

Business Plan 2023

Second Draft

For Xoserve's financial years April 2023 to March 2026

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A message from the CEO



We are currently living through some of the most turbulent times in recent memory. Covid-19 and the war in Ukraine have led to economic uncertainty and the spectre of energy supply shortages through the winter, while the extreme weather this summer is a timely reminder of the urgent need to address climate change. As the energy industry wrestles with the delicate balance between security of supply, affordability and decarbonisation, the economic uncertainty caused by recent changes in government is making it harder to plan for the future.

Against this backdrop, Xoserve continues to deliver reliable mutualised services to over 85 customers. We act as the single point of contact for the majority of gas data items and gas market processes and we are increasingly finding ourselves in a cross-industry coordination role to drive collaboration, engagement and innovation on topics such as decarbonisation. While customers (and, through them, end consumers) benefit from the economies of scale and the concentration of expertise available from adopting this “shared services” model, each customer has different business needs and commercial drivers, which one single homogeneous set of services will never be able to fully satisfy. However, we do our best to navigate these complexities to create a plan which we believe is in the best collective interest of market participants and the consumers that we all serve.

As a not-for profit-organisation, Xoserve can only undertake additional work if it is funded by customers to do so. BP23 (which shows our budget for 2023-24 and forecast costs for the following two years), therefore reflects additional scope that stakeholders have asked us to take on. Xoserve will be dealing with the Daily Metered Service transfers from April 2023 as a direct UNC (Uniform Network Code) obligation and taking responsibility for the Non-Daily Metered Service for three of the four Distribution Networks (DNs) from next year. In addition, initiatives which went live during this year, such as Flow Weighted Average Calorific Value and the Central Switching Service (CSS), appear in our run costs for the first time.

We have also reflected costs for the gas side of the Energy Price Guarantee (EPG) scheme, which we took on at the request of Government. This scheme reduces the amount that consumers have to pay per unit of gas, helping protect families already under financial pressure and, thus, insulating the gas market from the risk of consumer bad debt and further supplier/ shipper failures. I’m incredibly proud that Xoserve is able make such a direct, positive social impact and even more proud of the team (both in Xoserve and our service providers), for responding so positively to the difficult asks of them. EPG is included in BP23 as a project cost, reflecting its role as a temporary measure, rather than ongoing business as usual.

We are now looking at how we can extend our capabilities to support the non-domestic sector. Our conversations with Government are ongoing and may result in the need to accommodate further urgent asks to safeguard consumers and keep the UK energy market viable.

Finally, I would like to thank all those customers who provided feedback on draft 1 of this plan, especially given the shortened timescales. Creation of the Business Plan is a mammoth task of which customers only see a small proportion and understanding what you’d like to get from the services is an incredibly valuable part of the planning and budgeting process. On page 8, you can see at a glance the changes we have made to the budget since draft 1, to create this second draft.

The publication of this second draft of BP23 marks the start of the next consultation period, which closes on **Friday, 2 December 2022**. For further information on this year’s consultation process, please refer to pages 45-47. We look forward to hearing your thoughts.

Stephanie Ward
Chief Executive Officer

Including all of these changes, our budget for 2023-24 equates to an annual cost per meter point (excluding services provided on a “pay per use” basis) of just:

- £1.17 for DNs
- £0.34 for IGTs
- £1.31 for Shippers.



About Xoserve



Xoserve is the Central Data Services Provider (CDSP) for the gas industry. We provide a suite of vital services for gas Suppliers, Shippers and Transporters, ensuring that Britain's retail gas market runs efficiently and reliably.

Xoserve is funded, governed and owned by the gas industry. The CDSP services are provided on a mutualised, centralised basis to all gas market participants. We administer the UK Link system, which holds the details of over 24 million gas meter points in Britain, including address, meter details, supplier and read history. For priority sites, we also hold emergency contact details in case of gas supply problems.

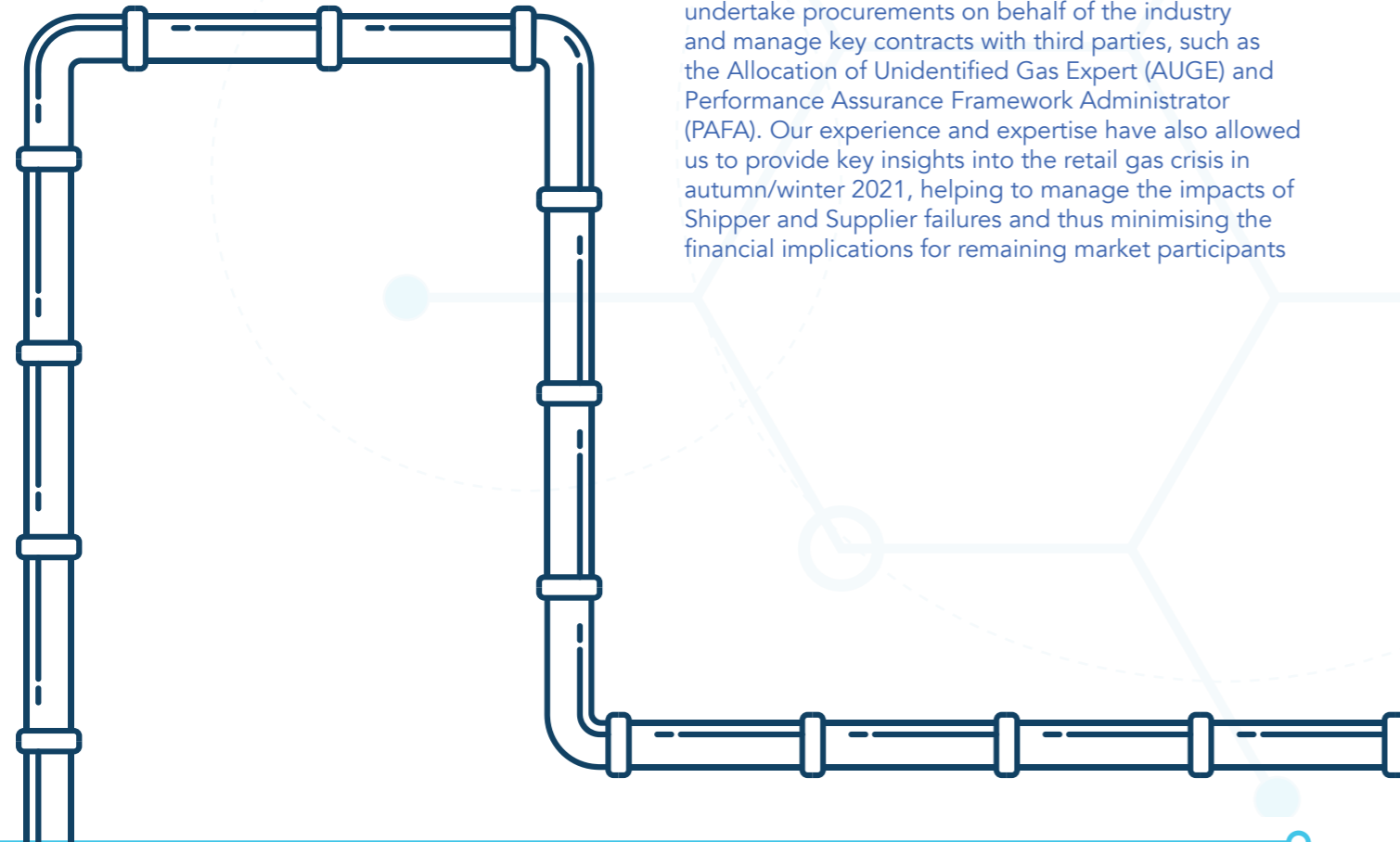
We use the UK Link system, alongside the Gemini system, which we also manage, to collect information provided by the industry. This allows us to provide transportation invoicing services for Gas Distribution Networks and National Grid Gas, as well as energy balancing and settlement services for the gas market. Data flows are managed through our Information Exchange (IX), which provides a dedicated secure network between Xoserve and industry participants.

Once received, this information can be accessed and viewed through the Gas Enquiry Service (GES), provided by Xoserve through the Retail Energy Code (RECCo). Before July 2022, this information was provided directly through the Data Enquiry Service (DES). Xoserve also provide data visualisation, dashboards and analytics to our customers through the core part of our Data Discovery Platform (DDP).

"We also perform a wide range of industry processes and undertake procurements on behalf of the industry."

While these systems are key to the effective running of the gas market, we don't just provide, procure and assure technical solutions.

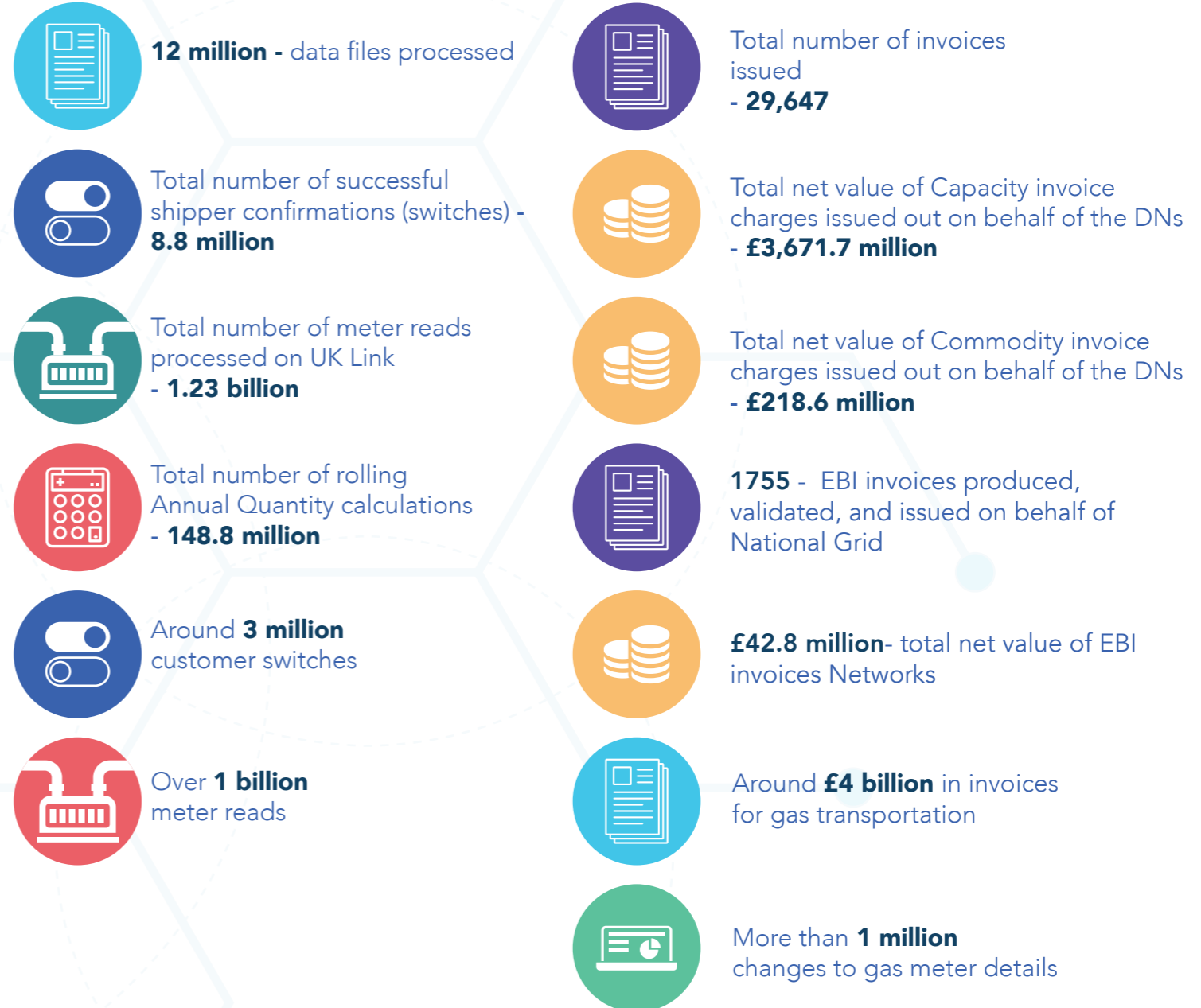
We also perform a wide range of industry processes, undertake procurements on behalf of the industry and manage key contracts with third parties, such as the Allocation of Unidentified Gas Expert (AUGE) and Performance Assurance Framework Administrator (PAFA). Our experience and expertise have also allowed us to provide key insights into the retail gas crisis in autumn/winter 2021, helping to manage the impacts of Shipper and Supplier failures and thus minimising the financial implications for remaining market participants



About Xoserve



Each year:



Executive Summary



Summary of BP23 Totex Position

The Business Plan proposes a total cost of £85.9m for 2023-24. This covers both the operating costs of delivering on existing services, and the investments needed to deliver the developments of additional services that are needed for Data Services Contract (DSC) parties to continue to deliver to their customers.

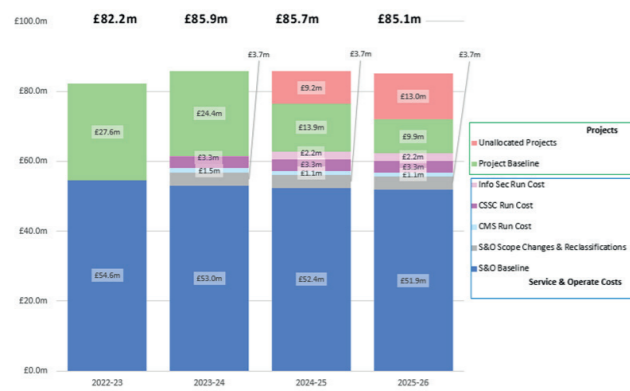
Service and Operate costs have risen from £54.6m to £61.5m. The addition of CSS costs for the first time as well as the subscription costs for CMS, addition of Daily Metered (DM) and Non-Daily Metered (NDM) service provision and the Flow Weighted Average Calorific Value (FWACV) work all contribute to this change. Increases in Service and Operate costs are partly offset by movements of Information Security funding back into projects.

Projects for 2023-24 now total £24.4m. This is a £3.2m reduction by comparison to the total cost to deliver projects in 2022-23. The conclusion of the CSS programme plays a significant role in this reduction, however, is offset by the inclusion of the corresponding increases for Cyber Security (as it remains in projects for another year) as well as the funding required for the Energy Price Guarantee (EPG) scheme.

Supporting information that details the funding proportions across our customer constituencies can be found on pages 24-31.

Our BP23 forecasts represent the costs of delivering the CDSP services through 2023-26. Should the appeal to our previous Business Plan result in a need to flex future costs, we will engage with customers through the DSC Contract Management Committee (CoMC) to establish what scope reductions may be needed for this to be achieved.

