Xoserve

2022 Business Plan
Principles and Approach

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CEO Foreword

Dear Customers

I am delighted to be able to share with you the context and thinking behind our approach to Business Plan 2022-23 (BP22). This is our first since the restructure which saw Xoserve change the way it delivers its role as Central Data Service Provider (CDSP) for the UK gas market and my first as Chief Executive Officer (CEO).

The restructure was the result of a strategic review into how Xoserve discharges its role as CDSP. It was driven by a desire to remove some of the restrictions which were impeding our strategy to increase customer satisfaction, reduce the cost of service delivery and bring innovative solutions to market. While Xoserve retains its role as the CDSP, including accountability for delivery of the Data Services Contract (DSC) and the annual business planning process, service delivery for the majority of activities is now via a commercial contract, aligned to DSC, with a company called Correla. Correla was created by Xoserve to be an independently owned business to bring in private investment to fuel innovation in the centre of the gas market. Led by Xoserve's former CEO, Sian Jones, Correla has retained a deep level of institutional knowledge and a passion to deliver outstanding customer service. Xoserve has become a specialised contract management and assurance function, working in partnership with Correla to ensure that Britain's retail gas market runs efficiently and reliably.

In an increasingly uncertain world, I see this as a tremendous opportunity to improve in the value delivered to both customers and consumers, not only through the operational rigour which comes from the independent assurance of code delivery, but also the commercial opportunities available through direct engagement with Correla which, Xoserve, as CDSP, is not able to contemplate.

Some fundamental things will remain the same, however. We know that, as customers, you depend on the successful delivery of CDSP Services and our responsibility and commitment to deliver these remains unchanged. You'll also see a familiarity in BP22. Continuity in the investments we will present will allow traceability from BP21, continuing our drive to: upgrade both UK Link and Gemini systems; invest in information security that protects systems, data and the integrity of the services on which your business relies; and ensure that we build further on the successes of our customer experience programme.

Xoserve's new operating model also provides an exciting opportunity to build on the improvements made to last year's business planning process. We will engage with you throughout the process to ensure we deliver a transparent and robust plan. We will be clear about the services being funded and how they link back to our role as CDSP. We will also bring an independence to the quality review process that is rarely achievable when an organisation assures its own performance to ensure that customer money is spent thoughtfully, driving value for the end consumer.

Since my arrival a few months ago, I have been impressed by the passion, commitment and customer focus from the teams in both Xoserve and Correla. I am incredibly excited about both what the future might hold for the organisations in our new roles and what we can deliver for our customers, especially given the increased focus on net-zero and the drive for innovative ideas to achieve it.

For now, though, it is time to focus closer to home as we outline our approach to the business planning process for BP22. I hope you find it of interest.

"Xoserve's new operating model provides an exciting opportunity to build on the improvements made to last year's business planning process"

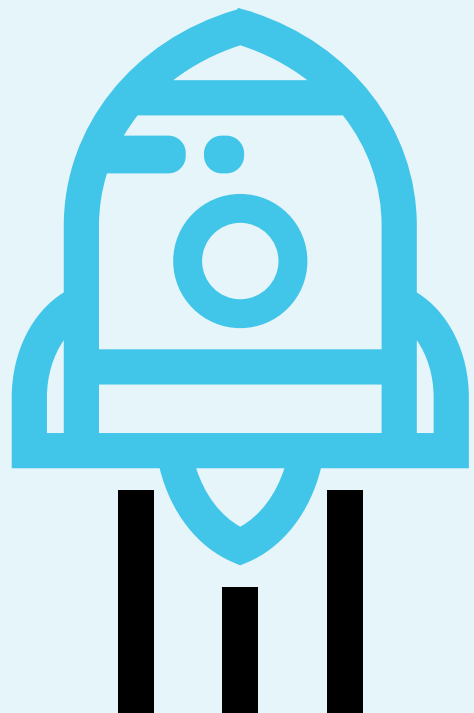**Stephanie Ward**
Chief Executive Officer

Introduction

This document marks the start of our annual process to engage our customers in the strategic direction of Xoserve and specifically to seek feedback on the investments we believe will deliver the greatest value during the period April 2022 to March 2025.

We have listened to your feedback and taken it into consideration when preparing for this year's Business Plan process. We are confident that the improvements we have made will enable us to continue to build on the positive feedback from our BP21 process but as always, we welcome input at any time from all customers on how we can further enhance your experience.
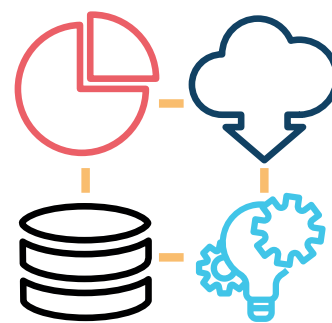
Our aim through this process is to provide you with a thorough understanding of the market context we believe we must respond to, the cost drivers and the assumptions we have made along the way. We plan to give ample opportunity to engage with, review, understand and challenge our thinking and that of our service provider(s), ensuring what we do enables and supports your business strategies. To this end, we have included questions at the end of each section, which are also repeated at the end of this document, designed to help us to understand what you, our customers, would like to see in BP22. Please send your comments to **customerexperience@xoserve.com** by Wednesday 21st July.

We described our strategy in some depth in previous Annual Reports and Business Plan Principles and Approach documents. This strategy remains relevant during this next business planning period, reflecting that what customers need and want from Xoserve, as the CDSP, has not changed. We will not repeat it again here, but you can find a summary of our strategy and importantly the detailed ambitions we have set within each strategic pillar on **Xoserve.com** . A thorough review of our performance in 2020/21 will be published in September in the form of our 2020/21 Annual Review.

"Our aim through this process is to provide you with a thorough understanding of the market context we believe we must respond to"

Market Context

In our BP21 Principles and Approach document we summarised the market context impacting Xoserve under four themes:

- **Decarbonisation**
- **Energy Market Reform**
- **Open Data**
- **Cost Pressure**

The impact of each of these has been felt to varying degrees throughout the last year but each remains relevant as we move into planning BP22.

