

Finance & Audit Committee (FAC) 031

20 November 2019 at 12:30

ElectraLink, Third Floor, Northumberland House, 303-306 High Holborn, London, WC1V 7JZ.

| Attendee | Representing | Company |
|----------------------------|-----------------------|-----------------|
| Kevin Woollard [KW] | Director | DCUSA Ltd |
| Julia Haughey [JH] | Director (Chair) | DCUSA Ltd |
| Peter Waymont [PT] | Director | DCUSA Ltd |
| Simon Yeo [SY] | Director | DCUSA Ltd |
| Alessandra De Zottis [ADZ] | Director | DCUSA Ltd |
| Karl Maryon [KM] | Director | DCUSA Ltd |
| Michael Daly [MD] | ElectraLink | ElectraLink Ltd |
| Carly Gilchrist [GC]* | ElectraLink | ElectraLink Ltd |
| George Dawson [GD] | Technical Secretariat | ElectraLink Ltd |
| Rosalind Timperley [RT] | Secretariat | ElectraLink Ltd |
| Angelo Fitzhenry [AF] | Secretariat | ElectraLink Ltd |
| Dylan Townsend [DT] | Secretariat | ElectraLink Ltd |

Dialled in*

1. Appointment of Chair

- 1.1 Julia Haughey was appointed as Chair of the meeting.

2. Declaration of Interests

- 2.1 Each of the directors' present declared that they had no direct or indirect interest in any way in the business to be considered at the meeting which were required to be disclosed under section 177(1) or section 182 of the Companies Act 2006 of which the other directors were not already aware.

3. Administration

- 3.1 The Chair noted that due notice of the meeting had been given to all directors of the Company in accordance with the Company's Articles of Association and that a quorum was present.
- 3.2 The FAC reviewed the minutes of the previous meeting held in June 2019 and agreed that they were an accurate record of proceedings.
- 3.3 The FAC reviewed the actions (Appendix A) and noted that there were no open actions to comment upon.

4. 2020/21 DCUSA Budget

- 4.1 MD presented the DCUSA 2020/21 draft DCUSA Budget paper which was circulated to the FAC prior to the meeting. See paper (FAC 031/01).
- 4.2 The 2020/2021 draft budget has been developed building upon existing contracts, approved CRFs, expected projects and contingencies.
- 4.3 AF walked the FAC, line by line, through the items up for discussion. The majority of which were understood and agreed. However, some lines warranted further comment and are noted here-in.
- 4.4 AF highlighted that recent Retail Energy Code transition meeting with Ofgem have indicated that the current £25K sum budgeted for may need to be increased. It was agreed this should increase to £50K.

Action 031/01: Increase the REC/SCR budget cost from 25k to 50k.

- 4.5 AF confirmed within the meeting that the Contract Bonus is 4% of the contract value.
- 4.6 MD confirmed that £10k of bad debt has been included given the increase experienced in Supplier failures.
- 4.7 The FAC queried the CACOP attendance line and AF confirmed that this had been omitted in previous years as an error.
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- 4.8 Access SCR contingencies are based on anticipated Ofgem requests to DCUSA to support the SCR. This has been circa £140K in 2019/20 and therefore £120K for 2020/2021 is in keeping with this year's level of support and is relatively conservative.
- 4.9 AF highlighted that provision for a stakeholder engagement plan has been included as well as the funds to digitise and digitalise the DCUSA for the benefit of users. The stakeholder engagement plan would offer a 'basket' of products at various rates from which the Panel could choose the type and volume of activity to undertake up to the maximum budget of £75K.

Action 031/02: AF to expand some sections of the commentary – especially those relating to DCUSA needing to respond to and support Regulatory change i.e. these are not discretionary activities.

- 4.10 AF noted that the website enhancements value of £25k is relatively modest amount to cater for any improvement opportunities identified from customer feedback. An example could be the introduction of a self-service portal for users to update their details. The FAC noted that, with this example, a level of control would need to be implemented so may limit its efficiency. The FAC noted that they have experienced website issues and will be raising it as an issue next month.

Action 031/03: GD to add a DCUSA Website agenda item to the December DCUSA Panel Closed Session

- 4.11 The FAC noted that the digitisation sum may change after the workshop in early 2020, however, the current £140k is a pragmatic value to allow for at this time.
- 4.12 With respect to the Innovation Sandbox line, AF advised the FAC to expect a lot of interest in this area following the implementation of DCP 345. This figure allows for potential project management of Sandbox Innovation Requests. The FAC agreed that £25k should be adequate.
- 4.13 The FAC discussed the structure of the billing process for the contingency lines. MD asked the FAC of their view on whether parties would prefer variable payments (changing rate of payment, increasing and decreasing at relevant points of the calendar year) or a flatline monthly payment? MD noted that currently the structure follows a flatline of payments. AF indicated that for the projects of which dates are known, the billing can be phased.
- 4.14 Other Regulatory Change Support projects was discussed by the FAC. The FAC were unsure whether any other projects, other than the ones noted in the budget, will be needed. As such, the FAC believe that the £100k for the Other regulatory Change is excessive and agreed to reduce this to £20k.

