2022 Business Plan

Feedback and Responses on First Draft

Introduction and Contents

Introduction

At the beginning of September, we published our Business Plan 2022 First Draft (BP22), which set out our strategic priorities and budget for the financial year commencing April 2022 and provided our forecasts for the following two financial years.

During the subsequent consultation period, we engaged with customers at DSC Contract Management Committee, constituency meetings for each customer group and with individual customers at dedicated sessions. These sessions included discussion of responses to specific questions designed to help us to understand further the impact on your organisations and an opportunity to raise any outstanding points of discussion on the overarching principles and approach being taken. We also invited customers to provide written feedback on the plan.

We would like to take this opportunity to thank all our customers who took the time to provide us with their feedback, both verbal and written. In this document we seek to respond to the written feedback we received (except feedback sent in confidence, to which we will respond separately). In structuring this document, we have grouped the feedback thematically, to aid understanding and reader experience. For full visibility and transparency, we will also publish the feedback we received in its original form on Xoserve.com (except feedback sent in confidence), alongside this response document. Specific feedback on scope and/or investment requirements has been incorporated into the second draft of BP22.

Contents

Click/tap for contents page

Section One: General Feedback

Customer	Feedback Provided	Xoserve Response
Introduction(s)		
Centrica EON NGN SGN Scottish Power	Thank you for the opportunity to respond to the above consultation. This is a non-confidential response on behalf of the Centrica Group. Thank you for inviting us to comment on the Xoserve Business Plan 2022 First Draft. Please see our comments below and we look forward to reviewing subsequent versions. Thank you for the opportunity to provide feedback on the proposed business plan for 2022. SGN would like to thank Xoserve for the opportunity to comment on Xoserve's Business Plan 2022 - 1st Draft issued in September 2021. We have provided feedback regarding the information provided to date and the areas of the Business Plan which impact SGN as a Distribution Network or for which we require clarity. Thank you for the opportunity to provide feedback on Xoserve's Business Plan for 2022 - First Draft.	Thank you for taking the time to provide your feedback to us.
NGN	However, we would firstly like to say thank you to Xoserve/Correla for your hard work over the last few weeks dealing with all the SoLR events. The teams have kept us informed at all points and provided information in a timely and efficient manner.	Thank you for this positive feedback.
Engagement		
NGN	With regards to BP22 we are once again pleased to see the level of communication and access to information that Xoserve have provided as part of the review period.	We will continue to engage with customers throughout this process.
EON	To avoid duplicating previous feedback we refer you to our previous responses for additional points.	Thank you. The responses we provided to your previous feedback can be found here on Xoserve.com.
Industry and Market Observations		
EON	There has been no abatement of rising industry costs. Although the BP presents flattening costs it doesn't contribute to reversing the trend.	We understand your concerns over rising industry costs, which are driven by initiatives such as Central Switching Service/ REC. We have highlighted to Ofgem the challenge that our customers' face in bridging the gap between the costs assumed into the price cap for such central initiatives and the actual cost passed on to customers by central systems providers and bodies, such as Xoserve, to provide them. Xoserve is only able to speak to our own costs and we note that Xoserve's proposed Totex for the year 2022-23 is £3.4m lower in BP22 (£79.8m) than we estimated it would be in BP21 (£83.2m). This is mainly due to our ongoing commitment to reducing MTB costs on a like for like basis and our ability to secure private equity investment, via Correla, for a number of our Exceptional Customer Experience initiatives, which include the negotiation of up-front investment in CMS, allowing us to offer the option to move this to a subscription-based model, funded via MTB. We believe it is in customer interests to complete those investments already in progress in order to achieve the outcomes agreed and/or to deliver benefit to end consumers (which may be delayed if we pause these investments now). Mindful of the impact of central costs, we have refrained from proposing any new investments.
Scottish Power	Firstly, Scottish Power would like to echo Eon's concern raised in the Principles and Approach feedback in September 2021, with regards to increased Industry costs. As an Industry we are suffering increasing costs to parties with little opportunity to influence or mitigate such increases. The current crisis within the UK Wholesale Energy Market is one example of increasing costs borne by Energy Suppliers with the result that many have failed putting more burden on those who remain. There has been a total of 15 Energy Suppliers that have ceased to trade during 2021, with 13 of those in the last 2 months and this is anticipated to continue adding to the financial pressure on suppliers and customers.	
Scottish Power	During our 1-2-1 session with Xoserve regarding the draft business plan we raised concern about the potential for the current conditions in the Energy Market to impacting Xoserve's BP22 draft. We would like to understand if Xoserve foresee any risks or impact to the current draft, if so, what actions are being taken to mitigate risks to parties.	Since we published the first draft of BP22, there has been significant upheaval in the gas market resulting in a number of market participants exiting the market. We recognise the additional strain this is placing on the remaining participants, alongside continued high gas prices. We have assessed the impact of the SoLR processes we manage, including invoicing and portfolio migrations, and having already taken steps to increment systems capacity to accommodate the portfolio migrations, we do not currently foresee any risks to the second draft. We will continue to assess the impact on this year and next year, particularly in respect of the delivery of releases finalised through the change budget and will advise customers if our view changes. While Xoserve costs are falling on fewer participants to fund as a result of the reduced numbers of market participants, we would note that the cost per meter point remains unaffected.

Click/tap for contents page

Section One: General Feedback

Customer	Feedback Provided	Xoserve Response
Xoserve Restructure		
Centrica	Xoserve states future efficiency savings in (Maintaining the Business) MTB activities were reflected in the value of the sale of Correla and those efficiency savings were passing on via a reduction in charges in 2021/22[3]. It is unclear how this statement aligns with commentary in the Annual Review 2021[4], letters notifying customers of the rebate[5] or information published on Xoserve's website[6]. It is also unclear how the expected efficiency savings were valued and why it has been implicitly assumed no further efficiency gains can be achieved. This should be clarified. *3 "Principles and Approach - Feedback and Responses"' page 15: https://www.xoserve.com/media/42585/2022-business-plan-principles-and-approach-feedback-and-responses.pdf.* *4 The Annual Review states: "We subsequently sold Correla to Northedge Capital LLP, who were chosen for their commitment to the market, to service performance and to investing in innovation. Having successfully closed the deal by the end of the year, we were able to return a charges rebate to customers as a result of the sale at a time when they needed additional funds the most - coming out of a tough pandemic year". See page 7 of: https://www.xoserve.com/media/42551/xoserve-annual-review-20-21.pdf.* *5 The rebate letter states: "The Board of Xoserve has approved a rebate of net sales proceeds to its customers, subject to the matters set out below. This is a rebate against the charges payable under Business Plan 2020-21".* *6 The Frequently Asked Questions states "A cash rebate to our customers is expected at the current time, however this remains subject to the Go/No-Go criteria applied to the Sales Transaction processes being fulfilled". See page 3 of: https://www.xoserve.com/media/41785/customer-handbook-frequently-asked-questions-06-april-2021.pdf.*	We are happy to elaborate further. The sale of Correla to Northedge was based on Northedge's assessment of the future performance of Correla. As with most business valuations, this included an assessment of potential future efficiency savings which might be able to be derived from the on-time and on-budget completion of current in-flight investments, alongside any potential further internal investments that Northedge were prepared to fund. Since the sales proceeds reflected Northedge's view of potential savings, the rebate of those sales proceeds to customers did too, meaning that customers received the benefit of those potential savings through the reduction in 2020-21 charges that the rebate of sales proceeds created. Any further risk associated with achieving these future efficiency savings now sits with Correla and Northedge, rather than with customers, meaning that any future benefit has been "liquidated" up front. We further note that: • we have committed to reducing MTB costs on a like for like scope basis in previous business plans and we stand by these commitments in BP22 • some investments, whilst driving improvements, efficiencies or savings for the market, customers or consumers, may result in an increase in costs for the activities performed by central bodies such as Xoserve • the benefits of any future automation opportunities funded by customers will be passed back to customers. However, given the sentiment around central body costs, the investments we are proposing are limited to those essential for the continued provision of the CDSP Services.
EON	Efficiencies were not ever described as being delivered as part of "refunds" to customers as part of the Correla sale to Northedge. The explanatory note included within Xoserve's feedback to responses is therefore misleading. 'We note that efficiency savings in MTB activities were reflected in the value of the sale of Correla to Northedge, which were shared with customers as a credit against charges for financial year 2021/22. As a result of liquidating these efficiency savings in this way, customers have received the benefit up front.' We would expect efficiencies to be delivered going forward, which was one of the benefits promised as part of the Correla arrangement.	
SGN	In addition, can Xoserve provide further detail regarding the efficiencies expected as part of the separation of the operational function of Xoserve to Correla and the subsequent sale?	
Centrica	Given Xoserve's shift in focus away from direct service provision to contract management and assurance and the procurement of services from Correla, we believe market-based testing is an appropriate way for Xoserve to demonstrate that the expenditure consumers will be required to fund is efficient. To mitigate potential conflicts of interest, it is essential that Xoserve conducts market-based testing rather than relying on that conducted by any third party from which it will procure services. External challenge/reporting, as suggested by Ofgem, may be an appropriate way of confirming to stakeholders that market-based testing suggests the expenditure proposed by Xoserve is efficient.	It would be usual, in an outsourced arrangement, to market test only major projects and programmes, where the costs merit such an investment. For smaller projects, such as those envisaged in BP22, we do not believe that such activity would represent good value to either our customers or consumers as the likely costs of standing up an enlarged procurement team to market test each activity (estimated at between £200k and £500k p.a.) would likely outweigh the benefit of such activity. We have therefore not loaded the second draft of BP22 with such costs but will be happy to table it for consideration at the next Contract Management Committee should you wish. We note that the introduction of a competitive tender process to market test all future projects would also add several months to the delivery timetable (to allow for requirements definition, proposal preparation, response assessment and contracting activities) while duplicating activities already undertaken by Correla, who continues to seek competitive quotes from the wider ecosystem of third parties involved in delivery of the CDSP Services. For CMS, we have overseen a market testing activity for the technology components which will make up CMS. The requirements for CMS have been developed in collaboration with customers at a series of workshops, led by a team from Correla with a deep knowledge of the system being replaced (the development of technical requirements being part of the services delivered to Xoserve under DSC+). We would like to understand more about the conflicts of interest you perceive to be present. Having deliberately structured the arrangements to ensure that Xoserve can operate as an independent contract management and assurance function, acting in the interests of customers, we're keen to understand your alternative perspective. In terms of external challenge, we are engaging with both Citizens Advice and Ofgem directly.
Centrica	Any non-zero value of the margin included in CDSP charges needs to be robustly justified and well-evidenced given the shift away from service provision to contract management and assurance.	Xoserve remains a non-profit (i.e. zero margin) organisation, which continues to procure services from third parties on commercial terms. The commercial terms in the majority of the supply chain remained unchanged when they novated to Correla. The creation and sale of Correla has not resulted in any increase in charges to customers.

