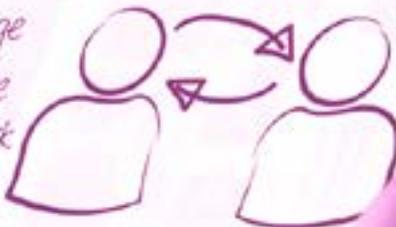


xserve

"We believe in radically simplifying the energy market through maintaining and leveraging industry assets for the benefit of all"

- Engage
- Valuable feedback
- Respond



Working to be more Customer Centric

2019 Business Plan

Consultation on updates to Draft Plan

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Foreword from Xoserve CEO, Sian Jones

I want to start by saying a huge thank you to everyone who has taken the time and trouble to engage with us on our draft Business Plan. I have been greatly encouraged not only by the number of conversations that have taken place but also by the quality of your engagement. It shows that we really are taking steps towards becoming a more customer centric organisation; although your feedback tells us that we can still improve when it comes to understanding your requirements for information and the way in which we present it to you.

We're sharing with you today the feedback that we've received on our draft Plan. In response, we're making a number of amendments to the Plan's financial forecasts, reducing our total funding requirement by £5.3m, although our big picture ambition for the next three years remains unchanged. We want to hear your views on these updates before we finalise the Plan and seek Board approval in January 2019.

The consultation is open until Friday 7th December 2018 and you can find information on how to respond on Page 16. We are hosting a webcast at 10:00am on Friday 30th November 2018, when we will provide an overview of the updated draft Plan and give you the opportunity to ask questions. We have also convened an additional DSC Contract Management Committee meeting on Thursday 29th November 2018 to review the updated draft Plan and listen to customer comments and questions.

Our Customer Advocates will be meeting with customers to walk through the updated draft Plan and will focus on specific topics relevant to each customer constituency. If you would like the opportunity to meet with us to discuss the updated Plan, or would like to join the webcast on 30th November, please get in touch with your Customer Advocate.

I look forward to receiving your valuable feedback.

Sian Jones

Chief Executive Officer



Introduction

This document is our updated draft Business Plan for the period from April 2019 to March 2022. It follows a six week consultation with our customers and summarises the feedback that we received during that period. The feedback is set out on pages 6 to 8, and a detailed customer feedback report is available on the [Xoserve website](#).

“This update follows a six week consultation with our customers”

In response to customer feedback, we have updated some of the financial forecasts in the draft Plan. We have quantified the impact of these updates on our total funding requirements, associating each update with our Maintain the Business or Change and Investment categories. We have also provided information about the impact of these updates on our charges to individual customer constituencies. Financial information is set out on pages 9 to 13.

Towards the end of the document you can also find further information on the consultation process, including:

- The opportunities for customers to discuss and provide feedback on the updated draft Plan
- An update on the previously published consultation timetable
- Questions for customer feedback



Planning Assumptions

In our draft Plan consultation, we assumed that the Central Switching Service (CSS) would go live at the end of 2020. Ofgem has recently published an update to its Switching Programme timeline, indicating a revised go live target date of summer 2021. A number of customers brought this to our attention in their consultation responses and asked that we consider the impact in our financial forecasts.

We are continuing to discuss the scope of our CSS Consequential work with representatives from Ofgem's Switching Programme. This dialogue is considering both an emerging picture in respect of the impacts on our services and systems, and a changing Programme timeline. We think that it would be better to wait until analysis and design activities deliver greater certainty and therefore leave our financial forecasts unchanged until such time as we arrive at a more settled position. We will manage our CSS Consequential workload against the 2019/20 budget and revisit our forecasts for 2020/21 and subsequent years as part of our 2020 Business Plan development.



Customer Feedback

We invited customers to respond to six questions that were set out within the consultation document. We asked for feedback on the investments and change initiatives that we included in the draft Plan and we were interested to know what capacity our customers have to support this level of change. We also asked questions about the robustness of our planning assumptions, about our management of risks and opportunities, and the evolution of the Cost Allocation Model.

