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<b>Paper Title</b>	DCUSA Budget – 2007/08
<b>Purpose of Paper</b>	Party Consultation
<b>Synopsis</b>	Parties are invited in accordance with Clause 8.2 of the DCUSA to provide comment on the attached draft 2007/08 Budget and supporting commentary by no later than 5 March 2007.

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## 1 Introduction

- 1.1 This budget paper reflects a good faith estimate of the resources required by the company to deliver the objectives identified within the DCUSA Work Plan as detailed in section 2. 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.

## 2 DCUSA Work Plan

- 2.1 This work plan reflects those matters identified within Schedule 12 of the DCUSA agreement. Schedule 12 matters have been discussed by the DCUSA Panel and it has been agreed that bullets 1, 6 and 7 (in bold) will be proactively managed as “*projects*” during 2007/08 and as such will require a level of financial support.
- **The development of rights and obligations as between each DNO Party or IDNO Party and each other DNO Party or IDNO Party.**
  - The further standardisation of distribution connection arrangements, and/or the creation of further standardised bilateral agreements relating to distribution connection.
  - The development of voluntary schedules that can be adopted at the discretion of the Parties in question on a bilateral basis.
  - The extent to which, and manner in which, the DG Parties should contribute to the costs and expenses of the DCUSA’s governance under Clause 8.
  - The development of a dispute escalation process to apply as a precursor to arbitration.
  - **The creation of a standard list of Recognised Credit Assessment Agencies.**
  - **The development of a revised event log in Schedule 7.**

### 3 Overview of costs

3.1 This draft budget shows the costs for the 12 month period April 07 – March 08 inclusive to be £450k. The 2006/07 budget (7 month period Oct 06 – Mar 07) is shown for comparison purposes.

3.2 Under the current DCUSA cost recovery arrangements, the budget costs will be recovered on a 50/50 split between Suppliers and Distributors. Individual Party costs will be recovered in proportion to the "market share" of each Party within those constituencies. The budget reflects a good faith estimate by the Panel of all known contractual costs and provision for other non contractual costs such as legal fees, meeting costs etc. This budget also provides for a 10% contingency fund.

3.3

	<b>2007/08 12 months</b>	2006/07 7 months
Contractual costs (Secretarial & website)	<b>150</b>	148
Legal Fees (CP's, Projects and general legal fees)	<b>91</b>	25
Audit and Professional fees	<b>29</b>	10
Bank charges, general admin costs, stationery etc	<b>12</b>	-
Meeting costs & travel expenses	<b>112</b>	18
Insurance	<b>15</b>	5
Contingency – 10% of total costs	<b>41</b>	26
	<hr/> <b>450</b> <hr/>	<hr/> 232 <hr/>

3.4 The budget costs will be recovered from Parties quarterly in advance. Any over recovery of costs in one financial will be returned to parties by way of a credit note against their share of the costs for the subsequent year.

### 4 Meetings and Legal fees

4.1 This section looks solely at the assumptions used to support the value of meeting costs and legal fees included in the budget. These costs are primarily driven by the expected number, and the level of complexity of Change Proposals and Projects for the year.

4.2 Meeting costs have been provided on the basis of an analysis of the projected meeting requirements for the year. Meetings fall broadly into two categories: firstly meetings required to manage change proposals and projects; and secondly recurring operational meetings such as Panel Meetings, Board etc.

4.3 It is assumed that  $\frac{1}{2}$  of all meetings will require chargeable accommodation with the remainder of meetings provided at nil cost by DCUSA Parties.

<i>Meeting</i>	<i>Number (physical meetings)</i>	<i>Accom Req'd</i>	<i>Charge- able</i>	<i>Delegates per meeting</i>
Panel & Board & AGM (held on same day)	25	12	6	6
Change Proposal workgroups (see further analysis below)	38	38	19	8
Project meetings (see below for further analysis)	20	20	10	10
Contract Mgt Meetings (held at service providers offices)	12	-	-	1
Finance & Audit Committee	4	2	1	3
<b>Total</b>	<b>99</b>	<b>72</b>	<b>36</b>	<b>-</b>

4.4 Meeting costs of £112k reflect the costs of paying for ½ of all meetings plus the reimbursement of delegate expenses in accordance with the Agreement. Both the meeting costs and delegate expenses can be controlled through the support of Parties by providing meeting facilities at their offices as well as the efficient management of number delegates attending meetings.

4.5 It is assumed that £81k of legal fees (budget of £91k reflects additional legal fees for general company matters) will be incurred in managing and developing the assumed number of Change Proposals and Projects. The quantum of legal advice required will depend on a combination of the complexity of any CP's as well as the number of alternatives, if any developed for each change proposal.

4.6 The table below shows the assumed number and level of complexity of Changes Proposals to be managed by the company for the coming year.

	<i>Estimated CP's</i>
<b>Change Proposals processed through:</b>	
• Definition procedure (Part 1 matters and complex Part 2 matters)	15
• Report Procedure (housekeeping & non contentious Part 2 matters)	5

<b><i>Projects to be managed in 207/08:</i></b>
• DNO & iDNO relationships
• Credit Assessment Agencies
• Develop Event Log

## 5 Other assumptions

5.1 This section details the assumptions used for other contractual, operational and discretionary costs:

- Secretarial services reflect the annual contract cost. The budget does not provide for any increase in the scope of the secretarial service contract.
- An allowance of £25k has been included for further website development costs. This allowance is to cover any further developments required on the website post go live. It is assumed that the costs of the initial build of the website are recovered in the funding to March 2007. Website support costs have also been included at their expected contractual value.
- An allowance of £10k has been included in the budget to cover legal costs for non governance related matters. This allowance would cover general commercial and operational legal fees of DCUSA Ltd e.g. any amendments to Articles, debt collection fees, commercial matters etc.
- Audit and professional fees reflect budget allowances for conducting an annual statutory audit of the company as well as allowances for the project management of the initial website development, taxation advice and other general professional fees.
- A £12k allowance has been included for bank charges, printing, stationery and general administration costs. This cost will be phased evenly over the year.
- A £15k allowance for insurance has been included for Directors and Officers and Professional Indemnity insurance cover for the company.
- A contingency of £41k has been included within the budget. The contingency allowance has been set at 10% of the total other operational costs of the company. The contingency will be used to cover any costs which the company may incur which have not been separately budgeted for elsewhere. As currently this contingency will only be utilised with prior authority from The Panel.