

2022/23 DCUSA Approved Budget

Draft Budget agreed by the DCUSA Panel

Purpose of this document:

This document sets out the Draft Budget for DCUSA Ltd for the financial year from 01 April 2022 to 31 March 2023. Supporting commentary is provided to enable Parties to understand the rationale behind the inclusion of various items in the Draft Budget.

The Draft Budget was approved by the DCUSA Panel on 16 February 2022 and is now considered the Approved Budget.



In accordance with Clause 8.2 of the DCUSA Parties were given the opportunity, between 11 January 2022 and 08 February 2022, to provide comments on the Draft Budget for consideration by the Panel during their meeting on 16 February 2022.

The comments received were not material in nature and no amendments were made to the Draft Budget that was consulted on.



Impacted Parties: All Parties

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1 Summary

- 1.1 The purpose of this document is to highlight the material costs and key considerations which need to be assessed as part of the preparation of the 2022/23 Draft Budget. The 2022/23 Draft Budget is set against a column showing the 2021/22 Approved Budget for comparison purposes. A budget summary grouped into specific 'Reporting Pots', is provided in section 2 below and the detailed breakdown of the items which are included within each reporting pot is provided for in Section 3 below.
- 1.2 The significant costs in the DCUSA budget are secretarial services, external contracts, professional fees, legal fees, project costs, meetings costs and contingency allowances. The remaining costs are either fixed contractual costs or are not material in the context of the Budget.
- 1.3 The Panel have considered the objectives and key deliverables of DCUSA Ltd for the financial year and identify the level of resource required to deliver those objectives.
- 1.4 It should be noted that the current rate of regulatory change is unprecedented and as such the budget has identified and allocated sums to numerous activities that either support or and/are required to implement such changes. There are also sums set aside as contingencies for the yet to be defined support and impacts that DCUSA will be required to deliver and implement.
- 1.5 The 2022/23 Draft Budget shows an increase of c.£1,116,021 when compared to the approved 2021/22 budget. The primary driver for the increase is due to the potential funding requirement for the DUoS e-billing service that is a possible outcome of DCP 344 'Solutions for a new approach to billing and remittance' as described further below. The other drivers behind the increase are generally related to project costs across several areas as described in more detail in Section 2 below.
- 1.6 The Panel recognises its obligations to manage costs effectively and the sections below outline the actions and principles the Panel will adopt to deliver these obligations. These include only billing certain items as and when they are committed to, using a continual dynamic assessment of quarterly actual spend against budget and adjusting subsequent billing to reflect any under-spends, and effective management of variable cost drivers such as meeting costs.

2 Key Cost Considerations

- 2.1 The table below provides a summary of the budgeted costs, grouped into specific 'Reporting Pots', that have been agreed by the DCUSA Panel. The key cost considerations for the coming year are set out directly below this table.

DCUSA Limited - Budget 2022/23			
Income & Expenditure Account Overview	Budget 22/23	Budget 21/22	Variance Fab/(Adv)
DCUSA Agreement charges	£3,184,042	£2,068,020	£1,116,021
DCUSA Charges Rebate	£0	£0	£0
Other Income	£0	£0	£0
Income	£3,184,042	£2,068,020	£1,116,021
Direct Costs	£880,810	£856,974	£23,835
Direct Costs	£880,810	£856,974	£23,835
Legal Fees	£60,000	£60,000	£0
Insurance	£19,996	£19,996	£0
Audit Fees	£12,360	£12,360	£0
Meetings	£72,000	£38,000	£34,000
Other	£31,340	£20,300	£11,040
Overheads	£195,696	£150,656	£45,040
External Contracts	£812,040	£247,040	£565,000
Regulatory	£415,000	£422,000	-£7,000
Stakeholder Engagement	£73,124	£70,800	£2,324
Technology	£325,000	£125,000	£200,000
DCUSA Process	£77,372	£45,550	£31,822
Projects	£155,000	£50,000	£105,000
Total Expenditure	£1,857,536	£960,390	£897,146
Contingency	£225,000	£100,000	£125,000
Theft Contingency	£25,000	£0	£25,000
Total Contingency	£250,000	£100,000	£150,000
Total Costs	£3,184,042	£2,068,020	£1,116,021
Under/(Over) Spend	0	0	0

2.2 The key cost considerations for the coming year are:

FIXED COSTS

- **Audit:** Audit costs have been budgeted at £12k which includes a 3% inflationary increase on the 2021/22 cost. The costs include statutory audit and corporation tax compliance.
- **Legal Fees – General:** An allowance of £60k has been made for legal fees to cover development within the DCUSA. These costs are for legal consultation required in relation to the operation of the DCUSA – primarily the review of Change Proposals legal text.
- **DCUSA Parties’ Training:** An allowance of £12k has been included which will cover external venues for 3 training sessions, this assumes physical meetings will resume from April 2022. Delivery of the training itself is included within the Secretarial Services provision.