Click/tap for contents page

Section One: General Feedback

Customer	Feedback Provided	Xoserve Response
EON	It is not clear which are direct costs paid to Xoserve and which are (effectively) passthrough costs paid to contractors, including Correla.	Xoserve has always used an ecosystem of service providers/ contractors to deliver the CDSP Services and it has never been possible to share information on charges that Xoserve pays to these parties due to legal obligations around commercial confidentiality. The impact of such obligations on the business planning process is unchanged by the creation of Correla. Furthermore, baseline MTB (same scope) has been maintained at the levels committed in BP21 and investment costs have reduced, leading to an overall reduction in Totex for the same scope since the budget customers approved last year. In addition to maintaining the budget at/ below the levels approved last year, the creation of Correla has provided an opportunity to create a commercial contract (DSC+) of the type that Xoserve was precluded from putting in place, due to its funding, governance and ownership arrangements. By contrast to DSC, the DSC+ contains commercial levers which both incentivise performance and allow Xoserve to take meaningful corrective action, on behalf of customers, if needed.
EON	It has been outlined that that contracts with Correla are time limited; does this mean that associated costs cannot be negotiated during the first period?	As with the majority of service-based contracts, our arrangements with Correla align costs and scope. If the scope of Xoserve's services were to change, for example if the budget in BP22 was to be reduced, there is a mechanism to negotiate a change in costs and scope in DSC+, associated and aligned to the scope change in DSC.
Budget Review		
Centrica	The first draft of the 2022/23 Business Plan (BP22) as presented does not allow us to assess whether the proposed budget is economic and efficient and, ultimately, whether the proposals are in consumers' interests. Stakeholders' engagement with the detail of the proposals has been restricted by the exclusion of supporting information necessary to explain the proposals and by the information presented not being transparent. Some aspects of the proposals have not been justified and the efficiency of the proposed expenditure has not been demonstrated. It is for these reasons we provisionally conclude the proposed budget is not fit for purpose. The proposals consulted on are incomplete and require significant revision to allow stakeholders to meaningfully scrutinise and provide feedback. We provide further detail below*	For each of the Investment Focus Areas we have provided investment overviews/ road-maps (in the form of presentations) and detailed business cases. The overviews were presented by Xoserve and the Investment Leads at DSC Contract Management Committee in September and both were then issued to all DSC Contract Managers shortly afterwards. We subsequently held engagement sessions with each of the customer constituencies and 1-2-1 meetings with a number of individual customers, including Centrica, to allow for further discussions on the business cases. Given the general nature of this comment, we will schedule a follow-up 1-2-1 with Centrica, to cover any further specific questions.
The proposals need to be improved to reflect the change in circumstances:		
Centrica	In our response to the Principles and Approach[1] consultation we explained that the approach to developing CDSP business plans necessarily needed to be changed because: *1 Business Plan 2022 Principles and Approach Response – Centrica: https://www.xoserve.com/media/42588/xoserve_bp22_principles_centrica-response_210721.pdf*	See responses against specific points below.
Revised regulatory requirements:		
Centrica	The regulatory requirements relating to the business planning process were revised in response to what Ofgem considered to be "…important questions around the transparency and robustness of the budget process…"[2]. We believe the first draft of BP22 does not satisfy the revised regulatory requirements. Particularly, supporting information necessary to explain the proposals has been excluded from the draft and the information presented is not transparent. The ways in which the revised regulatory requirements can be satisfied have been explained in our response to the Principles and Approach consultation. *2 Letter sent to Xoserve on 6 April 2021, page 1.*	We understand you are referring to the letter sent by Ofgem to Xoserve, dated 6th April 2021 which can be found **here**. In it, Ofgem asked us to consider three key points: • How we might more clearly demonstrate the basis on which it has assessed each of the services included in our business plan to be a "CDSP Service"; • Enhanced external challenge/reporting on the draft Annual CDSP Budget, with a focus on the interests of gas consumers; and • A dedicated Board assurance statement setting out how the Board has assured itself that the Annual Budget in the interests of Xoserve's customers and gas consumers. The regulatory requirements relating to the business planning process remain as set out in UNC. In response to Ofgem's letter, we are taking the following steps (in line with our response to Ofgem, which can be found on our website **here**): • For all proposed investments in BP22, the business cases include how they align to and support CDSP Services. • We have issued all of the investment Business Cases proactively to all DSC Contract Managers, rather than just on request. • We have investigated the relative impact of central costs on consumers compared with other cost types, while also engaging with Citizens Advice. • We have shared our plans at each stage with Ofgem and have highlighted to them, on behalf of our customers, the challenge that our customers face in bridging the gap between the costs assumed into the price cap for central initiatives such as faster switching against and the actual cost passed on to customers of running central systems providers and bodies, such as Xoserve, to provide them. • We will 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. • We continue to keep the Xoserve Board updated on the development of BP22 and will be implementing a dedicated Board assurance statement as suggested by Ofgem.

