xoserve

SIMPLIFY
REUSE
DELIGHT

INTRODUCTION

OUR VISION IS TO SIMPLIFY THE ENERGY MARKET

OUR VISION
"We believe in radically simplifying the Energy Market through maintaining and leveraging industry assets for the benefit of all."

We will deliver this vision through six strategic objectives:

– Customer Centric
– Data Driven
– Change Leading
– Operationally Excellent
– People Powered
– Responsible Business

AT A GLANCE

ADDING VALUE THROUGH DATA

As the Central Data Service Provider we are central to Britain's Commercial Gas Market.
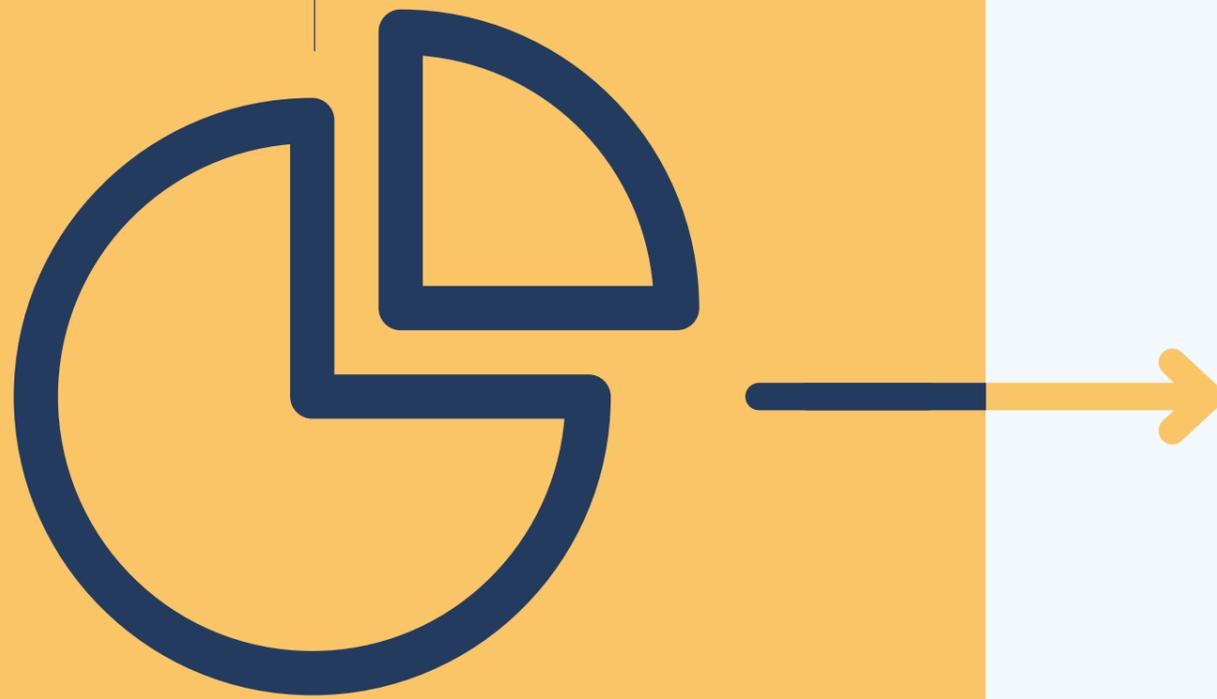
WHO WE ARE

Founded in 2005, Xoserve is central to Britain's commercial gas market. We are funded, governed and owned by a number of gas industry participants, with our Board made up of customer-nominated Directors and an independent Chair. Operating at the heart of the gas industry, we offer a single consistent point of service for our customers and ensure their data is managed securely.

WHAT WE DO

As the gas industry's Central Data Service Provider (CDSP), we deliver a full range of vital services to gas suppliers, shippers and transporters, and ensure that Britain's retail gas market runs efficiently and reliably for all our customers. We are responsible for providing information to gas transportation companies from our central register, which holds information on all premises with a gas supply. We also provide information about gas flows across the entire network. The gas usage information that we hold helps National Grid in its role of system operator to maintain the system balance, between supply and demand.

The central register and its related information flows demand complex, secure and reliable systems, operated by highly skilled and engaged people.

OUR STRATEGY

We believe that we have a responsibility to do all we can to not burden energy consumers with additional costs, but rather to allow them to realise fully the benefits of the significant investment in industry assets that they have paid for. We believe the best way to do this is by maximising the reuse of our assets, including our people, technology and processes, thereby maximising the return on investment for consumers. In 2018 we articulated our vision and the strategic objectives through which we will seek to achieve this.

£**4**bn

in invoices for gas transportation

1+m

changes of gas meter details

c.**3**m

customer switches

CHAIRMAN'S STATEMENT

CREATING A STRONG PLATFORM

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I am delighted to introduce Xoserve's annual report, my first since taking on the role of Chairman in January 2019.

A period of significant internal change

The last two years have been a transformational period for the business. Sian Jones became CEO in June 2017, at the same time as the delivery of UK Link, which replaced legacy central systems and the implementation of a new Customer Centric funding and governance model. Since joining Xoserve, Sian has overseen wholesale change to the Executive Committee and to the organisation more broadly, facilitated by our Optional Leavers' Scheme. In addition the majority of our back office functions have now been replaced, following separation from National Grid. This degree of change is a significant challenge for any organisation, and I am proud of the progress that has been made by a highly motivated and energised team.

It was not a year without issues, however. There have been some quite significant problems in relation to interaction and communication with customers, and, whilst I am confident that the new management team and approach are addressing these in the right way, we do not underestimate the work still to do in this area. Companies sometimes have a tendency to shy away from being entirely open when issues arise, but the Xoserve team has the ambition of communicating with customers very transparently about problems, outlining how long they will take to solve and what can be done together in the meantime to mitigate them. It is very much a dialogue, and the business wants to continue to open itself up to customer feedback, both in public and private.

We were disappointed that Xoserve was not successful in its bid to be the Central Registration Service Provider (CRSP) as we believe the reuse of the industry's UK Link asset would have expedited the delivery of faster and more reliable switching for consumers, whilst creating less risk for market participants. However, our focus now is on doing all that we can to make this critical industry programme a success for our customers and consumers. Against the backdrop of significant internal change we've also kept our eye on the world around us, and in particular on a changing energy market.