Work in the decarbonisation arena has rapidly increased, through both the extension of pilot programmes across the UK and work looking at long-term arrangements to underpin settlement and invoicing solutions to support and deliver accurate allocation of energy costs to consumers as decarbonisation of gas systems progresses. It is vital to customers and consumers that, as work in this area develops, the market is able to understand the relationship between metered volumes of gas at a consumer premise and the energy value it represents. We expect work to continue to accelerate in this space and Xoserve will be working closely with BEIS, Ofgem, Gas Transporters and other customers to coordinate and support a number of activities.

Last year we highlighted our view that the focus on the COVID-19 pandemic was drawing attention away from Energy Market Reform. All of us have been dealing with the impacts of the pandemic across the UK for well over a year now and, although progress in the vaccination programme means that businesses may at last start to return to normal, we remain conscious of the enduring difficulties facing our customers and consumers alike.

Despite the challenges created by COVID-19, we decided to continue with our planned review into how Xoserve discharges its role as CDSP. As a result, we created Correla as an independently owned business to deliver services and bring in private investment to fuel innovation in the centre of the gas market. This was a critical step towards creating an environment where flexibility to change can be coupled with the ability to drive innovative solutions without the need for the gas market to underwrite the risk and upfront costs. This also provides the opportunity to move away from the slow, one-size fits all solutions of the past.

The ability to innovate in this way can already be seen in the Data Discovery Platform. The Open Data discussions demand platforms and solutions in which data can be shared and visualised, with the frameworks that underpin these ensuring that the right data can be provided to the right people at the right time. With the introduction of the Retail Energy Code (REC) seeking to centralise control and access to data and with faster switching moving the industry towards more real-time data exchange and visualisation, it is exactly the right time to be bringing forward high-class industry-wide solutions both for the market as a whole (through Xoserve as CDSP) and to meet individual customers' demands (through innovation capabilities offered by our service providers). As data continues to open, we see Xoserve performing a key role in ensuring that the controlled release of data is an enabler for consumer benefits to be achieved without delay as we work with Uniform Network Code (UNC) and REC to facilitate the use of gas data.

The ongoing challenges presented by the COVID-19 pandemic mean that we start this year's business plan cycle for BP22 on the back of a particularly challenging year for all customers. The harsh economic conditions that have resulted from successive lockdowns continue to present challenges in the retail market, resulting in companies downsizing or merging across the last 12 months. 2021 also sees the introduction of the new RIIO-2 period for network customers, which represents a significant challenge through the BP22 period and beyond. Recognising these challenges, in BP22 we aim to provide even more detail about the scope and benefit of all investments, and their relevance to the continued delivery of CDSP services, whilst seeking alternative strategies for the funding and delivery of transformation activities.

Question 1: What else should Xoserve take into account in respect of potential impacts/benefits for customers and consumers?

Question 2: What are the key risks and issues you are facing? How do you feel these could be mitigated/addressed by Xoserve?

Our Approach

Following the positive response received for last year's business planning process, we will build on the clear and transparent approach used in BP21 in developing BP22. The structure for BP22 will remain consistent, as will the number of Investment Focus Areas, enabling customers to directly align BP22 with the financial information and the commitments we made in BP21. Xoserve will engage with customers throughout the process, including through the Customer Advocate team and subject matter experts, building on the engagement approach used in BP21 and ensuring that customer feedback and questions are addressed.

As a result, our focus areas for BP22 will continue to be:

1. *Exceptional Customer Experience*

2. *Opening-up our data*

3. *Gemini Roadmap*

4. *UK Link Roadmap*

5. *Protecting Against Cyber Crime*

In addition, we will also allocate funding for work driven by Ofgem, the Retail Energy Code (REC), Faster Switching and the Uniform Network Code (UNC), under two headings:
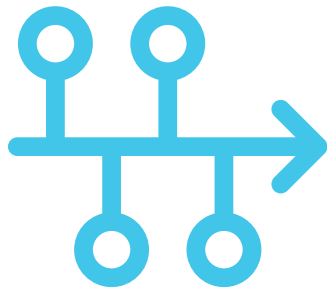
6. *General REC Change*

7. *General UNC Change*

Within the 2021 Business Plan DSC Annual Charging Statement, we also re-defined the Service Areas to align with the set of process journeys and their associated performance measures, developed alongside our customers through the DSC Contract Management Committee. This approach has enabled our customers to better understand what services we are providing, are they being delivered Right First Time (RFT) and On-Time (OTD), and at what Cost to Serve (C2S). Through this, we want to facilitate a greater focus on those services   where service is below par and enable us to collectively target investments that either reduce Cost to Serve for the long term or improve Right First Time and/or On-Time delivery.

Continuing this theme, we will ensure each of the Investment Focus Areas articulate the benefits for both customers and consumers. In addition to this we will demonstrate how each investment links into the DSC Service Areas (and thus the CDSP Services) as detailed above. As in BP21, we will produce detailed investment business cases for each investment roadmap, available to customers on request and shared as standard with the DSC Contract Management committee. Within these business cases, benefits will typically be identified as a reduction in Customer Effort (CE), improvement in Right First Time (RFT) or an improvement in On-Time Delivery (OTD). In some cases, these improvements will reduce our Maintain the Business costs (MTB), as set out in BP21 and continued into BP22, but some benefits may be felt inside our customers' P&Ls rather than Xoserve's. These are really important for customers but difficult for us to calculate with any certainty.

The size and shape of investment areas such as General UNC Change and General REC Change will remain the focus of discussion through DSC Change Management Committee. To support the business cases included in the first draft of BP22, our main service provider will present details of each investment area at deep dive sessions in September and October. As part of its new role as Contract Management and Assurance function, Xoserve will perform independent reviews of these investments prior to presentation to ensure the cases are robustly constructed and appropriately sized.

