

MOSL

MARKET OPERATOR SERVICES LTD



Service Description

Budgeting

1 Service overview

MOSL aims to deliver a lowest total cost operation over time for its members by embracing technology and creating a right-sized, high performance, technically expert organisation.

To ensure that its plans provide the market with recognised value, MOSL will consult with stakeholders each financial year on its business planning principles, its draft budget for the next financial year and an indicative forecast of expenditure for the subsequent two years. MOSL will also provide members with an upfront cost profile for the budget and forecast monthly charges to provide them with a degree of certainty around their own contributions to central market costs.

MOSL's Board is appointed by members to oversee MOSL on their behalf and to ensure that MOSL continues to operate efficiently and optimise central market costs. To facilitate this, the Board provides strategic direction and challenge to MOSL's budget – including the setting of efficiency targets where appropriate.

A significant proportion of MOSL's costs are for the maintenance and operation of the central market operating system (CMOS). MOSL will continue to work with CGI, the service provider, to ensure that service efficiencies are realised on an enduring basis.

MOSL will consult directly with members and with the market, via the Panel, on its plans, associated costs and proposed charges for each financial year. Following consideration of the views of members and input from the Panel, the Board will recommend the final budget to members for approval by vote at an appropriate general meeting. The significant level of engagement, consultation and challenge which MOSL's business plan and budget will have received prior to this general meeting should provide members with confidence that it represents excellent value for members as a whole.

If MOSL fails to agree a budget for the next financial year with its members, the previous year's budget plus an appropriate allowance for inflation will apply until member agreement is achieved for a revised budget proposal.

MOSL has established robust financial controls to provide confidence to its members. The Board will hold the Executive to account for operating MOSL as a business via monthly Board meetings. Draw down of any contingency funding for commissioning or change will be subject to Board approval of the business case. MOSL will consult directly with members if the Panel agrees any unfunded code-related change or if any non-code related change is proposed.

MOSL will engage internal and external audit to provide assurance on both the process for developing the budget prior to the start of each financial year and the financial accounts at the end of each financial year. This will provide assurance to both the Board and members in the robustness of MOSL's financial controls.

As the market matures, MOSL will benefit from an improved understanding of the cost to operate the market. MOSL will continue to keep the budget under review and issue budget updates to members on a quarterly basis. As part of this reporting it will re-forecast the budget as its experience of operating in the market grows with the object to decrease forecast market operator charges, returning any unused funds to members.

2 Service objectives

The key objectives of the budgeting service are to:

1. Ensure that the market is able to operate efficiently and effectively by securing the necessary funding from members for its operations
2. Provide members with confidence that MOSL's investment in the market reflects the optimum value for the market as a whole by providing full transparency of plans and actively consulting with members.
3. Promote certainty and market stability by providing Trading Parties with an upfront cost profile outlining total monthly charges.
4. Enable Trading Parties to challenge MOSL's plans and ensure recognised value by providing early sight of business planning principles and forecast expenditure.

3 Service deliverables & SLAs

| Deliverable | Description | SLA | Code Reference |
|--|--|---|---|
| Draft Market Operator Budget | Draft annual budget setting out market operator costs agreed with MOSL Board and provided to the Panel for comment | Not later than three months prior to the start of each year | Market Arrangements Code Section 10.2 |
| Final Market Operator Budget (for approval) | Final annual budget, recommended by the MOSL Board, for approval by member vote ¹ | Made available for public review for at least 14 days in advance of the meeting at which the vote is held | MOSL Articles of Association, Article 5.3 |
| Approved Market Operator Budget | Profiled annual budget setting out market operator costs and associated charges following Panel comment | Prior to the start of each financial year | Market Arrangements Code Section 10.2 |

1. Voting is to be undertaken in accordance with the Articles of Association, Article 39. If members' approval is not given or if the meeting is not quorate then the previous year's budget plus an appropriate allowance for inflation shall apply until member approval is given to a revised budget proposal.

4 MOSL's expectations of Trading Parties

Trading Parties are expected to work constructively with MOSL and the Panel to support the timely approval of an appropriate budget that allows MOSL to deliver its obligations, de-risk the market and promote free-market principles for the benefit of end-consumers. This includes attending and voting at general meetings as required to enable budgets to be approved.



Market Operator Services Limited

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