Section One: General Feedback

Customer	Feedback Provided	Xoserve Response
The creation and sale of Correla and Xoserve's shift in focus:		
Centrica	The creation and sale of Correla and Xoserve's shift in focus away from direct service provision to contract management and assurance mean that the types and granularity of information that supported previous business plans for the Central Data Services Provider (CDSP) are no longer sufficient nor appropriate.	The creation and sale of Correla does not change the nature of the services provided to Customers by Xoserve, nor does it change the regulatory framework under which those services are funded/ budgeted. Rather, the restructure introduces independent assurance of the delivery of services, delivering greater rigour and control for customers through the addition of a commercial contract of the type that Xoserve was precluded from putting in place due to its funding, governance and ownership arrangements, with levers designed to incentivise performance and allow Xoserve to take meaningful corrective action, on behalf of customers, if needed. Over time, we hope the value of this independent, centralised approach to the assurance of the CDSP Services will become self-evident, with customers gaining sufficient trust in the model to feel able to reduce their own costs in relation to the management of the DSC, thus significantly reducing costs across the industry with a corresponding benefit to consumers. We see the introduction of the board assurance statement as a key part of this journey.
Centrica	In our response to the Principles and Approach consultation, we identified key information needed to allow stakeholders to assess the proposals, such as the basis for funding and cost recovery of investment in assets needed to deliver CDSP Services but which have been transferred to Correla. None of the key information we identified has been included in the first draft. These factors are critical to understanding the proposals and need to be addressed in subsequent drafts.	As discussed at DSC Contract Management Committee we are working to provide a full assessment of the two funding models for CMS build: • *Subscription model option:* where Correla will set up and run the system on Xoserve's behalf, taking responsibility and risk for any unforeseen costs, refresh liabilities and upgrade responsibilities in return for a flat subscription fee of the type paid for Office 365 and most other software-as-a-service offerings; and • *Investment funded option:* where customers will pay for the design and build activities, the hardware and software licencing costs and any refresh/ upgrade costs when they are needed, alongside the ongoing support costs. The work will be performed by Correla. This assessment will be published as soon as we are comfortable that it will address customers' questions and we will ensure there is opportunity to review/ ask questions about the two options so that customers can make an informed decision about what is in their best interests. In respect of systems already in existence, the only assets transferred to Correla as part of the separation and sale were those relating to the Data Discovery Platform (DDP) and Data Flow Platform (DFP). This was done to ensure that Correla can innovate for individual customers (called DDP Prime), while still enabling all customers to access the commonly funded components and associated benefits at no extra cost to them (now referred to as DDP Core). At the same time, Correla also assumed liability to pay all the costs relating to these systems, including licence fees in respect of all hardware and software used, all maintenance costs and refresh/ upgrades to keep these systems current. The DDP and DFP services are now provided to Xoserve under an ongoing, perpetual, fixed-rate licence to use, with the right to continue to bespoke features and functionality as though Xoserve still "owned" them. Customers still enjoy the benefits of these services, funded from existing MTB spend and, with the development costs for DDP Core remaining in investments following customer feedback, customers continue to have control over how much investment is allocated to the DDP Core releases.
The efficiency of the proposed expenditure from the consumer perspective needs to be demonstrated:		
Centrica	Analysis demonstrating the efficiency of the proposed expenditure has been excluded from the first draft of BP22. This exclusion is not appropriate - efficiency of the proposed expenditure from the consumer perspective needs to be demonstrated. We highlight below key issues that need to be addressed in subsequent versions of the proposed budget and further detail can be found in our response to the Plan Principles and Approach consultation. *(See further Centrica feedback in Xoserve Restructure, Maintain the Business and Investment sections below)*	Supporting information for the proposed expenditure on investments was sent to all DSC Contract Managers and included both investment overviews/ road-maps (in the form of presentations) and detailed business cases, containing the benefits cases for each investment. The overviews were presented by Xoserve and the Investment Leads at DSC Contract Management Committee in September and both were then issued to all DSC Contract Managers shortly afterwards. We subsequently held engagement sessions at each of the customer constituency meetings and held 1-2-1 meetings with a number of individual customers, including Centrica, to allow for further discussions. Where possible, the benefits cases reflect potential consumer benefits, although it should be noted that these are based on a series of assumptions around financial impacts, reflecting that the application of these benefits to end consumers is at our customers' discretion and can vary between organisations. We would welcome a discussion on what you envisage by 'analysis demonstrating the efficiency of the proposed expenditure' at our next engagement session, in case we can assist with further understanding.

Click/tap for contents page

Section One: General Feedback

Customer	Feedback Provided	Xoserve Response
Maintain The Business		
Centrica	In the final version of the Principles and Approach document, Xoserve confirmed it will not provide details relating to MTB costs[7]. Xoserve justifies its approach by, for example, stating MTB costs have always been presented as a whole and an efficiency review was conducted in 2018[8]. These factors are irrelevant. As described above, the creation and sale of Correla and Xoserve's shift in focus fundamentally change the requirements of the supporting information necessary to explain the proposals. Xoserve also states the Budget and Charging methodology provides a breakdown of how costs are allocated to service areas[9]. This, too, is irrelevant - the allocation of costs to service areas, by definition, cannot demonstrate the efficiency of the costs being allocated. Xoserve's decision not to provide detail is problematic because it is a barrier to stakeholders assessing efficiency of the proposed expenditure. It is not credible that stakeholders can meaningfully scrutinise the proposed budget given the detail relating to Maintaining the Business (MTB) costs, comprising about 65% of proposed expenditure[10], has been excluded from the draft plan. The proposed 2022/23 MTB costs are 15% greater compared to 2018/19[11]. This increase must be considered in the context of the significant decrease in Xoserve's direct costs: for example, the number of employees has reduced by about 90% since the sale of Correla[12]. It is clear, that a detailed explanation of MTB costs is required. *7 "Final Principles and Approach", page 15: https://www.xoserve.com/media/42407/xoserve-bp22-final-principles-and-approach_singles.pdf.* *8 "Principles and Approach - Feedback and Responses"' page 13.* *9 "Principles and Approach - Feedback and Responses"' page 13.* *10 Xoserve has proposed MTB costs of £51.8m compared to total baseline expenditure of £79.8m.* *11 For 2018/19, MTB costs were £45.3m (£22.6m of 'People' costs and £22.7m of 'non-People' costs. See page 10 of: https://www.xoserve.com/media/2708/bp2019-final-document.pdf. Xoserve has proposed £51.8m of MTB costs in 2022/23.* *12 Up to 45 employees were retained by Xoserve and 400 were transferred to Correla. See page 6 of: https://www.xoserve.com/media/41785/customer-handbook-frequently-asked-questions-06-april-2021.pdf.*	As mentioned in an earlier response, the creation and sale of Correla does not change the nature of the services provided by Xoserve nor does it change the regulatory framework under which those services are funded/ budgeted. Xoserve continues to be the CDSP, delivering the CDSP Services through a mix of its own capabilities and those of third parties. What the restructure has introduced is the independent assurance of service delivery, delivering greater rigour and control for customers through the addition of a commercial contract of the type that Xoserve was precluded from putting in place due to its funding, governance and ownership arrangements. This contract contains levers designed to incentivise performance and allow Xoserve to take meaningful, corrective action on behalf of customers if needed. Xoserve can now bring impartial scrutiny to the provision of CDSP Services, with independent evaluation of the investment cases and the services delivered under MTB. Consequently, we do not believe that a change in the approach to setting the budgets is needed. Savings in MTB already identified in the approved BP21 are unchanged such that the baseline MTB (for consistent scope) shows a downward glidepath from: • £53.8m in 21/22 to • £51.8m in 22/23 and then to • £51.1m in 23/24 and 24/25. This equates to a reduction of 7% in the MTB cost per meter point (based on projected meter point numbers). The 15% increase in total MTB from £45.3m in 2018/19 and £52.1m in 2022/23 arises from the following: • Inflation. The MTB value for 2018/19 is stated in 2018/19 prices whilst the 2022/23 equivalent is in 2021/22 prices. This accounts for approximately 6.5% of the 15% variance. • Impacts of restructuring and transformation. 2018/19 was the first year of a significant restructuring and transformation programme. The MTB in 2018/19 (£45.3m) is artificially low as it includes savings resulting from a workforce restructuring exercise but not the agreed increase in costs in areas such as customer centricity and data, which didn't come on stream until 2019/20 (total MTB £49.5m as per BP19) & 2020/21 (total MTB £51.7m as per BP20). It is also worth noting that Xoserve undertook an independent efficiency review in 2018 in order to provide assurance to customers that the costs of processes were comparable with external equivalents and to feed into both BP20 and RIIO-2 price control submissions. The findings were shared with customer Contract Managers and via the DSC Contract Management Committee in October 2018.
NGN	We are pleased to see the reduction in MTB costs as previously committed to and understand that the breakdown of these costs is confidential. However, these costs now include the cost of outsourcing CDSP obligations/services to Correla, which raises the question are we getting the right level of information	Xoserve has always used third parties to deliver parts of the service and, in line with usual commercial practice, the costs from our third-party service providers is, and remains confidential. Those third parties now include Correla. The MTB charges have been maintained at the levels previously committed for the same scope, which customers approved in BP21, before the restructuring of Xoserve. The creation of Correla has simply augmented the CDSP arrangements by enabling the implementation of a series of contractual levers to incentivise service performance augmented by the introduction of a robust, independent framework for assuring performance, all at no extra cost to customers. We do not believe the outsourcing of any more of the CSDP Services should change this view. With respect to efficiencies, as noted in an earlier response, the sale of Correla to Northedge was based on Northedge's assessment of the future performance of Correla. As with most business valuations, this included an assessment of potential future efficiency savings which might be able to be derived from the on-time and on-budget completion of current in-flight investments, alongside any potential further internal investments that Northedge were prepared to fund. Since the sales proceeds reflected Northedge's view of potential savings, the rebate of those sales proceeds to customers did too, meaning that customers received the benefit of those potential savings through the reduction in 2020-21 charges that the rebate of sales proceeds created. Any further risk associated with achieving these future efficiency savings now sits with Correla and Northedge, rather than with customers, meaning that any future benefit has been "liquidated" up front.
SGN	There is however currently no transparency regarding the Maintain the Business (MTB) costs associated with the Services provided by Xoserve directly or their new service provider Correla and therefore we would welcome further detail.	

Click/tap for contents page

Section One: General Feedback

<table>
<tr><th>Customer</th><th>Feedback Provided</th><th>Xoserve Response</th></tr>
<tr><td>Scottish Power</td><td>The MTB cost has risen from £52.7m in BP 2020/21 to £53.8m for 2021/22, we would have expected this cost to reduce once the sale of Correla had completed as Xoserve's workforce had decreased. Can you please provide a lower level of granularity of all activities and resources making up this spend?</td><td>There is no increase to baseline MTB (same scope). The apparent increase arises from the reclassification of £1.2m of investment into MTB and the restatement of the approved BP21 numbers (which were in 2020/21 prices) into 2021/22 prices, as follows:
• In BP21, Baseline MTB for 2020/21 was £52.7m
• In BP21, Baseline MTB for 2021/22 was £51.5m (in 20/21 prices) – this is a reduction of £1.2m
• In BP22, £1.2m (in 20/21 prices) was reclassified from investment into MTB, moving the MTB for 2022/23 to £52.7m (in 20/21 prices)
• MTB was then restated into 21/22 prices, giving a total of £53.8m.