Figure [01] illustrates proposed BP23 total expenditure (totex) for the current year and three year plan period split by Service and Operate cost and Projects



Emis (2022-23 Prices)	2022-23	2023-24	2024-25	2025-26
Unallocated Projects	-	-	£9.2m	£13.0m
Project Baseline	£27.6m	£24.4m	£13.9m	£9.9m
Subtotal Projects	£27.6m	£24.4m	£23.0m	£22.9m
Info Sec Run Cost	-	-	£2.2m	£2.2m
CSSC Run Cost	-	£3.3m	£3.3m	£3.3m
CMS Run Cost	-	£1.5m	£1.1m	£1.1m
S&O Scope Changes & Reclassifications	-	£3.7m	£3.7m	£3.7m
S&O Baseline	£54.6m	£53.0m	£52.4m	£51.9m
Subtotal Service & Operate	£54.6m	£61.5m	£62.7m	£62.2m
Totex	£82.2m	£85.9m	£85.7m	£85.1m
Broken down by:-				
DSC	£81.8m	£82.0m	£81.8m	£81.2m
Additional & Third Party	£0.5m	£0.1m	£0.2m	£0.2m
GES / Rec Co	-	£3.8m	£3.8m	£3.8m
	£82.2m	£85.9m	£85.7m	£85.1m

Figure 01 - Totex values for the current and three year plan period split by Service and Operate cost and projects

In addition to the application of inflation at a rate of 4.8%, (reflecting the 'Consumer Prices Index including owner occupiers' cost, or CPIH), we have made the following changes from the information included in our previous Business Plan (BP22).

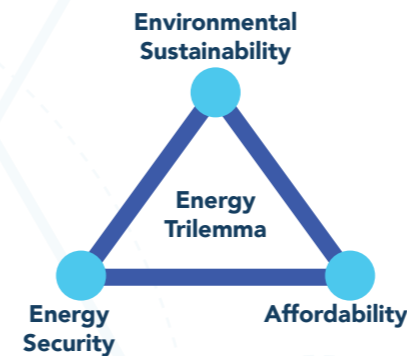
- The inclusion of CSS operating costs - £3.3m
- CMS run costs - £1.5m
- Scope changes totalling £3.7m driven by transition to GES and customer requests for the CDSP to take on new activities including Daily Metered and Non-daily Metered reads and faster payments for Failure to Supply Gas (FSG).
- The transfer of Information Security run costs into Service and Operate cost will now take place in 2024/25, one year later than proposed in BP22.
- Investment in the Gemini Sustain project will result in Service and Operate reductions throughout the plan period.

Industry Context



Our Business Plan 2023 is being published at a time of great uncertainty. We have aimed to balance the challenging environment in which our customers continue to operate, with the need to reliably deliver the services that customers need by investing in only the most critical areas.

Prioritisation has never been more important. While the security of supply remains a core focus for Xoserve's activities, both the environmental impacts of Gas usage, and the rising cost to consumers have never been in sharper focus. You may have seen this referred to as the energy 'trilemma'.



During 2021-22, the provision of CDSP services by Xoserve to the gas sector cost £3.31 per meter point at an aggregated basis across all customers. The average annual domestic gas bill for the same period increased by 153% from £594 to £1,503, based on:

- Average annual gas usage for a medium user in the UK is 13600kWh (based on 12 months from April 2021).
- Average p/kWh for gas in the UK of 10.3p
- Average annual standing charges of £102.20 (Source taken September 2022: <https://energysavingtrust.org.uk/about-us/our-data>)

This meant that the provision of these services equated to 0.22% of a typical domestic supply point.

As we look ahead, the cost of energy means that the average domestic gas bill will rise to an artificially capped £2,500 per year with real term costs predicted to be between £2,900 to £3,800 per year. (Source: ICAEW | Energy price cap update). With CDSP costs per meter point remaining fairly consistent within this Business Plan at £3.43 per meter point (including RECCo charges), the proportion of consumer bill being spent on CDSP will reduce to between 0.12% and 0.09% of the total average annual bill.

Amidst the cost pressures being felt throughout the wholesale and retail industry, it is easy to lose sight of longer-term challenges, such as the need to decarbonise Britain's energy system. Achieving a transition for the future consumer without driving up costs for today's consumers requires coordination across the sector and the application of extensive knowledge. Our support of industry decarbonisation activities remains a key focus for us throughout BP23 and beyond.

Finally, in recognition of the ever-increasing cyber security threat we've taken the decision to move funding for Cyber Security back into projects for 2023-24, to reflect the need for a stabilisation period as initiatives complete.

Key changes in Draft 2



Following customers feedback, we have made the following changes to the draft 2 of BP23 and, where relevant the associated Business Cases.

- An updated message from the CEO
- We have added a section on Managing Service Delivery
- We have updated the Board assurance statement
- We have updated Gemini project costs to reflect the most up to date view of the Gemini Sustain and Regulatory change projects as well a minor amendment to Service and Operate costs for Gemini.
- We have updated the cost forecast for the EPG scheme in both 2023-24 and 2024-25, based on the latest information available ahead of the Budget announcement on 17 November 2022.
- As a consequence of these changes, all relevant graphs and tables in the plan document have also been updated. The impacts on totex are shown in the table below.

Totex (£m)	Classification	2023-24	2024-25	2025-26
First Draft		87.3	85.5	85.2
Gemini Run Costs	S&O	0.0	(0.0)	(0.0)
Gemini Sustain	Projects	(0.3)	0.5	-
Gemini Regulatory Change	Projects	(0.1)	0.4	(0.1)
Energy Price Guarantee Scheme Admin	Projects	(1.0)	(0.6)	-
Second Draft		85.9	85.7	85.1

- In the constituency charges section we have included an initial estimate of the total charges in 2023-24 prices using the September 2022 actual Consumer Price Index with Housing costs (CPIH) percentage of 8.8%. Charges will be uplifted using CPIH as at December 2022 to create the final charging statement in January 2023.
- We have included a proposal for each individual project to the table (either Infrastructure or Change), mapping where it will be shown in the 2023-24 Charging Statement.

Key Principles



In terms of content and engagement, Business Plan 2022 (BP22) was one of Xoserve's most comprehensive to date. We have provided greater levels of detail about the investments than ever before, but in doing so, information became convoluted and difficult to access.

In this Business Plan we have sought to provide even more detail, supported by clearer descriptions of what we do in order to demonstrate the value of the services we provide.

In response to customers feedback, you will see a number of changes in the Business Plan as a result, such as:

- Revised terminology, to align more consistently with other organisations in the energy industry, including:
 - Costs for running the CDSP services are now referred to as Service and Operate costs, rather than Maintain the Business (MTB) costs. Please see page 22 for an explanation of the rationale for this.
 - One off pieces of work are referred to as projects, rather than investments. While these still reflect investment by customers to evolve the services, we believe the benefits they deliver can be better understood by considering what type of project they are. Please see page 32 for more information.
- Service and Operate costs are broken down by service area, in each draft of BP23, including this one, rather than just the final version.
- A description of the activities which make up each service area is now included (pages 50-55).
- We have included information on the volumetrics relating to each service area, to help put the costs in perspective.
- We have provided greater association between projects and their impact on Service and Operate costs.

- Financial information is presented in tables as well as bar charts.
- We are working with customers to help them understand the proportion of constituency charges their individual organisation is likely to incur.
- We are expanding how we engage and communicate with customers, with more flexible engagement routes. See Customer Engagement on page 45 for more information.
- We have launched a centralised, secured area for customers to access the supporting material for BP23, eg, the underpinning Business Cases for projects.
- We will provide personalised responses to each customer who have taken time to provide us with feedback.

We have also retained previous good practice:

- We continue with our extensive programme of engagement in the development of the Business Plan. Starting with the Principles and Approach (P&A) document finalised in July 2022, the planning process will continue through to January 2023, when the final version of BP23 to be published, along with the charges for 2023-24. The timeline of activities can be found in Customer Engagement on page 46
- As in previous Business Plan years, each project is supported by a detailed Business Case and overview presentation, including a cost-benefit analysis, to demonstrate the basis for proposing the project. The Business Cases are available on a secure SharePoint site, details of which have been provided to DSC Contract Managers.

Key Principles



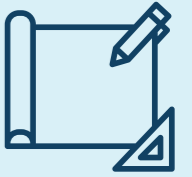
Earlier this year, in direct response to customer feedback, we started to explore with the DSC CoMC, the industry's appetite to fund a comprehensive efficiency review of Xoserve's services. The capacity we had created to look at this has had to be redirected to respond to the Government's urgent request for help with the EPG, we have advised customers representatives at DSC CoMC to request funding from the General Change budget if they wish this work to proceed before the next financial year. If required, funds could be added to the BP23 General Change budget to fund future such activity.

Finally, our Board (which is made up of eight Non-Executive Directors, nominated by our various customer constituencies, and an independent chair) will continue to scrutinise the business planning process and capture its activities in this respect via a Board assurance statement.

The Board Assurance Statement sets out how it has been engaged with the business planning process and how it has assured itself that the Business Plan represents what is required.

The Board Assurance Statement provided in BP22 is included on page 48. We are incorporating feedback from the first consultation into the Board Assurance Statement and a revised version will be included in the Final Draft.

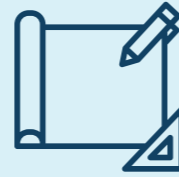
Financial Summary



We have presented the financial information as summarised below:

- We have retained and improved the format and structure of our financial information in line with last year's plan to help customers see what's new and what has changed.
- The financial information in BP22 was stated at 2021-22 prices. To allow a direct comparison between BP22 and the business plan here, we have restated all values shown in BP22 to reflect the uplift applied in order to generate the 2022-23 charging statements. This uplift reflected the 'Consumer Prices Index including owner occupiers' housing costs' (CPIH) in December 2021 (4.8%).
- The December 2023 CPIH indexation will be used this year to convert the finalised BP23 numbers into charging statements for 2023-24.
- Since projects reflect ongoing investment programmes funded by customers, we will continue to examine the business cases at investment level. However, we believe the impact they make on the CDSP Services can be better understood by understanding what type of project they are.
- Projects in BP23 will therefore be allocated to one of the four new categories along with a reference to the previous focus area definition.
- As in previous Business Plans, an unallocated project pot for years two and three of the Plan has been included to help customers with their budgeting processes, reflecting potential funding requirements for as yet unknown projects.
- The unallocated project pot for 2023-24 has been removed. We have also shown any impact resulting from project costs being reclassified to Service and Operate costs or consequential Service and Operate costs when projects have ended.
- As requested by a customer during the consultation draft, we have added an estimate of constituency charges in 2023-24 prices using the actual 12 month CPI-H value for September 2022 of 8.8%. Charges shown in the 2023-24 Charging Statement will be uplifted using the 12 month CPI-H value for December 2022.
- Service and Operate cost include sum payable by the Retail Energy Code (RECCo) for the gas enquiry services.
- Finally, we have provided a breakdown, by each customer constituency, of the contribution of each constituency to the plan

Service and Operate Costs



Total expenditure (totex)

Figure 02 illustrates proposed total expenditure for BP23 and compares this to the equivalent values in BP22. This reflects the total costs required to run Xoserve, provide the CDSP Services and deliver projects to support customers in the context of the future direction of the energy market. The proposed budget for 2023-24 is £85.9m.

Service and Operate cost

Service and Operate expenditure represents the cost of running Xoserve and providing CDSP services to DSC customers, along with GES to RECCo. We promised in BP20 that we would reduce our baseline Service and Operate costs year-on-year, on a like for like basis, for those three years and that this profile would be maintained despite the business restructure in March 2021. This profile has been carried into BP23 and including the scope changes detailed below, the proposed budget for Service and Operate for 2023-24 is £61.5m including estimates for these services charged on usage.

Changes in scope have resulted in increases in Service and Operate above this like-for-like baseline. These include run costs for CSS of £3.3m and CMS of £1.5m which were previously identified, along with new scope changes totalling £3.7m driven by transition to GES and customer requests for the CDSP to take on new activities including Daily Metered and Non-daily Metered reads and faster payments for Failure to Supply Gas (FSG). The transfer of Information Security run costs into Service and Operate cost will now take place in 2024-25, one year later than proposed in BP22.

Project costs

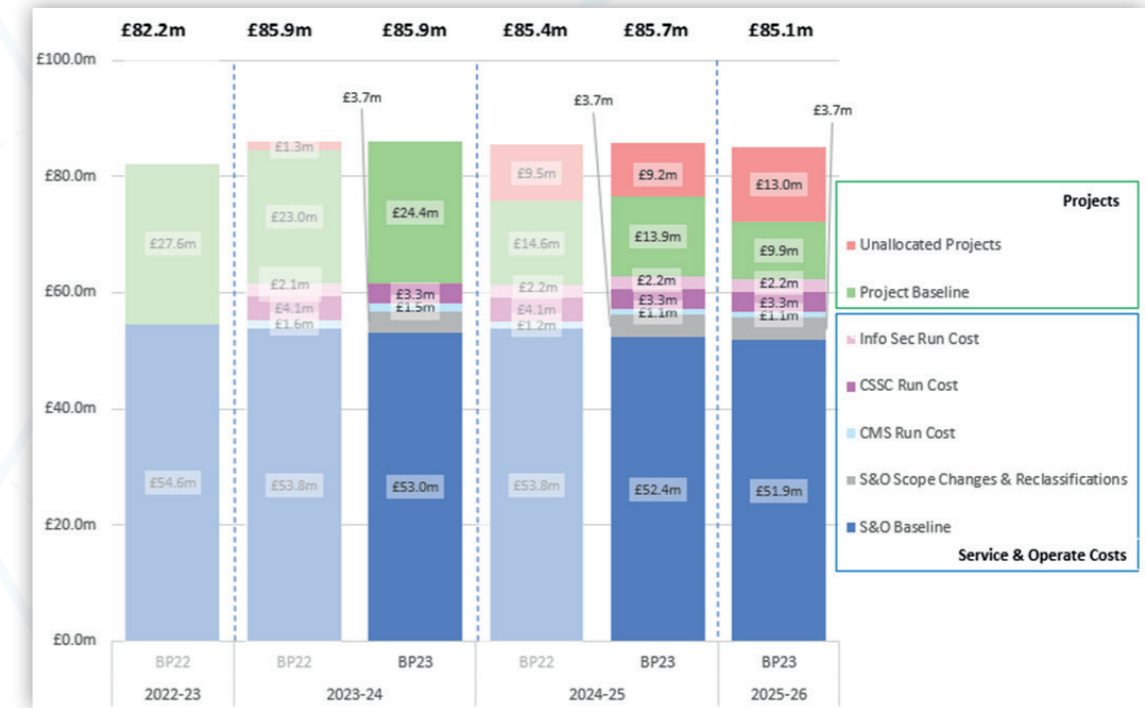
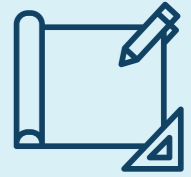
The total cost to deliver projects in 2023-24 is £24.4m, which is comparable with the forecast for the same year shown in BP22. There are several changes in how the total is derived with the removal of the unallocated projects pot, introduction of the EPG scheme which requires £0.5m funding, and a £2m reclassification of Protection Against Cyber Crime funding from Service and Operate cost to investment.

Based on the meter point count as at 23 August 2022, totex for 2023-24 equates to a cost per meter point for each constituency as follows:

- DNs: £1.17 (£1.21 if Specific Services are included).
- IGTs: £0.34
- Shippers: £1.31 (£1.41 if Specific Services are included)

Including National Grid, Third Party and RECCo, the overall CDSP costs per meter point for 2023-24 is £3.43.

