

Dear Customers and Industry Colleagues,

In my last update to you all, I stated my intent to re-instate a dedicated UIG team. I also shared my aspiration that, with our customer's support, we would aspire to push beyond what Xoserve typically has the remit to do; because without a change of approach, we will not make progress on such a complex issue via committees alone.

I am extremely pleased to say that our customers agreed and raised a UNC Modification, which Ofgem subsequently approved. This Modification and associated BER provide the funding, support and mandate for Xoserve to investigate the root causes and influencers of UIG, with a target of reducing its volatility and scale and to develop a robust predictive model for daily UIG for use by all customers.

We have been preparing on the basis that the Modification would be approved and therefore I can report that as of today we have:

1. Conducted a thorough scan of the market, identifying companies with sufficient depth of analytical capability that it can meaningfully augment our own
2. Conducted a procurement process to enable the selection of a preferred partner
3. Notified the preferred partner and started the contracting process, *which we aim to complete by the end of July*
4. Identified all of the internal Xoserve resource which needs to be seconded onto the task-force and started the process of backfilling where required
5. Identified how work and resources should be structured to best achieve the overarching goals
6. Set-up internal governance

As a result we are on-track for the new UIG Task Force to be mobilised by 1st August, just three weeks after funding was approved, with an update on progress week commencing 30th July. We will be providing a progress update on our website monthly thereafter, in addition to ad-hoc updates as we make notable progress or require industry input. We will be following an agile sprint methodology, with the scope of the first sprint being made clear in our initial communication.

Reducing UIG volatility is an extremely complex industry challenge, which has proven to be resistant to traditional techniques. We recognise that deployment of advanced analytics will be new to some of our customers and such techniques are hard to track through traditional project reporting approaches and the end-result is not guaranteed. Therefore our emphasis will be on quality reporting, absolute transparency and careful management of industry expenditure. Customers will have the opportunity to reflect on whether our new approach is working at regular intervals, and as part of Change Management Committee through the remainder of this year.

I would like to thank customers for putting their faith in Xoserve and we look forward to sharing our progress with you over the coming months.

Kind regards

Sian