“We were interested to know what capacity our customers have to support this level of change”

In numbers:

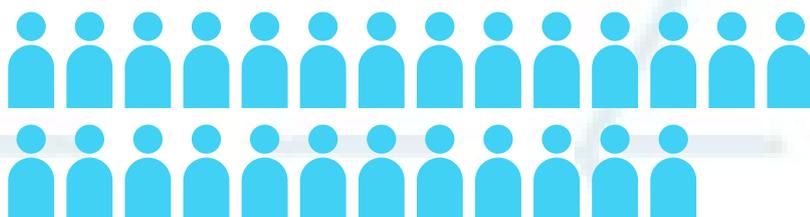


organisations sent us written responses

4
Gas Transporters
2
independent Gas Transporters

2
Shippers
1
trade body representing a number of Shippers

27



customer organisations met with us to discuss the Plan and its impact on their businesses

2

DSC governance meetings hosted

37 Customer representatives took part in a webcast


These allowed us to review various aspects of the Plan


Customers expressed a broad level of support for our progress to date and forward plans to increase our business capabilities and become more responsive to customer needs. Customers also welcomed the marked improvement in the quality of business planning documentation and the changes made to the process in response to previous feedback.

The majority of customers welcomed the Customer Change Programme and see the potential for it to deliver a number of market improvements. They are also keen to ensure that change costs are fully transparent and properly controlled as the Programme moves forward. Specifically, customers want to understand more about the cost implications of a successful or unsuccessful CSS bid, and have expressed caution that our CSS work should not put delivery of our core services at risk. In addition, the DSC Change Management Committee has reviewed the proposed DSC Change Budget and recommended a number of amendments.

We have received very mixed feedback on the proposals for a governance review. Whilst there is an overall desire to see a clear case for change before any significant expenditure is committed, individual customers have expressed interest in reviewing particular aspects of the governance model.

“There is an overall desire to see a clear case for change before any significant expenditure is committed”

Customers are largely supportive of the Xoserve Change initiatives, and there is considerable support for the development of the Data Access Platform. Some customers have sought reassurance that we will conduct cost benefit analyses on the proposed initiatives before committing to investment expenditure.



Customers have told us that they have varying degrees of capacity to manage the total volume of change, with some expressing concern that the Switching Programme and Smart Meter rollout will place a significant strain on the industry. Customers have said that they would welcome early insight of the impact of the CSS related changes on their organisations. A small number of customers have made us aware that they expect to allocate a substantial amount of their IT capacity to other programmes, and that this may constrain their ability to support delivery of the full range of changes set out in the draft Plan.

Customers have expressed broad support for our assumptions, although they have requested further information in certain areas, such as our plans for migrating data to the cloud. The inclusion of a risk margin is seen as appropriate and prudent, and customers have asked for transparency in the event that this is utilised.

There was broad support for continuing to review the Cost Allocation Model such that any changes that may be required could be brought into effect in time for the start of the RIIO-2 period in April 2021.

A number of customers raised matters particular to their organisation in their responses. Our Gas Transporter customers called out the challenges that they face from forecast charges exceeding their RIIO-1 allowances. We have taken this into account in updating our Plan forecasts, and our Customer Advocates will be engaging with Gas Transporters to share an updated comparison of forecast charges and RIIO-1 allowances. In some cases, customers were looking for a greater level of cost detail than we included in the draft Business Plan. We will reflect on this and modify our approach as we start to think about the development of our 2020 Plan.