- **Physical meeting costs:** It is expected that physical meetings will increase in 2022/23 as the impact of COVID-19 hopefully diminishes. We have therefore included an allowance assuming a return to physical meetings from April 2022 on an ongoing basis, thus £60k based upon:
 - internal meeting room bookings per month @ £500 per booking = £18,000
 - externally hosted event per month @ £3,500 = £42,000
- **Secretarial services:** The agreement makes provision for “RPI+1%; provided that in any event such increase shall not be less than 3% or exceed 4%”. The recommendation would be to apply an increase of 4% based on latest RPI data in terms of preparation of the budget.
- **Secretarial services – Quality Bonus:** The Panel have budgeted for the quality bonus provision as contained within the Secretariat and Administration agreement with ElectraLink. The agreement makes provision for a 4% Quality Bonus based upon the contract value in the event of achievement of all its quality targets (being the Qualitative Service Levels set out in Schedule 4 of the agreement). It is recommended this is provided for in full for prudence.
- **Website Support and Maintenance:** The budget for support and maintenance of the DCUSA website has been budgeted at £11.1k, reflecting an assumed RPI of 4%.

EXTERNAL CONTRACTS

- **Charging Methodologies Modelling:** The 2022/23 budget includes an allowance of £208k reflecting a full year contractual CEPA charge under the current contract.
- **Charging Methodologies Modelling – Contingency:** It should be noted that for the two past consecutive years, DCUSA has provided additional modelling support as part of the Access and Forward- Looking Charges SCR. We therefore consider it prudent to assume this may also be the case in 2022/23 and have therefore budgeted for a 50% excess of £125K (inclusive of management fees).
- **DUoS e-Billing:** DCP 344 - Solutions for a new approach to billing and remittance, if approved, would lead to DCUSA Parties funding a DUoS e-billing service provided under contract by ElectraLink. The estimate for this service provision is £565K. It should be noted this assumes a full year of implementation. In the event implementation is delayed this cost item will not apply until the arrangement is live and pro-rated accordingly.

REGULATORY

- **Ongoing Approved CRFs (121 / 127 / 140 / 141):** All existing approved CRFs that will continue into 2022/23 are separately identified within the budget.
- **Regulatory and Code Governance Change:** There is a great deal of regulatory and code governance change anticipated in 2022/23 and not all of it can be accurately forecast and therefore it is prudent to budget a £350K contingency sum specifically in this area. This, for example, recognises the enhanced levels of support and activities anticipated in implementing the outcome of the Access and Forward-Looking Charges SCR, including the need for wholly new charging methodology models.

STAKEHOLDER ENGAGEMENT

- **Stakeholder Engagement Plan:** Building on the success of the existing programme and importance of continuing to develop new initiatives, £50K has been included to continue with stakeholder engagement activities to be designed and delivered for the benefit of DCUSA parties.
- **Strategy Day 2022:** An allowance of £12K has been included to organise, run, and host a strategy day in October 2022.

