have been met and to set out the actions that the CDSP needs to take to achieve compliance.~~

~~This will requirement will not change, impact or duplicate the existing governance processes for the Annual Budget. Instead, this Business Rule 5 creates a step added to support stakeholder and CDSP engagement with business plan development in line with the addition of the rules document and its requirements. The CoMC, as expert representatives of the wider industry constituencies, will provide review and feedback to the CDSP on the drafts of the Business Plan specifically against the Business Plan Information Rules. The CDSP may incorporate this feedback in subsequent drafts, as per its customary stakeholder engagement~~

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cycle, prior to presenting its final draft to its Board for approval. This process provides the CDSP with the opportunity to explain to the CoMC reasons why certain business plan items do not and/or cannot conform to the requirements of the business plan rules, and for the CoMC to respond. The diagram below shows how the CoMC engagement is intended to function through BCM sections 4.7.2 to 4.7.4 (also see accompanying slides dated 13 Jun 2023).

Business Plan Process in summary



The minimum information requirements in the Business Plan Information Rules, which shall include requirements relating to:

- Transparency-transparency,
- stakeholder engagement,
- current performance,
- outputs,
- Investment proposals
- Costs and expenditure
- allocation of Costs to Customer Classes
- assurance
- a 'Redaction Statement' and specific publication of items to specified locations
- A redaction statement if any information is considered too sensitive and, therefore, should not be made publicly available, to publish, and requirement to share the full document with CoMC via a newly created DSC Contract Management Confidentiality Assurance Document to assess the confidential information prepared by the CDSP.
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~~Create the Business Plan Information Rules shall be created so that they are as of the same or equivalent legal standing to the UNC or DSC.~~

The CDSP shall be required to satisfy the requirements contained within

~~Create the Business Plan Information Rules so that the CDSP is required to satisfy the requirements contained within.~~

•

Stakeholder engagement

- ~~[Explanatory note: Current performance information~~
- ~~Business case content and publication for investment proposals~~
- ~~Expenditure details, including the treatment of inflation~~
- ~~Cost allocation to Customer Classes~~
- ~~Risk, uncertainty and assurance~~

~~We append draft Legal Text proposals for the BCM UNC related document Business Plan Information Rules document to address these points, predominantly as a new Section 11 to which will be part of the BCM, and these form the basis of Workgroup development].~~

5. Create the process by which the Business Plan Information Rules can be amended.

Create a process by which the Business Plan Information Rules can be amended that involves a proposed amendment being submitted to the Contract Management Committee and that Committee assessing the proposed amendment, consulting Customers and approving the proposed amendment if certain criteria are met (described below).

Introduce a new clause that permits any Party to the DSC to propose an amendment to the Business Plan Information Rules.

Specify the minimum requirements that the proposing Party must ensure a proposed amendment satisfies:

- A proposed amendment must include a description of the need for the amendment and an assessment of how the proposed amendment better meets the DSC Objectives; and
- A proposed amendment must not represent a material change in the balance of commercial or legal risk under the DSC as between the CDSP and Customers, or as between different Customer Classes (or Customers within a Customer Class).

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Specify the responsibilities of the Contract Management Committee in relation to the proposed amendment. That Committee:

- shall consider the proposed amendment;
- shall assess whether the minimum requirements have been satisfied and invite the proposing Party to re-submit or withdraw the proposed amendments if the minimum requirements have not been satisfied;

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- may invite the proposing Party to discuss the proposed amendment;
- shall send a consultation report to all DSC Parties and request responses, including the notice of the proposed amendment from the proposing Party and the Committee's views of the proposed amendment
- shall invite DSC Parties to respond within 20 working days; and
- review any feedback received from DSC Parties.

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Specify that the Contract Management Committee may approve the proposed amendment if, taking account of the consultation responses, the Committee is satisfied that the proposed amendment:

- better meets the DSC Objectives; and
- does not represent a material change in the balance of commercial or legal risk under the DSC as between the CDSP and Customers, or as between different Customer Classes (or Customers within a Customer Class).