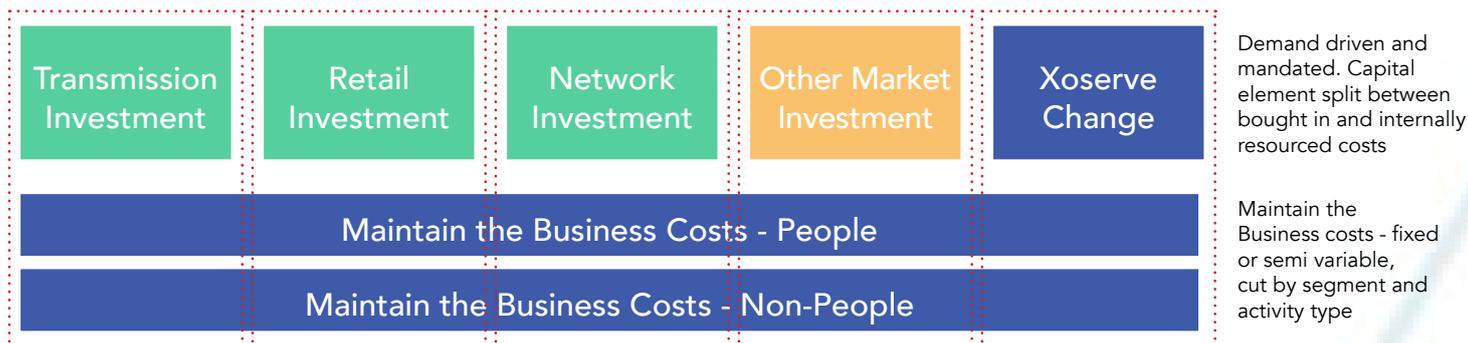
We have published a [detailed customer feedback report](#) alongside this consultation. This report provides more information on what customers have told us and the actions that we are taking in response to their feedback. Actions include the commissioning of a cost efficiency assessment that will benchmark our costs against those of other service providers.



Updates to Financial Forecasts

We have reflected carefully on customers’ feedback and in response to this we have made a number of updates to our financial forecasts. Some of these amendments have an impact on our total funding requirements (Table 1), whilst others impact the allocation of the funding requirements between our customer constituencies (Table 2). We have also re-phased investment expenditure where new information has come to light since publication of the draft Plan (Table 3).

We have continued to classify our costs using the same model as we presented in the draft Plan, and in forecasting constituency funding requirements we have continued to apply the prevailing Cost Allocation Model and CDSP Charging Methodology.



	Customer Demand Driven Investment Xoserve propose, Customers choose including timings and consequential costs	Examples: Uk Link, Gemini, DSC
	Market Driven Investment Xoserve and Customers respond jointly to regulatory/market demand	CSS
	Xoserve Change and Maintain the Business Xoserve develop, Customers consulted	TransformUs



Table 1 – Amendments to total funding requirements

			Original Forecast	Amendment Values			Updated Forecast	
ID	Category	Description	3 years £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	3 years £'000	
1	Customer Change	Reduction in value of DSC Change Budget following engagement and agreement with DSC Change Management Committee	10,560	-250	-905	-905	8,500	
2	Customer Change	Reduction in funding requirement for changes to the Transmission Charging Regime following engagement and agreement with National Grid	2,090	-190	-	-	1,900	
3	Xoserve Change	Reduction in funding requirement for 'Rant and Rave' tool in response to customer representations	100	-50	-	-	50	
4	Market Investment	Reduction in funding requirement for Governance review in response to customer representations. The revised 2019/20 funding requirement is for third party consultancy services to support customer engagement, research and analysis activities. Expenditure will require Board approval, and we will revisit funding requirements for implementation activities during the development of our 2020 Business Plan	1,540	-800	-275	-165	300	
5	Maintain the Business	Increase in procurement efficiency target in response to customer representations	-	-420	-650	-650	-	
TOTAL REDUCTIONS					-1,710	-1,830	-1,720	-5,260
CUSTOMER REQUESTED INCREASES								
	Customer Change	Increase in funding requirement for future Gemini Change Projects following engagement and agreement with National Grid	2,530	-	+1,000	+1,000	4,530	