Well positioned to capitalise on external trends

Xoserve is a data company, and information is becoming ever more important to the economy. A key question is what role should Xoserve play in a data-driven energy market and against a backdrop of decarbonisation. In the long term, data may change the structure of the industry, and it is important to ensure that the regulator supports the business in fitting into the eco-system of the world to come.

In the short term, part of Xoserve's task is to add value to the vast sets of raw data. The people that will succeed in the new world are those that have the best systems, which enable them to easily share in the success of improved data insights and analytics and make best use of energy data as a whole (with appropriate controls). Xoserve is part way along a journey and, under strong leadership, is moving quickly and with the right culture to achieve its ambition.

This is not to overlook the fact that we are still working hard to get some of the basics right, but I trust the business has shown that it is addressing outstanding issues in a different way. It was the culture and leadership that attracted me to Xoserve, and it is clear that this is a company able to take on the challenge to operate successfully in a rapidly changing world.

Clare Spottiswoode
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

A YEAR OF TRANSFORMATION

2018/19 was a year of significant change for Xoserve.

Performance: major achievements, offset by major challenges

2018/19 was a year of significant change for Xoserve. We became a truly standalone company following our former parent company's divestment of its majority shareholding in its gas distribution business in 2017. Extricating Xoserve from National Grid's shared services infrastructure was a major undertaking, requiring us to migrate over 130 business-critical services, from finance, payroll and cyber security to the provision of catering, company cars and childcare vouchers – every back office system changed. In parallel, we concluded our Optional Leavers' Scheme, which enabled a significant refresh of our organisational capability, gained through a combination of people leaving, joining and moving into new roles within the business.

Against this backdrop of unprecedented change, it is gratifying that our employee engagement went up by 4 percentage points; and we were recognised as one of the most improved UK companies by the Institute of Customer Services (ICS), achieving the second most improved score across all sectors in the UK.

In the second half of the financial year, we started to stand down the additional layers of operational support we put in place for Nexus go-live, in line with our fiscal promise to customers. We believed enough time had passed to be confident that UK Link was operationally stable. However, in the final quarter of the financial year, we encountered challenges that we might have expected following Nexus go-live. We know that these operational challenges have been incredibly frustrating for our customers; and we are committed to resolving them and to providing an exceptional customer experience – this is our number one priority in 2019/20.

Underpinning a number of our operational challenges has really been effective communication with customers. We underestimated how difficult it is to communicate effectively with the same tone and authentic transparency in all our interactions and we have not delivered the level of service in this area that our customers expect. Additional capability and capacity are essential to make the step change customers want to see here and we are busy putting this in place in 2019/20 and will make a further step change in 2020/21.

In parallel, we have supported our customers as they have worked with new market rules in relation to unidentified gas (UIG). We set up a task force to address this highly complex problem and applied advanced machine learning against historical data sets to reverse engineer the causes of unidentified gas. We have written nine modifications that seek to tackle the root causes of UIG, which, once implemented, aim to bring UIG to within acceptable levels, both in absolute terms and in relation to volatility. This demonstrated what Xoserve is capable of doing when we get behind a big industry issue, where no single customer has access to all of the data required to solve the problem. It also highlights how helpful modern data science techniques can be, and why this is an area in which we should focus.

In our drive to be more data driven, and in support of Open Data in energy, we launched an application program interface (API) for use with price comparison websites to help consumers switch, another to help suppliers access consumption data, and an online enquiry service to allow consumers to check who their supplier is.

As part of seeking to be more customer centric in our behaviours, attitudes and processes, we completely revamped our process for handling customer change, introducing more certainty, better training and documentation support, more options and choice; and we completely redesigned our website, making it easier for customers to access important information and access training material.

Our culture continues to be at the heart of customer centricity and continues to positively evolve. Our work on embedding more effective behaviours – based on Stephen Covey's Seven Habits of Highly Effective People – reached every Xoserve employee in 2018/19 and has been fundamental in changing our outlook and putting our people in our customer's shoes. We will continue to invest in our people and in fostering a customer centric mindset and see this as critical to our success going forward.

A clear strategy in the face of market uncertainty

The UK's unresolved relationship with the EU and the desire in some political quarters to renationalise the energy sector have been making headlines, but there are additional, and for us more immediate risks that we must tackle as our industry continues to evolve.

The energy market outlook is uncertain and dynamic, with Xoserve at the centre of what will be significant customer and market change. The central bodies landscape is increasingly complex with smart meter connectivity to Data Communications Company (DCC) finally gaining momentum, the Retail Energy Code coming online and the Central Switching Service programme now well underway – all adding to a changing role for Xoserve and renewed pressure on our systems and processes. But at the same time, cost pressures for customers, driven by RIIO2 and the energy price cap are unprecedented, underlining the need to ensure that our costs are competitive and that we maximise the use of our data, assets and insights.

Our strategic response is to embrace automation, digitise our business and open up our data, move our infrastructure to the cloud, protect our industry against an ever-increasing cyber security threat, and work with National Grid to build a next generation Gemini platform fit for the future. Our business plan https://www.xoserve.com/about-us/our-vision-and-strategy/ lays the foundations for this approach, while also improving the level of service and the effectiveness of communications we provide to customers.

Favourable outlook

Despite it being a challenging year, many good things came out of it for customers and for Xoserve, that will deliver sustainable benefits in the future. Given the hill we knew we had to climb when we embarked on the turnaround of Xoserve, I am proud of what we have achieved since the start of our new strategy, but I am under no illusions that we have a long way to go and a lot of hard work still to undertake. But we are clear and unwavering in what we want to achieve: to delight our customers at every turn. I would like to thank all our customers for their ongoing feedback and support – we could not do this without you.
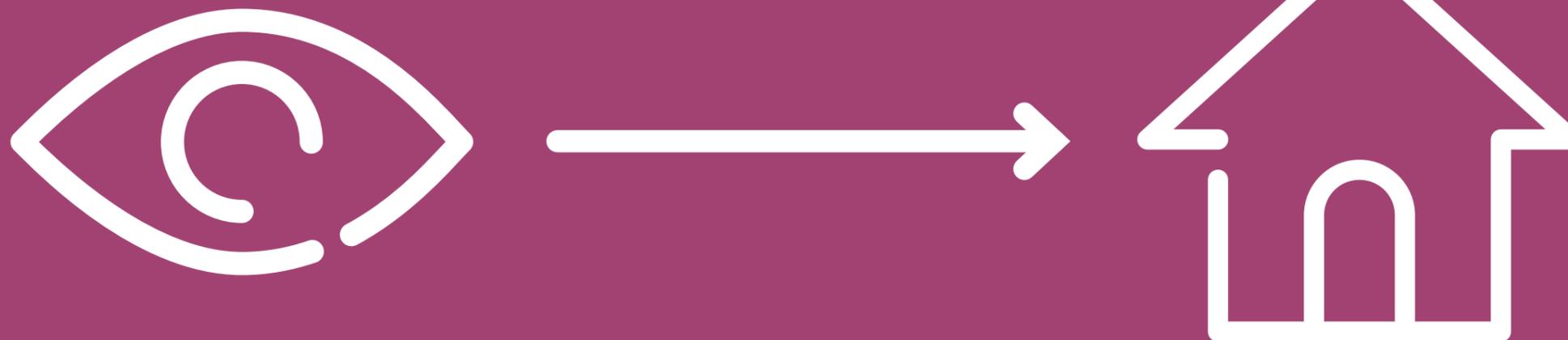
Sian Jones
Chief Executive Officer