As noted above, the creation and sale of Correla does not change the nature of the services provided by Xoserve. Xoserve continues to be the CDSP, delivering the CDSP Services through a mix of its own capabilities and those of third parties.

What the restructure has introduced is the independent assurance of the delivery of services, delivering greater rigour and control for customers through the addition of a commercial contract with levers designed to incentivise performance. Consequently, we do not believe that change in the approach to setting the budgets is needed.</td></tr>
<tr><td>EON</td><td>MTB is not declining despite FTE reductions and previous investments promised to deliver efficiencies.
• What is Xoserve doing to deliver efficiencies from its close relationship with Correla: is it confident there is not any duplication of FTE roles/responsibilities
• We do not see the payback on investment in terms of it resulting in a cost reduction. Investment should drive efficiencies and ultimately reduce costs. Why does MTB never decline?
• The dedication of just one page within the BP for MTB is insufficient, especially when it accounts for ~65% of the total budget.</td><td rowspan="2">As noted above, the creation and sale of Correla does not change the nature of the services provided by Xoserve. Xoserve continues to be the CDSP, delivering the CDSP Services through a mix of its own capabilities and those of third parties. Baseline MTB has been maintained at levels approved in BP21, adjusted only for reclassification of £1.2m of investment into MTB and restatement into 21/22 prices.

Due to careful and thoughtful design, including the decision to put the Customer Advocate team in Correla, there is no duplication of roles/responsibilities with respect to the delivery of services under DSC. Moreover, as previously outlined, customers benefit from the introduction of an arms-length, commercial contract (DSC+) of the type that Xoserve was precluded from putting in place due to its funding, governance and ownership arrangements, with levers designed to incentivise performance and allow Xoserve to take meaningful corrective action, on behalf of customers, if needed. The introduction of DSC+ and the change of focus for Xoserve towards contract management and delivery assurance enables Xoserve to bring impartial scrutiny to the evaluation of the investment cases and the delivery of services that is rarely achievable when an organisation assures its own performance.

Baseline MTB (for consistent scope) shows a downward glidepath from £53.8m in 21/22 to £51.8m in 22/23 and then to £51.1m in 23/24 and 24/25. While some investments deliver savings in MTB (e.g. £700k resulting from the UK Link Roadmap), others deliver efficiencies for the gas market or consumers but, in the process, increase costs for the activities performed by central bodies such as Xoserve.

As requested, MTB vs Investment split for the last three years is as follows:
<table><tr><th>Year</th><th>MTB</th><th>Investment</th><th>Numbers taken from</th></tr><tr><td>2020/21</td><td>59% (£51.7m)</td><td>41% (£35.2m)</td><td>BP20 (approved)</td></tr><tr><td>2021/22</td><td>57% (£52.7m)</td><td>42% (£39.0m)</td><td>BP21 (approved)</td></tr><tr><td>2022/23</td><td>65% (£52.1m)</td><td>35% (£27.7m)</td><td>BP22 (draft)</td></tr></table>
Finally, we note that the DSC Budget and Charging Methodology, and associated customer charging statements, provide a breakdown of MTB costs allocated to service area.</td></tr>
<tr><td>EON</td><td>How has the MTB versus investment split changed over time?
• There is more detail on investments than MTB. With the MTB making up a greater and greater proportion of overall budget how can we understand how the budget is being spent.
• We would request much greater transparency of MTB costs, including expenditure on contractors (see note above about lacking detail with just one page assigned in the BP).
• We would expect any view to enable a comparison so judgements can be made on efficiency improvements (e.g. year on year comparisons)</td></tr>
</table>

Section One: General Feedback

Customer	Feedback Provided	Xoserve Response
Investments		
Centrica	The proposals for the investment focus areas are also not transparent. It is proposed that consumers will be required to provide up-front funding for some areas and a subscription model will apply to at least one other. However, the criteria for selecting a funding approach for a given investment area, a comparison of the costs associated with the various funding approaches, or a description of how the subscription model is expected to operate have been excluded from the draft plan. These factors are critical to understanding the proposals and need to be addressed in subsequent drafts.	There is only one investment area where we are proposing a subscription model: CMS. We note that consumers do not pay Xoserve directly. Rather investments (which are up-front costs) and MTB (which would include any subscription model costs) are funded by DSC Customers who have an allowance within their price cap for central body costs. We understand the need for further detail on the two funding options. This will be shared via DSC Contract Management Committee Meetings, individual meetings and specific communications during the BP22 cycle.
NGN	As this business plan sets out the final year of each investment area originally proposed in BP20 there is nothing specific that we wish to highlight.	Thank you.
In conclusion		
Centrica	In summary, it needs to be demonstrated that the proposals are in consumers' interests and that consumers are not being required to provide fund expenditure above efficient levels. As explained above, the draft plan as presented does not allow us to assess whether the proposed budget is economic and efficient. Significant revision of the proposals and transparency are required to allow stakeholders to meaningfully scrutinise and provide feedback. Without significant revision that satisfactorily addresses the concerns detailed above and in our response to the Principles and Approach consultation, it is unlikely that the proposed budget can be considered fit for purpose. We would welcome the opportunity to work with you to improve the proposals and will make ourselves available to do so. We remain committed to ensuring that the proposals are in consumers' interests. Answers to the consultation questions are included in the attached appendix. I hope you find this response helpful. Please contact me if you have any questions.	The proposals within BP22 are iterative and have built on the budget and scope in the approved BP20 & BP21 plans. Baseline MTB has been maintained at the levels approved in BP21 with transparent adjustments for inflation and the reclassification of £1.2m of investment into MTB. Investments have reduced thanks to funding available via Correla. As mentioned earlier, supporting information for the proposed expenditure on investments was sent to all DSC Contract Managers and included both investment overviews/ road-maps (in the form of presentations) and detailed business cases, containing the benefits cases for each investment. The overviews were presented by Xoserve and the Investment Leads at DSC Contract Management Committee in September and both were then issued to all DSC Contract Managers shortly afterwards. We subsequently held engagement sessions at each of the customer constituency meetings and held 1-2-1 meetings with a number of individual customers, including Centrica, to allow for further discussion. Where possible, the benefits cases reflect potential consumer benefits, although it should be noted that these are based on a series of assumptions around financial impacts, reflecting that the application of these benefits to end consumers is at our customers' discretion and can vary between organisations. We look forward to working with you to further improve the proposals.
EON	We look forward to you reviewing our comments.	
SGN	Should you have any questions or require further clarification regarding any of the points presented above then please do not hesitate to contact me	
Scottish Power	Please do not hesitate to contact me or Mark Bellman if you have any questions arising from this response.	

Section Two: Feedback on Consultation questions

<table>
<tr><th>Customer</th><th>Feedback Provided</th><th>Xoserve Response</th></tr>
<tr><td colspan="3">Do you agree with our view of the required investments detailed in the plan?</td></tr>
<tr><td>Centrica</td><td>As this transparency of information is lacking, we are unable to agree or disagree with the view of required investments.</td><td>We have responded to specific concerns raised and will plan a further meeting to discuss what further specific points of information you feel you would need in order to confirm your opinion on the investments.</td></tr>
<tr><td>EON</td><td>At a time of Suppliers and Shippers finances being stretched in both the wake of COVID-19 and unprecedented wholesale market events, any investment baseline should be zero. To this end only essential investments should be made, i.e. those that are required ensure the CSDP continues to function.

Any investments that are not essential require a compelling case as to why they should happen.</td><td>We understand how impactful COVID-19 and, more recently, the unprecedented gas prices and subsequent Shipper/Supplier failures have been on our customers. We have therefore only included those investments we consider to be essential for the continued delivery of CDSP Services and that are:
• Driven by energy industry programmes/ regulatory policy (outside of Xoserve's direct control)
• Essential to support the safe and secure operation of the Industry processes Xoserve supports
• Improving customer experience in direct response to feedback from customers on pain points

For all proposed investments in BP22, the business cases also include how they align to and support CDSP Services.

In order for customers to assess the necessity of the investments, supporting information was sent to all DSC Contract Managers and included both investment overviews/ road-maps (in the form of presentations) and detailed business cases, containing the benefits cases for each investment. The overviews were presented by Xoserve and the Investment Leads at DSC Contract Management Committee in September and both were then issued to all DSC Contract Managers shortly afterwards. We subsequently held engagement sessions at each of the customer constituency meetings and held 1-2-1 meetings with a number of individual customers to allow for further discussion.

Where possible, the benefits cases reflect potential consumer benefits, although it should be noted that these are based on a series of assumptions around financial impacts, reflecting that the application of these benefits to end consumers is at our customers' discretion and can vary between organisations.