Question 3: Please tell us about any investments you are undertaking which you believe other customers in your segment are also considering. A single service offered by Xoserve in these areas could avoid duplicate investment by customers.
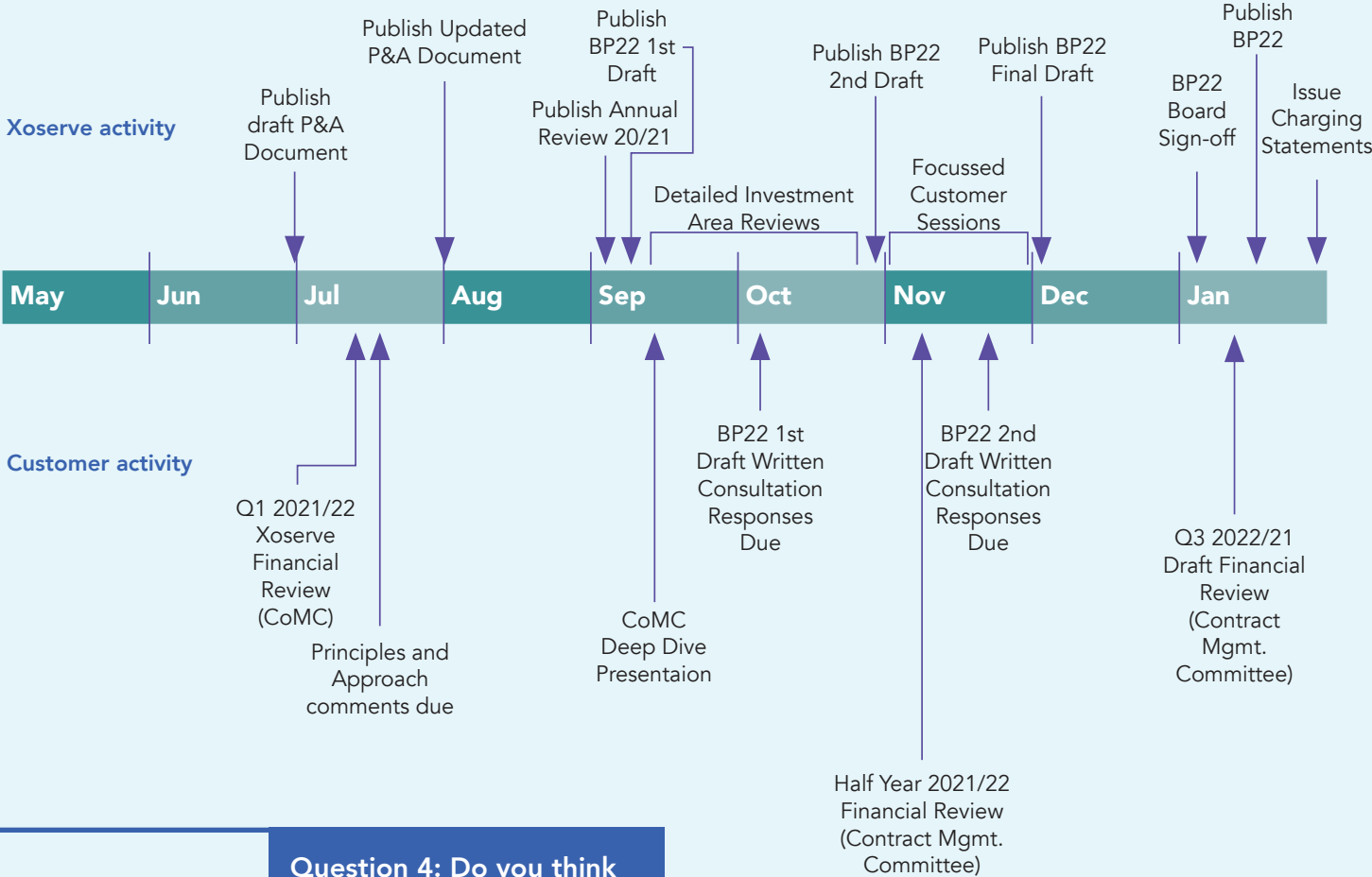
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Customer Engagement
and Timeline

For BP21, we significantly increased the engagement with our customers through a more focussed and tailored approach using individual and constituency meetings, in addition to the DSC Contract and Change Management committees, which included our experts bilaterally walking customers through the roadmap for each investment focus area. By the end of the BP21 process we had consulted with 168 individuals across 38 meetings with over 40 organisations.

For BP22 we will replicate, and look to further improve on, this engagement approach to ensure every DSC organisation will have an opportunity to provide feedback on the BP22 Principles and Approach and Business Plan. The Customer Advocates will continue to provide the interface, on behalf of Xoserve, through individual and constituency meetings, which proved successful last year. They will continue to provide a central point for any questions throughout this process and will work with the Xoserve team to respond to feedback received. Our customers told us that they value direct access to the relevant experts to talk in detail about the investments proposed, a key component of our engagement plans that we will replicate in this year's process.

Xoserve activity

Publish draft P&A Document
Publish Updated P&A Document
Publish BP22 1st Draft
Publish Annual Review 20/21
Detailed Investment Area Reviews
Publish BP22 2nd Draft
Focussed Customer Sessions
Publish BP22 Final Draft
BP22 Board Sign-off
Publish BP22
Issue Charging Statements

May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan

Customer activity

Q1 2021/22 Xoserve Financial Review (CoMC)
Principles and Approach comments due
CoMC Deep Dive Presentaion
BP22 1st Draft Written Consultation Responses Due
Half Year 2021/22 Financial Review (Contract Mgmt. Committee)
BP22 2nd Draft Written Consultation Responses Due
Q3 2022/21 Draft Financial Review (Contract Mgmt. Committee)

Question 4: Do you think that our approach offers sufficient engagement opportunities for your organisation? If not, what other engagement opportunities would you like to see?

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Focus Areas

1. Exceptional Customer Experience

Customer Centricity is at the very heart of our strategy. In BP20 we began the transformation of our Customer Experience Programme and in BP21 and BP22, Xoserve will continue to develop and build on this. We will demonstrate the value of this transformation through a significant improvement in Right First Time (RFT), On-time Delivery (OTD) and Customer Effort (CE) measured primarily but not exclusively by the annual ICS survey. As such, our progress will be measurable and visible to our customers, who will be able to hold us accountable for delivering the improvements promised in return for the investment. The measures and targets will be included in the Business Plan itself.