OUR STRATEGY

THE AMBITIONS THAT POWER US

Following a comprehensive review, in 2018 we developed a new set of strategic objectives.

Our vision is to simplify the energy market through maintaining and leveraging industry assets for the benefit of all. We will deliver this through six strategic objectives.

For each objective we articulated our ambition for the year as well as our desired ultimate outcomes. Our performance against each is outlined on pages 10 to 21.

CUSTOMER CENTRIC

YEAR ONE AMBITION
We are seen as reliable by our customers because we provide an increasingly transparent and consistent customer experience whilst delivering exactly what we have committed to.

ULTIMATE AMBITION
Our customers trust us completely because we understand their businesses and can effectively anticipate their needs.

OUTCOME
From reliability to trust

DATA DRIVEN

YEAR ONE AMBITION
We give customers easy access to the data we hold on their behalf, in a controlled, secure and flexible way via our data platform.

ULTIMATE AMBITION
We provide a platform and data foundation for innovators to drive and enable value creation for our customers and end consumers.

OUTCOME
From stewardship to value creation

CHANGE LEADING

YEAR ONE AMBITION
When we deliver customer change, we engage early, consistently provide exceptional documentation and accessible training and communicate clearly throughout.

ULTIMATE AMBITION
We are the first choice to deliver change because we provide delivery certainty in an increasingly complex and fast-paced market.

OUTCOME
From consistency to certainty

OPERATIONALLY EXCELLENT

YEAR ONE AMBITION
We are a provider of efficient and reliable services that our customers can access easily.

ULTIMATE AMBITION
We are the service provider of choice for our customers for delivery of processes which connect the energy market.

OUTCOME
From necessity to choice

PEOPLE POWERED

YEAR ONE AMBITION
We are increasing employee engagement across the business whilst enhancing our capabilities and learning and practicing highly effective behaviours.

ULTIMATE AMBITION
We deliver an exceptional experience for our people so we can deliver an exceptional experience for our customers.

OUTCOME
From learning to leading

RESPONSIBLE BUSINESS

YEAR ONE AMBITION
Our customers are assured that we have appropriate frameworks to enable us to understand and manage business risks, enhance our commercial and financial capability and operate in a socially responsible way.

ULTIMATE AMBITION
Our customers are confident that we enable them to grasp new opportunities because we are exemplars in managing and controlling risk, whilst being commercially and financially astute and operating in a socially responsible way.

OUTCOME
From assurance to confidence

STRATEGIC OBJECTIVE

CUSTOMER CENTRIC

Year One Ambition	Ultimate Ambition
We are seen as reliable by our customers because we provide an increasingly transparent and consistent customer experience whilst delivering exactly what we have committed to.	Our customers trust us completely because we understand their businesses and can effectively anticipate their needs.

From reliability to trust

- Thinking outside in, seeking first to understand our customers, having empathy for their diverse businesses and challenges.
- Being proactive and going the extra mile for customers.
- Listening carefully to feedback to provide better and more efficient services.
- Seeking to build advocacy through every interaction.

Our performance

Xoserve has undergone wholesale change over the last two years. From the transformation of our governance, the restructuring of our business, the creation of explicit customer centricity targets and programmes and close engagement with customers in our business planning process, we have outlined our commitment to be recognised as a customer centric organisation. We have laid the groundwork to be one of the most customer centric organisations in the energy sector, and our aspiration is that transparency and proactive engagement will become hallmarks of our approach to delighting our customers.

We made great strides during the year, improving the customer centricity of the business in terms of our organisational mindset and structure. Our progress was recognised by customers, and we were pleased to achieve our target Customer Satisfaction Index score. However, our success in reaching our Year One ambition of being seen by customers as a reliable partner was hampered by several operational issues that undermined customer trust (see pages 16-17), as well as by poor communications and inconsistent delivery of our core services and commitments. The organisation is working hard to address these.

Key successes included:

→ **Embedding a customer centric culture**
Our programme of initiatives included the launch of a new customer-facing organisation with increased customer advocacy through new account management and improved customer support structures, and an engagement approach built upon deeper segmentation.

We were pleased to be recognised as one of the most improved UK companies by the ICS, and feedback from customers (including improved Net Promoter Scores) confirms that they see a significant shift towards Xoserve being more customer focused. We acknowledge that there remains room for improvement, but we have momentum and are continuing our work to embed a customer centric ethos throughout the organisation.

→ **Engaging closely with customers in business planning**
The introduction of our new governance structure, different funding bodies and new Data Services Contract (DSC) committees called for a greater need for engagement with customers in the business planning process. We set out a programme of stages at which customer feedback was invited, and there is now a structured, iterative process to agree a final plan that has been refined following customer suggestions.

→ **Response to industry issues**
Our work on UIG demonstrated a step change in our approach to proactively handling a problem. We established a task force, worked creatively to resolve the issue and communicated our progress effectively. Regular workshops and update meetings were supplemented with high-quality materials, including training and education guides.

→ **Making our website more customer centric**
In response to customer requests we also launched our new website during the year, with a great deal of customer engagement as we developed and tested the site. Easier to navigate and with more information about our services, the new site is a marked improvement and addresses customer needs much more effectively than its predecessor.

→ **Training and educating our customers**
During the year we introduced structured customer training programmes, of a greater number and broader in scope than our previous – rather piecemeal – offering, with high-quality supporting materials. Our training programmes have received unilateral praise from our customers.