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[Explanatory note: Business Rule 4 does not specify the location of the Business Plan Information Rules. Further approval of an amendment may be required in addition (e.g. UNCC) (or an alternative approval route may need to be specified), depending on the status and location of the document as produced by the Legal Text provider following this Business Rule 5.]

6. Amend the Annual Process ~~for process~~ for establishing the CDSP Budget to require that the CDSP also takes account of the Business Plan Information Rules and to require that the Contract Management Committee also takes account of whether the CDSP's has met the requirements of compliance with the Business Plan Information Rules

Amend the Annual Process in the Budget and Charging Methodology to require the CDSP to agree with the Contract Management Committee at the start of the Annual Process the minimum level of detail for the relevant information items the CDSP shall present to satisfy the Business Plan Information Rules.

Amend the Annual Process in the Budget and Charging Methodology to require the CDSP, in the draft CDSP Annual Budget, to:

- identify each instance in which the information requirements pursuant to the Business Plan Information Rules is not met;
- explain the reason(s) why the information requirements of the Business Plan Information Rules are not met; and
- describe the step(s) it will take, in so far as practicable, to ensure each subsequent draft CDSP Annual Budget will meet the information requirements of the Business Plan Information Rules;

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Amend the Annual Process in the Budget and Charging Methodology to require the Contract Management Committee to assess the draft CDSP Annual Budget to determine whether the information requirements in the Business Plan Information Rules have been met.

Amend the Annual Process in the Budget and Charging Methodology to require the CDSP and the Contract Management Committee to discuss the Committee's assessment of whether the CDSP has met the requirements-compliance with of the Business Plan Information Rules.

Amend the Annual Process in the Budget and Charging Methodology to require the Contract Management Committee to specify the action(s) the CDSP should take to achieve compliance with meet the requirements of the Business Plan Information Rules if the Committee, having discussed its assessment with the CDSP, concludes there remain steps the CDSP should take to achieve compliance to meet the requirements of the BPIR.

[Explanatory notes to the process – for the legal text provider:

- The CDSP shall use its best endeavours to ensure transparency concerning the development and content of the CDSP Budget. The CDSP shall ensure the minimum level of transparency that DSC Parties and other interested stakeholders require in order to meaningfully scrutinise the draft and final versions of the CDSP Budget.
- It is imperative that the CDSP will take responsibility for addressing any shortfall, doing what is best to meet the requirements (i.e. provision of information as requested or explanation of why it cannot meet the requirements).
- The requirements in this Business Rule do not change, impact or duplicate the existing governance processes for the approval of the CDSP Annual Budget. Instead, this Business Rule creates the information requirements for the CDSP Annual Budget, to support stakeholder and CDSP engagement with business plan development.
- The Contract Management Committee, as representatives of the wider industry constituencies, will provide review and feedback to the CDSP on the drafts of the CDSP Annual Budget against the Business Plan Information Rules.
- The CDSP may incorporate this feedback in subsequent drafts, as per its customary stakeholder engagement cycle, prior to presenting its final draft to its Board for approval.
- This process provides the CDSP with the opportunity to explain to the Contract Management Committee the reasons why certain business plan items do not and/or cannot conform to the requirements of the Business Plan Information Rules, and for the Committee to respond.
- The diagram below shows how the CoMC engagement is intended to function (through BCM sections 4.7.2 to 4.7.4 (also see accompanying slides dated 13 Jun 2023).]

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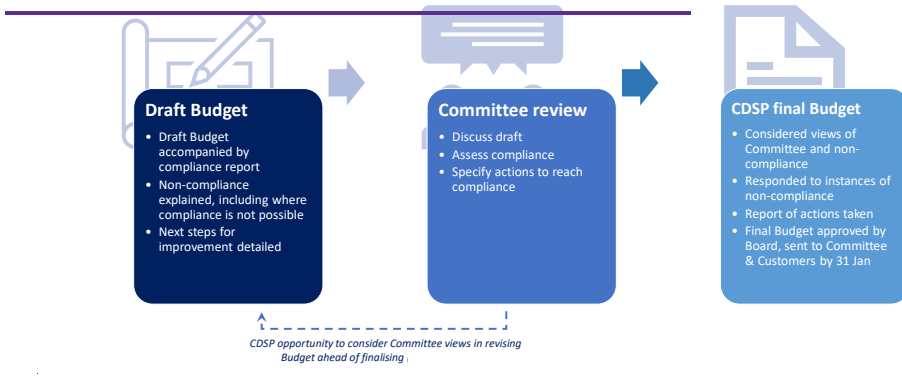
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Business Plan Process in summary



