

DCUSA BUDGET 2009/10

1 Introduction

- 1.1 This paper sets out the 2009 Budget as ratified and agreed by the DCUSA Panel. The Budget has not been amended from that issued to Parties for consultation in January 2009. 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 **The 2009 Budget is £262k and this shows a 14% reduction on the 2008 budget of £303k.** Significant elements of the DCUSA costs are contract driven and as such are not materially different year on year. The main variable costs are legal fees, meetings costs and contingency allowance. The budget reduction compared to the prior year is mainly driven by a reduced allowance for meeting and travel costs. The assumptions used in determining the budget allowances are disclosed in section 4 of this paper.

2 Industry Codes Governance Review

- 2.1 The DCUSA Panel considered a number of industry matters that may impact DCUSA in the budget year, notably the Industry Codes Governance Review. While DCUSA is actively involved in the development of this review the final outcomes and any Ofgem recommendations are to a large degree outside the control of DCUSA. The Panel assessed the range of potential outcomes and considered that the resulting impact DCUSA cannot be determined with any degree of reasonable accuracy.
- 2.2 It is likely that DCUSA will be required to implement some recommendations, or at the very least carry out an assessment of any proposed recommendations / changes to structure, processes etc as a result of this review. It is assumed that any such high level review would not incur significant legal costs and as such it would be funded out of the general legal fees allowance. Any more material outcomes or recommendations from the review could require significant levels of resource.
- 2.3 The Panel has agreed to retain the option to revisit and revise the budget to cover potential costs for any major restructuring of the Agreement, major content revisions, fundamental changes to processes etc. Any such budget revision will be done once a clearer view of the outcomes of the review are known.

3 DCUSA Operational Plan

- 3.1 The current DCUSA Operational Plan is shown at Appendix 1.

4 Overview of costs

- 4.1 The budget has been agreed by the Panel at **£262k**. 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 current budget year have been provided as well as the latest expected outturn for this current financial year. All figures are shown in £'000's. The forecast cost outturn for 2008 is £286k and this was used as a reference point against which the assumptions and cost estimates for 2009 were validated.
- 4.2 As shown, the company is expected to achieve a 14% reduction in its budget costs for the next financial year compared to the current financial year's budget. A significant amount of DCUSA operational costs are fixed contract costs and as such do not change year on year. The budgetary cost reductions have been achieved on meeting and travel expenses.

All figures are shown in £'000's for convenience.

	2009 Budget	2008 Budget	2008 Forecast
Secretarial services	106	103	104
Website development	10	10	10
Website operation	17	17	17
Legal Fees	50	50	50
Audit fees	5	5	5
Taxation and Professional fees	5	5	5
Insurance	5	5	5
General administration	2	3	1
Meeting costs & travel expenses	50	91	74
Contingency	12	14	14
	262	303	286

5 General cost considerations

- 5.1 Meeting costs are dealt with separately in the next section.
- 5.2 **Secretarial services:** reflects the existing contract value adjusted for indexation charges part way through the year. No allowance for any changes in scope has been included in the budget. The impact of any changes in scope will be covered through the Contingency if required.
- 5.3 **Website Developments:** based on operational experience a small budget allowance has been included to cover any website developments required as result of changes to the Agreement (e.g. DCP016) and / or items within the operational plan.
- 5.4 **Website operation:** reflects the existing contract value adjusted for indexation charges part way through the year. No budget allowance has been included to cover any potential uplift required as result of any developments to the website in the year. It is not expected any small website development would have a material impact on the support charges.
- 5.5 **Legal Fees:** The 2009 budget expects a similar level of CP's as that experienced in 2008. In addition the legal cost associated with the implementation of the National Terms and Conditions under DCP033 are expected to be incurred in the first quarter of the 2009 financial year and expected to be ~60% of the legal fees of Section 2B. The 2009 budget has been retained at both the 2008 budget level

and expected 2008 outturn level of £50k. As detailed above no allowance has been included in respect of any legal fees which maybe required as a result of any fundamental impact of any outcome of the Industry Codes Governance Review.

- 5.6 **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.
- 5.7 **Professional Fees:** have been maintained at £5k. This is a general budget allowance to cover any potential professional fees such as taxation advice that maybe required in the year.
- 5.8 **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. This budget allowance is on the prudent side compared to the renewal premiums in 2008 but it allows for a hardening of the PI market in the coming year.
- 5.9 **General administration:** The allowance included in the budget is to cover general administration items such as bank charges, printing and stationery etc.
- 5.10 **Contingency:** The allowance of £12k (~5%) has been included and this will be used to cover any costs that the company may incur which have not been separately budgeted for elsewhere e.g. changes in contract or service scope. This contingency will only be utilised with prior authority from the Panel.

6 Meeting costs

- 6.1 Meeting costs have been budgeted for on the basis of projected number of meetings for the year. The likely number of chargeable meetings was assessed on an individual meeting basis. In total it is expected that 63 meetings will require chargeable accommodation with a further 18 being facilitated through teleconferences. The balance of meetings will be held on the same day as other meetings or will not require chargeable accommodation.

Meeting	Meetings	Chargeable	Telecon	Non Chargeable
Panel	12	12	-	-
Board	12	-	-	12
AGM	1	-	-	1
Finance & Audit Committee	3	3	-	-
Change Proposal workgroups ¹	48	36	12	-
Project meetings ²	18	12	6	-
SLA measured meetings	94	63	18	13
Contract Mgt Meetings ³	4	-	-	4
Total meetings	98	63	18	17
Average cost per meeting		£160 per room hire	£150 per telecon	n/a

- 6.2 The Panel considered that given the resource constraints within the industry and the availability of personnel it is unlikely that a higher number of meetings could be facilitated.
- 6.3 Meeting rooms are assumed to cost £160 per day and this is reflective of the average meeting room hire rate experienced in the current financial year. Teleconferences are budgeted to cost £150 per meeting and this is reflective of the average cost incurred in the current financial year giving a total meeting accommodation budget allowance of £13k.
- 6.4 The Panel considered that an average of 6 delegates will attend the chargeable meetings with each delegate claiming an average £100 per meeting for travel expenses. This equates to a meeting expenses allowance of £37k.

¹ Assumes 12 Change Proposals requiring 4 meetings per CP

² Assumes 3 small projects in year each requiring 4 meetings plus 6 meetings for the DCUSA Issues Group.

³ Not included in monthly administration service report as not SLA measured.

Appendix 1 – Current DCUSA Operating Plan

Task	Notes
The development of a revised Event Log in Schedule 7.	The Budget reflects a reasonable estimate of the resources required to deliver this matter.
Consider the treatment of LEGs & Consolidators under the DCUSA	As above
Consider treatment of Offshore Wind Farm Clusters in DCUSA (Offshore Transmission)	As above
Consider impact of Revenue Protection Code of Practice (Theft)	As above
Consider impact of Microgeneration on DCUSA.	As above
Consider impact of Smart Metering on DCUSA.	As above
Ongoing housekeeping and management of DCUSA	As above
Assess the impact of the Industry Codes Governance Review	The scale of impact of any outcome of this review cannot be determined with any degree of certainty at this time. Therefore no budget allowance has been included for legal fees etc which maybe be incurred to comply with the outcome of this review. Once the outcome is known with a greater degree of certainty the 2009 Budget will be revisited and if required a revised budget will be prepared.
Review the Change Control Process	The Budget reflects a reasonable estimate of the resources required to deliver this matter.
Monitor Distributed Energy work and assess impact	As above
Monitor Charging Methodologies work and assess impact	As above