Based on this feedback, we will arrange a follow up 1-2-1 to explore which investments you feel are not essential.</td></tr>
<tr><td>EON</td><td>It is difficult to quickly identify focus area investment levels. We would recommend a table detailing each area of investment (like that shown below), i.e. what makes up the £26.2m for 22/23 and beyond stated on page 5. It's worth noting that this value does not tally with our calculations (see table below)

<table>
<tr><th></th><th>22/23</th><th>23/24</th><th>24/25</th></tr>
<tr><td>Exceptional Customer Service</td><td>315</td><td>290</td><td>0</td></tr>
<tr><td>Opening-Up Our Data</td><td>1,031</td><td>521</td><td>521</td></tr>
<tr><td>Gemini Roadmap</td><td>6,780</td><td>8,880</td><td>7,830</td></tr>
<tr><td>UK Link Roadmap</td><td>1,855</td><td>5,661</td><td>-90</td></tr>
<tr><td>Protecting Against Cyber Crime</td><td>2,985</td><td>2,420</td><td>2,097</td></tr>
<tr><td>Decarbonisation</td><td>3,000</td><td>3,000</td><td>3,000</td></tr>
<tr><td>REC Change</td><td>8,750</td><td>4,138</td><td>4,138</td></tr>
<tr><td>General Change</td><td>3,110</td><td>4,581</td><td>12,209</td></tr>
<tr><td>Total (£000s)</td><td>27,826</td><td>29,491</td><td>29,705</td></tr>
</table></td><td>We welcome your suggestion to include a table alongside the investment graphs within the Investment overview area of our Business Plan and this has been included in the second draft of BP22.

The table in your letter includes a few numbers which represent total expenditure (Totex) rather than just the investment value. Investment only figures from the first draft are shown below:

<table>
<tr><th></th><th>2022/23</th><th>2023/24</th><th>2024/25</th></tr>
<tr><td>Exceptional Customer Service</td><td>315</td><td>290</td><td>-</td></tr>
<tr><td>Opening Up Our Data</td><td>859</td><td>-</td><td>-</td></tr>
<tr><td>Gemini Roadmap</td><td>6,780</td><td>8,880</td><td>7,830</td></tr>
<tr><td>UK Link Roadmap</td><td>1,855</td><td>6,361</td><td>610</td></tr>
<tr><td>Protecting against cyber crime</td><td>2,985</td><td>424</td><td>-</td></tr>
<tr><td>Decarbonisation</td><td>3,000</td><td>3,000</td><td>3,000</td></tr>
<tr><td>REC Change</td><td>8,750</td><td>250</td><td>250</td></tr>
<tr><td>General Change</td><td>3,110</td><td>4,581</td><td>12,209</td></tr>
<tr><td>Total Investment</td><td>27,654</td><td>23,786</td><td>23,899</td></tr>
</table></td></tr>
<tr><td>SGN</td><td>SGN does not support all the requested investments within the plan and would wish to challenge the following areas specifically.</td><td>We have responded in each of the relevant sections where you have provided further comments on these investments.</td></tr>
</table>

Click/tap for contents page

Section Two: Feedback on Consultation questions

<table>
<tr><th>Customer</th><th>Feedback Provided</th><th>Xoserve Response</th></tr>
<tr><td colspan="3">Exceptional Customer Experience</td></tr>
<tr><td>EON</td><td>What would the cost be without investment from Correla?</td><td>Without investment from Correla the cost would be an additional £350k over 2 years. As shown in the first draft of BP22, under Exceptional Customer Experience (pages 14 & 15), the comparison is as follows:
<table>
<tr><th>Year</th><th>BP22 without Correla (£k)</th><th>BP22 with Correla (£k)</th><th>Saving resulting from Correla investment (£)</th></tr>
<tr><td>2022-23</td><td>565</td><td>315</td><td>250</td></tr>
<tr><td>2023-24</td><td>390</td><td>290</td><td>100</td></tr>
<tr><td>2024-25</td><td>0</td><td>0</td><td>0</td></tr>
</table></td></tr>
<tr><td>EON</td><td>The business plan includes £600k carried forward into BP21, where is shown within BP22? What governance has been followed to enable this to be carried forward?</td><td>The deferral of any funds into future years will be discussed with customers and approved through DSC Contract Management Committee, following the same process used in previous years.</td></tr>
<tr><td>EON</td><td>Has Xoserve removed costs are will these simply land over a more prolonged time-period. If the latter is correct the excerpt below is misleading as it implies costs have been removed rather than deferred. Please clarify.

"The private investment possible through Correla has enabled Xoserve to remove the costs of a number of the investment areas within Exceptional Customer Experience (Customer Relationship Management, Customer Journey Continuous Improvements, Process Automation and Customer Service Centre). From 2022/23 onwards, these building blocks of customer experience will be funded by Correla, instead of customers, reflecting Correla's ongoing commitment to the market. These will continue to be delivered as before. Consequently, the only investment funding for Exceptional Customer Experience remaining in BP22 is for the continuation of the transformation of our website."</td><td>As mentioned in the BP22 extract you have quoted, costs relating to Customer Relationship Management, Customer Journey Continuous Improvements, Process Automation and Customer Service Centre will be funded by private investment via Correla. For clarity, this is a removed cost, not a deferral.

We look forward to discussing with you further to understand what has led to the misperception that we will be seeking payment for these items later.

Where we are suggesting a change in payment profile is CMS. In this case, the proposal is for Correla to invest in the set-up of the system and take responsibility for and risk of unforeseen costs, refresh liabilities and upgrade responsibilities in return for a flat subscription fee. This is a standard subscription model used for most software-as-a-service offerings, including Microsoft's Office 365. As a way of smoothing out up-front investment, it could also be considered to be deferring cost.</td></tr>
<tr><td>SGN</td><td>We welcome the clear cost segregation associated with improving Customer Experience now becoming solely a Correla cost as part of the DSC+ Contract deliverables. However, SGN believes there is still significant work required by Correla and Xoserve to ensure that the new Customer Experience is managed effectively, for example Change Requirements being fed back to Xoserve in a timely and efficient manner.</td><td>Both Xoserve and Correla are committed to and driven by providing excellent customer service as measured by the ICS Survey scores. Everything we have committed to deliver under customer experience will still be delivered.

We continue to strive for improvement across everything we do including within the change process. For this reason, Project 1stop has been initiated to review and act upon feedback, both on an ongoing basis and from the quarterly Customer Change KVI survey. Further details can be found on Xoserve.com https://www.xoserve.com/change/project-1stop/</td></tr>
<tr><td colspan="3">Opening Up Our Data</td></tr>
<tr><td>EON</td><td>We would like to understand how Xoserve is ensuring that Customer funding is separated from funding for DSC+?</td><td>We assume by customer funding you mean the funding for individual bespoke development in DDP Prime.

As with all investments under DSC, the delivery of work in relation to Opening Up Our Data is contracted via a Statement of Work (SOW) between Xoserve and Correla, under the terms of the DSC+. The SOW reflects the work required, and associated funding, to deliver the DSC investment in DDP Core, as described in the business case. Any developments for individual customers within DDP Prime will be undertaken under contracts between Correla and the individual customers as separate programmes of work. As a result, the activities in respect of DDP Core and DDP Prime are undertaken, funded and managed completely separately.</td></tr>
<tr><td>EON</td><td>DDP DevOps Team - £300k. How has Xoserve determined that 6 featured dropped are optimal and moreover essential?</td><td>The requirement for 6 drops per year is driven by continuing demand for changes and a healthy backlog of work. We believe demand could potentially justify increasing this further, however we feel that 6 drops is the minimum number of releases to maintain the pace of change in line with customer priorities while avoiding cost increases. All backlog items being worked through are prioritised with customers, considering both size and complexity as well as customer benefits. We will continue to work with customers through regular constituency meetings and are happy to meet with you individually to discuss your ongoing requirements in more detail.</td></tr>
<tr><td>EON</td><td>How has the benefits of £400,000-£600,000 been calculated?</td><td>The benefits have been calculated using a set of underpinning assumptions around how our customers will benefit, based around the key themes of improved data access, reduced costs, improved quality and improved decision making (see slide 8 of the Opening Up Our Data presentation for more details).