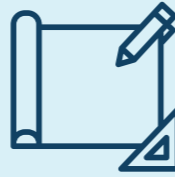
Service and Operate Costs



Ems (2022-23 Prices)	2022-23		2023-24		2024-25		2025-26
	BP22	BP23	BP22	BP23	BP22	BP23	BP23
Unallocated Projects	-	-	£1.3m	-	£9.5m	£9.2m	£13.0m
Project Baseline	£27.6m	£27.6m	£23.0m	£24.4m	£14.6m	£13.9m	£9.9m
Subtotal Projects	£27.6m	£27.6m	£24.3m	£24.4m	£24.1m	£23.0m	£22.9m
Info Sec Run Cost	-	-	£2.1m	-	£2.2m	£2.2m	£2.2m
CSSC Run Cost	-	-	£4.1m	£3.3m	£4.1m	£3.3m	£3.3m
CMS Run Cost	-	-	£1.6m	£1.5m	£1.2m	£1.1m	£1.1m
S&O Scope Changes & Reclassifications	-	-	-	£3.7m	-	£3.7m	£3.7m
S&O Baseline	£54.6m	£54.6m	£53.8m	£53.0m	£53.8m	£52.4m	£51.9m
Subtotal Service & Operate	£54.6m	£54.6m	£61.5m	£61.5m	£61.2m	£62.7m	£62.2m
Totex	£82.2m	£82.2m	£85.9m	£85.9m	£85.4m	£85.7m	£85.1m

Figure 02 – proposed BP23 Totex compared to BP22

Service and Operate Costs



Overview of the services

Xoserve provides a mutualised, centralised service to all gas market participants to ensure that data, about gas use and supply, is transported, processed, exchanged and updated securely, creating a single, consistent source of information across the industry.

Most of the CDSP services are delivered under the DSC, a 'one to many' contract between Xoserve and the majority of its customers (Great Britain's Gas Transporters, Independent Gas Transporters (IGTs) and Shippers). This contract describes the services that Xoserve provides to most of the industry, along with the governance around these services. We also have contracts with RECCo for provision of the Gas Enquiry Service and a number of third party contracts as governed by DSC.

At a high level, the services that we provide centre around the maintenance of the central register of the 24 million gas meter points in Great Britain and the performance of activities which support the operation of Britain gas market.

Our central register includes address, meter details, supplier and read history for each meter point. From it, we identify companies that are responsible for gas entering and leaving the network, which lets it remain 'in balance' between supply and demand. We also invoice for/provide information to the gas transporters and record and share emergency contact details for priority sites.

The central register, and its related information, flows via sophisticated computer networks, with highly skilled people to support reliable and efficient delivery of these critical services.

The Service and Operate budget reflects the cost of delivering the CDSP Services. Figure 03 compares the Service and Operate costs against BP22 equivalent.

Delivering these services centrally, in a mutualised way, enables consistency of approach and creates economies of scale across the gas industry while enabling the gas market to respond to unexpected events, such as the run of market participant failures in 2021, in the most expedient way. However, it also requires a sharing of costs across the industry which may not be directly aligned to the consumption of these services.

The CDSP services are categorised into three areas:

- General services**

These are the day-to-day CDSP activities. The individual services are grouped into 17 service areas, which, in BP21, accounted for approximately 92% of the Service and Operate budget for 2021-22.

A description of the scope covered by each service area can be found in the table on pages 44-49, along with the associated volumetrics and charges for 2021-22, to help put the costs into perspective.

- Specific services**

These are optional services invoiced based on use. There are around 60 specific services which customers can select, including services such as Information Exchange (IX) annual maintenance, must reads, and reporting. These accounted for approximately 7% of the MTB budget for 2021-22. A full list of the specific services offered during 2021-22 can be found in the CDSP charging statement.

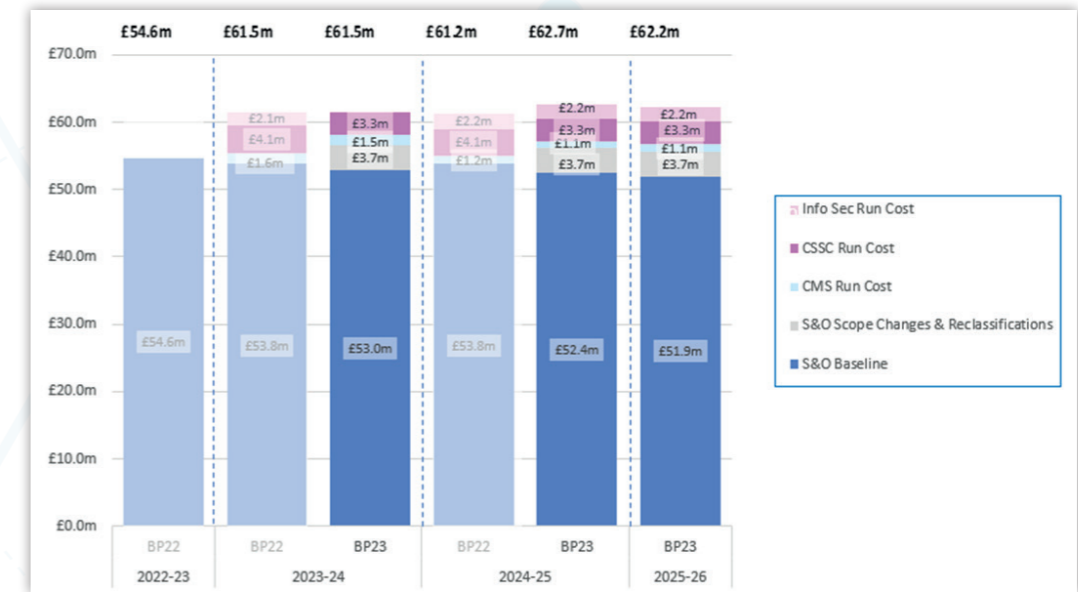
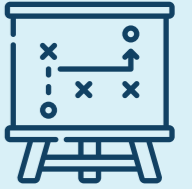
- Additional and third-party services**

DSC customers can request additional services under the DSC. Examples of additional services include adhoc individual reporting, APIs, consultancy, training and testing support.

Third party customers, such as Meter Asset Managers and providers, central bodies, and Suppliers, can only request designated services (eg IX or SwitchStream) from the CDSP, unless they have permission from the DSC CoMC to receive other additional services.

The charges for these services are invoiced directly to the relevant organisation, based on use. These account for the final 1% of the Service and Operate cost budget for 2021-22.

Service and Operate Costs



£ms (2022-23 Prices)	2022-23	2023-24	2024-25	2025-26
	BP22	BP22	BP23	BP23
Info Sec Run Cost	-	£2.1m	-	£2.2m
CSSC Run Cost	-	£4.1m	£3.3m	£3.3m
CMS Run Cost	-	£1.6m	£1.5m	£1.1m
S&O Scope Changes & Reclassifications	-	-	£3.7m	£3.7m
S&O Baseline	£54.6m	£53.8m	£53.0m	£51.9m
Service & Operate Costs	£54.6m	£61.5m	£61.5m	£62.2m

Figure 03 - comparison of Service and Operate components against BP22

In order to help customers understand the value they receive from the CDSP services, we have sought to capture the breadth of complexity of the General Services in the table on page 17. These are grouped into 17 service areas and account for approximately 88% of the Service and Operate costs in BP23.

Service and Operate Charges



Year-on-year movements

Figure 04 shows the year-on-year movements in Service and Operate costs (in £m) from April 2023 to March 2026 and identifies the drivers for each movement. There have been several scope changes since the publication of BP22 which are driving this:

As a result of industry decisions, the Daily Metered (DM) and Non-Daily Metered (NDM) Services are split and retendered. The obligation to provide the DM service under the Uniform Network Code is moving to Xoserve. The obligation to provide the NDM service remains with the DNs, some of whom have chosen to use Xoserve, (as the CDSP), to discharge those obligations on their behalf. Subject to the successful award of new contracts, the forecast annual running cost from April 2023 is £0.7m for DM and £0.8m for NDM.

Additional £0.1m to cover process changes to accommodate faster payments for Failure to Supply Gas (FSG) as approved by DSC CoMC in July 2022.

An increase of £0.1m due to the introduction of the REC which led to increased industry code development requirements as approved by DSC ChMC in August 2022. A reduction from the decommissioning of the Data Recorder Service of £0.2m (which was originally signposted in BP22).

As a result of the implementation of the Retail Energy Code, the contract and funding for Gas Enquiry Service has moved from DSC customers to RECCo. The service enhancements required by RECCo have resulted in £1.8m of additional run costs which will be wholly funded by RECCo.

In addition to the scope changes detailed above, the

following changes to Service and Operate costs have been made.

- UK Link savings (£0.7m from 2023-24) as a result of core platform migration to cloud.
- Run costs to deliver the Flow Weight Average Calorific Value service have risen to £0.2m reflecting the final scope. This was approved by DSC ChMC in July 2022 and is an increase of £0.15m from BP22.
- In previous Business Plans we signposted that operate costs associated with running the Central Switching Service arrangements will be included 2023-24 onwards. BP23 includes £3.3m for this.
- In BP22, we included the initial estimate of the subscription costs associated with the replacement CMS. We have maintained this cost in BP23 (£1.5m in 2023-24 and £1.1m in 2024-25).
- In BP22, we highlighted that Service and Operate would increase by £2m in 2023-24 due to the inclusion of Cyber Security costs. We have since decided to retain all costs for Cyber Security in the project costs for 2023-24 to reflect the need for a stabilisation period as activities complete. Run costs, resulting from the change programme, of £2.2m will be introduced from 2024-25 onwards.
- The Gemini Sustain project will deliver reductions of £0.85m from 2023-24, a further £0.5m from 2024-25 and £0.5m from 2025-26.

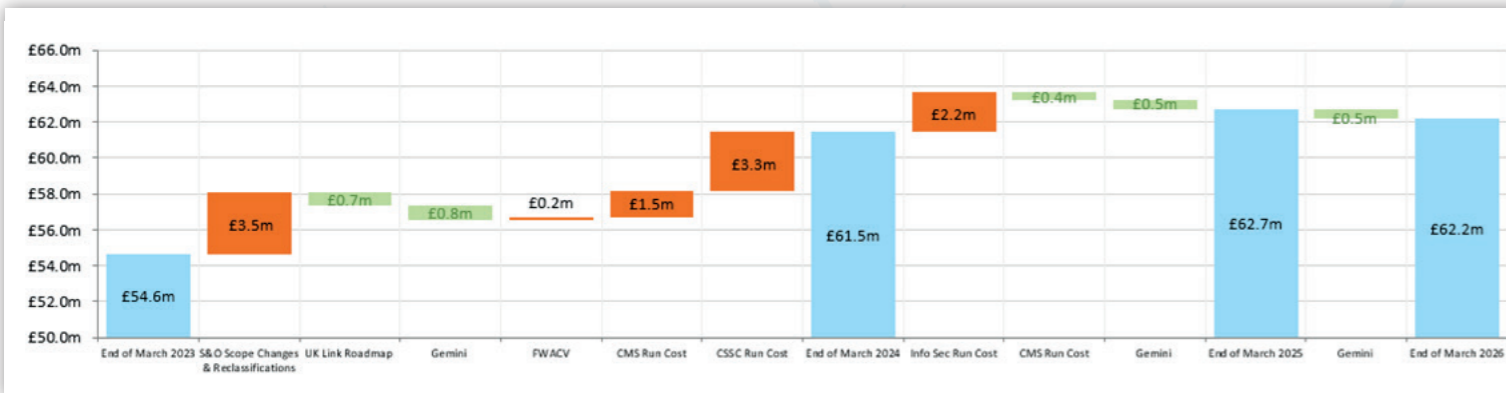
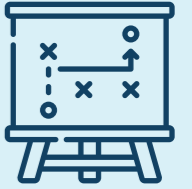


Figure 04 - year-on-year Service and Operate movements in costs (in £m) from April 2023 through to March 2026

Service and Operate Charges



Service and Operate charges by service area

Figure 05 below shows how the total Service and operate costs of £61.5m break down across the Services Areas within General Services, the amounts estimated for those services which are charged based on usage (Specific Services, Additional Services and Third Party Services), and the constituency share of each area along with the associated cost per meter point relating to General Services (based on meter point count as at 23 August 2022)

Service Area no.	Service Area £000s	Annual Service Area Charge	Shippers		National Grid NTS	DN Operators		IGTs		Other
			Share of Annual Service Area Charge	Annual Service Charge per Meter Point £		Share of Annual Service Area Charge	Annual Service Charge per Meter Point £	Share of Annual Service Area Charge	Annual Service Charge per Meter Point £	
1	Manage Shipper Transfers	1,839	1,839	0.07	-	-	-	-	-	-
2	Monthly AQ processes	1,552	1,552	0.06	-	-	-	-	-	-
3	Manage updates to customer portfolio	5,489	4,940	0.20	-	549	0.02	-	-	-
4	Meter Read / Asset processing	1,084	358	0.01	-	727	0.03	-	-	-
5	Demand Estimation obligations	1,679	840	0.03	-	840	0.04	-	-	-
6	Customer Relationship Management	3,037	1,913	0.08	258	768	0.03	97	0.03	-
7	Customer Joiners/Leavers (UK Gas Market)	855	-	-	428	428	0.02	-	-	-
8	Energy Balancing (Credit Risk Management)	1,136	-	-	1,136	-	-	-	-	-
9	Customer Reporting (all forms)	1,692	575	0.02	118	885	0.04	113	0.04	-
10	Invoicing customers	7,566	-	-	908	6,659	0.30	-	-	-
11	Management of Customer Issues	739	296	0.01	37	361	0.02	46	0.02	-
12	Customer Contacts	2,767	1,383	0.06	166	1,079	0.05	138	0.05	-
13	Managing Change	14,367	7,471	0.30	1,006	5,747	0.26	144	0.05	-
14	Gemini Services	5,106	-	-	5,106	-	-	-	-	-
15	Value Added Services	1,770	1,416	0.06	-	313	0.01	41	0.01	-
16	CSS	3,334	3,334	0.13	-	-	-	-	-	-
17	Distribution Network Wholly Funded	225	-	-	-	225	0.01	-	-	-
Total General Services Charge		54,236	25,916	1.04	9,163	18,579	0.84	579	0.20	-
Total Specific Services Charge		3,364	2,546	0.10	-	818	0.04	-	-	-
Total Additional / 3rd Party Charge		129	-	-	-	-	-	-	-	129
Total Rec Co Charge		3,750	-	-	-	-	-	-	-	3,750
Total Service & Operate Business Plan 23		61,480	28,462	1.14	9,163	19,397	0.87	579	0.20	3,879

Figure 05 - Draft Service and Operate charges by constituent for general services, specific services and additional/third party services. RECCo charges are also included.

Service areas 16 and 17 are subject to approval at DSC CoMC.

Managing Service Delivery



Xoserve's activities in Contract Management and Assurance are pivotal to ensuring we deliver the customer service satisfaction.

Our service commitments to our 80+ customers are set out in the DSC which, among other things, describes the services we provide and the standards to which those services should be delivered. Xoserve is held to account for its performance under DSC through the DSC CoMC. This committee comprises representatives from all customer constituencies and whose role it is to represent all customers in the management of Xoserve's performance as CDSP.