Our focus areas

We will continue to make improvements in the areas we focused on last year, but have heard our customers loud and clear and will be prioritising the following areas of work:

→ **Realising our vision of Operational Excellence**
In addition to tackling the design problems that have caused challenges with our invoicing processes, we will expedite the automation of our processes and the transformation of our workforce.

→ **Customer Centricity through improved communications**
We will raise the quality of our communications, which have been inconsistent, unreliable and a source of frustration for our customers. We're addressing the fundamentals by introducing training, improving the clarity and consistency of our messaging, and building higher quality channels for customers.

→ **Improving customer experience by building awareness**
This will include collating insights into one place, and sharing information throughout the organisation at appropriate times to bring the customer to life for non-customer-facing colleagues within Xoserve, such that they can identify and seek to address customer 'pain points'.

STRATEGIC OBJECTIVE

DATA
DRIVEN

Year One Ambition	Ultimate Ambition
We give customers easy access to the data we hold on their behalf, in a controlled, secure and flexible way via our data platform	We provide a platform and data foundation for innovators to drive and enable value creation for our customers and end consumers.

From stewardship to value creation
- Making data available to customers to help them manage their business.
- Using data to create insight, drive operational excellence and support decision-making to maximise value.

Participants across our sector are talking about the need to unlock the power of data to improve the functioning of the industry. Xoserve processes and stores large volumes of system data and recognises the benefits in allowing customers and other market participants to access this. Looking ahead, we will work to reposition Xoserve as a provider not simply of data but of actionable insights, and are well positioned to leverage the data assets we hold for the benefit of consumers and market participants.

Our performance
We recognise the importance of providing data that is timely, reliable and readily accessible, and of analysing that data to generate insights.

Traditionally our customers approached us with specific questions and requests for data reports, which often took some time to address. Ultimately, we want to provide a platform for anyone in the market to access data, such that innovators can apply their expertise to develop new products and services.

Demand for our data increased by 300% between our 2017/18 and 2018/19 financial years. We need to change the paradigm and allow self-service access as we evolve from being data providers to insight providers. Well-designed digital touch points will drive up self-service by our customers and fully automated machine-to-machine processes, driving down costs for Xoserve and customers.

During 2018/19 we started on the journey to provide more data to customers, with several key milestones that will form a foundation for future developments:

→ **Digitising and opening up our data**
We built an application program interface platform to allow direct communication, not just for customers but for the broader market via third party interfaces.

We launched a prototype of a self-service Data Discovery Platform (DDP), a suite of dashboards to allow customers to access, visualise and analyse data. This was piloted with Ofgem, and subsequently rolled out to customers early in 2019 for their Winter Annual Reads (WAR) Bands reporting. In July 2019 the next release of Shipper Management Information (MI) became available to Shippers through the DDP.

→ **Applying advanced analytics and machine learning to industry issues**
Addressing industry-wide concerns about the absolute levels and volatility of unidentified gas (UIG) provided the first material opportunity for us to demonstrate how analytics can be used to change how things are done to understand an industry problem. We leveraged the power of external data science bureaus with deep knowledge of machine learning to enhance and augment our internal knowledge and apply techniques to the data. This initiative proved the power of advanced analytics in addressing a real-world problem, and the foundations laid in 2018/19 will allow us to build the internal capabilities to deploy machine learning to other functions we perform, such as demand estimation, rather than needing to leverage external expertise.

Our focus areas
We will continue to leverage our unique expertise and industry position – applying advanced analytics and machine learning where appropriate – to address a range of industry issues, and work to create products and services to radically simplify the industry.

We will play a vital role in analysing whole market data sets, which will need to be aggregated in a safe place, based on common data standards and definitions and often linked with data sources from outside the energy sector. We are well placed to do this, and our workforce transformation, coupled with our investments in systems, will enable us to offer increasingly industry-wide value and insight.

The volume of data we need to process will increase exponentially as our market is driven – as a result of the introduction of smart meters and the design of the Central Switching Service – from a predominantly batch based, flat file sharing dynamic, to one based on real-time messaging. The ramifications of this transition will touch every customer and every touch point with Xoserve.

Underlying highly automated transaction processing will ensure that our people, data and processes are joined up end-to-end to create a seamless customer journey, and will allow Xoserve people to focus on data quality and open data. We are now seeing the first of our internal cloud-based analytical platforms being implemented, and we will continue to ensure we deploy our highly skilled people in the most effective manner to add the most benefit.

In line with the recommendations of the Energy Data Task Force to increase accessibility of data to customers, we will continue to roll out our self-service data access platform to a wider customer base. We will also broaden the type of data accessible through the platform, removing the need for legacy data transfer mechanisms.

STRATEGIC OBJECTIVE

CHANGE
LEADING

Year One Ambition	Ultimate Ambition
When we deliver customer change, we engage early, consistently provide exceptional documentation and accessible training and communicate clearly throughout.	We are the first choice to deliver change because we provide delivery certainty in an increasingly complex and fast-paced market.

From consistency to certainty

- Bringing requirements to life, creating options and working with customers to understand the cost/benefit analysis.
- Helping customers understand the risk of any change and developing customer and market-wide test strategies to mitigate such risks.
- Delivering robust solutions on time and providing excellent value for money.
- Providing high-quality management information, support documentation and training materials to support seamless change.

Our performance

This strategic objective is about being reliable and trusted to deliver on time, and to quality and budget, while managing the customer experience through changes. In the last year we made a great deal of progress with customers and their engagement with change. We almost achieved our target of delivering 95% of milestones on time and to quality and budget, but fell short on quality in some instances. Notwithstanding this we received a pleasing score in our change survey feedback from customers.

→ Transforming our customer change lifecycle process

A key focus in the year was the improvement of the customer change lifecycle process to ensure consistency and rigour in change delivery. At the beginning of the year we introduced a new initial phase – 'Capture' – to drive engagement with customers, to ensure their understanding of the requirements and to work with them to select from different options with their associated costs, benefits and risks. The enhanced process includes greater communication throughout the project through release schedules that are agreed upfront with customers and regular updates, as well as customer training and post-implementation support. The changes have been well received, with customers awarding us a Key Value Indicator (KVI) Change Management score of 76.1%.

→ Digitising our information

Our new website includes a much improved section dedicated to change projects, allowing customers to find information more readily through a more structured format. The digitisation of information has also helped introduce more rigour and efficiency to our ways of working. Our consultation with customers to invite their views on change has historically been rather labour-intensive, and we are streamlining the process and moving it online.