Table 2 – Amendments that reallocate funding between constituencies

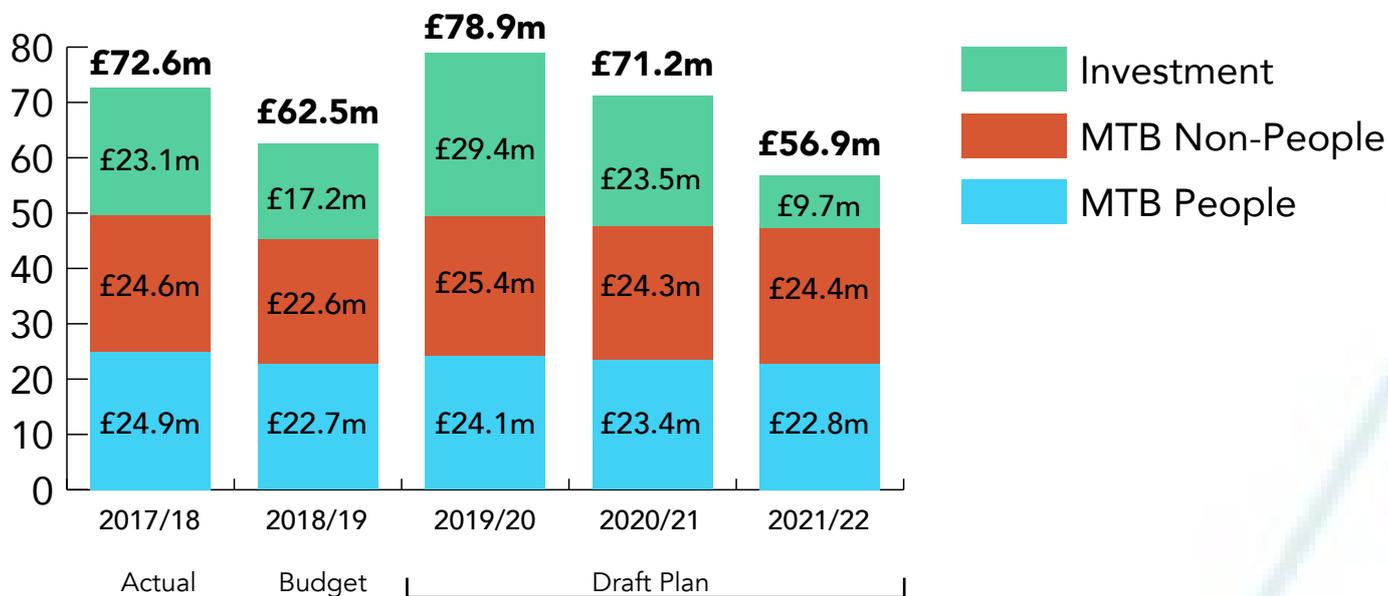
				Amendment Values			
ID	Category	Description	Year	GDNs £'000	iGTs £'000	Shippers £'000	NG £'000
1	Customer Change	Reallocation of DSC Change Budget funding to better target customer charges at service beneficiaries (rather than relying on an end of budget year true-up process)	2019/20	-875	-28	+1,039	-136
			2020/21	-1,050	-34	+1,247	-163
			2021/22	-1,050	-34	+1,247	-163
			TOTALS	-2,975	-96	+3,533	-462

Table 3 – Rephasing of forecast expenditure

			Amendment Values		
ID	Category	Description	2019/20 £'000	2020/21 £'000	2021/22 £'000
1	Customer Change	Gemini replatforming	+580	-580	0

Our Total Expenditure

Our Total Expenditure (revised)

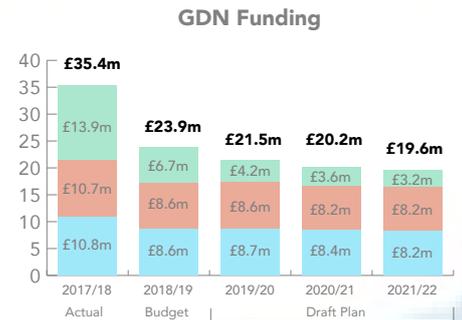
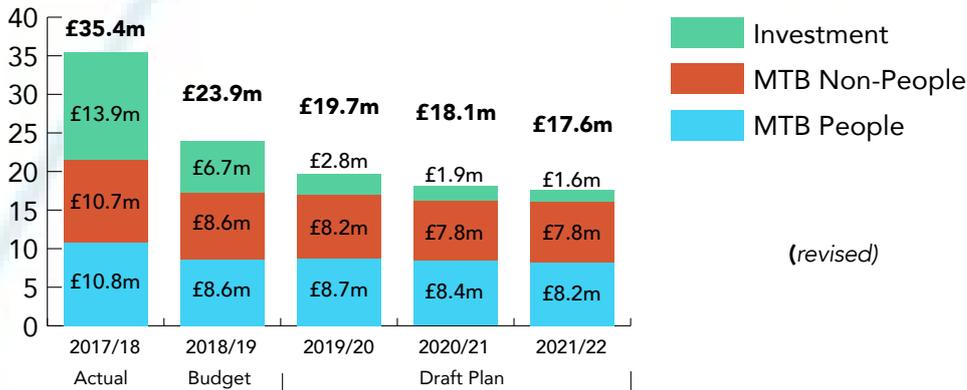


