

Document Classification:	DCC Public
Paper Reference:	CSC_40_2106_07_Standard FIA cost proposal
SEC Committee and Meeting Date:	Change Sub Committee: June 2022
Intent:	Approval to proceed with Proof of Concept
Attachments:	None

Standard cost to produce an FIA proposal – June 2022

Context

SEC change Full Impact Assessment (FIA) charges are estimated and presented separately for each decision, this is not aligned to the approach to assessing proposed changes under other codes

The impact of this includes:

- Cost incurred simply to assess a potential solution
- Increased time & effort to scrutinise details
- Delayed decision making- putting SLAs at risk

This impacts both DCC and Service Providers (SPs) and there is widespread support for a more pragmatic and efficient solution

Decision Required:

Agreement to proceed with a Proof of Concept proposal to standardise costs of Impact Assessments with CGI only at this stage.

Proposed Solution- Process

DCC propose an approach to use an agreed fixed cost for completing assessments, based upon a demand profile over the following financial year and a pre-agreed catalogue of costs:

FIA Complexity	Cost per item
Simple	£7,500
Medium	£12,500
Complex	£15,000

Utilising the catalogue we will follow a simple, 4 step, process:

1. Forecast

DCC, SECAS and CGI forecast the number of IA requests and ratio of Small/medium and high assessments over the Financial Year

2. Raise

DCC raise a blanket Purchase Order (PO) for the total amount forecasted

3. Call-off

Each IA 'called-off' from the PO at the agreed catalogue price. The raising of the IAs will act as the authorisation for CGI to submit their invoice

4. Review

Costs robustly reviewed on a quarterly basis to check against original assumptions. Amended, if required, in consultation with SECAS

Escalation (by exception only)

Complex IAs that fall outside regular scope, or have known cost higher than the catalogue price escalated for approval

Proposed Solution- Benefits

DCC believe that a robust process to forecast demand and standardise FIA charges will deliver the following benefits to industry:

1. Simpler Decision Making

DCC and industry partners no longer required to consider and rationalise the cost to proceed with an FIA

2. Increase Operational Efficiency

Reduced time / effort to produce Preliminary Impact Assessments (PIAs), requirement to produce the costs for completing the FIAs removed

3. Enhanced planning

Continuity and predictability of resource to complete activities, reducing the need for re-prioritisation and plan deviation

Proposed Solution- Risks & Mitigations

The following have been identified as risks to the successful operation of the proposal:

1. Cost accuracy

Pre-agreed costs not in line with expectations (+/-)

Mitigation:

Utilise quarterly review process to robustly challenge assumptions. Progress amendments through SECAS at first opportunity

2. Accuracy of complexity forecast

The number of IAs which falls outside of the standardised process negates the wider benefits of the approach.

We believe that we can manage the operational risks within the process

Next Steps

We seek approval for a Proof Of Concept for the approach outlined, focussing initially on CGI.

Only if proven will we explore options to widen the scope to other SPs.

Based upon the SEC Timetable, working with SECAS we have estimated that the following ratio of mods over the next six months:

	Forecast	Cost per item	Total Cost
Simple	4	£7,500	£30,000
Medium	4	£12,500	£50,000
Complex	2	£15,000	£30,000
			£110,000

The individual costs of IAs would still be approved case-by-case, but using the fixed costs set out above.

The cost has been estimated from the previous year's data, as shown in the pre-agreed catalogue of costs in the appendix.

Decision Required:

The Change Sub Committee is requested to agree a nominal pot of **£110k** to allow a Proof Of Concept of the approach outlined.

If approved, we will monitor the performance vs the forecast for the rest of the year.
If successful we will move forward with the approach into FY 2023/24.

Appendix- Pre agreed catalogue of costs

	Basis	Simple	Medium	Complex	Total Cost
Option 1 (Recommended)	Cost profile based upon historic total costs	£7,500	£12,500	£15,000	£249,570.00
Option 2	CGI Costs with CR4524 proposal	£15,000	£20,000	£25,000	£417,070.00
Option 3	Average cost with no pre-agreed sizing	£11,500	£11,500	£11,500	£262,070.00
Option 4	Actual costs (2021 as is FIA Production costs)	N/A	N/A	N/A	£259,609.20

- Proposed cost model aligns closely to the actual cost incurred by DCC, rather than CGI proposal which was significantly higher than the actual costs
- All total costs include the MP162- Market Wide Half Hourly Settlements (MHHS) FIA production charge
- MHHS would be under the ad-hoc category and not under any of the pre-agreed sizing
- Data based on 2021 actuals