The precise benefits will vary by customer and we would be happy to have a session with EON to run through some calculations based on your specific business practices.</td></tr>
</table>

Section Two: Feedback on Consultation questions

Customer	Feedback Provided	Xoserve Response
NGN	Opening up our data, is one of the investment areas we strongly support. However, the DDP journey from a DN perspective has not moved as quickly as we would like. We have had to pay for separate reports that are on the roadmap for DPP but ideally should have been built into the platform by now. We are keen to see the progression of this platform to address more of the pain points for DNs, especially in the finance area.	We recognise the feedback and, as part of regular constituency meetings, we will work with DNs to ensure that the highest priority items are in scope for delivery. We will also be happy to have conversations on options to accelerate delivery plans should the rate of change not be sufficient.
SGN	SGN support the general direction of travel regarding Opening Up Our Data and the recommended spend regarding Cyber Security. We would request that any changes to the Data Discovery Platform (DDP) whether these be enhancements or new services remain within the investment/change budget to ensure visibility and clearly scoped change requirements are delivered.	In response to customer feedback, we have moved the funding for DDP releases back to the Investment budget in the second draft of BP22.
Gemini Roadmap		
EON	Delivery of the platform enhancements will result in a reduction of the current annual change budget (£3m per annum) being reduced by 25% by end of BP24/25. But investment only lasts for 5 years, so benefits are only achieved for 2 years (25/26 and 26/27)	The benefits will begin to be realised from 2022/23 with an estimated 10% reduction to future change costs through the automation of testing. Year on year, the real term costs of the change will reduce to the planned level of 30% reduction by the end of 2024/25. This will continue to be realised as an enduring benefit beyond the business plan period.
EON	The Business Plan does not mention current Gemini procurement activity and any risks and/or uncertainty on expenditure levels this may create.	At National Grid's request, BP22 has been prepared on the basis that the Gemini system remains a CDSP Service for the foreseeable future. Whilst this represents only one possible outcome from the current process being run by National Grid, in all scenarios the current Gemini system will remain for at least 2022/23 and potentially for the following year. Since the tender process is not scheduled to complete until after BP22 is finalised, we will consider any changes to costs for future years in BP23, following further consultation with National Grid.

Section Two: Feedback on Consultation questions

<table>
<tr><th>Customer</th><th>Feedback Provided</th><th>Xoserve Response</th></tr>
<tr><td colspan="3">UK Link Roadmap</td></tr>
<tr><td>EON</td><td>The investment in UK Link Future Enhancements is substantial and wouldn't appear completely essential given its delay.
Other investments (Core Platform Migration) generate MTB savings of £0.7m per annum from 2023/23.
Can Xoserve quantify projected savings generated from the £5.7m investment in UK Link Future Enhancements? The Business Case suggests that investment will generate an annual cost avoidance of £1.9m, is this a result of the UK Link Future enhancements investment?</td><td> This investment is to provide additional capacity within the platform to ensure that future demand can be met, both in terms of increased volumes (e.g. driven by Smart Meter rollout) and the ability to process data in near real time. Since this investment doesn't commence until 2023/24 we will provide full details and benefits within a business case as part of BP23 business plan process, where we can understand the customer need or appetite for these enhancements. As you state, the business case for UK Link enhancements has an annual cost avoidance of £1.9m, including removal of the need for additional Oracle licences and on-going infrastructure maintenance. </td></tr>
<tr><td>SGN</td><td>Although we are supportive of the ongoing planned spend in relation UKLink we would challenge the allocation of some of the costs presented in BP22. As part of the Core Platform Migration in years BP20/BP21 the allocated funding was adjusted from the standard split in relation to the enhancements being delivered. Subsequently in BP20 the allocation was moved from a 50/50 split between GDN's and Shippers to a 10/90 split which in turn flipped to a 90/10 split in BP21. SGN note that the allocation has not reverted to the 50/50 split in line with the service area in BP22 as was advised by Xoserve in BP20.</td><td> In BP20, the £16m costs of the three-year programme were split 50:50 between Shippers (£8m) and DNs (£8m). The proportion of charges for each year was different as per the table below.
<table>
<tr><th></th><th colspan="5">Business Plan 20 Total</th></tr>
<tr><th></th><th>NTS</th><th>GDN</th><th>iGT</th><th>Shipper</th><th>Total</th></tr>
<tr><td>2020/21</td><td>-</td><td>600</td><td>-</td><td>5,400</td><td>6,000</td></tr>
<tr><td>2021/22</td><td>-</td><td>5,400</td><td>-</td><td>600</td><td>6,000</td></tr>
<tr><td>2022/23</td><td>-</td><td>2,000</td><td>-</td><td>2,000</td><td>4,000</td></tr>
<tr><td>2023/24</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>-</td><td>8,000</td><td>-</td><td>8,000</td><td>16,000</td></tr>
<tr><td></td><td>0%</td><td>50%</td><td>0%</td><td>50%</td><td></td></tr>
</table>
In BP21 the overall cost (£16m to £15.6m) and phasing of the programme was revisited. If the BP20 percentage allocations were applied to the BP21 updates (and year 1 charges already collected), Shippers would have paid 54% overall as per the table below.
<table>
<tr><th></th><th colspan="5">Business Plan 21 Use same % allocations as BP20</th></tr>
<tr><th></th><th>NTS</th><th>GDN</th><th>iGT</th><th>Shipper</th><th>Total</th></tr>
<tr><td>2020/21</td><td>-</td><td>600</td><td>-</td><td>5,400</td><td>6,000</td></tr>
<tr><td>2021/22</td><td>-</td><td>4,971</td><td>-</td><td>2,789</td><td>7,761</td></tr>
<tr><td>2022/23</td><td>-</td><td>1,400</td><td>-</td><td>200</td><td>1,600</td></tr>
<tr><td>2023/24</td><td>-</td><td>211</td><td>-</td><td>78</td><td>289</td></tr>
<tr><td>Total</td><td>-</td><td>7,182</td><td>-</td><td>8,467</td><td>15,649</td></tr>
<tr><td></td><td>0%</td><td>46%</td><td>0%</td><td>54%</td><td></td></tr>
</table>
Therefore the charging percentages were updated to ensure the overall the 50:50 funding split was maintained.
<table>
<tr><th></th><th colspan="5">Business Plan 21 final allocations</th></tr>
<tr><th></th><th>NTS</th><th>GDN</th><th>iGT</th><th>Shipper</th><th>Total</th></tr>
<tr><td>2020/21</td><td>-</td><td>600</td><td>-</td><td>5,400</td><td>6,000</td></tr>
<tr><td>2021/22</td><td>-</td><td>5,588</td><td>-</td><td>2,173</td><td>7,761</td></tr>
<tr><td>2022/23</td><td>-</td><td>1,412</td><td>-</td><td>187</td><td>1,600</td></tr>
<tr><td>2023/24</td><td>-</td><td>226</td><td>-</td><td>63</td><td>289</td></tr>
<tr><td>Total</td><td>-</td><td>7,826</td><td>-</td><td>7,823</td><td>15,649</td></tr>
<tr><td></td><td>0%</td><td>50%</td><td>0%</td><td>50%</td><td></td></tr>
</table>
For BP22 the totals and phasing for 2022/23 and 2023/24 are the same so the percentages applied in BP21 are still valid. </td></tr>
</table>

Click/tap for contents page

Section Two: Feedback on Consultation questions

Customer	Feedback Provided	Xoserve Response
Protecting Against Cyber Crime		
EON	• A Contract Managers Committee presentation states 'Xoserve in partnership with Correla, will continue to deliver the Information Security and Privacy strategic transformation to protect Customer, Consumer, Industry Data and Systems.' • Whilst we are fully supportive of cyber security being prioritised we are unclear on investment splits between Xoserve and Correla for this category. Ordinarily a contractor, which Correla has been described as, would manage its own data protection requirements.	We can confirm that the investment amounts for Protecting Against Cyber Crime in BP22 relate solely to the activity needed for Correla to protect Industry platforms/data on behalf of Xoserve (i.e. cybersecurity for the CDSP Services).
SGN	SGN support the general direction of travel regarding Opening Up Our Data and the recommended spend regarding Cyber Security.	Thank you for your support in this area.
Decarbonisation		
EON	We are supportive of work that helps the UK meet its decarbinisation and net zero climate targets.	Thank you for your feedback and support in this area.
SGN	SGN has highlighted to Xoserve our concerns regarding the recommended funding for the various decarbonisation projects which are either currently in flight or due to commence over the coming months and years. SGN believe that any Decarbonisation funding to support these projects requires clearly defined and measurable outputs, as this will be key to our reporting of the progress on these projects with Ofgem. To this end we have requested that the proposed Budget be reduced to the level previously agreed in BP21 to ensure we can clearly indicate to Ofgem that we are efficiently utilising the resources and experience provided by Xoserve within this area.	Having discussed with the funding parties for this investment (Distribution Networks), the next draft of BP22 will reduce the investment funding to £1.8m per annum as agreed.
Scottish Power	We appreciate this is 100% GDN's funded but wanted to highlight that Shipper impacts need to be fully impact assessed given the recent issues we had seen with the Hydeploy Pilot this year. As we move towards Net Zero we are going to see this sort of activity more frequently over the coming years and any Shipper impacts need to be identified as early as possible to mitigate any risks and allow changes to be made in a timely manner.	We will ensure that shipper impacts are considered moving forward.
REC Change		
EON	REC and CSS related change costs continue to be significant. We have previously raised concerns in this area and provide more information below within the questions section.	We have responded to your REC & CSS change concerns within the section that covers the consultation question on the CSS programme (see page 30/31).
SGN	In light of recent discussions and challenges regarding the movement of the Data Enquiry Service (DES) from a DSC service to a solely RECCo Service under the Gas Enquiry Service (GES), we are keen to understand the treatment of MTB Costs in this area as the GES Service stands up upon delivery of CSS go live in 2022. For example, has the cost reduction associated with no longer providing DES to DSC parties been considered within the MTB, and adversely does the additional provisioned for REC/CSS include the same? What assumptions have been made, and how does the projected budget account for the funding of GES still being undecided?	Discussions with RECCo about GES are at an early stage, and, until anything specific is decided, BP22 has to reflect the full recovery of DES costs within the DSC charges. Once there is clarity on how/ where cost recovery will be funded, we can reduce the DSC costs accordingly. We do not expect the RECCo position to be finalised at an early enough point to be included in the final draft of BP22.
Scottish Power	The introduction of the new Gas Enquiry Services (GES) under the REC is looking to replace the existing Gas Enquiry Service (DES) that is currently provided to Shippers under the UNC. There are ongoing Industry discussions around DES and whether Xoserve will continue to provide this service to Shippers and Transporters. ScottishPower would like assurance that we will not pay twice for this service in the REC & UNC. If the final decision is that parties would need to access this service under the REC only, we would expect to see this reduction visible in the final BP22.	