Our Total Expenditure (as per September's consultation document)



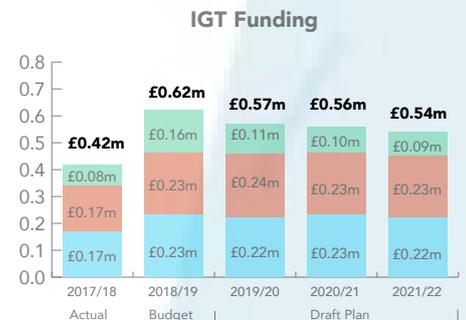
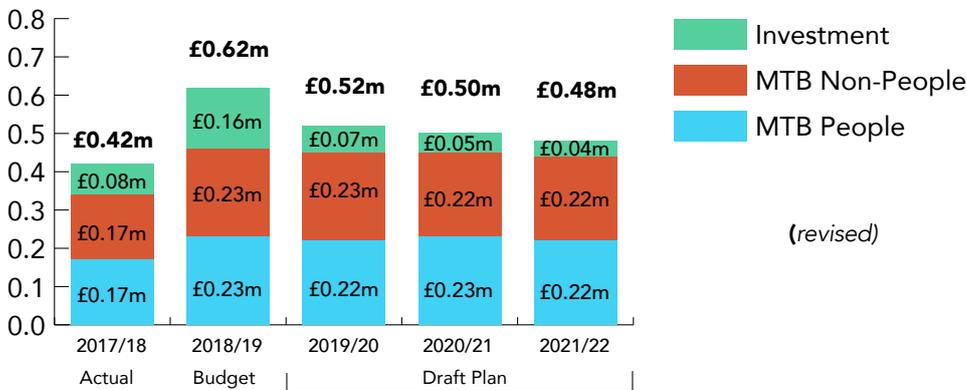
Customer Contintuency Funding

GDN Funding



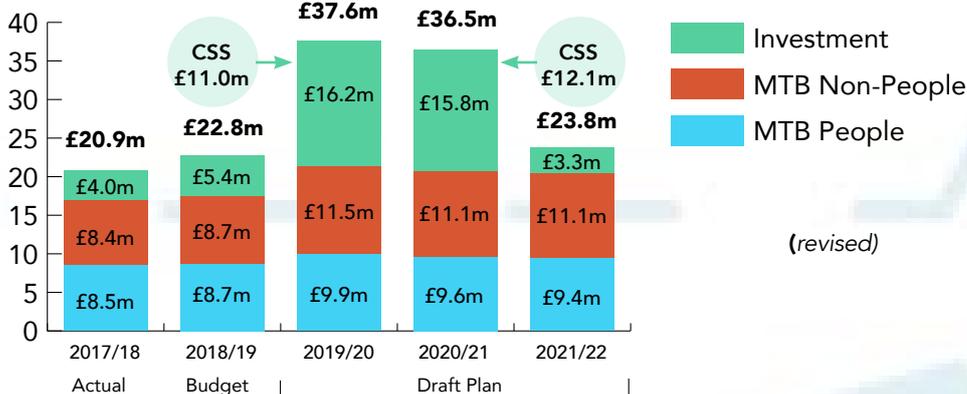
as per September's consultation document)