Since our operational restructure in March 2021, Xoserve has subcontracted the majority of its obligations as CDSP through an ecosystem of third parties. This allows us to use specialist service providers to deliver key industry-critical services such as the Performance Assurance Framework Administrator (PAFA), the AUGÉ and, of course, the broad set of business, technical and data services provided to Xoserve by Correla. Formal contract management and assurance practices are therefore pivotal to ensuring that Xoserve delivers the CDSP services to customers reliably and cost effectively.

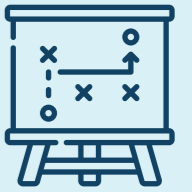
A key benefit of the restructure was to create clear separation between Xoserve and service delivery to enable Xoserve to act on customers' behalf without the inherent conflict of being the organisation that is delivering the services. Xoserve retains overall accountability for the services being delivered but

the independence we can now bring to performance assurance, requirements fulfilment, audit, risk management and quality has allowed us to implement a more formal and structured review of performance, focussed on the quality of deliverables, how key performance measures and performance indicators are measured/reported, root cause analysis of failures and performance improvement plans to address/ prevent future occurrences. In all of these activities, we apply our in-depth knowledge and experience of the regulations under which services are provided, the market within which services are delivered and how the current solution works to ensure that customers receive a reliable service, which meets code requirements and the commitments in the DSC.

This activity starts with the development of new solutions to address the needs of customers and other stakeholders. New solutions can arise in a number of ways: through UNC Mod Panel, DSC ChMC and via industry-wide initiatives such as the Retail Energy Code (REC), through stakeholder engagement or through suggestions and innovations identified by Xoserve and its delivery partners.

Xoserve's role is to help shape and document industry requirements, assure that the solution being proposed delivers to those requirements, procure third party services to support service delivery (where appropriate), support

Managing Service Delivery



the navigation of proposed changes through industry governance and provide oversight to the implementation (to ensure the delivery remains on track and troubleshoot the introduction of the new service). Should anything go wrong, we also provide oversight to the management of consequences and broker solutions across the market, including with other central bodies.

Our extensive experience in delivering services in this highly regulated market, with its bespoke technical, privacy and security requirements, also enables us to assess whether the costs being proposed for both development and ongoing delivery of new services within this market represent value for money. We do this by agreeing the scope of investment activity with service providers, challenging proposed timescales, confirming optimised use of technology and using data about previous projects undertaken in the same environment as a benchmark. The result of this work outturns in the business cases that are presented in our business plan, with any projects that are not deemed to represent sufficient value or criticality, being withheld. Once we are satisfied with value, we are able to fix the price through a formal contract arrangement, moving the cost risk away from customers and onto our service providers, thus insulating customers from any overrun or under-estimation for the contracted scope of the project. Where industry or customer requirements change, we will lead the negotiation for the change in scope with the relevant supplier, using the same approach to validate the cost of the change in scope.

Reflecting that incumbent suppliers offer economies of scale since they are already supporting the systems being changed, we undertake formal tenders only for substantial projects. This is where the scale of the new work justifies the additional costs to undertake a formal tender, legal support for contract negotiations and knowledge transfer to onboard the new supplier. For some smaller scale projects, these costs often outweigh the value of the work being tendered and therefore tendering represents poor value for money.

Once the project is complete and the new service introduced into business as usual, Xoserve assures service performance through a combination of the following activities:

- understanding what needs to be delivered
- examining the service statistics to verify that this is the case
- recognising early warning signs of issues to come
- working with our service providers to prevent future service failures and address incidents or problems which arise.

Much of this activity happens "behind the scenes", not visible to customers, and aims to prevent failures before they occur, making the impact of such activities impossible to measure.

Regardless of the level of assurance, incidents do still occur. This is inevitable in a technical landscape as complex as UK Link and the upstream / downstream processes it supports. Xoserve's independence from delivery and deep knowledge of the services and their impact on industry parties, enables us to ask searching questions, about the cause, remediation, recovery and future preventative actions relating to a specific incident. As part of the restructure, we were able to introduce contractual levers to incentivise service delivery and include a requirement for root cause analysis of all incidents and action plans to address their findings.

The closer management of service delivery has also embraced the delivery of all projects funded by customers, where we have improved rigour, transparency and clarity with all our suppliers, through the introduction of a formal programme portfolio approach and use of milestone-based progress reporting.

We augment all of this with a formal performance and governance framework across our supply chain, to ensure that the arrangements between us and our suppliers are effectively controlled and managed. We undertake regular reviews of supplier performance to ensure service provision is on time, aligned with the obligations in the contract and still reflects the requirements of Xoserve and/or its customers. The frequency of these reviews varies with scale and complexity of the arrangements with the relevant supplier, aligned with good contract management practice.

Managing Service Delivery



Assurance

ISO certifications – Quality and Information Security

ISO certifications are designed to instil confidence in customers and other stakeholders by evidencing that an organisation conducts itself efficiently and to a high standard (as set by the International Organisation for Standardization), proving the organisation’s commitment to important business objectives such as quality and security.

In 2021-22, we continued to maintain certification to both the ISO9001:2015 Quality standard and the ISO27001 Information Security standard. In order to do so, we were subject to both internal and external audits, to verify compliance with the requirements of the standard and received positive feedback having demonstrated our commitment to maintaining the required standards throughout the transition to our new operating model.

Sustainability

As well as supporting the national decarbonisation agenda, we continued to take our own responsibility to safeguard the environment very seriously. We offset unavoidable carbon emissions of 5.33 tCO2e and, moving forward, will continue to reduce and offset our emissions.

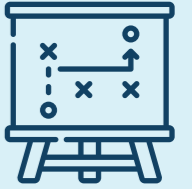
Risk Management

Understanding and mitigating risk is a key component of our Assurance activities. In 2021-22, our Risk and Audit Manager restructured and refreshed the corporate risk register to reflect our new operating model, proactively working with all parts of the business to ensure risk management was embedded in our management system.

Risks were reported to the Senior Leadership Team on a monthly basis and formed a key part of our operational reviews, with a summary is presented to (and discussed with) Xoserve’s Audit and Risk Committee on a quarterly basis.

As at the end of 2021-22, the principal risks and uncertainties we were managing were (see over page):

Managing Service Delivery



Risk	Description
Information Security and Data Privacy	<p>Xoserve manages data on behalf of the gas network operators and, through our ecosystem of third parties, operates a number of Information Systems in support of this. We (and our main service provider) maintain ISO27001 certification, and the ongoing security and privacy threat landscape continues to be monitored and assessed with the aim that all prominent security vulnerabilities are managed.</p> <p>Working with our primary outsourcing partner to deliver the Security and Data Privacy Improvement Programme, Xoserve continues to evolve safety of the gas industry’s critical systems and the data within them.</p>
Gas Market	<p>During 2021-22, the gas market experienced increasing challenges, with some market participants struggling to source and pay for gas to meet their supply portfolio. This resulted in multiple parties (both Shippers and Suppliers) exiting the market.</p> <p>Xoserve used its knowledge and expertise to generate options to manage a number of potential failure scenarios, including the “worst case” scenario, which subsequently materialised with the failure of a Shipper with multiple Suppliers. Our team supported Ofgem, suppliers and shippers in managing the crisis and ensured that gas kept flowing to consumers.</p> <p>The main risk for Xoserve itself arising from these challenges was bad debt and additional workload as the “Supplier of Last Resort” (SoLR) activity creating significant additional workload in the areas of energy balancing/ credit risk, customer lifecycle (i.e. Market Joiners and Leavers) and a significant number of portfolio migrations undertaken at pace. Due to a combination of prudent planning and the fixed price arrangements that Xoserve has with its suppliers, these risks were able to be managed sharing of without additional cost to customers.</p> <p>We also supported the gas market in managing its exposure to Russia in the early days of the war in Ukraine in February and continue to monitor the situation.</p>
Business Plan	<p>In 2021-22, our focus was the creation of the Business Plan for 2022-23 (BP23), the first to be produced since our restructure in March 2021. BP23 was our most comprehensive consultation process to date as customers, who were and still are facing financial strain as a result of the soaring price of gas on the wholesale market, sought to understand more about the implications of our restructure on BP23. This culminated in a formal appeal to our budget from a large Shipper.</p> <p>We are engaging with both Ofgem and the Shipper in question, to work through the appeal.</p>
Managing demand and ongoing change	<p>In a challenging business environment, Xoserve continued to prioritise change delivery to meet the key needs of customers in 2021-22. We continued to review existing and new activities to ensure suitable capacity, capabilities and control frameworks were in place to mitigate any additional risks that may be created, and to exploit potential opportunities that may arise.</p>
Covid19	<p>In 2021-22, we continued to successfully mitigate the risk of disruption to business operations and workforce from the COVID-19 pandemic. Operations were maintained and remote working arrangements will remain a feature of Xoserve’s business model moving forward. Staff safety and wellbeing remained a key focus throughout the year, and we continued to work closely with suppliers to ensure that their teams’ exposure to COVID-19 did not significantly impact their wellbeing or CDSP services.</p>

Investment Overview



In the P&A published in July, we acknowledged the financial challenges that customers are currently facing. The only new project for 2023-24, outside of those already included within BP22, is therefore, work associated with the facilitation of the EPG scheme.

In the P&A, we also sign-posted our intention to refer to one-off pieces of work as projects. We believe the benefits they deliver can be better understood by considering what type of project they are. Since these reflect the next phase of investment by customers in multi-year projects, however, the underpinning Business Cases will remain aligned to the investment themes within which customers approved the original investments.

This section of the plan:

- provides an overview of proposed BP23 projects,
- shows the evolution of investment from costs forecast and approved in BP22, through to costs proposed for BP23 at a total and per-investment/project level,
- shows projects and respective costs into new investment categories,
- provides executive summaries for each investment area and overviews of the business case for each project.

We will move forward with the previously approved multi-year projects. This activity sustains, modernises and optimises critical gas industry IT platforms such as UK Link and Gemini and is therefore essential.

We will further evolve the DDP, delivering customer priorities, such as insights that will enable DDP users (>85 organisations / approximately 800 individuals) to identify settlement data anomalies and scrutinise invoices at meter point reading numbers (MPRN)-level in the platform.

As in previous years, we propose that customers invest in drawdown funds that enable Xoserve to design, develop and deliver change emanating from an increasingly diverse industry code landscape in year, with use of these funds being agreed by the industry-elected DSC committees.

Against the backdrop of an ever-evolving geopolitical landscape and the gas industries response to the UK's Net Zero target, we propose to continue our multiyear Information Security and Decarbonisation projects through to completion.

Given the 'user experience' improvements already achieved in the development of our website, we do not propose further investment in Digital projects in BP23. We will end BP22 having delivered a task-based, more user friendly and easier to navigate website experience, that can be sustained and evolved through the Service and Operate costs.

Total costs of investments

The total investment cost for BP23 is £24.4m. This is £1.4m more than we predicted in BP22, with £1.3m associated with 'unallocated projects' (applied in the BP22 forecast to attain a flat future investment profile) removed. This change has predominantly resulted from:

- a new requirement from the government to facilitate the EPG scheme, which increases 2023-24 investment costs by £0.5m
- reclassification of Protection Against Cyber Crime costs from Service and Operate to Investment (to reflect the need for a stabilisation period as the transformation activities complete), thus increasing investment costs by £2.4m, albeit with a corresponding reduction in Service and Operate.

All movements between the BP22 forecast and proposed BP23 costs, and how each project relates to terminology in the Budget and Charing Methodology, can be found in the 'Investment Overview' section on the next page

Investment Overview

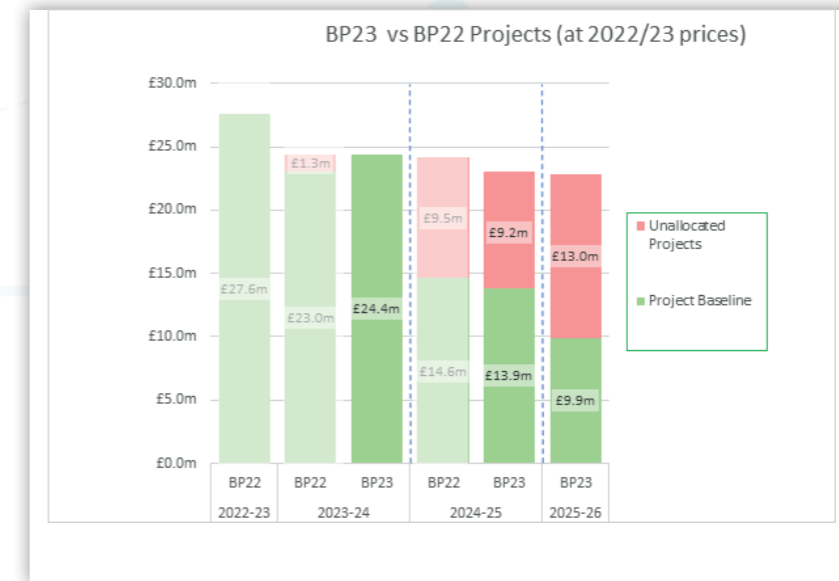
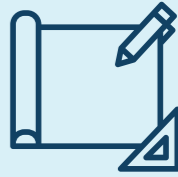


Figure 10 – Evolution from BP22 Forecast to BP23 Proposed Investment

£ms (2022-23 Prices)	2022-23		2023-24		2024-25		2025-26
	BP22	BP23	BP22	BP23	BP22	BP23	BP23
Exceptional Customer Experience	£0.3m	£0.3m	£0.3m	-	-	-	-
Opening Up Our Data	£0.9m	£0.4m	£0.7m	£0.7m	£0.4m	£0.6m	£0.6m
Gemini Roadmap	£7.0m	£9.8m	£9.1m	£9.1m	£8.2m	£5.9m	£1.9m
UK Link Roadmap	£1.9m	£6.7m	£6.4m	£6.4m	£0.6m	£1.4m	£2.0m
Protecting against Cyber Crime	£3.1m	£0.4m	£2.4m	£2.4m	-	£0.6m	-
Decarbonisation	£1.9m	£1.9m	£1.8m	£1.8m	£1.9m	£1.8m	£1.8m
REC Change	£9.2m	£0.3m	£0.4m	£0.4m	£0.3m	£0.4m	£0.4m
General Change	£3.3m	£4.6m	£3.2m	£3.2m	£12.8m	£12.3m	£16.2m
Energy Price Guarantee Scheme Admin	-	-	£0.5m	£0.5m	-	£0.1m	£0.0m
Project Costs (BP22 Mapping)	£27.6m	£24.3m	£24.4m	£24.4m	£24.1m	£23.0m	£22.9m

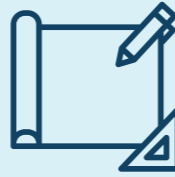
Figure 11 – Evolution of BP22 forecast to proposed costs for BP23 by investment area

£ms (2022-23 Prices)	2022-23		2023-24		2024-25		2025-26
	BP22	BP23	BP22	BP23	BP22	BP23	BP23
Operate & Maintain - Business as Usual	£5.7m	£7.3m	£7.3m	£6.7m	£5.5m	£3.8m	-
Operate & Maintain - Continuous Improvement	£4.5m	£4.0m	£3.9m	£3.9m	£3.6m	£3.1m	£2.7m
Major Change Projects	£12.0m	£6.4m	£6.4m	£8.7m	£0.3m	£1.7m	£2.0m
Drawdown Funded Projects	£5.3m	£6.6m	£6.6m	£5.2m	£14.8m	£14.4m	£18.2m
Project Costs	£27.6m	£24.3m	£24.4m	£24.4m	£24.1m	£23.0m	£22.9m

Figure 12 – Evolution of BP22 forecast to proposed costs for BP23 by project type

In both tables above, the values in the blue cells include the inflation applied to investment costs detailed in BP22. Proposed BP23 costs will be subject to the same process.