→ Minimising customer impact of change through improved training and education

Not all customers are able to come to development meetings in the Capture phase to develop changes, so we introduced awareness sessions. At the beginning of the process we invite customers to learn what will be in a release and what the rules might be so they can understand how it will impact them, and they are invited again after the design is completed to understand how the functionality might be impacted. These meetings are supported with published awareness and/or training materials. For a detailed change, face-to-face or WebEx training may be appropriate.

→ Delivering agreed platform changes

Not all change was delivered successfully during the transition from our old process. When we introduced the Capture phase last year, there were already changes in progress that hadn't been subject to that level of rigour, so we encountered some issues. Having reviewed learnings, we confirmed that these sorts of problems would not have arisen under our new process.

→ Implementing changes to Gemini

We are responsible for providing system change and support services for the Gemini application that is owned by National Grid Gas Transmission. Gemini provides capacity management and energy balancing services to the gas market. We continued to support National Grid's Transmission System Operator (TSO) obligations to comply with European Union (EU) reform, implementing changes to the Gemini Balancing and Settlement application to support further phases of change.

Our focus areas

We will continue to digitise and automate what we can. We are also deploying a new Project Management system to ensure visibility of the whole change portfolio, to be able to prioritise and improve operational management through appropriate resourcing.

The way in which we deliver some of those activities is changing. We are insourcing user acceptance testing and are identifying other insourcing opportunities to improve our ability to manage change. We recognise a need to deepen our understanding of our systems and be a more informed buyer in order to drive quality.

We intend to move our infrastructure to the cloud, for reasons of security, flexibility and cost, as well as the exponential increases in data volumes from smart meters. Moving one of the largest SAP implementations in the world to the cloud will be no small undertaking. We intend to use this opportunity to build more flexibility into UK Link, by transitioning onto highly scalable, super-fast and super-flexible alternatives that deliver greater choice and value to the industry. In addition we will likely upgrade UK Link to utilise in-memory databases, which will provide a platform to combine Xoserve's historical data with the raft of new real-time smart information about consumption and market behaviour, as well as ensuring we can provide real-time, self-service, advanced analytics to the industry based on very large data sets. This will largely be achieved by following a roadmap of application component modernisation and is consistent with our historical approach of sustaining and upgrading our platforms' core components to ensure we reliably and safely maintain services to our customers.

We will need to implement significant consequential changes to our systems as a result of the introduction of the Central Registration Service Provider. As the largest incumbent with a vertically integrated platform, which now needs to be broken up, we have the largest amount of change to deliver within what is already a complex programme.

We will build upon our historical support of Gemini by undertaking activities to refresh and sustain the platform, in addition to delivering the functional change required by the industry. Given the fact that Gemini has been deployed since 2005, we are also looking at the best long-term options for the operation of the system.

STRATEGIC OBJECTIVE

OPERATIONALLY EXCELLENT

Year One Ambition	Ultimate Ambition
We are a provider of efficient and reliable services that our customers can access easily.	We are the service provider of choice for our customers for delivery of processes which connect the energy market.

From necessity to choice
- Maintaining reliable, high-quality data management services and systems.
- Delivering against industry agreed contractual obligations and key performance indicators.
- Continuously improving our systems, processes and data, using the latest automation and lean techniques to drive efficiencies.

Our performance
Despite a great deal of improvement in our processes during the year, unfortunately our operational performance was not as high as we would have liked and we are working hard to address outstanding issues.

→ **Improving the accuracy of supporting information for the amendment invoice**
We planned for the worst when UK Link went live as part of Project Nexus in 2017, since new system implementations of this scale typically experience major operational challenges and require extensive continual development to correct design problems not picked up in pre-launch testing.

The first 12 months after Nexus go-live were relatively pain-free versus our collective expectations, so we released all of the additional headcount we had held back for resolving the expected post-launch problems. However, the problems had merely been masked. In 2019 we have experienced some challenges with our invoicing processes and have had to rebuild expertise. We propose to retain the resource deployed to address these design problems for the first full year of BP20, as a protective mechanism, and to expedite the automation of our processes and the transformation of our workforce.

→ **Introducing the operational Key Value Indicator framework**
During 2017 Xoserve agreed, with the Contract and Change Management Committee (CoMC), the introduction of a new performance framework.

This framework reflected discussions which took place with customers (by Customer Segment) to identify and develop a set of Key Value Indicators for their critical processes or services provided by Xoserve. This resulted in a total of 18 different areas under seven common themes:

- Issue Resolution
- Change Management
- Customer Relationship Management
- Data Services
- Customer Data Security
- Service Delivery
- Financial Reporting

Progress against these KVIs is reported below:

Operationally Excellent (KVI Score) – EOY March 2019

KVIs	Measure	EOY Measure Achieved
Issue Resolution	90%	90.90%
Change Management	90%	76.10%
Relationship Management	95%	36.20%
Data Services	90%	25.00%
Customer Data Security	Yes/No	100.00%
Service Delivery	98%	97.00%
Financial Reporting	Yes/No	100.00%

Issue Resolution (Target 90%) – We achieved 90.90%, which reflected our focus on improving the ownership of all our customer interactions, including setting and meeting expectations.

Change Management (Target 90%) – We achieved 76.10%, which reflected an improvement in our communications, engagement and delivery of agreed Industry changes. We recognise that we still have some way to go in meeting our target in this area to ensure industry parties are satisfactorily consulted and involved during the change delivery life cycle, however feedback so far this year is much improved.

Relationship Management (Target 95%) – We achieved 36.20%, which falls short of our target by some way and reflects significant negative feedback from customers and stakeholders around the quality of our engagement with them. We've recognised the scale of improvement we need to make and we are beginning to see an improvement in customer sentiment, based on our focus on improving the fundamentals of our relationship management, which remains an absolute focus for us.

Data Services (Target 90%) – We achieved 25%, which was a reflection of our performance on one key data issue where we recognise that whilst the issue was resolved successfully, we could have communicated the resolution better to customers. Customer Data Security (Target 0 Critical or High Data Breaches) – We achieved our target of zero critical or high data breaches, protecting the integrity and security of customer data at all times.

Service Delivery (Target 98%) – We achieved 97%, narrowly missing the target of 98%. We continue to take the learnings from incidents and use them to deliver further improvements to service delivery.

Financial Reporting – We achieved our target of providing all financial reports to customers within the agreed timescales.