Action 031/04: AF to reduce the Other Regulatory Change Support budget line from 100k to 20k.

Theft Charges

- 4.15 The Group agreed to reduce the Legal fees from £26K, down to £10K.

Action 031/05: RT to reduce the Theft Legal fees from 26k to 10k.

- 4.16 RT noted that for the Theft meetings that since the TIG and TEG meetings have been combined, there are some leftover meetings out of the designated 44. These leftover meetings can be used for Working Groups.

Action 031/06: MD to check the meeting costs regarding the Theft meeting costs in the Meeting costs budget line.

- 4.17 RT noted that the ETTOS Marketing fund is always increased annually. As such, RT noted that £175K is a maximum reasonable amount for charging, with some additional contingency. RT noted that this year the spend was £105K. The FAC decided to reduce this line to £125K.

Action 031/07: RT to reduce the ETTOS Marketing fund from 175k to 125k

- 4.18 RT noted that the Theft audit costs are a new field in the 2020/21 budget, and why it is noted as a zero spend in the previous year. The Group decided they would like this split out into separate lines for clarity.

Action 031/08: RT to split the budget line to show the budget for Theft Contacts for last year, when compared to the future year.

- 4.19 RT noted that the additional CCN's field is based on the maximum ever CCN numbers and as such, is used as a contingency in case of an increased number of CCN's needed due to the required handover between different parties. The Group decided to reduce the budgeted cost from £177K to £25K as a means of reducing spend.
- 4.20 RT noted that the increase in the Theft Calculator enhancements is due to the involvement of electric vehicles, which was not budgeted for in the previous year.
- 4.21 The Group discussed the TRAS Re-procurement budget provision. The Group noted that until the agreed path for transition of theft to REC is known, the extent to which the re-procurement costs will fall within the remit of DCUSA are unknown making it difficult to budget for. It was observed that a further DCUSA Board meeting to discuss the TRAS re-procurement is due to be held prior to the December Panel meeting. It was agreed that this budget line should be further reviewed at the December Panel meeting, as more information regarding the procurement may be available by this point.
- 4.22 RT may need to wait until after the NRPS trial to correctly budget for the Strategic Review papers.
- 4.23 RT noted that the Contingency has been kept at the same level for the next year's budget, however, the Contingency budget is very close to being fully used this year. It was noted some items have been included in the general budget that would've otherwise been used as contingency this year. As such, this contingency budget should not need increasing.

Action 031/09: RT to research how much has been spent on Hunter licenses in this year's budget.

4.24 The FAC agreed to the Theft section of the budget, subject to the changes above.

5. Any Other Business

5.1 There were no items of any other business, and the Chair closed the FAC.

Authorised By:

Date:

New and Open Actions

| Action Ref. | Action | Owner | Update |
|-------------|--|-------------|--------|
| 031/01 | Increase the REC/SCR budget cost from 25k to 50k. | ElectraLink | |
| 031/02 | AF to expand some sections of the commentary – especially those relating to DCUSA needing to respond to and support Regulatory change i.e. these are not discretionary activities. | ElectraLink | |
| 031/03 | GD to add a DCUSA Website agenda item to the December DCUSA Panel Closed Session | ElectraLink | |
| 031/04 | AF to reduce the Other Regulatory Change Support budget line from 100k to 20k. | ElectraLink | |
| 031/05 | RT to reduce the Theft Legal fees from 26k to 10k. | ElectraLink | |
| 031/06 | MD to check the meeting costs regarding the Theft meeting costs in the Meeting costs budget line. | ElectraLink | |
| 031/07 | RT to reduce the ETTOS Marketing fund from 175k to 125k | ElectraLink | |
| 031/08 | RT to split the budget line to show the budget for Theft Contacts for last year, when compared to the future year. | ElectraLink | |
| 031/09 | RT to research how much has been spent on Hunter licenses in this year's budget. | ElectraLink | |

Closed Actions

| Action Ref. | Action | Owner | Update |
|-------------|--|-------------|-----------|
| 029/01 | Update the DCUSA Budget for 2019/20 as discussed at meeting and issue updated budget to the FAC for sign-off. | ElectraLink | Completed |
| 029/02 | The Members requested for the Regulatory and Change section of the budget a more granular details for budget from AM. The Section needs to break down the costings into a way to both allow for easy comparison but also to show the expected projects for this section. | ElectraLink | Completed |
| 029/03 | Put a Latest Best Estimate column in place of F2 next to the budget as a rolling cost to show the difference to last year's budget. | ElectraLink | Completed |
| 030/01 | Submit the 2018/19 Financial Statement to Board, once the minor amendments have been made. | ElectraLink | Complete |