Business Plan Process in summary



~~6. Specify within the introduction of the Business Plan Information Rules the governance applicable to amend these rules:~~

~~Standard or 'normal circumstances' of 3.2 Making amendments to CDSP Service Documents — Change Management Procedures will not apply to BPIR and issuing a Notice of Amendment shall not amend the document.~~

~~The Non-Modification Service Changes Procedures will apply.~~

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~~Any Party may propose a change to the BPIR, as currently drafted clause 4.6.6 applies: The CDSP may only propose a Service Change where the CDSP considers that the Service Change would facilitate better achieving the DSC Objectives~~

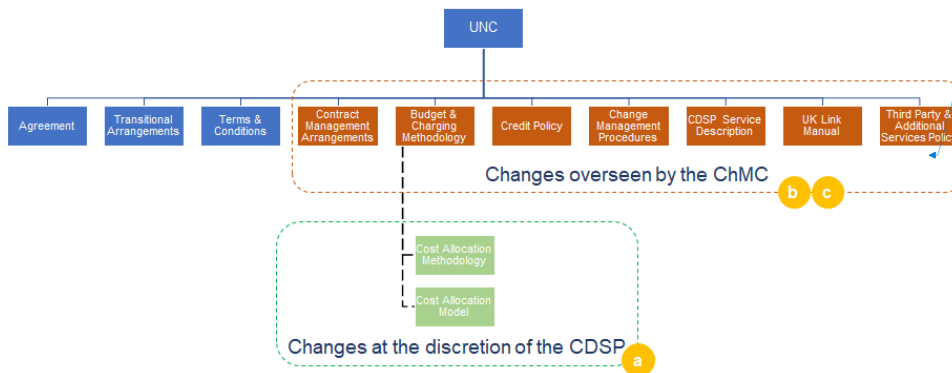
~~Any proposed change must provide evidence of how any amendment to the BPIR improves the transparency, efficiency and effectiveness of the BP.~~

~~Any amendment to the BPIR It must be reviewed by coming from the CoMC) prior to UNCC approval. 6.~~

~~Re-work the change processes so that any contract/finance related matters are handled by the DSC Contract Management Committee, and to specify criteria for testing DSC change proposals to ensure they represent improvement to the baseline~~

~~This element of the proposals involves changes to governance processes to improve transparency and robustness, and alignment of decision makers to their relevant topics on matters of rule change. In relation to this group of proposals it is helpful to consider the existing governance model for the DSC under the UNC, shown in the diagram below.~~

Figure 1: Current governance model



~~Five Three sets of change are proposed:~~

~~a. Designation of the Cost Allocation Methodology and Model under as part of the BCMas Service Documents~~

~~b. Revisions to DSC Change Proposal procedures~~

~~c. Revisions to Change Proposal routes~~

~~d. Introduction of a test for charging-related Change Proposals~~

~~Introduction of a test for non-charging-related Change Proposals~~

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~~a. Amend the Annual Process for establishing the CDSP Budget to permit the CDSP to disclose some information to the 6. Designation of the Cost Allocation Methodology and Model as under as part of the BCM Service Documents~~

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~~Currently changes to the key elements of budget and charging development are under the sole control of the CDSP and can be changed at its discretion. This means that there is little or no transparency of the grounds for changes to the approach for cost allocation, and no opportunity for stakeholders to provide feedback or propose change.~~

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~~This Modification proposes to shall make these documents subject to open governance. This will improve transparency and aid stakeholder engagement with and scrutiny of costs.~~

~~The UNC change proposed is to dDesignate the Cost Allocation Methodology and Cost Allocation Model as part of the BCM CDSP Service Documents.~~

