
Paper Title	2010 DCUSA Budget
Purpose of Paper	Party Consultation
Synopsis	This paper sets out the proposed 2010 DCUSA Budget for review and comment by Parties. In accordance with Clause 8.2 of the DCUSA Parties are invited to provide feedback and supporting commentary on the proposed Budget to the DCUSA Panel no later than Friday, 26 February 2010.

1 Introduction

- 1.1 This paper sets out the 2010 Budget as ratified and agreed by the DCUSA Panel in January 2010. The Panel has considered the operations of DCUSA for the 12-month period commencing April 2010 and this budget reflects a reasonable estimate of the resources needed to deliver the objectives of the company. In line with the terms of the Agreement, any income of the company must match the value of the costs of the company. The assumptions used in assessing the costs for the coming year are detailed below.
- 1.2 Parties are invited, in accordance with the Agreement, to provide comments on the draft budget within 20 Working Days. The Agreement requires the Panel to consider all comments received from Parties and to either respond to those comments or, to the extent that it considers it appropriate to do so, amend the draft budget in the light of those comments.
- 1.3 The Panel recognises its obligation for cost management and mitigation. Included in the professional fees budget are allowances to cover the costs associated with carrying out procurement exercise, namely Portfolio Billing. Project costs will only be recovered from Parties if the projects are initiated. Also included in professional fees is an allowance for securing professional advice on the impact of changes to the Charging Methodologies. The Panel consider these impact assessments to be standard day to day operational matters and these budget allowances will be recovered in accordance with the process within the Agreement.
- 1.4 DCUSA will continue to manage its costs through holding multiple meetings on the same day at the same location, the provision of teleconference facilities and encouraging Parties to take ownership of changes including provision of initial legal drafting. Parties would also be encouraged to actively manage the workload processed through DCUSA. Standard operational costs will continue to be charged in line with the process within the Agreement i.e. quarterly in advance based on budgetary estimates.
- 1.5 The 2010 Budget is £435k and this shows an increase on the 2009 budget. This increase is primarily driven by allowances included to manage the increased workload associated with the incorporation of Charging Methodologies within the Agreement and the work which will be required to develop and facilitate the implementation of Portfolio Billing. Underlying operational costs are not materially different to the 2009 financial year.

2 DCUSA Operational Plan

- 2.1 The current DCUSA Operational Plan is attached at Appendix 1. The Panel carried out a review of the current position and the budget reflects their view of the resources required to deliver each of the matters identified.

3 Key Considerations for 2010 Budget

- 3.1 The Panel considered the following as 3 key matters which will impact the company in the budget year. The Panel considered the impact of these on the budget and have included budget allowances where the available information would allow a reasonable estimate to be determined at this time.
- **Charging Methodologies** – the likely impact on the secretarial contract, legal fees, meeting costs, travel expenses and professional fees has been assessed and necessary allowances have been included in the budget.
 - **Portfolio Billing** – the likely impact on secretarial contract, legal fees, meeting costs, travel expenses and professional fees has been assessed and necessary allowances have been included in the budget.
 - **Industry Codes Review** –the Panel considered the potential outcome and impact of the Review of Code Governance on DCUSA and agreed that it cannot be determined at this time with any degree of reasonable accuracy. DCUSA may be required to implement some changes, or at the very least carry out an assessment of any proposed changes to structure, processes etc as a result of this review. The Panel considered it prudent to include a legal fees allowance to cover a legal assessment of such obligations. Any more fundamental impacts could require significant levels of resource and as such the Panel retain the option to revisit and revise the budget to cover potential costs for any major restructuring of the Agreement etc if required.

4 2010 Budget

- 4.1 The budget has been agreed by the Panel at **£435k**. The table below details the cost allowances agreed as representing a good faith estimate of the resources required by the company to deliver the company objectives. For comparison purposes the comparable cost allowances used for the 2009 budget year have been provided as well as the latest expected outturn for this current financial year. All figures are shown in £'000's.
- 4.2 The underlying operational costs of the company are not expected to change materially in 2010 from those incurred in 2009. The increase in the budget is driven by the impact of the incorporation of the Charging Methodologies into the Agreement and the additional work load expected through the resolution of Boundary Metering. These substantial increases in the workload of the company will have a corresponding cost impact on the company.