Constituency Funding



Overview

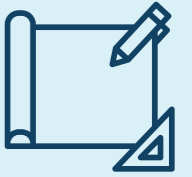
Most of Xoserve funding comes from DSC customers. Costs are initially split on a constituency basis, enabling us to align funding for our services (whether Service and Operate or projects) to the parties who are obliged to deliver these services under Network Code or who derive most benefit from these services, based on their role within the gas market. The rules which drive the allocations were agreed with constituency representatives at the time of FGO in 2017.

For each constituency we have shown:

- the current year funding with a three-year forecast
- the BP22 three-year forecast inflated by CPIH (4.8%) to show 2022-23 prices
- the reasons for the movements between 2022-23 current and 2023-24
- BP23 forecast charges position and between BP22 and BP23 versions of 2023-24 and 2024-25 charges; and
- how the charges are apportioned to individual customer organisations

At customers request, we have also included an initial estimate of the total charges in 2023-24 prices using the September 2022 actual CPIH percentage of 8.8%. Charges will be uplifted using CPIH as at December 2022 to create the final charging statement in January 2023.

Constituency Funding



DSC Customer Constituencies

Customer Constituency	Description
Shippers	Shippers buy gas from producers. They may also store gas with a storage operator to help it manage the balance between its supplies and consumer demand.
National Grid (NTS)	National Grid owns and operates the national high-pressure network connecting Gas Transporters (distribution networks), Shippers and connection customers.
Distribution Networks (DNs)	Distribution networks own and operate the local network of pipes that transport the gas from National Grid's National Transmission System (NTS) to homes and businesses.
Independent Gas Transporters (IGTs)	IGTs build, own and operate local networks, connecting new business and consumer properties to the NTS via distribution networks.

In addition, we contract with third parties, such as Meter Asset Managers and RECCo, for certain services. The charges paid by these organisations are included in the Totex and Service and Operate costs but do not form part of the constituency funding splits detailed on the following pages.

The constituency funding splits shown in the following pages are based on the meter point costs as at 23 August 2022.

Constituency Funding: Shippers



The 2023-24 total charge for the Shippers constituency is forecast to be £35.2m at 2022-23 prices. Of this £28.5m relates to Service and Operate with the remainder of £6.8m as projects.

Movements from 2022-23 (current) to forecast for 2023-24 (BP23)

For Shippers, projected charges for 2023-24 are forecast to reduce by £2.4m from the 2022-23 position. Service and Operate charges have increased by £4.1m in 2023-24, primarily due to the introduction of CSS run costs (+£3.3m) which are wholly funded by Shippers. In addition, CMS subscription costs are included (+£1.3m), along with the provision for the Daily Metered Reads service (+£0.7m).

These increases are offset by savings from the delivery of UK Link Roadmap which realise a £0.3m reduction. There is a further £0.5m reduction from decommissioning of former Xoserve's Data Enquiry Service (DES) and removal of direct API provision costs and a £0.1m reduction from the decommissioning of the Data Recorder Service (which was signposted in BP22).

Project charges for 2023-24 are forecast to reduce by £6.4m, driven by the conclusion of the CSS project. The reductions are partially offset by the inclusion of £0.5m for the EPG Scheme and by the deferral of information security run costs into Service and Operate, by one year.

Movements in years 2023-24 and 2024-25 from BP22 to BP23

The Service and Operate baseline charges shown in BP23 are £3.3m lower in 2023-24 and £2.4m lower in 2024-25 than the equivalent in BP22 (MTB).

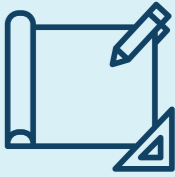
The reductions are driven by a £2.7m reduction resulting from GES charges moving to RECCo and, in 2023-24 only, the decision not to move cyber security costs into Service and Operate until 2024-25. The provision of the Daily Metered reads service (+£0.7m) makes up the majority of the £0.8m scope increase in BP23.

Compared to the BP22 position, the BP23 project profile for Shippers increases by £0.7m in 2023-24 and £0.6m in 2024-25. The increases are driven by additional funding requirements of the EPG Scheme and changes in the unallocated project pot values.

Individual Organisation Charging

Shippers will be charged 1/12th of the overall general services and investment charge each month. Individual organisations' share of this charge is calculated based on meter point count shares which are taken at the start of each month.

Constituency Funding: Shippers



£ms (2022-23 Prices)	2022-23		2023-24		2024-25		2025-26	
	BP22	BP23	BP22	BP23	BP22	BP23	BP22	BP23
Projects	£13.2m	£6.1m	£6.8m	£6.8m	£7.4m	£9.1m		
BP23 S&O Scope Changes	-	-	£0.8m	-	£0.8m	£0.8m		
S&O Baseline	£24.4m	£31.0m	£27.7m	£30.7m	£28.3m	£28.3m		
Subtotal Service & Operate	£24.4m	£31.0m	£28.5m	£30.7m	£29.1m	£29.1m		
Total Charges	£37.6m	£37.1m	£35.2m	£37.4m	£36.6m	£38.2m		
Estimated Total Charges in 2023-24 Prices *			£38.3m		£39.8m	£41.6m		

* Based on application of latest 12 month CPIH actual for September 2022 (published on ONS website) of 8.8%. These charges will be uplifted using CPIH at December 2022 for use in the 2023-24 Charging Statement

Figure 06 – proposed BP23 Shipper charges compared to BP22

Constituency Funding: DNs



The 2023-24 total charge for the DNs constituency is forecast to be £26.8m at 2022-23 prices. Of this £19.4m relates to Service and Operate with the remainder of £7.4m as projects.

Movements from 2022-23 (current) to forecast for 2023-24 (BP23)

For DN customers, the projected charges for 2023-24 are forecast to increase by £1.1m from the 2022-23 position.

Total Service and Operate charges have increased by £0.4m in 2023-24. This is primarily due to the provision of the NDM Reads service (+£0.8m), run costs for FWACV (£+0.2m), share of CSS run costs (£+0.1m) and faster FSG payments (+£0.1m). These increases are offset by Service and Operate savings from the delivery of UK Link Roadmap (-£0.4m), a £0.1m reduction from decommissioning of DES and a £0.1m reduction from the decommissioning of the Data Recorder Service (which was signposted in BP22). Project charges have increased by £0.7m which is driven by the decision to retain cyber security costs in projects until 2024-25.

Movements in years 2023-24 and 2024-25 from BP22 to BP23

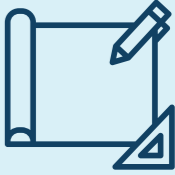
The BP23 baseline Service and Operate charges are £0.9m lower in 2023-24 and £0.2m lower in 2024-25 than the equivalent (MTB) in BP22. The reductions are driven by the decision to retain cyber security costs in projects until 2024-25 a reduction of £0.2m resulting from GES charges moving to RECCo. Scope increases in 2023-24 and 2024-25 include the introduction of the NDM read service (+£0.8m), FWACV (+0.2m) and FSG payments (+0.1m).

The project investment charges are the same for 2023-24 but higher in 2024-25 in BP23 due to the increase in the unallocated project pot value.

Individual Organisation Charging

DNs will be charged 1/12th of the overall general services and investment charge each month. Individual DNs' share of charges is fixed for the year, based on the meter point count share taken on 1 December in the previous year.

Constituency Funding: DNs



Ems (2022-23 Prices)	2022-23	2023-24		2024-25		2025-26
	BP22	BP22	BP23	BP22	BP23	BP23
Projects	£6.7m	£7.4m	£7.4m	£8.0m	£8.4m	£10.2m
BP23 S&O Scope Changes	-	-	£1.1m	-	£1.1m	£1.1m
S&O Baseline	£19.0m	£19.2m	£18.3m	£19.2m	£19.0m	£19.0m
Subtotal Service & Operate	£19.0m	£19.2m	£19.4m	£19.2m	£20.1m	£20.1m
Total Charges	£25.7m	£26.6m	£26.8m	£27.2m	£28.5m	£30.3m
Estimated Total Charges in 2023-24 Prices *			£29.2m		£31.0m	£33.0m

* Based on application of latest 12 month CPIH actual for September 2022 (published on ONS website) of 8.8%. These charges will be uplifted using CPIH at December 2022 for use in the 2023-24 Charging Statement

Figure 07 – proposed BP23 DN charges compared to BP22

Constituency Funding: IGTs



The 2023-24 total charge for the IGTs constituency is forecast to be £950k at 2022-23 prices. Of this £580k relates to Service and Operate with the remainder of £370k as projects.

Movements from 2022-23 (current) to forecast for 2023-24 (BP23)

For IGTs, the projected charges for 2023-24 are forecast to increase by £60k from the 2022-23 position. In 2023-24, Service and Operate charges remain at similar levels compared to 2022-23. The project charges are £70k higher in 2023-24, primarily driven by scope increases in Open and Timely Data and the impacts of cyber security costs being retained in projects until 2024-25.

Movements in years 2023-24 and 2024-25 from BP22 to BP23

There is a slight increase to Service and Operate charges, due to IGT meter point growth in 2023-24 and 2024-25. The investment charges are £60k lower in 2024-25, due to the change in the unallocated project pot value.

Individual Organisation Charging

IGTs will be charged 1/12th of the overall general services and investment charge each month. Individual IGTs' share of charges is fixed for the year, based on the meter point count share taken at 1 December.

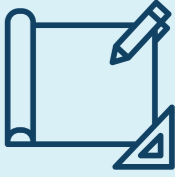


Ems (2022-23 Prices)	2022-23		2023-24		2024-25		2025-26	
	BP22	BP23	BP22	BP23	BP22	BP23	BP22	BP23
Projects	£0.30m	£0.34m	£0.37m	£0.46m	£0.40m	£0.46m		
BP23 S&O Scope Changes	-	-	£0.02m	-	£0.02m	£0.02m		
S&O Baseline	£0.58m	£0.59m	£0.56m	£0.61m	£0.59m	£0.59m		
Subtotal Service & Operate	£0.58m	£0.59m	£0.58m	£0.61m	£0.61m	£0.61m		
Total Charges	£0.89m	£0.93m	£0.95m	£1.07m	£1.01m	£1.07m		
Estimated Total Charges in 2023-24 Prices *			£1.0m		£1.1m		£1.2m	

* Based on application of latest 12 month CPIH actual for September 2022 (published on ONS website) of 8.8%. These charges will be uplifted using CPIH at December 2022 for use in the 2023-24 Charging Statement

Figure 08 – proposed BP23 IGT charges compared to BP22

Constituency Funding: National Grid



The 2023-24 total charge for National Grid is forecast to be £19.0m at 2022-23 prices. Of this £9.2m relates to Service and Operate with the remainder of £9.8m as projects.

Movements from 2022-23 (current) to forecast for 2023-24 (BP23)

For National Grid, the total charges for 2023-24 are forecast to increase by £1.5m from the 2022-23 position. Total Service and Operate charges reduce by £1m in 2023-24, predominantly driven by the Gemini Sustain project. Project costs are £2.5m higher in 2023-24, which reflects increases in Gemini Sustain and Gemini Regulatory Change areas.

Movements in years 2023-24 and 2024-25 from BP22 to BP23

The baseline Service and Operate charges shown in this draft of BP23 are £1.1m lower in 2023-24 and £1.3m lower in 2024-25 than shown in BP22 (MTB). The reductions are driven by savings from the Gemini Sustain project and, for 2023-24 only, the decision not to move the cyber security costs into Service and Operate until 2024-25. The majority of the project profile variances for National Grid relates to the Gemini Roadmap and beginning the next phase of modernisation for the Gemini system and services.

Individual Organisation Charging

National Grid will be charged 1/12th of the overall general services and investment charge each month.



Ems (2022-23 Prices)	2022-23		2023-24		2024-25		2025-26	
	BP22	BP23	BP22	BP23	BP22	BP23	BP22	BP23
Projects	£7.3m	£10.5m	£9.8m	£9.0m	£6.8m	£3.2m		
BP23 S&O Scope Changes	-	-	£0.0m	-	£0.0m	£0.0m		
S&O Baseline	£10.2m	£10.3m	£9.2m	£10.3m	£8.9m	£8.4m		
Subtotal Service & Operate	£10.2m	£10.3m	£9.2m	£10.3m	£8.9m	£8.4m		
Total Charges	£17.5m	£20.8m	£19.0m	£19.3m	£15.7m	£11.6m		
Estimated Total Charges in 2023-24 Prices *			£20.6m		£17.1m	£12.6m		

* Based on application of latest 12 month CPIH actual for September 2022 (published on ONS website) of 8.8%. These charges will be uplifted using CPIH at December 2022 for use in the 2023-24 Charging Statement

Figure 09 – proposed BP23 National Grid charges compared to BP22

Project Categories



Having concluded that the benefits of investments made by customers can be better understood by considering what type of project they are, we have undertaken an exercise to map individual initiatives to project type.

The table below explains the four project types we have identified and shows which category each project included in investment funding in BP23.

Project Type	Sub-category	Description	BP23 Project
Operate/maintain projects	Business as usual	This work is needed to keep the CDSP Services running and covers the ongoing maintenance activities for UK Link, Gemini and other supporting systems. Sometimes, organisations include such activities within their operational costs but, for the sake of transparency, we will continue to show these as separate projects.	<ul style="list-style-type: none"> UK Link Service Essentials (UK Link Roadmap) Core Platform Migration (UK Link Roadmap) Gemini Sustain (Gemini Roadmap)
	Continuous improvement	This work is designed to deliver incremental improvements to the CDSP Services, with stated benefits (whether quantitative or qualitative) passed onto customers.	<ul style="list-style-type: none"> Capacity for Change (UK Link Roadmap) Timely and Open Data (Opening Up Our Data) Gemini Regulatory Change (Gemini Roadmap) Nonstandard items for Data Reporting (General Change)
Major change projects		The purpose of these projects is to create something new or to bring about a significant change, which delivers clearly defined benefits. This type of work has a defined scope of work, and a start and end date for project funding through the Business Plan. Following our restructure in March 2021, where project scope is known, costs can be fixed, thus insulating customers from project overspend.	<ul style="list-style-type: none"> Information Cyber Security Strategy (Protecting Against Cyber Crime) UK Link Future Enhancements (UK Link roadmap) EPG scheme
Drawdown projects		To enable Xoserve to respond to unexpected market requirements, we will continue to set aside an agreed, but unallocated, budget which can be drawn down for any additional service requirements which surface during the year. Any spend from these budgets is agreed via DSC ChMC and unspent budget is either returned to customers or, by agreement, retained by Xoserve to be used for future projects.	<ul style="list-style-type: none"> DSC Change Budget (General Change) REC Change Budget (REC Change) Decarbonisation Unallocated investment

Investment Funding by Project Type



This section compares the forecast of investment costs in BP22 with investment costs now being proposed in BP23. We are using the new investment categories to group projects together and provide commentary on movements between forecast and proposed BP23 amounts. We also show where and when changes to Service and Operate materialise as a result of project activity.