Our Customer Experience approach has four distinct areas of focus:

1. *To minimise the need for customers to have to contact us with queries and complaints*

2. *To make it easy for customers to self-serve via seamless digital channels*

3. *To automate as much of our work as possible, ensuring a frictionless service delivery*

4. *Where customer contact is needed, customers are met with friendly, empowered people representing Xoserve who are eager to build customers' needs.*

Our Customer Experience (CX) Transformation Programme is a way to centrally manage and control all in-flight customer service improvement initiatives. Our Net Promoter Score has increased significantly, as has our Right First Time. Customers have also told us that it is becoming easier to do business with us and get what they want from us with lower effort. By the end of 2020/21, 96% of queries were responded to in less than five days and our average handling time reduced to less than two days.

The CX Programme has provided a stable foundation for on-going improvement to the customer experience. Improvements in this area include the new CRM system, as well as automated ticketing and feedback mechanisms. This has enabled us to resolve queries more efficiently and allow our customers to get back to their core business activities.

Improvements to our website mean that our customers will find it easier to find information, increasing their ability to self-serve at their convenience.

Some strides have been taken but we recognise there is much more to do and the priorities for CX Programme year two are:

- Through further CRM system investment, ensure that customer information and interactions can be found in one single place. This will allow us to better understand our customers and provide a more personalised but consistent support service to further improve the overall experience.

- To evolve Xoserve.com to become the gateway for all customer contact, by transitioning our website from an information repository into a place that connects customers to the services they consume from us. We will make these services easier to access by introducing single sign on capability.

- To continue investment in a new Contact Management System (CMS) that addresses current pain points and remains adaptable to the changing landscape. We aim to deliver maximum value to customers quickly whilst minimising the impact to their day to day operations.

- To increase the ICS score to 80 and the NPS score to at least +10, while also ensuring that the Customer Effort (CE) score of 4.1 is at least maintained. Pareto analysis of all customer segments has been completed for the ICS, NPS & CE scores. The following themes were identified as being the highest scoring regarding dissatisfaction: Complaints, Communication, Speed of Contact. We will continue to focus these key areas to improve the customer experience to reach the ICS target.

The private investment possible through Correla means that we anticipate that much of the investment in Exceptional Customer Experience will now be funded by Correla, with the exception of the evolution of Xoserve.com and single sign-on. As a result, from BP22 onwards, Customers would need to invest less in up-front costs for solutions such as CRM, whilst still receiving the benefit of the full programme described above. We expect funding options for the full range of CMS replacement options to be explored through DSC Contract Management Committee and clarified in the early drafts of BP22.

Question 5: In considering a proposal by Correla to fund some of the investment in Exceptional Customer Experience, what would your main considerations be?

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2. Opening Up Our Data

The ever-increasing reliance on data to drive the resolution to key industry challenges is leading to the necessity for data to be more accessible and governed in a way that fosters innovation and drives value from the data that supports the industry. The recommendations from the Energy Data Taskforce and the Ofgem & BEIS initiatives relating to Modernising Energy Data Access and Applications, support the need to enable access to data in a timely fashion and will ensure that analysis can be undertaken by industry participants and innovators. Investment in data capabilities support the industry in achieving its commitments to initiatives such as Net Zero whilst also aligning with the regulator's recommendations and targets.

In BP21, the Opening-Up Our Data investment began to lay the foundation of a more sophisticated Data Governance framework that enables innovation. This investment helped foster a deep understanding of organisational and external data usage which enables us to support industry wide initiatives to develop a data common language across the sector that in turn drives value from the data. Against an increase in regulatory obligations, specifically for the newly formed RECCo, the initiative was a launchpad to help drive forward best practice in line with the Ofgem Data Best Practice guidelines.

During BP22, we wish to continue our journey along the Data Governance maturity path to help address key customer issues around the transparency of our data usage and uplifting quality standards across the industry, while ensuring that the release of data is appropriately controlled. The Data Glossary that we are developing will allow us to capture all facets of our internal data usage, which in turn will mean that we can respond quickly and effectively to customer queries on our outputs. Another benefit of increasing the level of detail we issue to customers with regards to UK Link integration is that this will reduce the amount of exceptions customers receive and result in an upturn in industry wide data quality.

Investments over previous years have enabled us to build the platforms that support our customers having a deeper understanding of the data that is held by the CDSP on our customers' behalf. These platforms have enabled customers to leverage this data in a variety of new ways to support their businesses. Through BP22 and in line with our customer requirements, we expect to continue the development of the DSC visualisation roadmap, establishing both Core product features and capabilities alongside a flexible, stand-by change service. This approach will drive greater value for customers, enabling operational efficiency and a flexible, responsive approach to delivering change.

As with the Customer Experience Investment Area, the private investment possible through Correla means that investment in the flexible stand-alone elements of the wider DDP product can now come from Correla, ensuring that our Business Plan focuses on the CDSP elements of the service that are common to all parties.

> **Question 6: To inform the level of investment required, what do you believe the level of demand will be for delivery of new core functionality into DDP within BP22? Similar, more or less than in BP21?**

> "Investments over previous years have enabled us to build the platforms that support our customers"

Focus Areas

3. Gemini Roadmap

Our Gemini roadmap ensures we stay up to date with new obligations and changes within the Capacity and Balancing regimes. Our plan for annual releases will be built in partnership with National Grid to ensure that these obligations are met by the Gemini system.

We continue to review the applicability of the year-on-year phasing of the Gemini roadmap to ensure that it meets the evolving demands from National Grid and the Industry. We are continuing with our plans to enhance the user experience following on from the early roadmap foundation stages. This is in line with National Grid's review of their ongoing needs for Balancing and Capacity Service Provision and the potential longer-term replacement of the current Gemini system.

We have been working closely with National Grid to ensure that the latest roadmap ensures the provision of the Gemini services is maintained in a supported state and that enhancements continue to deliver beneficial relief of the identified Industry pain points.