	2010 Budget	2009 Budget	2009 Forecast
Secretarial services	120	106	106
Website development	10	10	5
Website operation	18	17	16
Legal Fees	75	50	50
Audit fees	5	5	5
Taxation and Professional fees	95	5	5
Insurance	5	5	5
General administration	2	2	1
Meeting costs & travel expenses	75	50	35
Contingency	30	12	12
	435	262	240

4.3 The key cost considerations for the coming year are:

- **Secretarial services:** reflects the agreed contract value. The budget also includes an allowance to allow for the introduction of changes of scope in light of recommendations highlighted by Parties as part of the 2009 satisfaction survey. The change to the scope as a result of the introduction of Charging Methodologies and Portfolio Billing will be funded through the contingency allowance.
- **Website Developments:** based on operational experience a small budget allowance has been included to cover any website developments required as a result of changes to the Agreement.
- **Website operation:** reflects the annual contract value. The Panel does not consider that any website developments will impact the annual support charge.
- **Legal Fees:** The budget allowance has been uplifted from that included in the prior year budget to reflect the impact of the CDCM governance arrangements and any procurement exercises which maybe conducted in the year. An allowance of £10k has also been included to allow for an impact assessment of the outcome of the Review of Code Governance. The legal fees allowance will cover the legal assessment of Change Proposals as well as general company legal requirements.
- **Audit fees:** have been maintained at £5k and this reflects a continuation with the existing auditors who deliver a good service and are reasonably priced.
- **Professional Fees:** has been uplifted to £95k. This uplift reflects the inclusion of allowances for managing procurement exercises, namely the procurement of a Portfolio Billing service as well as an allowance for assessing the impact of changes to the Charging Methodologies model. An allowance for taxation fees is also included. The allowance of £50k made for the Portfolio Billing procurement project will only be recovered from Parties if the project is initiated.
- **Insurance:** An allowance of £5k has been included to cover the renewal of both the Directors and Officers cover and Professional indemnity (PI) cover during the budget year.
- **General administration:** The allowance included in the budget is to cover general administration items such as bank charges, printing and stationery etc.
- **Contingency:** the contingency allowance has been set at ~7.5% of the overall budget. This is small increases on the prior year.

- **Meeting costs:** budgeted for on the basis of projected number of meetings for the year identifying those which would require chargeable accommodation and those serviced via teleconference. Meeting costs also include allowance for recovery of delegate expenses. The 2010 Budget assumes the following meeting numbers.

<i>Meeting</i>	<i>Meetings</i>	<i>Charge</i>	<i>Telecon</i>	<i>Non-Charge</i>
Panel	12	12	-	-
Board	12	-	-	12
AGM	1	-	-	1
Finance & Audit Committee	3	3	-	-
Change Proposal workgroups	48	36	12	-
Project meetings	18	12	6	-
CDCM Meetings	24	24	-	-
SLA measured meetings	118	87	18	13
Contract Mgt Meetings	4	-	-	4
Total meetings	122	87	18	17

- 4.4 Meeting rooms are assumed to cost £225 per day with teleconferences costing £150 per meeting. Budget assumed that 6 delegates will attend the chargeable meetings with each delegate claiming an average £100 per meeting for travel expenses.

APPENDIX 1 - DCUSA PANEL OPERATING PLAN 2009/10

Task	Current Status	Panel Assessment of budget impact
Assess the impact of the Industry Codes Governance Review	Active	No specific budget allowance – revise budget if significant impact
Assess the impact of introduction of Charging Methodologies	Active	Impact on secretarial, meeting and legal costs
Ongoing housekeeping and management of DCUSA	Active	Pick up within standard meeting and legal allowance
Consider impact of Revenue Protection Code of Practice (Theft)	Monitor	Pick up within standard meeting and legal allowance
Consider impact of Microgeneration on DCUSA	Monitor	No specific budget allowance – revise budget if significant impact
Consider impact of Smart Metering on DCUSA	Monitor	No specific budget allowance – revise budget if significant impact
Monitor Distributed Energy work and assess impact	Monitor	No specific budget allowance – revise budget if significant impact