TECHNOLOGY

- **Digitalisation of the DCUSA Service:** Following on from the work to digitise the DCUSA document and beginning the journey to digitalise the DCUSA service in 2021, a further sum of up to £300K is recommended to be budgeted for in 2022/23 to radically transform the DCUSA service and how stakeholders will be able to interact and engage holistically with all DCUSA related matters. Individual projects will be submitted for Board approval throughout the year that are fully scoped with clearly defined outcomes and benefits for DCUSA stakeholders. It should be noted that successful implementation and realisation of benefits of projects already commissioned in 2021/22 will be considered prior to any of the projects proposed for 2022/23 being approved. Potential projects include:
 - An introduction to Artificial Intelligence (AI) to help assess the commercial impact of Changes being proposed. This will help working groups understand the wider impact of any changes (the winners and losers) to ensure the appropriate solution is put forward (estimated £75K). An example could be when a Change Proposal intends to make modifications to the DUoS charging methodology affecting certain profile classes and/or volume bands. The DCUSA built-in AI calculator will be able to assess what the commercial impact would be of the change being proposed for each individual member who uses the service. Each DCUSA party can provide their details and the DCUSA AI model will be able to process all the information, comparing the results of the old charging methodology against the new methodology. It will give a forecast on the commercial impact the user will see from the change being proposed. Furthermore, with more members using the service and more information being collected the AI calculator will, in time, be able to provide a standardised and transparent commercial impact assessment report across industry, forecasting the potential 'winners' and 'losers' of any change being proposed. This information can then be used by the Working Group to develop a better solution.
 - There will be a single digitised, dynamic, and complete DCUSA Document which will be used as a gateway into other DCUSA related information and services. The next phase of digitalisation will ensure the content of the DCUSA Document is interlinked with other areas such as the Change Process files and all previous archived DCUSA document versions (estimated £100K). This process will fully digitise the change process by interconnecting the DCUSA Document with all other parts of the DCUSA services. The current DCUSA document is a static standalone text file. The user is unable to connect any one clause to other services. There is no relationship with the different data sources. However, a fully digitalised document will allow the user to see (directly from the document) when a clause was updated, all previous

archive versions that may be available, whether there are any open, closed or previously rejected change proposals filed (and with access to all these files). Other features include a 'translate into simple English' option for each clause, this option will also be available from the document.

- This phase will include a new state-of-the-art architecture and document framework, ensuring the content is completely database-driven. A document which is database-driven will allow the ability for advance sorting, indexing and data filtering functionalities, this will provide the ability for users to view and understand the information in new unique ways (estimated £100K). All the content will be fully digitalised which means the user will have multiple access points and gateways e.g., a user may be viewing the DCUSA document and is interested in a particular clause. The user will be able to see whether there is a change open for that clause and from its location it will be able to access all the Change Proposal information available including all historical information. If we take the current model the user would need to exit the DCUSA document page, access the change register page and then do a search to see if there was a CP open for that clause. The new architecture connects all the data sources in unique ways. i.e., From the document the user will be able to filter on only clauses which have an open Change Proposals, or highlight the clauses which are coming into effect in the next release. It will also allow the user to view clauses directly relevant to their business only, and any cross-code linkages that may exist. Another benefit of this new framework is it will allow any part of the service to be available for authorised third parties to view and export into other databases e.g., if Ofgem wanted to access certain data points and export these back into EMAR, this would be possible.
- A fully digitalised service will also include a customisable member login with unique email usability settings, event management, content storage and member-to-member interaction. Users will enhance their ability to discuss, share ideas and experiences on the DCUSA platform (estimated £25K). A personalised DCUSA login will allow users to customise what notification they receive and how often e.g., users can request to receive updates to a Change Proposal once a week or any other period of choice. A personalised login service will allow the user to setup reminders and/or notifications on certain Change Proposals i.e., send me an email when there is an update on this Change Proposal or when someone replies to my site comment. User's login dashboard will be customised to only show the content that are relevant and settings which they prefer (i.e., show/notify me changes only impacting Suppliers).
- **DCUSA Website Continuous Improvement:** An allowance of £25k is included to enable additional improved functionality, including that required as result of newly implemented Change Proposals.

DCUSA PROCESSES

- **Ongoing Approved CRFs (039 / 139 / 181 / 182 / 190 / 191 / 203 / 204 / 1103 / 1112):** All existing approved CRFs that will continue into 2022/23 are separately identified within the budget.

- **Supporting Innovation Sandbox Applications/Projects:** We are beginning to see increased level of interest in this area with live applicants materialising and believe it is appropriate to increase the budget value to £50K to 2022/23.
- **CACoP Attendance:** The 2022/23 budget includes £15k for attendance at CACoP meetings charged on a time and material basis. This will also cover attendance at the Cross Code Steering Group (CCSG) as required.