This is being achieved by retaining the core engine of the Gemini application, but delivering:

1. *Performance and reliability enhancements*

2. *Simplification and modernisation of the user interface*

3. *Providing improvements which make the platform easier and more cost efficient to change*

The roadmap will deliver the necessary sustaining activities for the estate throughout the business planning period, user experience enhancements and the delivery of functional enhancements to support the evolving UNC obligations of the market. BP22 will concentrate on data archival, the ongoing sustaining of the platform and continuation of our test automation rollout. This will continue to drive improvements to reduce the overall time and therefore cost of future development.
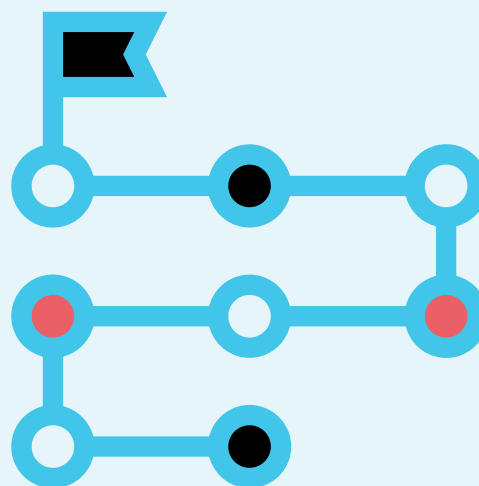
4. UK Link Roadmap

The UKL roadmap is focused on three areas:

1. Improving the reliability of service to customers

2. Ensuring UK Link can support customer needs and the future transformation of the energy sector

3. Reducing UK Link technical debt cost effectively, based on technology that optimises performance

As described in BP21, the first step in achieving this is through a movement to cloud hosting and this activity is currently inflight with a target implementation date in early 2022. A set of development and test environments have been successfully deployed to public cloud hosting and are already supporting our change programmes during 2021. This has been extremely valuable preparatory activity in advance of the wider programme to move UK Link production to the cloud.

A key requisite of any move to cloud is to ensure that the underlying software components are cloud ready, which in practice means ensuring all the individual components that make up the UK Link estate are within mainstream vendor support parameters. To this end all UK Link components that were approaching their end of life have been upgraded, with cloud-ready versions. Progress with exploratory work is underway to assess the suite of supporting technologies and components to ensure that we can leverage the power of cloud computing to deliver both optimal performance & value for money.

Both the Central Switching Service Consequential (CSSC) programme and the movement of UK Link to cloud hosting have required, and will continue to require, significant investment in both functional and non-functional testing. We have sought to derive future value from this investment through the creation of an automated test framework which facilitates the testing of both functional, performance & regression test cycle for all

future change initiatives; this will deliver substantial benefits to customers in assuring the quality of future change delivery whilst reducing the cost and time taken to perform test cycle.

As part of our BP21 submission, we explained the need to redesign our operating model for the support of UK Link to ensure that it continues to be fit for purpose, relevant to our industry and exploits advantages in both technology and new methodologies to deliver greater value for our customers. This includes reviewing the structure and value of our contracts with third party technology providers. This is a substantial undertaking and requires focus and dedication to ensure we identify a way forward which represents best value, greatest flexibility, and optimal access to innovative thinking. This work has commenced in 2021 and will continue into 2022.

Transitioning UK Link to Cloud Hosting in 2021/22 delivers a range of cost benefits for our customers. However, the underlying technology architecture of UK Link remains much as it did from its implementation in 2017 as part of Nexus. Recognising the level of transformation occurring within the sector, it is important that UK Link can meet the needs of any transformation and support the pace of transformation. In order to achieve this, we will review the underlying technology components to identify the changes required to ensure that change can be introduced at reduced risk and greater pace, commensurate with the needs of the sector and customers, while increasing the level of flexibility within UK Link to facilitate real time/event driven processing. It is also important that we look to increase the level of security and performance across all UK Link components through targeted improvements in data encryption/ anonymisation and modernised methods of connection and data exchange between UK Link, its customers and sector bodies. We will also continue to implement lessons learned from the SAP incident earlier this year.

In BP22, we will continue to invest in application performance monitoring and robotic process automation to improve resolution time, increase system availability and improve process efficiency. We will continue to invest in the ongoing development and adoption of the new IT Service Management platform (Service Now), which initially launched in the autumn of 2020 and has introduced operational and governance benefits which will ultimately be passed onto customers as increased service levels and response times. This will be brought to life in the actual Business Plan. We also expect to include continued investment in reducing technical debt, which will in turn reduce manual interventions and therefore errors.

In order to consistently deliver high quality services we recognise that our IT estate needs to remain highly efficient and optimal and so the term "technical debt" is being used here to recognise improvements required to our IT estate which, if not made, will increase our operating costs through lack of system efficiency/ optimisation. These include: accelerated removal of defects, improving system health and performance, improving right

first time for incident management and driving automation and improving system monitoring and alerting. This activity will have a direct benefit to customers by reducing risk, increasing reliability, and reducing data processing errors and faults which disrupt our service provision. Additionally, these improvements are an important part of delivering the year-on-year MTB savings we promised in BP21 and are continuing to promise in BP22.

This work takes place in several phases and workstreams. In the early years, we focus on reduction and sustained resolution of functional issues, with the highest volume of defects in Reads, Energy Calculation and Profiling being tackled first; archiving our un-used data to help us improve performance and manage costs; and ensuring our systems remain in vendor support. Later in the plan, this work will focus more on improving reliability of services, alongside assessing the viability of automating manual processes and removing service, operational reliability, and security risks from our systems. As we finalise the plans to address our highest areas of technical debt, we will be able to provide updates and metrics on the benefit of any investment (e.g. incident volumes, defect numbers, exceptions, service stability).

These changes and investments all contribute to continuous and sustainable operational improvement.

> **"This work takes place in several phases and workstreams"**

Question 7: To what degree do you believe Xoserve should be considering investment in testing environments which more fully replicate our production systems to support robust change delivery?

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Focus Areas

5. Protecting Against Cyber Crime

Xoserve is a pivotal hub for the UK gas industry's customers, where one serious cyber-attack can potentially impact the entire gas industry's data services and market, making us a cyber-attack target. By further developing our approach to Opening-up Our Data to provide more centralised analysis across industry-wide data and the benefits this provides, we become an increasingly attractive target for malicious attacks. Protecting customer, consumer and industry assets is therefore a key component of our strategy.

