

2024/25 DCUSA Approved Budget

2024/25 DCUSA 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 2024 to 31 March 2025. 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 21 February 2024 and is now considered the Approved Budget.



In accordance with Clause 8.2 of the DCUSA, Parties were given the opportunity, between 08 January 2024 and 02 February 2024, to provide comments on the Draft Budget for consideration by the Panel during their meeting on 21 February 2024.

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

Table of Contents

1	SUMMARY	2
2	KEY COST CONSIDERATIONS	2
3	THE 2024/25 DRAFT BUDGET	7
4	RECOVERABLE COSTS & AMENDMENTS TO BUDGETS .	9
5	COST RECOVERY INVOICING	9

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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 2024/25 financial year. The 2024/25 Draft Budget is set against a column showing the 2023/24 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 may be required to deliver and implement.
- 1.5 The 2024/25 Draft Budget shows a reduction of c.£72,000 when compared to the Approved Budget for 2023/24. The primary driver for the decrease is the reduction in budgeted costs associated with the expected level of additional work required for supporting the programme of work related to the DUoS SCR and the Market Wide Half-Hourly Settlement programme.
- 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 2024/25			
Income & Expenditure Account Overview	Budget 24/25	Budget 23/24	Variance
DCUSA Agreement Charges	£2,730,915	£2,803,566	-£72,651
DCUSA Charges Rebate	£0	£0	£0
Other Income	£0	£0	£0
Income	£2,730,915	£2,803,566	-£72,651
Direct Costs	£952,786	£916,143	£36,643
Direct Costs	£952,786	£916,143	£36,643
Legal Fees	£60,000	£60,000	£0
Insurance	£16,443	£16,000	£443
Audit Fees	£18,634	£15,635	£2,999
Meetings	£27,000	£45,000	-£18,000
Other	£13,340	£36,340	-£23,000
Overheads	£135,417	£172,975	-£37,558
External Contracts	£286,400	£286,400	£0
Regulatory	£127,500	£229,500	-£102,000
Stakeholder Engagement	£90,000	£62,500	£27,500
Technology	£530,000	£530,000	£0
DCUSA Process	£93,812	£91,048	£2,764
Projects	£215,000	£215,000	£0
Total Projects	£1,342,712	£1,414,448	-£71,736
Contingency	£300,000	£300,000	£0
Theft Contingency	£0	£0	£0
Total Contingency	£300,000	£300,000	£0
Total Costs	£2,730,915	£2,803,566	-£72,651
Under/(Over) Spend	£0	£0	£0

2.3 The key cost considerations for the coming year are:

FIXED COSTS

- **Audit Fees:** Audit costs have been budgeted at £18.7K which includes a 10% inflationary increase on the 2023/24 cost. The costs include statutory audit and corporation tax compliance.
- **Legal Fees:** 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.
- **Insurance:** An allowance of £16.5K has been made based upon last year's costs and increased at the same rate as 2023/24.
- **DCUSA Parties' Training:** An allowance of £4K has been included which will cover the cost of an external venue for one training session. This is reduced from previous years as the training is now delivered via Teams, however it is considered prudent to budget for one training event to be held face to face subject to demand. Please note the delivery of the training session content is included within the Secretarial Services costs.
- **Physical Meeting Costs:** This is reduced from previous years as industry has adapted and evolved into a hybrid working that has seen face to face meeting reduces. However, Panel & Board meetings are ordinarily held face to face and we sometimes have groups such as the Interventions Working Group request face to face meetings. We consider it appropriate to budget for a sum of £23K, made up as follows:
 - An average of 1.5 internal meeting room bookings per month @ £500 per booking = £9K
 - 4 externally hosted events per annum @ £3.5K = £14K
- **Secretarial Services:** The contract for 'Secretarial & Administration Services' makes provision for an increase of "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 £904.6K.
- **Secretarial Services – Quality Bonus:** We will need to consider budgeting 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 £36.2K.
- **Website Support and Maintenance (CRF 066):** Support and maintenance of the DCUSA website has been budgeted at £12K, reflecting the assumed RPI increase of 4%.

EXTERNAL CONTRACTS

- **Charging Methodologies Modelling:** The 2024/25 budget includes an allowance of £238.7K 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 has been re-launched from 31 October 2023. Given the previous experience of Ofgem requesting support via DCUSA Limited to allow access to our Charging Methodology Service Provider, we consider it prudent to include a contingent sum of £100K, which would also cover the Secretariat's contractor management fees in the event this work is required.
- **Management of Charging Methodologies Service Provider (CRF 143):** This is a fixed fee payable to the Secretariat based on 20% of the CEPA costs, therefore £47.7K has been allocated.
- **Charging Methodologies Modelling – New Models:** We do not anticipate the need to commission new Charging Methodologies Models in 2024/25 and therefore no sum has been included for this purpose.

