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28<sup>th</sup> April 2021

**Letter sent via Email**

Dear Cathryn

**Re: Appeal of the CDSP Annual Budget 2020/2021**

Thank you for your letter dated 6<sup>th</sup> April 2021, regarding the withdrawal of Centrica's notice of appeal against the Annual Budget 2020/2021.

Thank you also for including the questions around transparency and robustness of the budget process for CDSP Services which have come to light during the appeals process. Such insights are incredibly helpful, especially to me as the incoming CEO, and I'm grateful to you for taking the time to share them.

The conversations with Ofgem and Centrica about the appeal, in parallel with our engagement with customers on the Business Plan for 2021-2022 (BP21), presented a unique and valuable opportunity for us to identify and implement improvements to our approach to the Business Planning process in real time, as we worked through it. We have welcomed the views put forward by all interested parties and are strongly committed to ensuring that we build on the improvements already made in future planning cycles.

Our next business planning cycle starts in June/July this year with the publication of the Principles and Approach document for BP22. In addition to adopting the lessons learned so far, I will ensure that we clearly articulate the basis on which we have assessed each investment to be either a CDSP Service or required to facilitate the efficient delivery of CDSP Services in each document we publish. We will also highlight the addition of this information through our engagement with the DSC Contract Management Committee.

As you may be aware, the Xoserve Board takes part in an extensive review cycle, from agreeing the Principle and Approach through to approving the final Business Plan on behalf of the industry, once customer feedback has been reflected. To enhance the impact of this review, I will work with the Board in the coming weeks to consider how we might implement your suggestion of a dedicated Board assurance statement for the upcoming business plan cycle (BP22).

Xoserve will also continue to work with Centrica and the Joint Office of Gas Transporters to support the progression of the UNC modification raised by Centrica which seeks to enhance external challenge of the draft Business Plan by strengthening end-consumer representation.

Moving forward, the restructuring of Xoserve to focus on assurance of the CDSP services, now delivered to customers via a commercial contract with Correla, will enable Xoserve to take a more critical view of both the delivery of CDSP services and the plan to deliver and enhance them in future. This feels like the obvious next step following on from the FGO reforms in 2017, providing an opportunity to deliver greater responsiveness, scrutiny and commerciality, to benefit both Xoserve's customers and gas consumers.

My team and I look forward to continuing the work to further enhance the quality and timeliness of information included in the Business Plan and to ensure our engagement with the gas market is as inclusive and early as possible.

Perhaps we can pick up on some of these themes when we speak on 5<sup>th</sup> May. I very much look forward to meeting you then.

Regards,

**Stephanie Ward**  
CEO - Xoserve