Operate and Maintain Projects – Business As Usual

- This £6.668m investment will fund projects needed to keep the CDSP services running in BP23.
- £6.08m of this total relates to the Gemini Sustain project funded by National Grid, the reporting of which has resulted in a £0.85m increase in savings to Service and Operate costs from 2023-24.
- The total annual reduction of £1.55m in Service and Operate, also includes a £0.7m reduction driven by the UK Link Core Platform Migration project

BP22 Approved (£'000)	BP22 Investment Focus Area	2022-23	2023-24	2024-25
UK Link Service Essentials	UK Link Roadmap	255	380	380
Core Platform Migration	UK Link Roadmap	1,550	228	-
Gemini Sustain	Gemini Roadmap	3,670	6,400	4,850
Projects Total		5,475	6,988	5,210
Service & Operate - Reclassify, Increase & Saving			- 700	- 700
Total Expenditure		5,475	6,288	4,510

BP23 Proposed (£'000)	BP22 Investment Focus Area	2022-23	2023-24	2024-25	2025-26
UK Link Service Essentials	UK Link Roadmap	255	380	380	-
Core Platform Migration	UK Link Roadmap	1,550	228	-	-
Gemini Sustain	Gemini Roadmap	3,670	6,080	3,434	-
Projects Total		5,475	6,668	3,794	-
Service & Operate - Reclassify, Increase & Saving			- 1,550	- 2,050	- 2,550
Total Expenditure		5,475	5,118	1,744	- 2,550

Variance BP22 vs BP23 (▲ = increase) (£'000)	BP22 Investment Focus Area	2022-23	2023-24	2024-25	2025-26
UK Link Service Essentials	UK Link Roadmap	-	-	-	N/A
Core Platform Migration	UK Link Roadmap	-	-	-	N/A
Gemini Sustain	Gemini Roadmap	-	-320	-1,416	N/A
Projects Total		-	-320	-1,416	N/A
Service & Operate - Reclassify, Increase & Saving			-850	-1,350	N/A
Total Expenditure		-	-1,170	-2,766	N/A

Projects Funding Split %				Preliminary 2023-24
NTS	GDN	IGT	Shipper	Charging Statement Classification
7.2%	48.4%	1.5%	44.9%	Table 2- Infrastructure Charges
0.0%	90.0%	0.0%	10.0%	Table 2- Infrastructure Charges
100.0%	0.0%	0.0%	0.0%	Table 2- Infrastructure Charges

Investment Funding by Project Type



Operate and Maintain Projects – Continuous Improvement

- This £3.856m investment will fund four projects delivering incremental improvements to CDSP services in BP23. This is £0.076m higher than our BP22 forecast.
- Due to the degree of website improvements already achieved, we are not recommending further investment in the Digital project, resulting in a £0.29m reduction in comparison with the forecast on BP22. We will continue to evolve and improve Xoserve.com as part of day-to-day activity.
- We have increased funding for the evolution of DDP (Opening Up Our Data) in response to customers prioritising more complex changes to the platform, such as MPRN-level insights into settlement data anomalies for shippers and more granular invoice insights for DNs. Delivering these priorities increases costs by £0.366m (of which £0.1m is required only in BP23).
- There is no change to the funding required for Gemini Regulatory Change, Capacity for Change, Non-Standard Data Item for Reporting and Governance of Data (which completes in BP22).

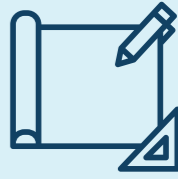
BP22 Approved (£'000)	BP22 Investment Focus Area	2022-23	2023-24	2024-25
Capacity for Change	UK Link Roadmap	50	61	-
Digital	Exceptional Customer Experience	315	290	-
Open & Timely Data	Opening Up Our Data	649	349	349
Gemini Regulatory Change	Gemini Roadmap	2,970	2,970	2,970
Non Standard Items for Data Reporting	General Change	110	110	110
Governance of Data	Opening Up Our Data	210	-	-
Projects Total		4,304	3,780	3,429
Service & Operate - Reclassify, Increase & Saving		172	172	172
Total Expenditure		4,476	3,952	3,601

BP23 Proposed (£'000)	BP22 Investment Focus Area	2022-23	2023-24	2024-25	2025-26
Capacity for Change	UK Link Roadmap	50	61	-	-
Digital	Exceptional Customer Experience	315	-	-	-
Open & Timely Data	Opening Up Our Data	649	715	608	608
Gemini Regulatory Change	Gemini Roadmap	2,970	2,970	2,420	1,940
Non Standard Items for Data Reporting	General Change	110	110	110	110
Governance of Data	Opening Up Our Data	210	-	-	-
Projects Total		4,304	3,856	3,138	2,658
Service & Operate - Reclassify, Increase & Saving		172	-	-	-
Total Expenditure		4,476	3,856	3,138	2,658

Variance BP22 vs BP23 (+ = increase) (£'000)	BP22 Investment Focus Area	2022-23	2023-24	2024-25	2025-26
Capacity for Change	UK Link Roadmap	-	-	-	N/A
Digital	Exceptional Customer Experience	-	-290	-	N/A
Open & Timely Data	Opening Up Our Data	-	+366	+259	N/A
Gemini Regulatory Change	Gemini Roadmap	-	-	-550	N/A
Non Standard Items for Data Reporting	General Change	-	-	-	N/A
Governance of Data	Opening Up Our Data	-	-	-	N/A
Projects Total		-	+76	-291	N/A
Service & Operate - Reclassify, Increase & Saving		-	-172	-172	N/A
Total Expenditure		-	-96	-463	N/A

Projects Funding Split %				Preliminary 2023-24 Charging Statement Classification
NTS	GDN	IGT	Shipper	
0.0%	34.5%	0.0%	65.5%	Table 2- Infrastructure Charges
7.2%	46.4%	1.5%	44.9%	Table 2- Infrastructure Charges
0.0%	41.7%	8.3%	50.0%	Table 3 - Change Charges
100.0%	0.0%	0.0%	0.0%	Table 3 - Change Charges
7.2%	46.4%	1.5%	44.9%	Table 2- Infrastructure Charges
7.2%	46.4%	1.5%	44.9%	N/A

Investment Funding by Project Type



Major Change Projects

- This £8.657m investment, which funds three major change projects, is £2.521m more than our BP22 forecast.
- This includes £0.525m to fund activity associated with the EPG scheme, announced by the Government in September 2022.
- On reflection, we have decided to retain all costs for Information Security within the Protecting Against Cyber Crime project investment for 2023-24 given the need for a stabilisation period, as the transformation activities complete. This means a reduction of £1.996m in the forecast Service and Operate for 2023-24 and a corresponding increase in the project costs when compared with the costs shown in BP22. At the end of the investment period, the current forecast is for Service and Operate of £2.2m from 2024-25 onwards.
- The £5.712m cost to deliver the UK Link Future Enhancements project remains unchanged from BP22.

BP22 Approved (£'000)	BP22 Investment Focus Area	2022-23	2023-24	2024-25
Central Switching Service	REC Change	8,500	-	-
UK Link Future Enhancements	UK Link Roadmap	-	5,712	250
Information Cyber Security Strategy	Protecting Against Cyber Crime	2,460	424	-
Data Privacy Law Compliance (EU GDPR)	Protecting Against Cyber Crime	525	-	-
ISO27001:2022 & NIST 2 Gap Analysis	Protecting Against Cyber Crime	-	-	-
Energy Price Guarantee Scheme Admin	N/A	-	-	-
Projects Total		11,485	6,136	250
Service & Operate - Reclassify, Increase & Saving		-	1,996	2,097
Total Expenditure		11,485	8,132	2,347

BP23 Proposed (£'000)	BP22 Investment Focus Area	2022-23	2023-24	2024-25	2025-26
Central Switching Service	REC Change	8,500	-	-	-
UK Link Future Enhancements	UK Link Roadmap	-	5,712	1,000	2,000
Information Cyber Security Strategy	Protecting Against Cyber Crime	2,460	2,420	-	-
Data Privacy Law Compliance (EU GDPR)	Protecting Against Cyber Crime	525	-	-	-
ISO27001:2022 & NIST 2 Gap Analysis	Protecting Against Cyber Crime	-	-	600	-
Energy Price Guarantee Scheme Admin	N/A	-	525	125	-
Projects Total		11,485	8,657	1,725	2,000
Service & Operate - Reclassify, Increase & Saving		-	-	2,197	2,197
Total Expenditure		11,485	8,657	3,922	4,197

Variance BP22 vs BP23 (+ = increase) (£'000)	BP22 Investment Focus Area	2022-23	2023-24	2024-25	2025-26
Central Switching Service	REC Change	-	-	-	N/A
UK Link Future Enhancements	UK Link Roadmap	-	-	+750	N/A
Information Cyber Security Strategy	Protecting Against Cyber Crime	-	+1,996	-	N/A
Data Privacy Law Compliance (EU GDPR)	Protecting Against Cyber Crime	-	-	-	N/A
ISO27001:2022 & NIST 2 Gap Analysis	Protecting Against Cyber Crime	-	-	+600	N/A
Energy Price Guarantee Scheme Admin	N/A	-	+525	+125	N/A
Projects Total		-	+2,521	+1,475	N/A
Service & Operate - Reclassify, Increase & Saving		-	-1,996	+100	N/A
Total Expenditure		-	+525	+1,575	N/A

Projects Funding Split %				Preliminary 2023-24 Charging Statement Classification
NTS	GDN	IGT	Shipper	
0.0%	0.0%	0.0%	100.0%	N/A
7.2%	46.4%	1.5%	44.9%	Table 2- Infrastructure Charges
7.2%	46.4%	1.5%	44.9%	Table 2- Infrastructure Charges
7.2%	46.4%	1.5%	44.9%	Table 2- Infrastructure Charges
7.2%	46.4%	1.5%	44.9%	N/A
0.0%	0.0%	0.0%	100.0%	Table 3 - Change Charges

Investment Funding by Project Type



Drawdown Projects

- The £5.2m set aside for drawdown projects will fund General Change and Decarbonisation projects as they are iteratively agreed with the DSC CoMC. This is £0.15m more than the BP22 forecast.
- The Performance Assurance Committee (PAC) has requested an increased £50,000 budget to be ringfenced in the General Change budget, and an additional £0.1m has been set aside for technical development of CSS consequential changes that may flow from the REC.
- The Unallocated Projects fund (which is a balancing financial value that customers request we apply to Drawdown projects to keep investment costs 'flat' across the whole business plan period) has been removed for 2023-24.

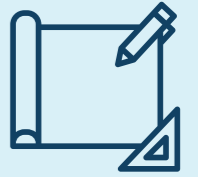
BP22 Approved (£'000)	BP22 Investment Focus Area	2022-23	2023-24	2024-25
DSC Change Budget	General Change	3,000	3,000	3,000
Decarbonisation	Decarbonisation	1,800	1,800	1,800
REC Change Budget	REC Change	250	250	250
Unallocated Project Pot	General Change	-	1,271	9,099
Projects Total		5,050	6,321	14,149
Service & Operate - Reclassify, Increase & Saving		-	-	-
Total Expenditure		5,050	6,321	14,149

BP23 Proposed (£'000)	BP22 Investment Focus Area	2022-23	2023-24	2024-25	2025-26
DSC Change Budget	General Change	3,000	3,050	3,050	3,050
Decarbonisation	Decarbonisation	1,800	1,800	1,800	1,800
REC Change Budget	REC Change	250	350	350	350
Unallocated Project Pot	General Change	-	-	9,150	13,000
Projects Total		5,050	5,200	14,350	18,200
Service & Operate - Reclassify, Increase & Saving		-	-	-	-
Total Expenditure		5,050	5,200	14,350	18,200

Variance BP22 vs BP23 (+ = increase) (£'000)	BP22 Investment Focus Area	2022-23	2023-24	2024-25	2025-26
DSC Change Budget	General Change	-	+50	+50	N/A
Decarbonisation	Decarbonisation	-	-	-	N/A
REC Change Budget	REC Change	-	+100	+100	N/A
Unallocated Project Pot	General Change	-	-1,271	+51	N/A
Projects Total		-	-1,121	+201	N/A
Service & Operate - Reclassify, Increase & Saving		-	-	-	N/A
Total Expenditure		-	-1,121	+201	N/A

Projects Funding Split %				Preliminary 2023-24 Charging Statement Classification	
NTS	GDN	IGT	Shipper		
2.1%	34.8%	5.4%	57.7%	Table 3 - Change Charges	
4.4%	95.6%	0.0%	0.0%	Table 3 - Change Charges	
0.0%	35.5%	5.5%	59.0%	Table 3 - Change Charges	
7.2%	46.4%	1.5%	44.9%	N/A	

Business Case Overview



Aside from EPG, all projects being proposed in BP23 represent the next phase of multi-year change investments. For consistency with previous Business Plans, we have therefore shown the Business Cases under the familiar investment themes used in BP22, as per the table below.

Business Case	BP23 Project
UK Link Roadmap	<ul style="list-style-type: none"> UK Link Service Essentials Core Platform Migration UK Link Future Enhancements Capacity for Change
Gemini Roadmap	<ul style="list-style-type: none"> Gemini Sustain Gemini Regulatory Change
Decarbonisation	<ul style="list-style-type: none"> Decarbonisation
Open and Timely Data	<ul style="list-style-type: none"> Opening Up Our Data
General Change	<ul style="list-style-type: none"> General Change
Protecting Against Cyber Crime	<ul style="list-style-type: none"> Security Improvement Programme Privacy Improvement Programme
Energy Price Guarantee	<ul style="list-style-type: none"> Energy Price Guarantee

In response to customer feedback, we have made our Business Cases more detailed, focusing on the costs and perceived benefits of our recommended approach to projects, which we hope will make these easier to evaluate. In each Business Case we provide an Executive Summary and analysis, including a breakdown of:

- Investment drivers (through a customer lens)
- How the proposed investment compares with previous years (all projects aside from EPG are multi-year)
- Other options considered
- Benefits (financial / non-financial)
- Key risks being addressed via the project
- What would happen if the investment was not made
- All relevant financial information

Each business case can be found in our new, centralised secure area here Xoserve Business Plan Supporting Information - ([SharePoint.com](#)). An overview of each one can be found in the following pages.

We welcome feedback as to what else customers would like to see in future Business Cases.

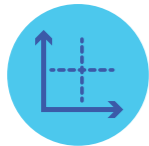
Business Case Overview: UK Link Roadmap



Link to SharePoint page

This investment is the continuation of a controlled approach to maintenance and optimisation of the platform, following the move to cloud. Scope includes delayering, reducing and replacing older inflexible technologies with newer, more cost-efficient ones, in preparation for a mandated SAP4HANA upgrade in 2027.