~~This will be Replicated these amendments in the DSC Terms and Conditions and also reflect the change consequential change to in the BCM will refer to and append the remove CDSP 'ownership' of the Cost Allocation Methodology and Cost Allocation Model, and remove CDSP 'ownership' of them, while preserving the obligation on the CDSP to continually review these documents.~~

~~7. 7. Amend Confidentiality of information provided to DSC Contract Management Committee only in the DSC Service Document, Contract Management Arrangements.~~

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~~Amend the Annual Process in the Budget and Charging Methodology to permit the CDSP to disclose relevant content of the draft or final CDSP Annual Budget or support material considered sensitive to the Contract Management Committee only.~~

~~Specify that, if the CDSP chooses to disclose some information to the Contract Management Committee only, the CDSP must include a 'Redaction Statement' in the publicly available version of the draft or final CDSP Annual Budget that explains:~~

- ~~descriptions of the information that has been excluded;~~
- ~~the reasons and justification for the exclusions;~~
- ~~the interest, commercial or otherwise, that the CDSP considers would be prejudiced by disclosure;~~
- ~~the CDSP's opinion of the extent to which the exclusions will curtail assessment of the CDSP Annual Budget; and~~
- ~~descriptions of the alternative ways in which the CDSP has sought to enable scrutiny of the CDSP Annual Budget in lieu of the exclusions.~~

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~~As part of the process described in BR 6 above, the CDSP may need to maintain confidentiality of certain information. Therefore this BR~~

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~~Creates a new clause 3.4.3condition to allow for where the CDSP considers information prepared by the CDSP to evidence efficiency of costs in the Business Plan to be confidential that will allow the confidential information to be provided to may need to provide the DSC Contract Committee with confidential information prepared by the CDSP to evidence efficiency of costs in the Business Plan.~~

~~DSC Contract Committee members and their alternates may be required to sign a Confidentiality Assurance Document to assess the confidential information prepared by the CDSP.~~

~~8. 8. Creation of a DSC Contract Committee Confidentiality Assurance Document Amend the Contract Management Arrangements to permit the CDSP to require members of the Contract Management Committee sign a non-disclosure agreement to facilitate disclosure of CDSP Annual Budget information considered sensitive~~

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Amend the Contract Management Arrangements to permit the CDSP to require members of the Contract Management Committee to sign a non-disclosure agreement to facilitate disclosure of CSDP Annual Budget information considered sensitive if the CDSP chooses to disclose some information to the Contract Management Committee only.

9. Create a standard non-disclosure agreement to facilitate disclosure of CSDP Annual Budget information considered sensitive

A standard confidentiality assurance document will be created for such cases and Contract Committee members and their alternates may be required to sign a Confidentiality Assurance Document to assess the confidential information prepared by the CDSP.

Create a standard non-disclosure agreement that the CDSP can require members of the Contract Management Committee to sign to facilitate disclosure of CSDP Annual Budget information considered sensitive if the CDSP chooses to disclose some information to the Contract Management Committee only.

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10. Allow Amend the Contract Management Arrangements to permit meetings to be run as confidential and non-confidential closed sessions for discussion of confidential aspects of the CDSP Annual Budget

Business Planning meetings may be divided into "Confidential" (closed to non-Members) and "Public" sessions (open to non-Members, but only by prior notification to DSC Contract Committee Chairperson at least 1 working day prior to commencement of the meeting). Amend the Contract Management Arrangements to allow for meetings of the Contract Management Committee to include closed sessions for the purpose of discussing content of the draft or final CDSP Annual Budget or support material considered sensitive and was not included in the publicly available version of the draft or final CDSP Annual Budget.

Amend the Contract Management Arrangements to restrict attendance of closed sessions during meetings of the Contract Management Committee to only its members and their alternates.