Within BP21, an Information Security and Privacy Strategy and a four-year transformation programme was developed, which will be delivered across the periods covered by BP21 and BP22. This incrementally increases our cyber resilience maturity while decreasing the operational information security and privacy risk and mitigating any potential financial and reputational impact year-on-year, in-line with industry frameworks and DSC commitments. The strategy matures data privacy operations and controls, supporting our customers to fulfil their obligations as Data Controllers and our obligation as a Data Processor and demonstrating compliance with Data Privacy Law (UK General Data Protection Regulation - GDPR). A mature and effective information cyber security capability increases business cyber resilience and reduces the risk likelihood and impact of a cyber-attack or data breach. Cyber threats continuously evolve and are becoming increasingly sophisticated at an extremely rapid rate, in some cases, more rapidly than the technology, data and people landscape of an organisation and those it is linked to. Therefore, continued focus in this area is required to ensure information cyber security controls are effective, current, and future proof.

There are two areas of investment in relation to the delivery of the Information Security and Privacy Strategy:

1. *Information Cyber Security Strategy*

2. *Data Privacy Law Compliance (UK GDPR)*

The benefits of the Information Security and Privacy programme include:

- *Reduced impact and likelihood of a cyber-attack*
- *Reduced likelihood of a customer data breach*
- *The ability to share enhanced threat intelligence with customers and the industry*
- *Lower Cost to Serve (C2S) through selection of a hybrid operating model*
- *Improved On Time Delivery (OTD) of individual rights requests (supporting a 72 hour turn around where applicable) for customers*
- *Full compliance with UK GDPR privacy regulations.*

These investments equate to what we described within BP21.

> "Cyber threats continuously evolve becoming increasingly sophisticated at an extremely rapid rate"

6. General Retail Energy Code (REC) Change

The introduction of the Retail Energy Code (REC) brings together the code requirements relating to retail energy activities under one umbrella. It will govern the operation of faster and more reliable arrangements for consumers to switch their energy supply. These arrangements will provide a consistent set of arrangements for electricity and gas suppliers and consumers and, when it comes to the provision of REC services, means our central services will be driven by a combination of UNC and REC requirements moving forward. In this plan, we have recognised that there are a wider set of activities that we will be required to deliver for REC, in addition to the Central Switching Service, covering aspects such as change governance, the gas enquiry service and data permissions. With the ambition of aligning consumers, suppliers and government policy, we envisage REC will generate a material amount of demand into Xoserve, especially when CSS goes live in 2022. Whilst this may be included in the DSC Change Budget, we think it is important that the budget for REC related changes is transparently identifiable from the equivalent in UNC.

While the introduction of the REC to replace SPAA and MRA is expected to be a more efficient delivery vehicle for the industry as a whole, for Xoserve, it introduces a set of new governance and change delivery processes to be supported through the introduction of the new Gas Enquiry Services (GES) to RECCo (rather than through the Data Enquiry Service (DES) in UNC) and the requirement to connect REC Systems & UK Link under Gas Retail Data Agent (GRDA). Since the REC and associated administration are still in the process of being defined, we are not yet in a position to be able to accurately identify what effect these changes will have on an enduring basis. However, it is expected that additional resources will be required, at least in the short-term, to support both change management and the new, additional contractual relationships that will be required.

Additionally, RECCo is actively considering the inclusion of a third major release for UK Link each year, the impact of which is currently being assessed.

The ongoing maintenance of the CDSP systems that are being built to support faster switching will certainly have an impact on our MTB costs. It is reasonable to expect that the introduction of the REC and the new faster switching regime will continue to evolve past its initial launch and will therefore likely generate a steady stream of change requirements following implementation.

Ofgem are yet to confirm the Go-live date for CSS, however it is anticipated that Go-Live will occur within a date range of June 2022 – August 2022. We are currently assuming the latest date for Go-Live (August 2022) and a three-month Post Implementation Support (PIS) window (spanning from September 2022 through to November 2022) thereafter, transitioning to an MTB footing from April 2023. This may evolve during the business planning process.

It should also be noted that the Central Switching Programme has identified a number of post implementation change requests (CRs) that are expected to be approved for delivery post go live. Options for the treatment of these CRs will also be included as part of this business planning exercise to provide visibility to customers as early as possible. We will discuss with customers the potential need to plan for three UK Link releases per year, and any increase in capacity that may be needed to enable this following the implementation of CSS functionality planned for summer 2022, and the developments being discussed with REC.

> **Question 8: Is there anything else Xoserve could do to support the CSS rollout or REC implementation?**

Focus Areas

7. General Uniform Network Code (UNC) Change

The DSC Change Budget is an annual investment made by customers to deliver changes approved for design and implementation by the industry elected DSC Change Management Committee (ChMC). In previous years the DSC Change Budget has been dominated by UNC driven change. Following the introduction of the REC, and as described in the previous section, it is anticipated that the DSC Change Budget will be required to fund both general UNC change and general REC change (for CSSC switching change) following CSS implementation.

Changes selected for implementation in any given financial year have to go through extensive industry consultation and are delivered either as part of a major release, or else via standalone releases as appropriate. Consistent with the approach in BP21, the BP22 annual DSC Change Budget will be developed in collaboration with each constituency group (Shipper, DN, IGT & NTS) during the business planning process, with the final budget amount representing an estimation of the funds required to deliver known regulatory (e.g. UNC) changes already in the pipeline, alongside each group's appetite for 'value-add' change. Discussion in the planning stage will include a chance to review how in-flight major change projects, such as Central Switching Service Consequential (CSSC), may impact the profile of DSC change delivery across the budget period.

We will again look to establish a budget for cross-constituency costs, such as potential market trials, Performance Assurance Committee (PAC) change funding and contingency for any as-yet-unknown changes that might arise after budget approval.
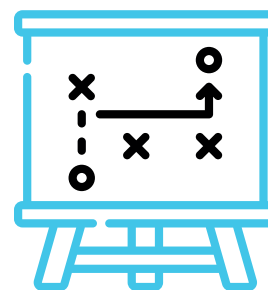
Following consultation with each constituency group, ChMC will be asked to make a recommendation on the final DSC Change Budget in August / September 2021.

Decarbonisation is an increasing priority across the energy sector, as highlighted by the BEIS Energy White paper released in December 2020. The Government's 10-point plan includes driving the growth of low-carbon hydrogen. Understanding how we can enable Industry processes and systems to support hydrogen/biomethane development in the most cost effective and future proof way is crucial to supporting the Government's plan, particularly relating to the decarbonisation of heat.