The roadmap aligns UK Link infrastructure and applications with industry best practice (MS Azure Well-Architected Framework). It will deliver process automation and enhancement, real-time data integration, data quality improvements and Azure reporting and MI capability.



Customer Benefit

- £2.1m reduction in Service and Operate costs across three years
- 25% reduction in project delivery timescales and costs associated with UK Link Major Releases (a reduction of £0.5m required for General Change from BP24)
- 20% reduction in the total number of defects in Post Implementation Support associated with major and minor releases
- 75% automation of core process testing scenarios
- Early preparation for mandated SAP4HANA upgrade in 2027



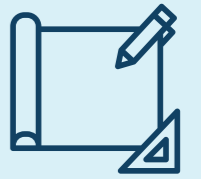
Proposed Investment Costs for BP23

- £6.36m to be funded as per table below:

BP23 Proposed (£'000)	23/24 £M	Projects Funding Split %			
		NTS	GDN	IGT	Shipper
UK Link Future Enhancements	5.712	7.2%	46.4%	1.5%	44.9%
UK Link Service Essentials	0.36	7.2%	46.4%	1.5%	44.9%
Capacity for Change	0.061	0.0%	34.5%	0.0%	65.5%
Core Platform Migration	0.228	0.0%	90.0%	0.0%	10.0%

- Costs based on required resource, development and licensing
- The proposed BP23 investment is in line with BP22 forecast

Business Case Overview: Gemini Roadmap



Link to SharePoint page

This investment will sustain and modernise core system components as we move to a 'microservice' solution and fully agile development. It will reduce storage needs, automate code deployment, testing and processes, and enhance reporting and user experience.

The investment also caters for the funding of design and delivery costs associated with any future regulatory change raised during the period that impacts Gemini processes.



Customer Benefit

- £4m Service and Operate costs reduction and a £1.58m reduction in required Regulatory Change budget for Gemini across the investment period
- Increased system availability from 99% to 99.9%
- Improved user experience driven by more intuitive navigation, faster access to the platform and data flexibility via enhanced APIs



Proposed Investment Costs for BP23

- £9.050m to be funded as per the table below:

Project	2023-24 £m	Projects Funding Split %			
		NTS	GDN	IGT	Shipper
Gemini Regulatory Change	2.97	100%	0%	0%	0%
Gemini Sustain	6.08	100%	0%	0%	0%

- Costs based on resource, infrastructure and licensing costs, plus the sizing of regulatory delivery capability

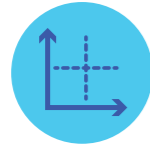
Business Case Overview: Opening Up Our Data



Link to SharePoint page

Continued investment in the change costs associated with the DDP. As in previous Business Plans, we propose to deliver six new releases in DDP with scope prioritised by customers.

Top customer priorities for BP23 include the means to visualise and scrutinise MPRN-level data that underpins gas settlement processes such as AQ Calculation, Amendment and price forecasting based on actual usage.



Customer Benefit

- Delivery of changes into self-serve channels as prioritised by customers
- Close to real time MPRN-level view of data that underpins key settlement processes
- Potential to use new dashboard and data to identify erroneous settlement costs and forecast future costs
- Reduced need to raise change requests to access data
- Capability to analyse larger, more complex data sets.
- Improved integration with customer systems through API's.



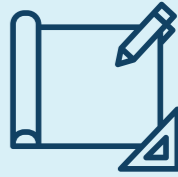
Proposed Investment Costs for BP23

- £0.715m to be funded as per the table below:

Project	22/23 £m	Projects Funding Split %			
		NTS	GDN	IGT	Shipper
DDP Change	0.364	0%	41.7%	8.3%	50%
Shipper / DN Specific Change & Run	0.351	0%	35%	0%	65%

- Proposed investment is £.0366m more than forecasted in BP22, due to customer prioritisation of changes that require larger or more complex data exposure
- Costs include a one-off data exposure exercise (£0.1m) which will drop out from BP24

Business Case Overview: Protecting Against Cyber Crime



Link to SharePoint page

The continuation of a four year Information Security and Privacy programme to increase CDSP resilience to an ever changing and escalating cyber threat.

The next phase of work builds on improvements already achieved in cyber security maturity, further focussing on the reduction of risk and includes a stabilisation period as transformation completes. Full scope will be shared with customer CISO's prior to BP finalisation.



Customer Benefit

- Reduced risk of a cyber-attack leading to a reduced likelihood of Personal Data Breach and/or loss of customer critical services
- Reduction of the impact of this risk to 'Minor'
- Continued certification in ISO27001:2013
- Planning for certification to ISO27001:2022
- Cyber security maturity in line with industry standards as advised by NCC Group



Proposed Investment Costs for BP23

- £2.42m to be funded as per the table below:

Project	23/24 £m	Projects Funding Split %			
		NTS	GDN	IGT	Shipper
Information Cyber Security Strategy	2.42	7%	46%	2%	45%

- Reclassification of £2m from Service and Operate costs to investment (no increase to total BP23 costs) to reflect the need for a stabilisation period

Business Case Overview: Energy Price Guarantee



Link to SharePoint page

The domestic Energy Price Guarantee (EPG) announced by the UK Government in September 2022 will reduce the unit cost of gas for domestic consumers from 1st October 2022.

As the settlement body for Britain's gas market, Xoserve will administer the EPG scheme, making payments to registered Gas Suppliers on a weekly basis for gas consumed in the previous week. This investment will fund the activities for the duration of the scheme and the ensuing reconciliation period (14 months from the closure of the scheme). These activities include the extraction of data, the calculation and validation of initial and reconciled payments at supplier level.



Customer Benefit

- Enables Suppliers to reduce the unit price that they charge to their domestic customers, subject to a minimum unit rate (the tariff floor)
- Lower bills for domestic consumers than would otherwise be the case, alleviating financial pressure on households
- Prevents further households from falling into poverty



Proposed Investment Costs for BP23

- £0.525m to be funded as per the table below:

Project	2023-24 £m	Projects Funding Split %			
		NTS	GDN	IGT	Shipper
Energy Price Guarantee Scheme Admin	0.525	0.0%	0.0%	0.0%	100.0%

- The costs of running the scheme for the year equate to less than 1% of the value of the first week's subsidy payable under the scheme
- Costs to be split by eligible shipper portfolio

Business Case Overview: Decarbonisation



Link to SharePoint page

This investment continues to fund our leading role in the evolving journey towards Net Zero and decarbonisation of the gas network.

Scope for BP23 includes support for the development of H100 (a hydrogen trial involving 300 domestic supply points) and Hydrogen Village (2,000 domestic and I&C supply points) and Hydrogen Town (10,000 Domestic and I&C properties on 100% Hydrogen). We will support the early engagement and scoping of other projects such as Future Billing Methodology and Hydrogen Checker, and Project Union (Hydrogen backbone). We will continue to support the navigation of the political and industry landscape on behalf of customers.



Customer Benefit

- Centralised and shared cost of maintaining representation in the Hydrogen debate thus mitigating costs for individual customers
- Improved understanding across the industry of related project developments, outcomes and policy decisions
- Development of centralised subject matter expertise as delivery requirements are better understood
- Ability to fund additional initiatives in-year, subject to customer approval
- Keeping industry stakeholders up-to-date with decarbonisation initiatives



Proposed Investment Costs for BP23

- £1.8m to be funded by:

Project	22/23 £m	Projects Funding Split %			
		NTS	GDN	IGT	Shipper
Decarbonisation	1.8	4.4%	95.6%	0.0%	0.0%

- Drawdown fund with spend approved by funding parties
- Proposed investment is the same as forecasted in BP22

Business Case Overview: General Change



Link to SharePoint page

This is a drawdown fund to cover the design, build, test and implementation of all changes approved by the DSC ChMC. These are most likely to emanate from code (UNC/REC) Modifications and/or changes to CDSP products and/or services.

Design activity will occur throughout the period, with changes delivered in one of our periodic Major Releases, or as standalone deliveries (as appropriate). The budget includes funding for Performance Assurance Committee reporting change, coordination and delivery of Market Trials should they be required to robustly deliver a major release, and REC impact assessments and change delivery.



Customer Benefit

- Flexible and customer-driven capability to enable the delivery of as-yet unknown changes following ChMC approval
- Delivery of short notice mandated industry code obligations and/or central system and process efficiencies
- Provision of intuitive new and amended MI aiding settlement risk management in PAC
- Ability to process REC change without compromising timescales for the development and delivery of other changes



Proposed Investment Costs for BP23

- £3.5m (if fully utilised) to be split between:

Area	23/24 £m	Projects Funding Split %			
		NTS	GDN	IGT	Shipper
General Change	3.05	2.1%	34.8%	5.4%	57.7%
REC Change	0.35	0.0%	35.5%	5.5%	59.0%
Non Standard Items for Data Reporting	0.11	7.2%	46.4%	1.5%	44.9%

- Drawdown based on utilisation
- Based on historic value to delivery trends and requirements
- Proposed investment is £150k greater than forecasted in BP22, owing to ring-fenced amounts for enhanced PAC reporting (+£50k) and REC technical Impact Assessment (+£100K)

Customer Engagement



Customer engagement is vital to the development of our Business Plan. We will continue to provide key updates via CoMC and at the various DSC constituency sessions. We also continue to offer bilateral meetings to customers, with specific agenda items, and follow up sessions after the publication of each draft to explore any specific feedback.

Going forward, we are introducing the following additional communications channels to provide greater flexibility:

SharePoint

All DSC Contract Managers have been sent a link to our SharePoint. You can find this within the notification emails we sent when we issued the first draft, and the second draft. On this site we are hosting all supporting materials for BP23, including the Business Cases which underpin the investment areas. We have taken measure and limited restrictions to the SharePoint but are also conscious that some DSC customers would like to share those documents with colleagues. Please let us know if you need to add additional users or if you would like to receive a ZIP file with all the information. We would like to take this opportunity to add that SharePoint can be used to provide feedback and ask questions about BP23. If you're a DSC Contract Manager and haven't yet received your email to access the SharePoint, please contact us at customerexperience@xoserve.com.

Virtual drop in sessions

Links and invitations have been emailed to all Customers. We thank all customers who joined those drop-in sessions and we are happy to organise more if needed.

Webinars

Customers have joined two live webinars to discuss major points in the draft publications of the BP23. The webinar recordings of the sessions and content are now placed on the SharePoint. The webinars were popular and we have had good attendance on both sessions. We have, therefore scheduled an additional webinar on Friday 25 November to go through the changes between the two drafts. This is an opportunity for the customers to join and to ask questions.

Videos

We will add videos to the website to give Customers a summary of the final Business Plan.

Customer Engagement Timeline



The table and diagram below set out the timeline for this year's business planning cycle. Customer feedback is important to us as we drive customer experience improvements through our business plan.

For feedback or clarification, please feel free to contact us via email: customerexperience@xoserve.com

Steps	Date	Action	Provider	Receiver	Deliverable
1	13 October	Issue draft BP23 for consultation one	Xoserve	All Customers	Draft Business Plan
2	17 October	Individual Customer meetings on request and constituency Customer meetings	Xoserve	All Customers	Microsoft Teams calls
3	19 October	Overview presentations and feedback at the CoMC meeting	Xoserve and CoMC	All Customers	Microsoft Teams presentation
4	28 October	Deadline to provide written feedback	All Customers	Xoserve	Written feedback
5	18 November	Issue second draft of BP23 following feedback	Xoserve	All Customers	Updated draft Business Plan
6	2 December	Deadline to provide feedback on second draft	All Customers	Xoserve	Written feedback
7	14 December	Updated final draft BP23	Xoserve	Xoserve Board/ All Customers	Updated draft Business Plan
8	End of January	Final version published following Xoserve Board approval	Xoserve	All Customers	Final Business plan

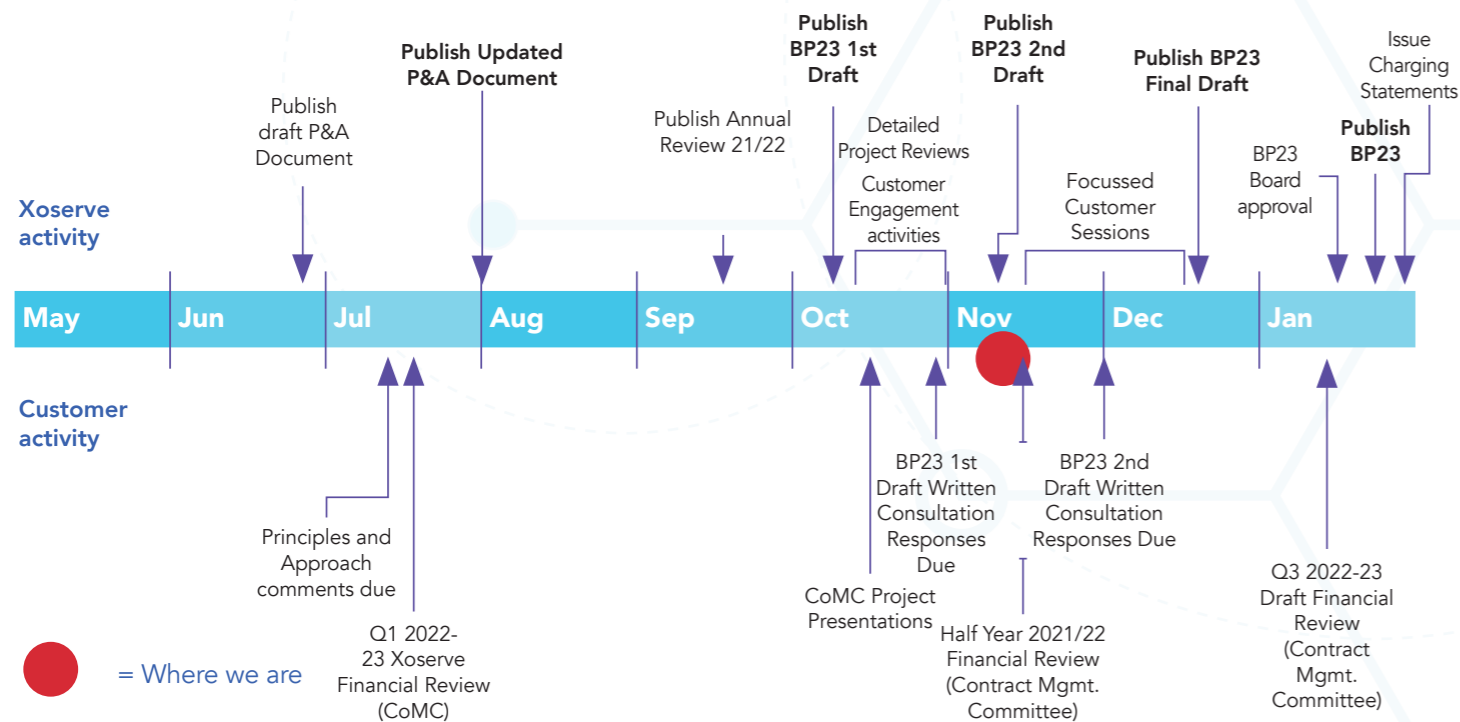
Join the Consultation



We would love to hear your thoughts on BP23 to help us shape the final budget and we welcome any actionable feedback.