REGULATORY

- **Ongoing Approved CRFs (121, 140 & 141):** All existing approved CRFs that will continue into 2024/25 are separately identified within the budget. These will be of low value given that all three of the CRFs are associated with either the TCR SCR, Access SCR or previous Access & Forward Looking Charges SCR, which any residual support should fall away completely in 2024.
- **DUoS SCR:** The DUoS SCR has re-commenced in October 2023 and the Secretariat will be required to support this process on behalf of DCUSA Limited. We consider it prudent to budget a sum of £50K for 2024/25.
- **Market-Wide Half-Hourly Settlement (CRF 127 & 1120):** This programme is in full flight and will continue into 2024/25, however we expect a slightly reduced impact in this period have included for £70K.
- **Ofgem's FSO Codes Change Programme (CRF 1154):** The Secretariat has been supporting this programme on behalf of DCUSA Limited since October 2023. This support is likely to be required until May 2024 and therefore a sum of £5k is recommended for 2024/25. CRF 1154 has been raised to cover this work from October 2023 onwards.
- **Regulatory and Code Governance Change:** We operate in a constantly changing regulatory and governance environment and not all of it can be accurately forecast for 2024/25 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, £75K has been included to continue with stakeholder engagement activities to be designed and delivered for the benefit of DCUSA parties. This is an increase on previous years and reflects the additional costs of producing more webcasts and holding open Q&A sessions post Change Proposal approval/pre implementation to assist Parties in understanding the changes to DCUSA in a timely fashion.

Strategy Day 2024: An allowance of £15K has been included to organise, run and host a strategy day in October 2024. This is an important annual event to inform the DCUSA Board of all material events that are or may be impacting upon the operations of DCUSA Limited for the upcoming financial year and assists with the first step in the draft budget setting process.

TECHNOLOGY

- **Digitalisation of the DCUSA Service:** Following the work undertaken in 2022/23 (phase II) to move the DCUSA document from a static digitised platform to a fully digitalised platform and 2023/24 (phase III) where we are making further improvements to the document and introducing new digitised products, services and features, we will be ready for phase IV in 2024/25.

Phase IV will introduce AI to DCUSA. AI searchbots will be able to answer any questions that DCUSA members may have in human-like conversational language. Phase IV will also focus on digitalising the Change Proposal Voting and Consultation Response process. It will streamline how responses are submitted are results viewed, alongside integrating the workflow into the Change Proposal Working Group Meeting. This does require significant investment and will follow the same tried and tested path of customer engagement to identify and prioritise needs, Proof of Concept, consultation and professional project management.

In addition, the case for building the network charging models outside of Microsoft Excel seems to be growing. An insights piece of research will be carried out to better understand the level of demand, key obstacles and the impact such a change would have on primary and secondary users of the models. The question on whether Python should be considered as an alternative will be discussed and what the transition from Excel should potentially involve. A sum of £500K is being maintained in the budget for this work.

- **DCUSA Website Continuous Improvement:** An allowance of £30K is included to enable additional improved functionality, including when that is required as a result of newly implemented Change Proposals.

DCUSA PROCESS

- **Ongoing Approved CRFs (039, 044, 139, 181, 182, 190, 191, 1103, 1113, 1143 & 1145):** All existing approved CRFs that will continue into 2024/25 are separately detailed within the budget tables.
- **Supporting Innovation Sandbox Applications/Projects:** We have one live Sandbox in process and are engaging with Ofgem on the Sandbox evolution. Given this activity and possibility of new Sandbox applicants we believe it is appropriate to maintain the budget value at £50K in 2024/25.
- **CACoP Attendance:** The 2024/25 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.
- **DCUSA Limited Board Director Training:** It is requirement to provide initial and refresher training for DCUSA Limited Board Directors as required. The 'Role of a Director' training is sourced externally and 'Financial Awareness' training is provided by the Secretariat's Finance Manager. A sum of £4K is recommended for 2024/25.

PROJECTS

- **Supporting the DNO-DSO transition:** As the pace of DNO-DSO transition activities increase, we consider it prudent to set aside £20K 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.

- **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, a sum of £50K is set aside in 2024/25 to allow for any overrun to the implementation planned for early 2024 for the legal support that will be required and to cover any additional secretariat support over and above what would be ordinarily required for updating the DCUSA document (e.g., given that the whole document will require re-numbering).
- **Data Protection Impact Assessment (DPIA) - Legislation:** 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.
- **Data Protection Impact Assessment - (Digitalisation Projects):** The last DPIA was undertaken during the implementation stage of the Digitalisation Phase II project. It is recommended this exercise be undertaken when Phase III changes are implemented and consideration should also be given to repeating the exercise for Phase IV. A sum of £10K per exercise (£20K in total) is recommended.
- **DESNZ/Ofgem Energy Codes Reform:** We are expecting two consultations in the early part of 2024. At this time we have no certainty of as to the precise nature of the reforms, the process that is to be adopted and the impact to DCUSA Limited in 2024/25, it is therefore recommended that we budget for a sum of £100K to ensure appropriate resources are available and deployed to progress any activity or programme of work that is required to deliver DESNZ/Ofgem's expectations.
- **Net Zero Status:** A sum of £5K is included to cover the cost of the annual a Net Zero certification process.