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b. Revisions to DSC Change Proposal procedures

~~The ChMC currently governs any changes made to the majority of DSC/CDSP documents. ChMC's defined role is to represent Customers in the management of change to the DSC. The key role that ChMC carries out is to review and issue decisions on changes to services and systems, which may or may not be triggered by a Code Modification. The focus of the group is therefore mainly technical.~~

~~Separately the CoMC's defined role is to manage the DSC on behalf of Customers, with the exception of items which fall under the Change Management or Credit Committees. The focus of CoMC is mainly commercial matters.~~

~~Under these proposals the Change Management Procedures and Contract Management Arrangements would be modified so that the CoMC would be responsible for overseeing changes to the Contract Management Arrangements, Credit Policy, Budget and Charging Methodology, Third Party and Additional Services Policy, Cost Allocation Methodology, Cost Allocation Model and CDSP Service Description. ChMC would maintain~~

~~responsibility for overseeing changes to Change Management Procedures, CDSP Service Description and the UK Link Manual.~~

~~c. Revisions to Change Proposal routes~~

~~Following the above, consequential changes are required to the individual documents, policies and procedures to align to the new route for change governance. In summary:~~

~~The result of the proposed changes a. to c. above is summarised in the diagram below. The Cost Allocation Methodology and Cost Allocation Model are shown as Service Documents and changes to them are overseen by CoMC.~~

Figure 2: Governance model after implementation of proposed changes

~~—~~

~~d. Introduction of a test for charging-related Change Proposals~~

~~Currently there is no requirement to test the merit of a proposed amendment to charging arrangements against any criteria. Specifically this issue applies to the Cost Allocation Methodology and Cost Allocation Model, which would be amended via the BCM, and in turn to the BCM under Change Management Procedures. The result is that changes can be made without justification and which would not represent any improvement and could in fact be detrimental to all or certain classes of CDSP Customers. This is a clear weakness in governance of changes to these items.~~

~~The proposal is to bring forward introduce terms to the Contract Management Arrangements Change Management Procedures for a test of any charging-related changes relative to the baseline, similar to the test required against relevant objectives for Code change. The proposer will be required to explain how a proposed amendment that affects charges will better achieve the DSC Charging Methodology Objectives. This requires changes to the Contract Management Arrangements.~~

~~It is also proposed to introduce the condition that changes which affect charging should be subject to Authority approval, in line with other the treatment of charging issues under the UNC and other industry codes.~~

~~e. Introduction of a test for non-charging-related Change Proposals~~

~~There is also no requirement to test the merit of a proposed amendment to any other non-charging arrangements in the DSC suite of documents against any criteria.~~

~~The proposal is to introduce terms to the Contract Management Arrangements Change Management Procedures for bring forward a similar test to improve change governance, namely that the proposer will be required to explain how a proposed amendment (that does not affects charges) will better achieve the DSC Objectives. This will require changes to the Contract Management Arrangements.~~

Housekeeping changes and corrections

Finally, the Modification will seek to make minor amendments to current drafting, in order to correct errors, update links to other documents, update reference tables and examples and align with UNC formatting

The following list covers the changes that are proposed.

<u>Document</u>	<u>Summary changes</u>
-----------------	------------------------

UNC GTD	<ul style="list-style-type: none"> 1.2.2 (ii) – Amend the reference from “paragraph 8(d)(ii) of the CDSP Licence Condition” to “paragraph 6(d)(ii) of the CDSP Licence Condition” for accuracy.
Budget and Charging Methodology All CDSP Service Documents	<ul style="list-style-type: none"> Administrative change to replace all occurrences of CSDP to CDSP
Change Management Procedures	<ul style="list-style-type: none"> Administrative change to replace all occurrences of CSDP to CDSP
Contract Management Arrangements	<ul style="list-style-type: none"> 3.1.1 (a) – Numbering and formatting error to be corrected Administrative change to replace all occurrences of CSDP to CDSP

6 Impacts & Other Considerations

Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

There are no impacts identified on a current SCR [as no SCR is currently in progress](#).

Consumer Impacts

Enduring enhancements to cost efficiency and value for money in central data service provision to the gas industry, potentially leading to lower costs to consumers than would otherwise be the case.

What is the current consumer experience and what would the new consumer experience be?

CDSP ~~services~~ [Services](#) which directly impact consumers, such as switching supplier, may be positively impacted on both cost and performance, through improved ability for stakeholders to engage on efficiency. Consumers may also benefit from enduring reductions in the cost elements for central services which are passed through to them by suppliers.