PROJECTS

- **Supporting the DNO-DSO transition:** As the pace of DNO-DSO transition activities increase, we consider it prudent to set aside £35K to ensure appropriate support is provided for any impacts to DCUSA. This will also cover attendance at the ENA's Open Networks Challenge Group that is expected to commence in 2022.
- **BEIS/Ofgem Energy Codes Review:** The conclusion to this review following consultation is expected late 2021 and will undoubtedly lead to the commencement of evolving existing code administrators into code managers and with the potential of some code consolidation. What is certain is that change will happen, what is not certain yet is precisely what form this change will take and the effort involved. As such, we consider it prudent to budget a sum of £120K for 2022/23 which will cover the requirement to participate in the formal Energy Code Review implementation process.

CONTINGENCY

- **General Project Contingency:** As per last year, £100k has been included in the budget to cover any unforeseen costs which may arise during 2022/23.
- **Theft Contingency:** Whilst theft activity has now fully transitioned to the Retail Energy Code (REC), we consider it prudent to set aside a small contingent sum of £25K in 2022/23 to cover any unexpected activity that DCUSA Limited may need to support as part of legacy commitments.

Billing of the Contingency sums within the Budget - Please note that DCUSA Limited will not invoice Parties for the Contingency sums shown in the budget unless it believes there is a strong likelihood of some or all the Contingency sums being called upon to cover appropriate and approved expenditure. This decision is taken in advance of each quarterly invoice being raised. Please also note that in the event a contingent sum is invoiced in advance and does not subsequently materialise, any excess will be refunded to Parties as part of the year end re-conciliation.

3 The 2022/23 Draft Budget

3.1 The itemised budget costs have been split across two 'Cost Areas', which indicates whether each item is considered an 'operating cost' or a 'project cost'. Project costs will only be recovered from Parties if the projects are initiated. The table below details the estimated 2022/23 costs as agreed by the Panel members with a point of reference against the main cost headings for the company. A column showing the 2021/22 Approved Budget has been provided for comparison purposes.

DCUSA Limited - Budget 2022/23				
Fixed Costs	Budget 22/23	Budget 21/22	Variance	Cost Category
Audit Fees	£12,360	£12,360	£0	Operating Cost
Legal Fees	£60,000	£60,000	£0	Operating Cost
Insurance	£19,996	£19,996	£0	Operating Cost
DCUSA Parties Training	£12,000	£8,000	£4,000	Operating Cost
Meeting Costs	£60,000	£30,000	£30,000	Operating Cost
Data Protection	£40	£0	£40	Operating Cost
General Administration Costs	£0	£0	£0	Operating Cost
Professional Fees - General	£0	£0	£0	Operating Cost
Corporation Tax	£0	£0	£0	Operating Cost
Bank Charges	£300	£300	£0	Operating Cost
Bad Debts	£30,000	£20,000	£10,000	Operating Cost
Subsistence & Travel	£1,000	£0	£1,000	Operating Cost
Secretarial Services/Administrator Contract Costs	£836,355	£814,188	£22,167	Operating Cost
Contract Bonus	£33,454	£32,168	£1,287	Operating Cost
Website Support & Maintenance (CRF 066)	£11,000	£10,619	£381	Operating Cost
TOTAL FIXED COSTS	£1,076,506	£1,007,630	£68,875	
Other Costs				
Charging Methodologies Modelling	£207,540	£207,540	£0	Operating Cost
Charging Methodologies Modelling Contingency	£125,000	£0	£125,000	Project Cost
CRF143 - Management of Modelling Services Agreement	£39,500	£39,500	£0	Operating Cost
DUoS e-Billing	£565,000	£0	£565,000	Project Cost
*External Contracts	£937,040	£247,040	£690,000	
CRF 121 DCUSA Support for TCRSCR	£5,000	£0	£5,000	Operating Cost
CRF 127 HH Settlement Code Change and Development Group	£42,000	£10,000	£32,000	Operating Cost
CRF 140 Ongoing CFF and CDB Attendance	£6,000	£6,000	£0	Operating Cost
CRF 141 Ongoing Access SCR Delivery Group Attendance	£12,000	£6,000	£6,000	Operating Cost
Regulatory & Code Governance Changes Contingency	£350,000	£400,000	-£50,000	Project Cost
*Regulatory	£415,000	£422,000	-£7,000	
CRF 044 DCUSA Monthly e-Bulletin	£11,124	£10,800	£324	Operating Cost
CRF 214 Stakeholder Engagement Delivery	£50,000	£50,000	£0	Operating Cost
2022 Strategy Day	£12,000	£10,000	£2,000	Operating Cost
*Stakeholder Engagement	£73,124	£70,800	£2,324	
Digitalisation of the DCUSA Service	£300,000	£100,000	£200,000	Project Cost
Website Development	£25,000	£25,000	£0	Project Cost
*Technology	£325,000	£125,000	£200,000	
CRF 039 DCUSA Training to a Wider Stakeholder Group	£1,000	£0	£1,000	Operating Cost
CRF 139 Incident Management Scenarios & Contact Maintenance / Audit	£2,000	£2,000	£0	Operating Cost
CRF 181 New processes for DCP336	£2,122	£0	£2,122	Operating Cost
CRF 182 New processes for DCP350	£1,000	£0	£1,000	Operating Cost
CRF 190 New processes for DCP364	£1,000	£0	£1,000	Operating Cost
CRF 191 New processes for DCP360	£1,000	£15,050	-£14,050	Operating Cost
CRF 203 DCUSA Sandbox Enduring Contract	£35,000	£25,000	£10,000	Operating Cost
CRF 204 DCUSA Manager Sandbox Quarterly Meeting	£15,000	£0	£15,000	Operating Cost
CRF 1103 New DCUSA Meta Data Processes for Updating the REC	£1,000	£0	£1,000	Operating Cost
CRF 1112 Director Training	£2,000	£3,000	-£1,000	Operating Cost
CACOP Attendance	£15,000	£0	£15,000	Operating Cost
London Gazette	£1,250	£500	£750	Operating Cost
*DCUSA Process	£77,372	£45,550	£31,822	
DNO - DSO Project(s)	£35,000	£25,000	£10,000	Project Cost
BEIS/Ofgem Energy Codes Review	£120,000	£25,000	£95,000	Project Cost
*Projects	£155,000	£50,000	£105,000	
Contingency	£100,000	£100,000	£0	Project Cost
Theft Contingency	£25,000	£0	£25,000	Project Cost
*Contingency	£125,000	£100,000	£25,000	
TOTAL OTHER COSTS	£2,107,536	£1,060,390	£1,047,146	
TOTAL COSTS	£3,184,041	£2,068,020	£1,116,021	