→ **Delivering Find My Supplier**
Xoserve has a central register which holds information on every British premises with a gas supply (that's 24 million premises!). While we mainly use this data to help gas suppliers, shippers and transporters, we're also using it to help their customers. We have been offering a telephone 'Find My Supplier' service for over 20 years now, enabling consumers to find out who their gas supplier is and their Meter Point Reference Number (MPRN) in a single phone call.

Many consumers use our telephone service – we receive an average 700 calls every day – and we will continue to provide this service going forward. However, consumers have told us that they would like to be able to find their supplier online, and we've listened.

With our new Find My Supplier online portal (www.findmysupplier.energy), all of the important information consumers need about their gas supply is just a few clicks away. Consumers can also access this information whenever they need it.

→ **Making major systems available to customers**
We achieved our target of making our systems available to customers for at least 99% of the time within scheduled service hours. The performance for each system is outlined below.

Systems availability 2018/19
We have Service Level Agreements in place that require each of our key systems to have 97% or 99% availability. For 2018/19, we achieved at least 99.62% availability for each key system.

	SLA	Achieved
UKL	99%	99.62%
Gemini	99%	99.76%
Gemini B2B	99%	99.89%
IX	99%	99.96%
Electronic File Transfer	99%	100%
Data Enquiry	97%	99.9%
Reporting	97%	100%
CMS	97%	99.96%

Our focus areas
Our principal objective is to become more reliable. This means getting things right first time, increasing the accuracy of the information we provide and the speed at which we're responding, creating a better customer experience.

→ **Transforming our processes**
Our analysis of the Amendment Invoice Process has enhanced our understanding of our customer operations processes, and we found that many of our people in this area of the business are performing manual tasks and work-arounds that are error-prone. We need to automate to increase customer certainty in our processes and to reduce the amount of manual effort. Examples of areas we are looking to automate include a number of the activities associated with the amendment invoice, how we provision data services to our customers, and bringing in intelligent Interactive Voice Response (IVR) telephony to simplify customer communications and the ability to self-serve.

A by-product of transforming our processes and automating as much as we can is that we will release capacity that we can retrain to increase capabilities in other areas of the business.

→ **Developing and embedding an issue management 'one touch' and 'right first time' culture**
We didn't make as much headway in this regard as we would have liked during 2018/19 as the scale of the issues encountered was greater than originally anticipated. Our vision is that the individual who picks up the first contact from the customer – no matter what the reason for the contact or the channel used – will resolve the issue. All of our staff completed Institute of Customer Service training, but we identified a need for a system to facilitate a one touch customer experience.

STRATEGIC OBJECTIVE

PEOPLE
POWERED

Year One Ambition	Ultimate Ambition
We are increasing employee engagement across the business whilst enhancing our capabilities and learning and practicing highly effective behaviours.	We deliver an exceptional experience for our people so we can deliver an exceptional experience for our customers.

From learning to leading

- Developing people who resolve issues proactively, plan for the future effectively and who are motivating to work with and for, through carefully selected learning and development programmes.
- Using common language and sharing a common understanding of what good looks like for customers.
- Operating in an agile way, using the power of devolved people networks to deliver specific projects more quickly and with greater engagement, which reaches into all levels of our business.

Our performance

→ **Transforming the organisation**

In 2017/18 we launched an Optional Leavers Scheme to introduce new skills and capabilities into the organisation and develop existing employees into new roles. This in turn allowed us to restructure the business. This programme was completed by 31st March 2019, with 70 employees leaving the organisation through the scheme. Despite more than half of the organisation experiencing significant personal change in the year, we increased employee engagement by 4.5% points from an already high score.

→ **Engaging with our people**

Engagement with employees and their representatives has continued at all levels, ensuring that their views are taken into account when decisions are made that could affect their interests and that employees are made aware of the financial and economic performance of the Company. Communication with employees takes place through a series of six-monthly company-wide briefings, ad hoc bulletins and briefings from the CEO and other managers using a variety of channels – including face-to-face. Consultation with the staff union in relation to the annual staff pay review and other relevant collective employee matters, as appropriate, has also continued. A series of breakfast meetings and listening sessions between members of the executive management team and staff were also held throughout the year.

→ **Reorganising our function**

Towards the end of the year the People Function was created to address some of the key themes identified in our engagement activities, and to focus all activities relating to our people under one executive responsibility. This includes HR, People Engagement and all of the internal technology that our people use day to day, such as the office network, laptops and payroll systems.

→ **Refining our performance management**

We reviewed our performance management scheme as a basis for setting individual objectives and monitoring performance of employees. This provides a basis for informing individual salary reviews and performance bonus awards, and has been complemented with the introduction of a collaboration tool where an individual's goals are visible across the organisation.

→ **Embedding behaviours**

Over the last two years we have adopted and embedded FranklinCovey's 7 Habits at the heart of our culture. New recruits receive a one-day foundation training session upon joining Xoserve, and we hold brief fortnightly coaching sessions where groups assess how the habits can be applied to solve relevant problems – especially those that impact on our customers. Behaviours are also a core element of our resourcing, performance management framework, and engagement measures. We look for people who embody our beliefs and want to:

- Be Proactive
- Begin with the End in Mind
- Put First Things First
- Think Win-Win
- Seek First to Understand, Then to Be Understood
- Synergise
- Sharpen the Saw

→ **Increasing access to learning**

On account of the need to build strong leadership teams at pace as part of the transformation of Xoserve, our initiatives to improve access to learning during the year focused on the executive team and their direct reports. As outlined below, we are now broadening training throughout the organisation.

Our focus areas

Our key strategic priorities are:

- Implementing and embedding a refreshed People Development Strategy that will see us upskill and/or reskill our workforce with the objective of providing a superior customer experience. This spans technical, behaviour and leadership skills.
- Making sure we equip people with tools to do their jobs in an office environment that helps them work effectively. For example, we have a programme to replace laptops and communications devices to make it easier for our people to connect to each other and our customers.
- Following last years' review of the performance management process, this year our attention turns to improving performance culture – ensuring we are maximising the performance potential in our people by driving up levels of accountability and purpose.

STRATEGIC OBJECTIVE

RESPONSIBLE BUSINESS

Year One Ambition	Ultimate Ambition
Our customers are assured that we have appropriate frameworks to enable us to understand and manage business risks, enhance our commercial and financial capability and operate in a socially responsible way.	Our customers are confident that we enable them to grasp new opportunities because we are exemplars in managing and controlling risk, whilst being commercially and financially astute and operating in a socially responsible way.