Click/tap for contents page

Section Two: Feedback on Consultation questions

Customer	Feedback Provided	Xoserve Response
General Change		
EON	The cost for this area increases from £3.7m in 21/22 to £12.2m in 24/25. Whilst we recognise there are many unknowns for 24/25 allocating such a substantial pot does not follow zero based budgeting logic, which we would recommend. We would challenge £12.2m as being a suitable value for 24/25 and would require any further detail regarding those assumptions that have led to this level.	The increase you highlight is shown within the unallocated investment pot as a placeholder to keep total expenditure (Totex) levels consistent in years 2 and 3 of the plan. This approach was requested by customers and has been included since BP20. The need to use this funding for investments will be clarified in future Business Plans and at that point be allocated to Investment Areas/ lines, with business cases put forward for review and agreement. If you would prefer an alternative value to be used, we would welcome your suggestions for a proposed value for discussion at the next Contract Management Committee.
Would your organisation be able to support the level of change being proposed? If you have capacity constraints, which initiatives would you prioritise and why?		
Centrica	Stakeholders have already dedicated resource to inflight projects, our priority is to see the completion of current investments, including the CSS programme on time and on budget. There is an unprecedented amount of pressure on energy companies with no immediate end in sight. These are known constraints to the market as a whole and not solely a capacity issue for Centrica. We would like to ensure focus and resource is prioritised to mitigate constraints to essential gas processes and procedures.	We understand the unprecedented amount of pressure currently being experienced by energy companies, both as a result of the significant industry change and current price challenges. Consequently, we have only included those investments we consider to be essential for the continued delivery of CDSP Services and which are: • Driven by energy industry programmes/ regulatory policy (outside of Xoserve's direct control); • Essential to support the safe and secure operation of the industry processes that Xoserve supports; or • Improving customer experience in direct response to feedback from customers on pain points Each of these investments, apart from CSSC, which is an industry-led programme, have detailed business cases setting out justification and benefits and we have included how they align to and support CDSP Services. Where possible, the benefits cases reflect potential consumer benefits, although it should be noted that these are based on a series of assumptions around financial impacts, reflecting that the application of these benefits to end consumers is at our customers' discretion and can vary between organisations. Supporting information was sent to all DSC Contract Managers and included both investment overviews/ road-maps (in the form of presentations) and detailed business cases, containing the benefits cases for each investment. The overviews were presented by Xoserve and the Investment Leads at DSC Contract Management Committee in September and both were then issued to all DSC Contract Managers shortly afterwards. We subsequently held engagement sessions at each of the customer constituency meetings and held 1-2-1 meetings with a number of individual customers to allow for further discussions. We continue to engage with customers to listen and respond to concerns and would welcome an understanding of any investments that you consider to be no longer essential.
EON	• We would ask that Xoserve focuses on essential changes only. As explained above any changes that are not essential would need to have a clear business case setting out payback/justification. • Xoserve needs to be mindful of significant industry change including MHHS, the implementation of CSS, as well as unpredictable/less predictable market occurrences – we have experienced two of these in the past 48 months – the covid-19 pandemic and a torrent of supplier failures. Managing these circumstances calls for flexibility within planning. We request Xoserve to take stock of the current market conditions and the impact this is having/will have on participants when considering investment levels and implementation timetables.	
SGN	No comments	Noted.
Has the information issued in support of the investment areas provided you with the additional level of detail required to better understand the investments being proposed?		
Centrica	No, we expect to be able to analyse granular level detail of each investment to understand the recommendations in the plan. This has not been provided and we expect to be able to review this information prior to the development of any investment area.	We have shared supporting information with all DSC Contract Managers, including Centrica, and included both investment overviews/ road-maps (in the form of presentations) and detailed business cases, containing the benefits cases for each investment. The overviews were presented by Xoserve and the Investment Leads at DSC Contract Management Committee in September and both were then issued to all DSC Contract Managers shortly afterwards. We subsequently held engagement sessions at each of the customer constituency meetings and held 1-2-1 meetings with a number of individual customers, including Centrica, to allow for further discussions. We will schedule a follow-up session to explore with you.

Click/tap for contents page

Section Two: Feedback on Consultation questions

Customer	Feedback Provided	Xoserve Response
EON	• We welcome additional information provided for each investment area and it is helpful to be able to understand return on investment. However, it is not possible to understand how values have been calculated (e.g. assumptions taken) and it is unclear whether investments are going directly to and staying with Xoserve or whether they will be passed through to Correla (or other contractors). • In Xoserve's response to its Principles and Approach consultations it explained that Xoserve 's focus is on contract management and assurance. Should this be the case it seems likely that a large proportion of costs are stemming from the Correla contract - the breakdown of which is not visible. Accepting any commercial sensitivity is Xoserve able to share any further detail regarding value of contracts to third parties, even if these third parties are not named?	Xoserve has always used an ecosystem of service providers/ contractors to deliver the CDSP Services and it has never been possible to share information on charges that Xoserve pays to these parties due to legal obligations around commercial confidentiality. The impact of such obligations on the business planning process is unchanged by the creation of Correla. Instead, the creation of Correla has provided an opportunity to create a commercial contract (DSC+) of the type that Xoserve was precluded from putting in place, due to its funding, governance and ownership arrangements. By contrast to DSC, the DSC+ contains commercial levers which both incentivise performance and allow Xoserve to take meaningful corrective action, on behalf of customers, if needed. Over time, we hope the value of this independent, centralised approach to the assurance of the CDSP Services will become self-evident, with customers gaining sufficient trust in the model to feel able to reduce their own costs in relation to the management of the DSC, thus significantly reducing costs across the industry with a corresponding benefit to consumers. We see the introduction of the board assurance statement as a key part of this journey. In the meantime, we have shared supporting information with all DSC Contract Managers, and included both investment overviews/ road-maps (in the form of presentations) and detailed business cases, containing the benefits cases for each investment. The overviews were presented by Xoserve and the Investment Leads at DSC Contract Management Committee in September and both were then issued to all DSC Contract Managers shortly afterwards. We subsequently held engagement sessions at each of the customer constituency meetings and held 1-2-1 meetings with a number of individual customers, to allow for further discussions.
SGN	We are pleased to see the ongoing provision of Business Case information to provide further details and clarification around any proposed investments Xoserve believe should be made in the coming years.	Thank you. We will continue to share the business cases with you as they evolve.
Would you prefer for the plan to include a value for contingency in the CSS programme, in case the programme is further delayed or PIS reshaped/extended?		
Centrica	If funding is included in the budget it is essential that it is justified and must be returned if the funds are not required to be drawn upon. We expect to be kept informed of developments and any recommendations provided to stakeholders made on the best course of action to mitigate known risks.	As confirmed during the CSSC presentation at September's DSC Contract Management Committee, any funds allocated as contingency that are not required to complete the CSS programme will be returned to customers. The CSSC programme team will continue to engage with customers on all aspects of the programme and its progress.
EON	• CSS costs are already significant and are in addition an array of other direct switching costs. Please see a breakdown of just three bodies below for 21/22: o DCC ("switching") - £27.1m o REC ("switching programme support") - £3.6m o Xoserve ("CSS") - £13m • We have previously stressed that the broader costs of CSS need to be shared with Ofgem so that it understands costs are not isolated to the programme itself. • We recognise that a contingency may be required given the level of uncertainty. Could Xoserve share whether 2020/21's contingency has been utilized. From a budgeting perspective contingency can very easily be viewer as "within budget" so the application of any contingency would need to have appropriate sign-off before being drawn down.	We can confirm that the 2020/21 contingency was drawn down to fund the extension of the Switching Programme as a result of the COVID-19 deferral. This was utilised as Parties Under Integration (PUIs) were expected to continue activities through the deferral (also outlined as part of BP21). The value in BP22 for 2022/23 includes an element of contingency for scope change or other minor factors. Any expenditure against this will be notified through the CSS change management route. We have shared the first draft of BP22 with Ofgem, which includes our budget for CSS, and will continue to keep them informed as our consultations progress. We would encourage EON to engage directly with Ofgem on this matter too.
SGN	SGN have no comments regarding CSS contingency funding however would seek clarification on the MTB, CSS and REC costs detailed within the BP22.	Thank you for confirming. The response to your request for clarification is included under the REC Change section of the first consultation question (pages 26/27).