You can provide your feedback in the following ways:

- Email: customerexperience@xoserve.com
- Visit: xoserve.com/contactus
- SharePoint: [Xoserve Business Plan Supporting Information - Home \(SharePoint.com\)](#)
Here, you will find all our project overviews and Business Cases for your review. Please use the comments functionality at the bottom of each page to provide your feedback.



Board Assurance Statement in BP22



The Board has been engaged throughout the process of developing this Business Plan. Reporting to the board, the Senior Leadership Team have agreed and overseen all stages of the BP22 process, in terms of both content and the engagement approach with the DSC customers.

As a result of such engagement, we have assured ourselves that Xoserve's 2022 Business Plan (BP22):

- Reflects an investment profile that is focused on the continued delivery of CDSP services through – the maintenance and improvement of systems and services. This includes:
 - o Exceptional Customer Experience
 - o Opening Up Our Data
 - o Gemini Roadmap
 - o UK Link Roadmap
 - o Protecting Against Cyber Crime – the development of new systems/services driven by major industry programmes (e.g. CSS) or by other regulatory changes (e.g. UNC/IGTUNC modifications).
 - o Decarbonisation
 - o REC Change
 - o General Change
- Reflects maintain the business (MTB) costs that include the savings identified in the BP21 Business Plan, have not been increased as a result of the creation and sale of Correla in March 2021 and are provided to an appropriate level of detail
- Has been created by reference to, and has been informed by, market requirements and insights gathered through the extensive programme of engagement activities undertaken with Xoserve's customers from the consultation on the Principles and Approach through to the production of the final plan, and including three consultation phases involving all DSC customers.
- These activities have included: – specific engagement with DSC customers across all constituencies through 24 meetings with 37 different organisations – Updates/walkthroughs at monthly DSC CoMC meetings – Receipt of, and response to, written feedback from all phases of consultation
- Includes a description of consumer benefits developed through conversations with our customers
- Is achievable and realistic in terms of the investments proposed and the timescales in which they can be delivered
- Has taken into account the current market conditions and customer feedback on the rising costs within the industry
- Includes the benefits of the private equity investments and alternative funding approaches now possible through Correla in the case of the Contact Management System replacement option chosen by the DSC CoMC
- Reflects business cases for investments that have been reviewed by the Xoserve team who have used their knowledge of programme delivery and their experience of previous industry changes and investment programmes to validate that the proposed investments offer value for money and deliver customer benefits in service provision, reliability and improvements
- Where the plan includes spend of investment funds not yet fully defined or with unallocated budget, these will be controlled throughout the year through the agreement and management of Statements of Work for each investment.

We are confident, therefore, that the plan is a true and accurate reflection of our view of what is required to deliver the CDSP services and meet customer requirements in the period 2022-25, including industry developments and the obligations in the Data Services Contract, and that the associated investments and costs represent value for money to achieve the benefits described in BP22.

Glossary



API	Application Programming Interface	FWACV	Flow Weighted Average Calorific Value
AUGE	Allocation of Unidentified Gas Expert	GDN	Gas Distribution Network
BEIS	Department for Business, Energy and Industrial Strategy	GDPR	General Data Protection Regulation
BP	Business Plan	GES	Gas Enquiry Service
BSI	British Standards Institution	GRDA	Gas Retail Data Agent
CDSP	Central Data Service Provider	ICS	Institute of Customer Service
CE	Customer Effort – a measure of 'how easy is it for customers to deal with Xoserve as measured through the Institute of Customer Service survey?'	IX	Information Exchange
ChMC	DSC Change Management Committee	LDZ	Local Distribution Zone
CoMC	DSC Contract Management Committee	MRA	Master Registration Agreement
CMS	Contact Management Service	MTB	Maintain the business to be renamed Operate Costs from BP23
CPIH	Consumer Prices Index including owner occupiers' housing costs	NDM	Non-Daily Metered
CR	Change Request	NPS	Net Promoter Score
CRM	Customer Relationship Management	OTD	On-Time Delivery – a measure of 'Do we provide the outcome to the customer in-line with agreed SLAs/timescales?'
CSS	Central Switching Service	PAC	Performance Assurance Committee
CSSC	Central Switching Service Consequential	PAFA	Performance Assurance Framework Administrator
C2S	Cost to Serve – a measure of 'How much does it cost to deliver CDSP Services before and after any project implementation?'	PIS	Post-Implementation Support
CV	Calorific Value	REC	Retail Energy Code
CX	Customer Experience	RECCo	Retail Energy Code Company
DDP	Data Discovery Platform	RFT	Right First Time – a measure of 'Do we provide the expected outcome to the customer at the first time of asking?'
DES	Data Enquiry Service	SOLR	Supplier of last resort
DESC	Demand Estimation Sub-Committee	SPAA	Supply Point Administration Agreement
DN	Distribution Network	TOTEX	Total Expenditure
DSC	Data Services Contract	UKCSI	UK Customer Service Index
		UNC	Uniform Network Code

Glossary of General Services



Area	Service area	Service description	2021/22 volumes/ details	2021/22 Charge	Funded by
1	Manage Shipper transfers	<p>UK Link automated processing of file flows associated with end consumer registrations, switching and supply point data. Includes a share of the UK Link support and service desk costs.</p> <p>Contracting with, and management of the services provided by the Performance Assurance Framework Administrator (PAFA) and Allocation of Unidentified Gas Expert (AUGE). This included the provision of reports that supported PAFAs management of c.40 performance plans across industry and data extracts to enable the AUGE to support the analysis of Unidentified Gas (UIG) causes and the development of the annual UIG weighting factors.</p> <p>Provision of insights into industry performance through reporting channels.</p>	<p>8.8 million switches</p> <p>Over 30 Shipper performance reports provided to PAFA per month.</p> <p>Over 50 data extracts for use in AUGE analysis work.</p>	£1.145m	100% Shipper
2	Monthly AQ processes	<p>UK Link automated processing of file flows associated with Annual Quantities (AQ) and Supply Point Offtake Quantities (SOQ).</p> <p>All activities associated with AQ calculation processes including AQ query resolution.</p> <p>Also includes monitoring, notification and creation of AQ performance dashboards for meter points that have crossed the class 1 threshold as well as a share of the UK Link support and service desk costs.</p>	148.8 million rolling AQ calculations	£1.035m	100% Shipper
3	Manage updates to customer portfolio	<p>Running and maintaining the Contact Management System (CMS), including the interfaces to and from the UK Link system where updates are required to the supply point register.</p> <p>Progression of any customer queries raised in CMS, including the investigation, and resolution.</p> <p>Change to CMS delivered via minor releases.</p> <p>Includes a share of the UK Link support and service desk costs.</p>	<p>449,037 CMS contacts</p> <p>349,892 needing manual interaction</p>	£3.866m	90% Shippers 10% DN's

Glossary of General Services



Area	Service area	Service description	2021/22 volumes/ details	2021/22 Charge	Funded by
4	Meter read/asset processing	<p>The automated processing of meter asset and meter read file flows in UK Link. This includes files and notifications associated to;</p> <ul style="list-style-type: none"> Exchanges or updates to records for traditional meters, smart meters, automatic meter reading equipment, and datalogger equipment. Updates to the metering conversion factors that are used to calculate meter volume and energy. Meter readings for all classes of meter points. Read replacement processes inclusive of daily read error notices. Generation and notification of estimated opening and transfer readings. Includes a share of the UK Link support and service desk costs. All activities associated with meter reading processes including meter read validation and rejection, calculating meter volume and energy from the raw meter read data, and calculating consumption adjustments. 	<p>We processed updates to 4.6m assets in 2021/22.</p> <p>We have a single metric of 1.23bn meter reads processed. This means we also calculated 1.23bn unique metered volume and energy values.</p>	£1.053m	33% Shippers 67% DN's
5	Demand estimation obligations	<p>Demand activities:</p> <ul style="list-style-type: none"> Develop end-to-end methodology to determine gas demand profiles. Manage sampling, collection and validation of daily gas consumption for several thousand meter points. Analyse consumption data against variables such as weather and calendar, in order to build demand models which can be used to calculate the estimated consumption for 25m Non-Daily Metered (NDM) meter points. Industry consultation and engagement with Demand Estimation Sub Committee (DESC). Review and maintain the gas industry's weather parameter (the composite weather variable (CWV) and it's 'seasonal normal' version (SNCWV), to reflect the latest consumer and weather patterns. All of the above is necessary so the team are able to produce demand profiles for the next gas year which are required as variables to support key industry processes such as NDM nominations/ allocation, capacity invoicing, AQ calculation and read estimation. 	<ul style="list-style-type: none"> Meter point data received from 20-30 sample data providers >50,000 meter point reference numbers (MPRNs) processed 27 million daily consumption data records processed 507 demand models created Industry meetings supported: <ul style="list-style-type: none"> 7 DESC 5 UNC workgroup 0754R Approx. 1,200 demand estimation customer reports issued 	£1.850m	50% Shippers 50% DN's

Glossary of General Services



Area	Service area	Service description	2021/22 volumes/ details	2021/22 Charge	Funded by
6	Customer relationship management	Provision of customer relationship management team and services for all customer constituents. Customer training and education, that includes induction days for new industry entrants, customer expert days where customers are given access to a range of subject matter experts, and change awareness session to ensure stakeholders are fully informed on any industry change.	85 customers Over 400 meetings (virtual and physical) 12 virtual training events 545 attendees from 90 different organisations, representing 9 industry segments Knowledge increase (as rated by customer feedback): 65.9% 11 new e-learning modules launched on Xoserve.com.	£3.146m	63% Shippers 9% NTS 28% DN's/IGTs
7	Customer joiners/leavers (UK gas market)	The management and support for customers joining and exiting the gas market includes cessation notices, Supplier of Last Resort (SoLR) processes, and invoking deed of undertaking. Acceding parties to the Data Services Contract (DSC) and UK Link user agreement, creation and removal of access to UK Link. Management of the Market Domain Data (MDD) and arranging user agent agreements. Information exchange (IX) installation, change and removal of equipment services.	Onboarded into the market: <ul style="list-style-type: none"> 15 Shippers/ traders 40 Non-Shippers Supported Market exits: <ul style="list-style-type: none"> 13 Shippers 31 Non-Shippers Managed: <ul style="list-style-type: none"> 340 customer queries 69 changes of invoicing details 54 Information Exchange (IX) service requests Implemented new processes (MOD0788) to enables Suppliers to use other Shipper relationships to source additional supplies of gas)	£0.880m	50% NTS 50% DN's
8	Energy balancing (credit risk management)	All activities in respect of energy balancing credit risk management, debt collection, and management of neutrality.	1,755 energy balancing invoices produced, validated, and issued on behalf of National Grid Net value of £42.8m	£1.183m	100% NTS
9	Customer reporting	Creation, maintenance, and distribution of reporting, both for external customers and management information required internally. Includes a share of the UK Link support and service desk costs.	>8,000 reports issued to DSC customers	£1.797m	34% Shippers 7% NTS 59% DN's/IGTs

Glossary of General Services



Area	Service area	Service description	2021/22 volumes/ details	2021/22 Charge	Funded by
10	Invoicing customers	Creation and issue of invoices for: <ul style="list-style-type: none"> Gas transportation on behalf of National Grid Transmission and the distribution networks DSC services provided by Xoserve Covers: UK Link automated calculation and creation of NTS and LDZ capacity, commodity, reconciliation, balancing and request to bill invoices (e.g., failure to supply gas). Also includes a share of the UK Link support and service desk costs. Validation and approval of invoices prior to issue and management of any customer queries raised against an invoice.	29,637 invoices issued to DSC Customers 29,674 invoices produced, validated and issued on behalf of the Distribution Networks Capacity invoices to value of £3,671m Commodity invoice to value of £218.6m	£7.734m	12% NTS 88% DN's
11	Management of customer issues	Management and communication of customer impacting issues including: <ul style="list-style-type: none"> Incident Management Defects which become apparent through the normal course of business where the functionality implemented does not result in the expected outcome. Data security incidents (including potential data breaches) Process issues and other, non-system Issue management to identify underlying causes and prevent recurrence. 	9 major incidents	£0.768m	40% Shippers 5% NTS 55% DN's/IGTs

Glossary of General Services



Area	Service area	Service description	2021/22 volumes/ details	2021/22 Charge	Funded by
12	Customer contacts	Service desk operation. Telephony service for the domestic enquiry telephone service line.	107,747 customer calls received 6,708 queries raised. 4,850 Incidents raised via the following channels: <ul style="list-style-type: none"> Email 2,162 Xoserve.com 1,559 Phone 246 Self-Service 883 14,278 Service Requests raised via the following channels: <ul style="list-style-type: none"> Email 9,329 Phone 2,416 Portal 2,533 	£2.888m	50% Shippers 6% NTS 44% DN's/ IGTs
13	Change management	Development, governance, delivery, and assurance of change outside major change programmes. The investment funding excludes Gemini change.	General Uniform Network Change	£14.644m	52% Shippers 7% NTS 40% DN's 1% IGT
14	Gemini services (general)	Gemini automated processing of file flows between the Gemini and UK Link system, the operation and support of the Gemini system, monitoring performance and incident management. Includes the provision of essential maintenance. Change management: the development, governance, delivery, and assurance of Gemini change.	8,000+ Gemini users £3bn revenue calculated and collected 250 external integrations 28 core business processes	£5.815m	100% NTS

Glossary of General Services



Area	Service area	Service description	2021/22 volumes/ details	2021/22 Charge	Funded by
15	Value added services (general)	The DDP platform is a data visualisation tool, used to access reporting information. It enables customers to: <ul style="list-style-type: none"> query their organisation's data (through pre-configured logon) create bespoke reports via a personalised dashboard, removing the need to raise service requests visualise data using a range of chart tools and comparison screens to gain insights, evaluate and reacting to industry changes and trends use trend analysis to identify opportunities for improving data accuracy or process performance access the detail sitting between high-level key performance indicators to support decision making 	141 organisations using 8 API (application interfaces) with average of 5.25m calls per month 55 dashboards providing 250 data visualisations with each providing insight that aligns with specific customer requests. (E.g. Shipper Read Performance against industry obligations.) 2TB of data, 4 billion rows and c.800 data items exposed to customers. 1,365 users registered to use DDP.	£1.802m	80% Shippers 20% DN's/ IGTs
16	Central Switching Service (CSS)	This service was launched in 2021. It provides a consistent set of arrangements for suppliers of electricity and gas and consumers and governs the operation of faster and more reliable arrangements for consumers to switch their energy supply. Xoserve's Central Switching Service Consequential (CSSC) Programme was set up in 2018 as a result of the launch of Ofgem's Switching Programme. It delivers all direct and consequential impacts on CDSP systems and services. It allows introduce faster switching services that interface with existing systems and processes, to allow continued delivery of shipper registration, settlement, and transportation invoicing	N/A	N/A	100% Shippers
17	Distribution Network Funded activities	Services which are wholly funded by Distribution Networks. Currently contains the costs associated with delivering the Flow Weighted Average Calorific Value service.	N/A	N/A	100%DN



Business Plan 2023 | Second Draft