

2023/24 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 2023 to 31 March 2024. 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 15 February 2023 and is now considered the Approved Budget.



In accordance with Clause 8.2 of the DCUSA Parties were given the opportunity, between 09 January 2023 and 03 February 2023, to provide comments on the Draft Budget for consideration by the Panel during their meeting on 15 February 2023.

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 related to the 2023/24 financial year. The 2023/24 Draft Budget is set against a column showing the 2022/23 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 2023/24 Draft Budget shows a reduction of c.£380,000 when compared to the approved 2022/23 budget. The primary driver for the decrease is the removal of the funding requirement for the DUoS e-billing service that was a possible outcome of DCP 344 'Solutions for a new approach to billing and remittance in last year's budget.
- 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 costs if they are committed to, continual dynamic assessment of quarterly actual spend 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 2023/24			
Income & Expenditure Account Overview	Budget 23/24	Budget 22/23	Variance
DCUSA Agreement charges	2,803,566	3,184,041	-380,475
DCUSA Charges Rebate	-	-	0
Other Income	-	-	0
Income	2,803,566	3,184,041	-380,475
Direct Costs	916,143	880,810	35,334
Direct Costs	916,143	880,810	35,334
Legal Fees	60,000	60,000	0
Insurance	16,000	19,996	-3,996
Audit Fees	15,635	12,360	3,275
Meetings	45,000	72,000	-27,000
Other	36,340	31,340	5,000
Overheads	172,975	195,696	-22,721
External Contracts	286,400	812,040	-525,640
Regulatory	229,500	65,000	164,500
Stakeholder Engagement	62,500	62,000	500
Technology	530,000	325,000	205,000
DCUSA Process	91,048	88,496	2,552
Projects	215,000	155,000	60,000
Total Other Expenditure	1,414,448	1,507,536	-93,088
Contingency	300,000	575,000	-275,000
Theft Contingency	-	25,000	-25,000
Total Contingency	300,000	600,000	-300,000
Total Costs	2,803,566	3,184,041	-380,475
Under/(Over) Spend	0	0	-

2.3 The key cost considerations for the coming year are:

FIXED COSTS

- **Audit:** Audit costs have been budgeted at £16k which includes a 6% inflationary increase on the 2022/23 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 2023. Delivery of the training itself is included within the Secretarial Services provision.
- **Physical meeting costs:** It is expected that physical meetings will resume in 2023/24 as the impact of COVID-19 finally diminishes. We have therefore included an allowance assuming a return to physical meetings from April 2023 on an ongoing basis, thus £33k based upon:
 - 2 internal meeting room bookings per month @ £500 per booking = £12K
 - 6 externally hosted events per annum @ £3.5K = £21K
- **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, thus a revised sum of £870K.
- **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 meeting all of 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. This equates to the sum of £35K.
- **Website Support and Maintenance:** The budget for support and maintenance of the DCUSA website has been budgeted at £11.5k, reflecting the assumed RPI increase of 4%.

EXTERNAL CONTRACTS

- **Charging Methodologies Modelling:** The 2023/24 budget includes an allowance of £239K reflecting a full year contractual CEPA charge under the extended contract terms effective from April 2023 to March 2028.
- **Charging Methodologies Modelling – Contingency:** The DUoS SCR is delayed from its original planning assumptions; however, it is expected to recommence in 2023/24 and as such it is prudent to budget for a contingent sum that may be required to support Ofgem in their work by allowing access to our Charging Methodology Models service provider. A contingent sum of £100K is included which also covers the Secretariat’s contractor management fees.

REGULATORY

- **Market-Wide Half-Hourly Settlement:** This programme is gaining traction in 2023/24 with the requirement for relevant legal text to be drafted. Existing CRFs 127 and 1120 cover the work that is required, including the attending the Code Change Development Group and associated meetings. A sum of £125K is included for this work.
- **Ongoing Approved CRFs (127, 140 & 141):** All existing approved CRFs that will continue into 2023/24 and are separately identified within the budget.
- **Regulatory and Code Governance Change:** There is a great deal of regulatory and code governance change anticipated in 2023/24 and not all of it can be accurately forecast and therefore it is prudent to budget a contingency sum of £100K specifically for this aspect.

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 2023:** An allowance of £13K has been included to organise, run and host a strategy day in October 2023.