Section Two: Feedback on Consultation questions

<table>
<tr><th>Customer</th><th>Feedback Provided</th><th>Xoserve Response</th></tr>
<tr><td>Scottish Power</td><td>In view of the Faster Switching Go Live date due to being confirmed in January 2022, it is too early to expect that there will be delay to the Programme. Currently the Programme is on track to be delivered within the current Go Live range of June to August 2022.There is no explicit contingency in the current BP21 for CSS. Scottish Power would like Xoserve to explain the specific costs that would result in an increase of £2.5m for a delay of 3 months, i.e. directly as a result of a delay.

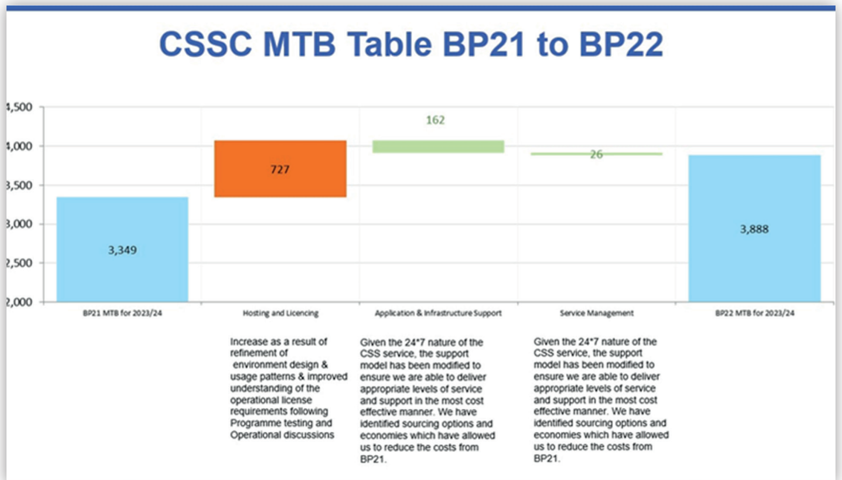
We are also concerned regarding the increasing cost for CSS as the MTB run cost from 2022/23 has increased from £3.4m in BP21 to £3.9m in BP22. In BP21 the annual cost forecasted for supporting CSS post Go Live for 2023/24 was £3.3m.

BP22 has seen an increase of +£0.5m from the value stated in BP21, due to changes to the Industry Central Switching Service (CSS) programme. We would like to understand how this cost is attributed to the Business Plan. Can you please provide a lower level of granularity of all activities and resources making up this spend?</td><td>Our current forecast includes an assumption of the latest Go-live date (end of August 2022) + 3-month PIS period. The additional contingency of £2.5m would only be required should the programme decide to extend Go-live post August 2022 or should PIS be extended. Following customer consultation feedback, we have not included this contingency in the second draft of BP22. Consequently, in the event that there are any substantive delays to current programme timelines Xoserve may need to make a further funding request to customers within the life of the Business Plan.

As per our BP21 and BP22 submissions, our MTB costs of £3.3m in BP21 (increased by CPIH (2%) to £3.4m to get to 2021/22 prices) was an estimate based on the known facts at that point in the programme. Key aspects that fed into the MTB costs were yet to be defined at that stage.

In the past 12 months, we have gained clarity via the Switching Programme which has resulted in the fine tuning and revision of the estimates.

The details contributing to the increase are detailed out in our BP22 presentation as presented at Septembers' DSC Contract Management Committee and issued to all DSC Contract Managers; extract included below for completeness.


</td></tr>
<tr><td colspan="3">What additional information would you need in order to identify your preferred funding option for CMS?</td></tr>
<tr><td>Centrica</td><td>It is critical that an opportunity is given to review and analyse information gathered, to understand the decision made to progress on a subscription model versus alternative funding models. As described in our cover letter, to mitigate potential conflicts of interest, it is essential that Xoserve independently conducts market-based testing rather than rely on that conducted by any third party from which it will procure services. Please provide details of how such processes have been conducted and as much transparency on results as is possible, that assures Xoserve of efficiency of the selected solution, both on price and specific service provision criteria.</td><td>As discussed at DSC Contract Management Committee we are working to provide a full assessment of the two funding models for the CMS build. This will be published as soon as we are comfortable that it will address customers' questions and we will ensure there is opportunity to review/ ask questions about the two options so that customers can make an informed decision about what is in their best interests.

In term of market testing, Xoserve has been overseeing a competitive bid process based on customers' requirements, gathered by Correla on Xoserve's behalf in collaboration with customers through a workshop process over a number of months. Bid responses were objectively evaluated against a matrix of requirements to determine the best supplier to deliver the solution. Xoserve has assured itself that the process has been competitive and that the evaluation has been undertaken fairly.

The solution being proposed is the same in both funding cases, based on the same set of customer requirements and technical architecture. Consequently, the only difference is the funding model (either Investment funded with build costs up front or subscription model funded, with up-front build costs covered by Correla and then recovered as part of a subscription fee). The final decision will be up to customers.</td></tr>
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Click/tap for contents page

Section Two: Feedback on Consultation questions

Customer	Feedback Provided	Xoserve Response
EON	• It is difficult to compare the cost of Xoserve building the system versus the proposed approach. The stated savings do not paint a clear picture as this will undoubtedly be recouped by Correla as part of the subscription methodology. • The level of investment by Correla is not stated so it is not possible to understand value for money. • As mentioned above, the stated values of £1.3m (23/24) and £1.1m (24/25) ignore the £0.6mthat is stated to be rolled over from 20/21.As it has not been spent the£0.6m should be included in investment values given it would otherwise be returned to customers. • It is not clear if the values stated above are categorised as investments as the table on page 15 does not include them - implying they are included in MTB, which tallies with the text on P10. However, the heading on page 1 has these costs under an investment heading. Please clarify.	As mentioned above, we are working to provide a full assessment of the two funding models for the CMS build. This will be published as soon as we are comfortable that it will address customers' questions and we will ensure there is opportunity to review/ ask questions about the two options so that customers can make an informed decision about what is in their best interests. Customers will be able to make a direct comparison between the costs of the two funding options since the solution being proposed for each is the same, based on the same set of customer requirements and technical architecture. We confirm that the £600k in BP21 can be rolled over into BP22 if customers choose the subscription model option and have shown this as an assumption in the second draft of BP22. In terms of categorisation of costs, this will depend on funding model that customers choose: • *Investment funded:* in this case, there will be an investment needed to fund the build of the new CMS system plus on-going MTB costs for operating the service. • *Subscription model:* in this case, there are only ongoing subscription costs as upfront investment will be funded by Correla, pending recovery of those through the subscription fees. Hence these costs manifest in MTB only.
SGN	SGN would require the cost benefit analysis of delivering the CMS Service via Correla investment and ongoing user charges versus that of the historical route where Xoserve deliver, and DSC parties pay for the IP and MTB costs. Without this information and a long-term view of the financial impact i.e. 5 years we will be unable to direct Xoserve in this regard.	We understand the need for further detail on the CMS options. As mentioned above, we are working to provide a full assessment of the two funding models for the CMS build, including a direct comparison between the costs of the two funding options. This will be published as soon as we are comfortable that it will address customers' questions and we will ensure there is opportunity to review/ ask questions about the two options so that customers can make an informed decision about what is in their best interests.
NGN	With regards to CMS rebuild funding, our main priority is having a system that is fit for purpose that streamlines the current inefficient industry processes. We have no preference on how this is funded.	Thank you for confirming.
Scottish Power	The funding cost for the replacement of CMS is currently £1.3m in 2023/24 and £1.1m in 2024/25 and it states these values reflect further investment from Correla allowing for services to be on a subscription basis. At present it is unclear what services would be available to parties and at what cost, more detail will be needed to understand what options are available. The introduction of the CMS rebuild was designed to automate clunky and time-consuming operational processes and minimise the need for customers to contact Xoserve (self-serve function). Once the CMS Platform has been implemented, we would expect to see a reduction in overall costs forecasted in the business plan from the efficiencies and resource reductions made year on year. When would customers expect to see this reduction reflected in the BPs?	The CMS requirements have been developed with customers and are published on our website. You can find them **here**. As mentioned above, we are working to provide a full assessment of the two funding models for the CMS build. This will be published shortly and we will ensure there is opportunity to review/ ask questions about the two options so that customers can make an informed decision about what is in their best interests. It is assumed that the costs would be apportioned in the same way as they are currently apportioned for MTB. We note that most of the requirements gathered for CMS seek to address customer inefficiencies by removing manual input at the customer end. We have examined whether there are any possible opportunities for further automation of CDSP processes and our conclusion at this point is that there are no further material savings to be made.