Projects and pilots supporting the Decarbonisation agenda often fall outside DSC requirements, but will become part of the DSC contract as they turn from trial into business as usual activities. We will continue to drive support for Decarbonisation trials and pilots, whilst actively engaging with Industry to build Decarbonisation customer and end consumer journeys and providing relevant data to support Industry decisions. We see this work as essential to the future development of the gas Industry and our activities in this space will be funded by the Decarbonisation investment line as already planned in BP21.

Question 9: What else should Xoserve consider in support of Government or Ofgem initiatives including the Decarbonisation agenda?

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Key Assumptions

During the development of our Business Plan it will be necessary to make several planning assumptions. We will be wholly transparent with our customers about any assumptions underpinning the draft plan and will test and update them during the consultation process. With that in mind, set out below are some key early planning assumptions:

- As in BP21 we propose only to include essential investments which better reflect our customers' priorities over the next three years. These will be supported by detailed Business Cases for each focus area roadmap, to help you, our customers, to understand the cost/benefit analysis for each.

- Each Business Case will outline the quantum of any benefits identified both for our customers and end consumers, with emphasis on whether it drives increased Right First Time (RFT) outcomes, less Customer Effort (CE), improved On-Time Delivery (OTD) or enduring Cost to Serve (C2S) efficiencies. We will then dedicate time to provide more detailed walkthroughs and opportunities for Q&A.

- We will allocate funding for work driven by the agendas of Ofgem, the Retail Energy Code, Faster Switching and the Uniform Network Code, under the headings of General UNC Change and General REC Change (which will include our CSS consequential investment).

- As introduced in BP21, we will continue to show MTB costs as a whole, irrespective of how this is split between our own costs and those from third party suppliers.

- MTB costs will only change as a result of the introduction of new CDSP processes e.g. CSSC, investment savings, or the introduction/ transfer of run costs following the delivery or closure of an investment and there will be no increase to MTB as a result of the creation of Correla where scope and/ or volumes remain unchanged.

- Consequently, cost savings in MTB promised in BP21 will not be eroded in BP22 and like-for-like MTB costs in the newly introduced Plan year of 2024/25 will remain flat relative to 2023/24.

- Gemini services will continue to be provided by the CDSP for the duration of the plan.

- Our customers have requested that we include a tranche of investment for any unallocated items in the outer years to be more representative of future investment requirements, so we will repeat this in BP22 as shown in the General Uniform Network Code Change investment focus area.

- We will use BP21 plus our Q1 forecast as the baseline for formal change control tracking purposes when developing BP22.

- Last year we were able to provide an indicative view of charging implications to customers at an earlier stage in the Planning cycle (September) and will continue to provide such an estimate.

- We will continue to use CPIH as the basis for any inflation assumptions.

- Our cost allocation methodology for use in BP22 will continue to reflect the changes made in BP21 when we moved to the 13 customer journeys which more accurately reflect the services we provide and how we provide them.

Question 10: Do you agree with our planning assumptions? Please tell us if you think that we should be adopting different assumptions when we prepare the draft Plan.

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Questions and Participation

Your feedback

This document is the first step in working with our customers to develop our Business Plan. We welcome your views on all the information we have set out and on anything that you think we may have missed.

We have set out some key questions throughout this Principles and Approach document, which are detailed again in the below table with one additional question, where we would appreciate your comments. Please send these to **CustomerExperience@Xoserve.com** by Wednesday 21st July.

Question	Section	Page
01. What else should Xoserve take into account in respect of potential impacts/benefits for customers and consumers?	Market Context	5
02. What are the key risks and issues you are facing? How do you feel these could be mitigated/addressed by Xoserve?	Market Context	5
03. Please tell us about any investments you are undertaking which you believe other customers in your segment are also considering. A single service offered by Xoserve in these areas could avoid duplicate investment by customers.	Our Approach	6
04. Do you think that our approach offers sufficient engagement opportunities for your organisation? If not, what other engagement opportunities would you like to see?	Customer Engagement and Timeline	7
05. In considering a proposal by Correla to fund some of the investment in Exceptional Customer Experience, what would your main considerations be?	Exceptional Customer Service	8
06. To inform the level of investment required, what do you believe the level of demand will be for delivery of new core functionality into DDP within BP22? Similar, more or less than in BP21?	Opening-Up our data	9
07. To what degree do you believe Xoserve should be considering investment in testing environments which more fully replicate our production systems to support robust change delivery?	UK Link Roadmap	11
08. Is there anything else Xoserve could do to support the CSS rollout or REC implementation?	General Retail Energy Code (REC) Change	13
09. What else should Xoserve consider in support of Government or Ofgem initiatives including the Decarbonisation agenda?	General Uniform Network Code (UNC) Change	14
10. Do you agree with our planning assumptions? Please tell us if you think we that should be adopting different assumptions when we prepare the draft Plan.	Assumptions	15
11. Do you think that we have identified all the significant matters that we should consider during Plan development? If not, please provide details of other items that should be considered.	Questions and Participation	16

Appendix A
Draft BP22 Investment Business Case Template

xserve

INVESTMENT NAME	
INVESTMENT AREA	
EXEC SPONSOR	

INVEST # - VERSION	BP22-XX-V1.0

WHAT IS THE INVESTMENT DRIVER AND WHAT IS IN IT FOR THE CUSTOMER?
Describe the need – either the problem this investment aims to solve or the opportunity it aims to develop.

This should reflect / build on what is being set out in BP22)
Some points to consider:

- How does this help us reach the rooftop of our House or our Customers achieve their vision?
- What are the key customer messages to make regarding this investment?
- What need is this investment supporting – is it going to save money, improve service to either a direct customer or their customers, increase capability, or help respond to industry required change? If none of these then why are we doing it?

HOW DOES THIS RELATE TO PREVIOUS INVESTMENTS?
Describe if this is a totally new initiative or does it continue to build on a longer term set of previous investments?

- How does this relate to any live BP21 investments?
- How does this link in with the strategic investment themes in play from the P&A document?