From assurance to confidence

- Understanding and managing business risks.
- Behaving commercially, competitively benchmarking services and developing new partnerships where appropriate to ensure best value for money.
- Embracing independent assurance of our work.
- Ensuring employee safety.
- Taking seriously our social responsibility to the local community and environment and supporting our colleagues in engaging with and contributing to the local community.
- Protecting our customers' data and our ability to operate, by focusing on security, assurance and risk management.

Our performance

Operating responsibly is at the core of our ethos. Below we outline some examples of what we do to demonstrate our commitment to doing the right thing. Although we achieved most of the targets set, we missed our target of 100% of internal audit findings due being completed within the allotted timescales, but subsequently addressed outstanding issues within the agreed revised timescales.

→ **Establishing a change assurance function**
Reflecting on the level of risk around key projects and in response to customer feedback, we put in place an independent change assurance function. The objective was to be able to monitor projects and implement improvements throughout their duration in real time, as opposed to evaluating projects retrospectively to glean learnings.

→ **Implementing a stage gating process**
As part of our change management governance we introduced a process to assess all projects, with seven stages from idea to delivery that are reviewed and assured by people who are within Xoserve but external to the delivery of the project.

→ **Enhancing our risk management process**
We reviewed and refined our risk management process. Adopting learnings from other organisations, we refreshed the data we capture and increased engagement with different levels of the organisation. There is now greater recognition of the importance of identifying risk upfront, such that mitigating actions can be put in place.

→ **Introducing our own back office systems**
Replacing services previously provided by National Grid, we established our own Enterprise Resource Planning (ERP) system. The ERP system went live on October 1, 2018, covering finance, procurement, paying of suppliers, and some invoicing.

As part of our separation from National Grid we also replaced both our HR and payroll systems. The new solutions have fully automated interfaces, resulting in an increase in the quality and security of the data for our people.

The separation of back office functions from National Grid required a great deal of management focus during the year. This degree of change is a significant challenge for any organisation, and that it was achieved so smoothly in such a timescale is testament to the highly motivated team and energising, customer centric culture embedded throughout the business.

→ **Benchmarking our costs**
We worked with KPMG to benchmark our costs, and we are reassured to have discovered that the majority of our cost performance measures compared well against companies worldwide.

A number of processes did not benchmark as favourably and the reasons for this are not entirely surprising given the transient state of some operating activities. We will continue to monitor and refresh this as part of ongoing improvement measures. We are finalising this benchmarking exercise and intend to share with customers during our Business Plan consultation.

→ **Working in a socially responsible way**
During the year we continued our active programme of fundraising and volunteering, as part of our policy that allows staff to take 15 volunteering hours per annum. We held a variety of events such as a craft fayre, cake sales, a quiz night and raffles in support of charities including Age UK Solihull, Birmingham Mind and Clic Sargent. Volunteering activities included tidying and cleaning a local Scout Hut, and digging and litter picking in Malvern Park, which were done as team building exercises by specific departments within Xoserve.

We also engage with our communities through our apprenticeship and work experience schemes.

Our focus areas

Looking ahead, we will continue our work to:

- Enhance our cyber security. The energy sector faces an ever-increasing cyber security threat, whether relating to theft, hacking or denial of service to vital systems, and the security challenge is exacerbated by the open data opportunity. Having previously benefited from shared security services provided by National Grid, we established our own security function. We will evolve our data security controls, making them appropriate to a more open environment in which data can be accessed by and shared with multiple parties, and ensuring that access is granted in line with a data permissions framework.
- Evaluate systems to enhance controls and make processes easier for employees, removing elements that are currently undertaken manually. Examples of tools we will implement include the project management software to oversee the change portfolio, a system to monitor expenditure against budget, and a risk management system.
- Unfortunately following implementation of the new ERP system and us insourcing the supplier payment process, our payment performance for the six monthly reporting was significantly lower than the target level. In response to this a number of remedial measures were successfully completed and our monthly payment performance is now above target. Monitoring and reporting is undertaken on a monthly basis and the six monthly results are published in line with legislation.

FINANCIAL SUMMARY

Results

For the year ended 31 March 2019 the Company's profit before tax (after exceptional items) was £0.1m (£0.1m after tax) (2018: £3.2m loss (£3.1m loss after tax)). The profit before tax (and before exceptional items) was £0.9m (2018: £2.0m). The exceptional items relate to fundamental restructuring costs of £0.8m incurred during the year (2018: £5.2m).

Financial position

Total shareholders' funds at 31 March 2019 were £1.7m (2018: £1.6m) comprising fixed assets of £55.0m (2018: £66.0m); net current liabilities of £10.8m (2018: net current liabilities £10.9m) less long-term creditors and provisions for liabilities of £42.5m (2018: £53.6m).

People

Xoserve's direct employees are supported by agency staff, who are employed through external companies and not directly by the Company and utilised to perform process as well as management and technical roles. For 2018/19 the average number of employees and agency staff in aggregate was 395 (2017/18: 394 and 2016/17: 428).

In 2017/18 the Company launched an Optional Leavers Scheme to create opportunities and restructure the business. This programme was rolled out and completed by 31 March 2019 with 70 employees leaving the organisation through this scheme. This allowed the introduction of new skills and capabilities into the organisation and development into new roles for existing employees.

Total employee and agency staff costs of £26.1m were incurred for the year ended 31 March 2019, inclusive of £0.7m restructuring costs (2018: £30.0m inclusive of £5.1m of restructuring costs).

Charges Type £m (2018/19 Prices)	Shipper Users	National Grid NTS	DN Operators	iGTs	Other	Adjustments	Annual Total
Budget Charges							
General Services	9.8	7.3	12.3	0.4	–	–	29.8
Infrastructure	6.4	2.9	8.1	0.2	–	2.8	20.4
Change	3.5	2.9	3.1	–	–	–	9.5
Specifc Services	3.7	–	0.1	–	–	–	3.8
Non DSC Charges	–	–	–	–	0.2	–	0.2
Total	**23.4**	**13.1**	**23.6**	**0.6**	**0.2**	**2.8**	**63.7**

Budgeted charges for the year are £62.5m which were subsequently adjusted to reflect an additional £0.9m request for funding from Shippers and a £2.5m rebate to Transmission. The adjustment of £2.8m refers to income brought forward for financial year 2017/18.