Theft Related Costs: It should be noted that the 2022/23 budget is no longer split between 'General Costs' and 'Theft Costs' as has been done in prior years due to the closure of all theft activities which have moved over to the Retail Energy Code (REC) in a staggered way from 01 April 2021. The 2021/22 Budget contained a total of £433,500 for all 'Theft Costs' but these items and associated amounts are not provided for in this year's Draft Budget and so a year-on-year budget comparison was therefore not considered to appropriate. However, for transparency, the below table highlights this fact.

THEFT COSTS	Budget 22/23	Budget 21/22	Variance	Cost Category
Theft Charges	£0	£433,500	-£433,500	N/A
*Total Theft Charges	£0	£433,500	-£433,500	

4 Recoverable Costs and Amendments to Budgets

- 4.1 Budgeted costs are recovered quarterly in advance and split into 'operational' and 'project' costs, with project related costs only being recovered from Parties if the projects are initiated. This option allows the Panel to give foresight to Parties of what they might be expected to pay in the year but not recover costs unless they are going to be utilised. In short, Parties essentially approve the costs up front, thereby allowing the Panel, without further consultation, to decide whether to initiate a project and thus recover any associated costs from Parties.
- 4.2 Clause 8.6 of the DCUSA, details the Panel's ability to revise the budget part way through the year, providing the Panel with the option to wait until there is more certainty around potential costs before putting them into the Budget. However, it should be noted that a revised budget requires the same approval process as the original budget, i.e., further consultation with Parties.

5 Cost Recovery Invoicing

- 5.1 In accordance with DCUSA, the Panel is required to provide its good-faith estimate of the Recoverable Costs that it anticipates will be invoiced in each Quarter of the Financial Year to which the Draft Budget relates, split between each Party Category. The Panel must also provide its best estimate of the dates on which it will raise invoices for each Quarter of the Financial Year. The following table sets out this information.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year
Invoice Date	31/03/2022	30/06/2022	30/09/2022	31/12/2022	Totals
Total amount recoverable from Distributors	£398,005	£398,005	£398,005	£398,005	£1,592,020
Total amount recoverable from Suppliers	£398,005	£398,005	£398,005	£398,005	£1,592,020
Total	£796,010	£796,010	£796,010	£796,010	£3,184,040