HOW DOES THIS INVESTMENT ALIGN TO DSC SERVICE AREA(S) AND SUPPORT CDSP SERVICES?
Please indicate to which DSC Service Areas this investment aligns to/ benefits.
Your investment may not align to any of these areas but may be required to mitigate a risk/issue to CDSP services:

DSC Service Area (Data Services Contract Annual Charging Statement)	Aligned to Area	Impact/Benefit
Manage Shipper Transfer		
Monthly AQ processes		
Manage updates to customer portfolio		
Meter Read / Asset processing		
Demand Estimation obligations		
Customer Relationship Management		
Customer Joiners/Leavers (UK Gas Market		
Energy Balancing (Credit Risk Management		
Customer Reporting (all forms)		
Invoicing customers		
Management of Customer Issues		
Customer Contacts		
Managing Change		
Gemini Services		
15. Value Add Services		

PLEASE DESCRIBE BELOW HOW THIS INVESTMENT SUPPORTS CDSP SERVICES:

- How does this support CDSP Services?
- What issues/risks to CDSP services does this mitigate?

Appendix A
Draft BP22 Investment Business Case Template

WHAT OTHER OPTIONS WERE CONSIDERED?
Briefly describe the options considered and why this was selected

- What options were considered?
- Why was this chosen

WHAT ARE THE BENEFITS (FINANCIAL & NON-FINANCIAL), HOW WILL THEY MANIFEST AND WHEN WILL THEY START?
Reduction in Customer effort, Lower Cost to Serve, Improvements in right first time or On Time Delivery?

Describe which of the following measures above will your investment deliver improvements against and list the fuller details in the appendix.

- How will the savings manifest and when (which year)?
- Which core processes, systems and customer groups will benefit?
- What is the payback period or ROI if known?
- What level of confidence can be applied to the benefits estimate (low/medium/high)?
- Describe any key milestones for the project?
- Describe any non-tangible benefits that may be derived (eg lower customer effort or NPS improvement)?

WHAT ARE THE CONSUMER BENEFITS?
Describe the potential Consumer benefits resulting from this benefit [Categories below as used by Ofgem for categorizing consumer benefits]

- Lower bills than would otherwise be the case; (1. Lower Xoserve costs - that could/should be passed on to consumers, 2. Easier for customers to work with Xoserve, therefore lower cost for customers - that could/should be passed on to consumers, 3. Enable/support competitive gas industry (leading to cheaper supplies for consumers), 4. Enhance competitive gas industry (leading to cheaper supplies for consumers)
- Reduced environmental damage both now and in the future.
- Improved reliability and safety.
- Better quality of service, appropriate for an essential service.
- Benefits for society, including support for those struggling to pay their bills

WHAT ARE THE KEY RISKS/ISSUES CUSTOMERS ARE FACING AND HOW WILL THEY BE MITIGATED/ADDRESSED BY THIS INVESTMENT?
Please provide a written summary of the key relevant financial, reputational, competitor, technological and compliance risks

Description	Mitigating Activity	Category
There is a risk that… leading to… resulting in…		Financial, Reputation, etc.
Issue/problem being addressed……		Financial, Reputation, etc.

WHAT HAPPENS IF THIS INVESTMENT IS NOT MADE?
What are the implications of not proceeding; the 'do nothing' option

- What are the main timing arguments for including next FY vs future years?
- Please quantify the financial cost / implication of 'doing nothing'

ARE THERE ANY ADDITIONAL MTB COSTS RESULTING FROM THIS INVESTMENT?
Where appropriate, provide an overview of the MTB requirements which need to be considered (e.g. additional tech ops and/or People resource will need to be funded to provide support)

- Have all enduring MTB costs been identified and all affected parties been consulted to make sure these are included in their budgets?
- What MTB resource support from other functions will be required (Legal, procurement, contract, architecture) and has this been factored into the project cost estimate, including the first period run costs to year end?

Financial Information

FINANCIAL INFORMATION
(This will be populated in conjunction with finance)

FUNDING SPLIT %	NTS	GDNs	iGTS	Shippers
BP21 (2021/22)				
BP22 (2022/23)				
BP22 – other years (if different from 22/23)				

INVESTMENT COSTS	2020 / 21 (Live)	2021 / 22	2022 / 23	2023 / 24	2024 / 25	TOTAL
£'000s	2021 / 22					
(Live)	2022 / 23	2023 / 24	2024 / 25	2025 / 26	TOTAL	
BP21 (20/21 PRICES)						
BP22 (21/22 PRICES)						
BP22 capex / opex split %	/	/	/	/	/	NA

MTB SAVINGS	2020 / 21 (Live)	2021 / 22	2022 / 23	2023 / 24	2024 / 25	TOTAL
£'000s	2021 / 22					
(Live)	2022 / 23	2023 / 24	2024 / 25	2025 / 26	TOTAL	
TOTAL BP21 (20/21 prices)						

TOTAL BP22 (21/22 prices)						
BP22 PEOPLE SPLIT						
BP22 NON-PEOPLE SPLIT						

Financial Information

**BP22 BENEFITS LISTING
(can be more than one X)**

Mark an X under Benefit Type

	List of core processes / systems affected	Basis of Benefit value calculation / assumptions	RFT	OTD	CE	C2S	Other
1							
2							
3							
4							
5							
6							

BENEFIT TYPE LEGEND
- RFT – Right First Time. List all core processes affected. Provide the % improvement expected against each process.
- OTD – On Time Delivery. List all core processes affected. Provide the % improvement expected against each process.
- CE – Customer Effort. List which customers/segments will benefit and how the solution will deliver a reduction in effort.
- C2S – Cost To Serve. Which areas will benefit? Identify how many man-hours will be saved, or which 3rd party costs will reduce on an enduring basis?
- Other – What real risks are mitigated or directly avoided. What commercial benefits for our customers will result from this change?

MTB INCREMENTAL COSTS £'000s	Impacted CC	2021 / 22 (Live)	2022 / 23	2023 / 24	2024 / 25	2025 / 26	TOTAL
BP21 (20/21 PRICES)							
PEOPLE							
NON-PEOPLE							

BP22 (21/22 PRICES)							
PEOPLE							
NON-PEOPLE							

Xoserve