Charges Type £m (2018/19 Prices)	Shipper Users	National Grid NTS	DN Operators	iGTs	Other	Adjustments	Annual Total
Actual Charges							
General Services	8.8	7.3	11.6	0.3	–	–	28.0
Infrastructure	7.0	2.7	9.0	0.2	–	2.8	21.7
Change	3.2	2.6	2.0	–	1.0	6.6	15.4
Specifc Services	4.4	–	0.1	–	–	–	4.5
Non DSC Charges	–	–	–	–	0.2	–	0.2
Total	**23.4**	**12.6**	**22.7**	**0.5**	**1.2**	**9.4**	**69.8**

Adjustments made are in respect of income carried forward to 2019/20 and the treatment of capital contributions. Total actual charges of £69.8m match the Turnover figure in our published accounts.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of our strategy are subject to a number of risks.

Risk	Description	Mitigating activities
Internal skills, knowledge and capability	→ There is a risk that Xoserve is unable to cultivate appropriate skills, knowledge and capability within the organisation to effectively manage ongoing change and respond to customer requirements. There is also a risk that the timing of change and any delays will create additional change congestion and resource constraints.	→ There is an ongoing plan for recruitment of staff with appropriate skills and an aim to reduce reliance on short-term contractors in order to develop and retain skills within the business. We are also developing a resource strategy to meet current and future requirements, including a succession and capability framework and a robust training plan.
Information security	→ Xoserve manages data on behalf of the gas network operators and operates a number of information systems in support of this. We recognise that information security is a significant risk in the operation of our activities.	→ We continue to invest in a Security Improvement Programme to progressively strengthen this area. We have ISO27001 certification, have established a new governance structure and are rolling out further cyber awareness training to our employees to further embed information security.
Governance and funding	→ The governance and funding model could constrain our ability to leverage our assets, given the diversity in risk appetite across customers and any funding restrictions in place for some regulated customers.	→ We consult with customers on the Business Plan and Budget as well as the development of our strategy to ensure these are understood and aligned with industry requirements, thereby facilitating approval of annual charges.
External suppliers	→ We use a number of specialist third party vendors who operate under agreed framework arrangements to provide some of the support services and asset development work. As a result of these long-standing relationships there is a growing reliance on a few key suppliers, which increases the risk that any third party failure might have on the business.	→ Options are being explored to mitigate this risk, including ongoing revisions to procurement strategy and embedding a new contract management centre of excellence.
Central Switching Service Consequential programme	→ A Central Switching Service Consequential (CSSC) programme was established in 2018 to undertake consequential changes to Xoserve's systems and processes due to the introduction of a new Central Switching Service being run through the Data Communications Company (DCC). Given Xoserve's consequential programme is larger in scale and size than most existing service providers (ESPs) this could place operational, contractual and financial strain on the Company.	→ Scenario planning and close partnering with the stakeholders involved is being pursued to help mitigate any exposures.

BOARD OF DIRECTORS

Xoserve is funded, governed and owned by the gas industry, with our Board consisting of eight Industry-nominated Directors, with an independent Chair.

EXECUTIVE TEAM

Clare Spottiswoode
Chairman

Steve Edwards
Network Nominated Director

Andrew Quail
Network Nominated Director

Cathy McClay
National Grid Transmission
Nominated Director

Neil Shaw
IGT Nominated Director

Colin Rees
Shipper Nominated Director

Mike Hogg
Shipper Nominated Director

Yehuda Cohen
Shipper Nominated Director

Duncan Sedgwick
Shipper Nominated Director

Sian Jones
Chief Executive Officer

Ranjit Patel
Chief Customer Officer

Sandra Simpson
Chief People Officer

Vicky Palmer
Business Strategy Director

Clive Nicholas
Chief Commercial Officer

Lee Foster
Chief Technology Officer

Two members are nominated by the Gas Distribution Networks, one from National Grid's UK Transmission business, one from the Independent Gas Transporters (IGTs) and four members nominated by the Gas Shippers.

The Xoserve Board is chaired by Clare Spottiswoode.

Funding arrangements and ownership

On 1 April 2017, Xoserve was appointed by the Gas Transporters as the gas industry's Central Data Services provider ('the CDSP'). The DSC parties provide the majority of Xoserve's funding, are consulted on Xoserve's Business Plan and Budget, and participate in governance meetings. They also have rights to appoint customer nominated Directors to the Xoserve Board. Specifically, the CDSP arrangements prohibit the distribution of profits to Xoserve's Shareholders.

Leadership

Xoserve is funded, governed and owned by the gas industry, with our Board consisting of eight Non-Executive Industry-nominated Directors, with an independent Chair. Two members are nominated by the Gas Distribution Networks, one from National Grid's UK Transmission business, one from the Independent Gas Transporters (IGTs) and four members nominated by the Gas Shippers. The Board is chaired by Claire Spottiswoode.

The Board and its Committees

The Board has established a number of Committees to carry out specific duties. This allows the Board to operate more efficiently, concentrating on providing leadership and decision-making for the business. We are dedicated to making sure that both the Board and its Committees are clear on their roles and are supported to give the correct level of attention and consideration to relevant matters.

Audit Committee

The Audit & Risk Committee chaired by Steve Edwards plays an important governance role on behalf of the Board, dedicated to giving assurance to the Board that internal control and risk management systems are reliable and that we report appropriately on financial performance. The Committee is appointed by the Board, with a minimum requirement of three Directors to be quorate.

The Audit Committee as a sub-committee of the Board met four times during the year to oversee on behalf of the Board the Company Risk Management, Internal Audit and Statutory Audit activities.

During the year oversight was provided around the development of a new risk management framework in line with industry best practice and embedding of new finance ERP system and the associated control framework.

Nominations Committee

The Nominations Committee, chaired by Neil Shaw met during the year to oversee the recruitment of a new Board Chair, with Clare Spottiswoode being appointed from 1 January 2019.

The Nomination Committee is made up of a minimum of three Directors, responsible for reviewing the long and short-term strategy and plans for succession of Chairman and CEO.

In doing so, the Committee keeps under review the balance of skills, knowledge, experience and diversity across the Board and in these roles.

Remuneration Committee

The Remuneration Committee, also chaired by Neil Shaw, met to agree CEO remuneration and, for the first time, review and approve proposed Executive remuneration. In addition, the Remuneration Committee reviewed succession planning for CEO and Executive roles to ensure appropriate focus on development of future Leadership capabilities.