Impact of the change on Consumer Benefit Areas:

Area	Identified impact
<p>Improved safety and reliability</p> <p>The proposals may lead to improvements in performance of services which directly impact vulnerable consumers by allowing greater scrutiny of the efficiency of CDSP activities by industry stakeholders.</p>	Positive

<p>Lower bills than would otherwise be the case</p> <p>Consumer bills may be reduced on an enduring basis due to improved opportunity for industry stakeholders to understand and challenge the cost efficiency and value for money of CDSP services<u>Services</u>.</p>	Positive
<p>Reduced environmental damage</p> <p>None</p>	None
<p>Improved quality of service</p> <p>CDSP services<u>Services</u> which directly impact consumers, such as switching supplier, may be positively impacted on both cost and performance, through improved ability for stakeholders to engage on efficiency.</p>	Positive
<p>Benefits for society as a whole</p> <p>None</p>	None

Cross-Code Impacts

Possible interactions with and impacts on the iGT UNC should be reviewed.

EU Code Impacts

None.

Central Systems Impacts

None. While there will be changes to the requirements on the CDSP, these will be information provision related only, not systems related.

7 Relevant Objectives

Impact of the Modification on the Transporters' Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of <ul style="list-style-type: none"> (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters. 	None
c) Efficient discharge of the licensee's obligations.	Positive
d) Securing of effective competition: <ul style="list-style-type: none"> (i) between relevant shippers; (ii) between relevant suppliers; and/or 	Positive

(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

Relevant Objective c):

Transporters are obligated under licence to provide CDSP ~~services~~ Services through an appointed CDSP. The licence sets out the requirement for the UNC to include the obligation on parties to jointly control and govern the CDSP on an economic and efficient basis,² and the minimum requirement for economic, efficient and transparent charging for the provision of the CDSP Services.³ The licence also requires consultation of CDSP service users in the development of the annual Budget and their participation in decision making for the ongoing operation of the CDSP. This Modification will have positive impacts for improved efficiency across all these obligations through defining information and transparency requirements more clearly, improving participative governance of cost allocation tools ~~and aligning change processes to the appropriate forum.~~

Relevant Objective d):

Greater transparency and scrutiny of information allows shippers and suppliers better to manage their costs and risk profiles. With greater granularity and transparency of CDSP expenditure, parties will be able to include more information in forecasts of the charges that they pay for CDSP ~~services~~ Services. This should serve to improve accuracy and development of individual risk and other assumptions incorporated. This will have a positive impact on competition between Shippers and between suppliers.

Relevant Objective f):

The UNC provides for the establishment of the CDSP and obligates usage of CDSP Code Services by all parties. It also obliges the CDSP to produce an annual Budget and for all parties to enter into the DSC. Further, each party must *act and exercise its rights and powers under the DSC in relation to the CDSP so as jointly to control and govern the CDSP on an economic and efficient basis* (GTD 1.4.4.).

The proposals in this Modification will have a positive impact on the efficiency of the implementation of these conditions, specifically in the economic and efficient control and governance of the CDSP. The introduction of business plan rules, outlining the content requirements that are consistently needed for stakeholders to undertake this role more effectively, is clearly a positive outcome.

It could also be anticipated that greater transparency and information provision would result in a reduced burden of administration, through a lower likelihood of appeals processes.

² Gas Transporter Standard Special Condition A15, 4 (c) (i).

³ Gas Transporter Standard Special Condition A15, 6 (d) (ii).

~~Changes to governance of change processes under the DSC will also have positive impacts on efficiency, through aligning decision-making with the relevant expertise by ensuring that changes are well-explained and justified to the relevant decision-maker to demonstrate that they will produce positive impacts.~~

8 Implementation

Implementation is proposed for 1 October 2023. This allows for the Modification to be incorporated in the development of the CDSP Budget 2024/25.

9 Legal Text

Text Commentary

Insert text here.

Text

Legal text proposals for the UNC are appended in mark-up form. Proposed amendments to the DSC documents ~~will be provided~~ are appended in mark-up form.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Authority Direction should apply.
- Refer this proposal to a Workgroup for assessment.