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 2024/25.

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 2024/25 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 table on the following page details the estimated 2024/25 costs as agreed by the Panel members with a point of reference against the main cost headings for the company. A column showing the 2023/24 Approved Budget has been provided for comparison purposes.

DCUSA Limited - Budget 2024/25	Budget 24/25	Budget 23/24	Variance
Audit Fees	£18,634	£15,635	£2,999
Legal Fees	£60,000	£60,000	£0
Insurance	£16,443	£16,000	£443
DCUSA Parties Training	£4,000	£12,000	-£8,000
Meeting Costs	£23,000	£33,000	-£10,000
Data Protection	£40	£40	£0
Bank Charges	£300	£300	£0
Bad Debts	£12,000	£35,000	-£23,000
Subsistence & Travel	£1,000	£1,000	£0
Secretarial Services/Administrator Contract Costs	£904,602	£869,809	£34,792
Contract Bonus	£36,184	£34,792	£1,392
Website Support & Maintenance (CRF 066)	£12,000	£11,541	£459
TOTAL FIXED COSTS	£1,088,203	£1,089,118	-£916
Charging Methodologies Modelling	£238,667	£238,667	£0
Charging Methodologies Modelling Contingency	£100,000	£100,000	£0
CRF143 - Management of Modelling Services Agreement	£47,733	£47,733	£0
*External Contracts	£386,400	£386,400	£0
CRF 121 DCUSA Support for TCRSCR	£500	£500	£0
CRF 140 Ongoing Charging Futures Forum and Charging Delivery Board Attendance	£1,000	£1,000	£0
DUoS SCR (Supporting the Programme)	£50,000	£100,000	-£50,000
Market Wide Half-Hourly Settlement (CRF 127 & CRF1120)	£70,000	£125,000	-£55,000
CRF 141 Ongoing Access SCR Delivery Group Attendance	£1,000	£3,000	-£2,000
Ofgem's FSO Codes Change Programme (CRF 1154):	£5,000	£0	£5,000
Regulatory & Code Governance Changes Contingency	£100,000	£100,000	£0
*Regulatory	£227,500	£329,500	-£102,000
CRF 214 Stakeholder Engagement Delivery	£75,000	£50,000	£25,000
2024 Strategy Day	£15,000	£12,500	£2,500
*Stakeholder Engagement	£90,000	£62,500	£27,500
Digitalisation of the DCUSA Service (Phase III)	£0	£500,000	-£500,000
Digitalisation of the DCUSA Service (Phase IV)	£500,000	£0	£500,000
Website Development	£30,000	£30,000	£0
*Technology	£530,000	£530,000	£0
CRF 039 DCUSA Training to a Wider Stakeholder Group	£500	£500	£0
CRF 139 Incident Mgt Scenarios Contacts Maintenance/audit	£300	£300	£0
CRF 044 DCUSA Monthly eBulletin	£12,513	£12,031	£482
CRF1113 - Non-DCUSA Party training	£500	£1,000	-£500
CRF 181 New processes for DCP336	£2,196	£2,196	£0
CRF 182 New processes for DCP350	£300	£300	£0
CRF 190 New processes for DCP364	£300	£300	£0
CRF 191 New processes for DCP360	£1,800	£1,670	£130
CRF 1143 New processes for DCP404	£1,152	£0	£1,152
CRF 1145 New processes for DCP 394	£1,000	£0	£1,000
CRF 1125 Sandbox application support & Administration CRF1125	£50,000	£50,000	£0
CRF 1103 New DCUSA Meta Data Processes for Updating the REC	£1,000	£1,000	£0
CRF 1112 Director Training	£4,000	£3,500	£500
CACOP Attendance	£18,000	£18,000	£0
London Gazette	£250	£250	£0
*DCUSA Process	£93,812	£91,048	£2,764
DNO - DSO Project(s)	£20,000	£30,000	-£10,000
Rationalisation & Simplification of the DCUSA	£50,000	£50,000	£0
Data Protection Impact Assessment (DPIA)	£40,000	£20,000	£20,000
BEIS/Ofgem Energy Codes Reform	£100,000	£100,000	£0
Net Zero	£5,000	£15,000	-£10,000
*Projects	£215,000	£215,000	£0
Contingency	£100,000	£100,000	£0
*Contingency	£100,000	£100,000	£0
TOTAL COSTS	£1,642,712	£1,714,448	-£71,736
TOTAL FIXED COSTS AND COSTS	£2,730,915	£2,803,566	-£72,651

4 Recoverable Costs & 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 Totals</i>
Invoice Date	31/03/2024	30/06/2024	30/09/2024	31/12/2024	
Total amount recoverable from Distributors	£341,364	£341,364	£341,364	£341,364	£1,365,457
Total amount recoverable from Suppliers	£341,364	£341,364	£341,364	£341,364	£1,365,457
Total	£682,729	£682,729	£682,729	£682,729	£2,730,915