TECHNOLOGY

- **Digitalisation of the DCUSA Service** Following the work undertaken in 2022/23 to move the DCUSA document from a static digitised platform to a fully digitalised platform, we are now ready to progress with Phase III of the digitalisation programme in 2023/24. Phase III will link the DCUSA document to relevant other DCUSA services to enable a full 360 degree holistic view of the DCUSA, examples include:
 - **Codes Impact Assessment**
 - Performing a digitalisation setup review of other major code bodies. The assessment would bring valuable insight into the current and future digitalisation code developments plans of other codes. By understanding the data structure, technology and architecture being used, this will most certainly influence, shape, and support the decision-making of future DCUSA digitalisation development phases. This work supports Ofgem's recommendation that Code Managers assess inter-code operability as part of digitalisation plans (estimated £42k).
 - **Document Integration**
 - More DCUSA services connected to the Document. This includes all archive files, integrating with the calendar, Issue Register, Voting forms etc. All schedules which require information from party members will be directly accessed from the Document, along with notification and completion reminders to ensure the information remains up to date. In addition, the Document will start to provide support on sum or scoring calculations which form the base of some schedules. This new feature will allow party members to perform computations which will ensure a greater level of consistency, transparency and accuracy (estimated 125k).

➤ Working Group Collaboration

- Modernise the Working Group draft legal text process. This includes a much more efficient way for WG members to review and update draft legal text. Comments and changes made by WG members are easier to manage including a comprehensive and automated version control element. Discarded or rejected text can also be easily found with all action justification notes. The process will include external integration for a more robust Legal or Authority review process (estimated 100k).

➤ DCUSA Customisation

- Personalise the DCUSA experience with each party member having their own MyDCUSA account. This will allow them to focus on the areas of the DCUSA that they are interested in including setting up notifications for specific changes, having a 'favourites' folder to save and easily visit sections, and collaborating with members from their very own organisations including comments and opinions on draft legal text (estimated 100k).

➤ Party Engagement

- A new set of usability workshops to be run to help understand the views and opinions of party members of the current digitalisation strategy and work. This will help shape and build the functionality that is important to party members. It will also help prioritise the digitalisation development. In addition, to improve party engagement a customer forum should be setup to help road test new digitalisation features. This will be made up of all impacted DCUSA parties. The objective is to gather insights, pick-up any issues early, and identify improvement areas which can be fed back to the development team (estimated 40k).

The precise nature and scope of the proposed developments referred to above are subject to full DCUSA stakeholder engagement to establish needs and priorities, together with any proof-of-concept work that may be required. This builds on the successful process adopted for Phase II during 2022/23. A sum of £500K is proposed for 2023/24 to cover Phase III and of which £93K¹ is directly associated with Phase II which is due for completion in May 2023.

- **DCUSA Website Continuous Improvement:** An allowance of £30K is included to enable additional improved functionality, including that required as a result of newly implemented Change Proposals. This budget line will also be used to fund the DCUSA Ltd contribution to the CACoP website.

¹ This sum is also currently included within the F3 of 2022/23 and may not be required for Phase II in 2023/24 if sufficient general contingency remains to cover this in 2022/23.

DCUSA PROCESSES

- **Ongoing Approved CRFs (039, 044, 139, 181, 182, 190, 191, 1103, 1112 & 1113):** All existing approved CRFs that will continue into 2023/24 are separately identified within the budget.
- **Supporting Innovation Sandbox Applications/Projects:** We are beginning to see activity in this area with live applicants materialising and believe it is appropriate to maintain the budget value at £50K in 2023/24.
- **CACoP Attendance:** The 2023/24 budget includes £18k for attendance at CACoP meetings charged on a time and material basis. This will also cover attendance at the Cross Code Steering Group as required.

PROJECTS

- **Supporting the DNO-DSO transition:** As the pace of DNO-DSO transition activities increase, we consider it prudent to set aside £30K to ensure appropriate support is provided for any impacts to DCUSA. This would also cover any support required to the ENA's Open Networks programme.
- **BEIS/Ofgem Energy Codes Reform:** This is highly likely to commence and impact DCUSA Ltd in 2023/24. There is still a great deal of uncertainty as to precise nature of the reforms and the process that is to be adopted and it therefore recommended to budget for a sum of £100K to ensure appropriate resources are deployed to progress whatever programme of work is required to deliver BEIS/Ofgem's expectations.
- **Rationalisation & Simplification of the DCUSA:** Further to the work undertaken to identify the opportunities for rationalisation and simplification of the DCUSA and the subsequent implementation impact assessment that has been carried out, it is our intention to implement the recommended changes during 2023/24. A sum of £50K is proposed which includes costs for the additional legal support that will be required.
- **Data Protection Impact Assessment (DPIA):** Post Brexit Government legislation is due in 2023 with respect to Data Protection. It is recommended that DPIA is undertaken in preparation for the legislation changes. The sum of £20K includes an allowance for any post DPIA work that is required.
- **Net Zero Status:** A sum of £15K is to be included to provide full project management to enable DCUSA Ltd to become formally recognised as a Net Zero company utilising the skills, knowledge and experience acquired by ElectraLink Ltd in achieving that status.

CONTINGENCY

- **General Project Contingency:** As per last year, £100k has been included in the budget to cover any unforeseen costs for required projects which may arise during 2023/24.

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 of the Contingency sum 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 2023/24 Draft Budget

- 3.1 The itemised budget costs have been split across 'Cost Areas' and it should be noted that any 'Project Costs' will only be recovered from Parties if the projects are initiated. The on the following page details the estimated 2023/24 costs as agreed by the Panel members with a point of reference against the main cost headings for the company. A column showing the 2022/23 Approved Budget has been provided for comparison purposes.

DCUSA Limited - Budget 2023/24			
Income & Expenditure Account	Budget 23/24	Budget 22/23	Variance
DCUSA Agreement Charges	2,803,566	3,184,041	-380,475
INCOME	2,803,566	3,184,041	-380,475
Audit Fees	15,635	12,360	3,275
Legal Fees	60,000	60,000	0
Insurance	16,000	19,996	-3,996
DCUSA Parties Training	12,000	12,000	0
Meeting Costs	33,000	60,000	-27,000
Data Protection	40	40	0
Bank Charges	300	300	0
Bad Debts	35,000	30,000	5,000
Subsistence & Travel	1,000	1,000	0
Secretarial Services/Administrator Contract Costs	869,809	836,355	33,454
Contract Bonus	34,792	33,454	1,338
Website Support & Maintenance (CRF 066)	11,541	11,000	541
TOTAL FIXED COSTS	1,089,118	1,076,506	12,613
GROSS PROFIT	1,714,448	2,107,536	-393,088
Charging Methodologies Modelling	238,667	207,540	31,127
Charging Methodologies Modelling Contingency	100,000	125,000	-25,000
CRF143 - Management of Modelling Services Agreement	47,733	39,500	8,233
DUoS e-Billing	0	565,000	-565,000
*External Contracts	386,400	937,040	-550,640
CRF 121 DCUSA Support for TCRSCR	500	5,000	-4,500
CRF 140 Ongoing Charging Futures Forum and Charging Delivery Board Attendance	1,000	6,000	-5,000
DUoS SCR (Supporting the Programme)	100,000	0	100,000
Market Wide Half-Hourly Settlement (CRF 127 & (CRF1120)	125,000	42,000	83,000
CRF 141 Ongoing Access SCR Delivery Group Attendance	3,000	12,000	-9,000
Regulatory & Code Governance Changes Contingency	100,000	350,000	-250,000
*Regulatory	329,500	415,000	-85,500
CRF 214 Stakeholder Engagement Delivery	50,000	50,000	0
2022 Strategy Day	12,500	12,000	500
*Stakeholder Engagement	62,500	62,000	500
Digitalisation of the DCUSA Service	92,500	300,000	-207,500
Digitalisation of the DCUSA Service (Phase III)	407,500	0	407,500
Website Development	30,000	25,000	5,000
*Technology	530,000	325,000	205,000
CRF 039 DCUSA Training to a Wider Stakeholder Group	500	1,000	-500
CRF 139 Incident Mgt Scenarios Contacts Maintenance/audit	300	2,000	-1,700
CRF 044 DCUSA Monthly eBulletin	12,031	11,124	907
CRF1113 - Non-DCUSA Party training	1,000	0	1,000
CRF 181 New processes for DCP336	2,196	2,122	75
CRF 182 New processes for DCP350	300	1,000	-700
CRF 190 New processes for DCP364	300	1,000	-700
CRF 191 New processes for DCP360	1,670	1,000	670
CRF1125 Sandbox application support & Administration CRF1125	50,000	35,000	15,000
CRF 204 DCUSA Manager Sandbox Quarterly Meeting	0	15,000	-15,000
CRF 1103 New DCUSA Meta Data Processes for Updating the REC	1,000	1,000	0
CRF 1112 Director Training	3,500	2,000	1,500
CACOP Attendance	18,000	15,000	3,000
London Gazette	250	1,250	-1,000
*DCUSA Process	91,048	88,496	2,552
DNO - DSO Project(s)	30,000	35,000	-5,000
Rationalisation & Simplification of the DCUSA	50,000	0	50,000
Data Protection Impact Assessment (DPIA)	20,000	0	20,000
BEIS/Ofgem Energy Codes Review	100,000	120,000	-20,000
Net Zero	15,000	0	15,000
*Projects	215,000	155,000	60,000
Contingency	100,000	100,000	0
Theft Contingency	0	25,000	-25,000
*Contingency	100,000	125,000	-25,000
TOTAL COSTS	1,714,448	2,107,536	-393,088
TOTAL FIXED COSTS AND COSTS	2,803,566	3,184,041	-380,475

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.

	<i>Quarter 1</i>	<i>Quarter 2</i>	<i>Quarter 3</i>	<i>Quarter 4</i>	<i>Year</i>
Invoice Date	31/03/2023	30/06/2023	30/09/2023	31/12/2023	Totals
Total amount recoverable from Distributors	350,446	350,446	350,446	350,446	1,401,783
Total amount recoverable from Suppliers	350,446	350,446	350,446	350,446	1,401,783
Total	700,892	700,892	700,892	700,892	2,803,566