IGT Funding



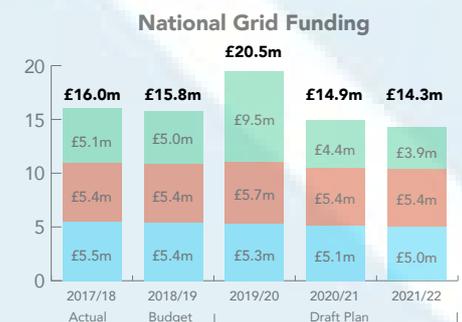
as per September's consultation document)

Shipper Funding



as per September's consultation document)

National Grid Funding



as per September's consultation document)

Customer Engagement

We are keen to offer as many opportunities as possible for all of our customers to provide us with their feedback on the updated draft Plan. To enable this, we are making use of four particular engagement channels:

- Publishing a written consultation document and inviting customers to respond in writing
- Hosting a webcast that presents information to customers and allows customers to submit questions and receive responses, with all presentation material - including questions and answers - published following the webcast
- Meetings with customer organisations to conduct in-depth reviews of the updated draft Plan and associated funding requirements and help customers understand what it means for their organisations
- A specially convened meeting of the DSC Contract Management Committee, which is the forum that is formally recognised in the DSC for customer engagement on the Business Plan.

We have set out below a summary of the engagement phases, their timings, and the different forms of engagement that we will use. A more detailed consultation timeline is available on page 15.

Engagement Phase	Start	End	Duration	Status	Forms of Engagement
Principles and Approach	13/06/18	27/06/18	2 weeks	Complete	Webcast DSC Contract Management Committee Written consultation
Draft Plan	24/09/18	02/11/18	6 weeks	Complete	Webcast DSC Contract Management Committee DSC Change Management Committee Meetings with customer organisations Written consultation
Updated Draft Plan	26/11/18	07/12/18	2 weeks	Open	Webcast DSC Contract Management Committee Meetings with customer organisations Written consultation
Final Draft Plan	09/01/19	16/01/19	1 week	Not yet started	DSC Contract Management Committee

Consultation Timeline

Phase 1 - Plan Approach and Principles						
Step	Status	Date	Action	Provider	Receiver	Deliverables
1.1	Complete	13/06/18	Issue Plan Approach and Principles for customer consultation	Xoserve	All customers CoMC	Plan Approach and Principles Consultation Document
1.2	Complete	20/06/18	Provide feedback at CoMC meeting	CoMC	Xoserve	-
1.3	Complete	22/06/18	Xoserve hosts webcast	Xoserve	All customers	Webcast presentation Customer questions and Xoserve answers
1.3	Complete	27/06/18	Provide written feedback	All customers	Xoserve	Written feedback
1.4	Complete	11/07/18	Issue updated Plan Approach and Principles reflecting customer feedback	Xoserve	All customers CoMC	Final Plan Approach and Principles
1.5	Complete	18/07/18	Consider updated Plan Approach and Principles and note updates	CoMC	Xoserve	-

Phase 2 - Draft Business Plan						
Step	Status	Date	Action	Provider	Receiver	Deliverables
2.1	Complete	13/09/18	Issue draft Business Plan to Board	Xoserve	Board	Draft Business Plan
2.2	Complete	20/09/18	Agree draft Business Plan for issue for consultation	Board	Xoserve	Draft Business Plan
2.3	Complete	24/09/18	Issue draft Business Plan for consultation (including Change Budget requirements)	Xoserve	All customers CoMC	Draft Business Plan
2.4	Complete	10/10/18	Sign off Change Budget requirements	ChMC	Xoserve	Change Budget
2.5	Complete	11/10/18	Xoserve hosts webcast	Xoserve	All customers	Webcast presentation Customer questions and Xoserve answers
2.6	Complete	17/10/18	Provide feedback at CoMC meeting	CoMC	Xoserve	Feedback notes and actions
2.7	Complete	02/11/18	Provide written feedback	All customers	Xoserve	Written feedback
2.8	Complete	15/11/18	Issue feedback report	Xoserve	Board	Feedback report
2.9	Complete	22/11/18	Consider feedback report and agree updates to draft Business Plan	Board	Xoserve	-
2.10	Complete	26/11/18	Issue updated draft Business Plan for consultation	Xoserve	All customers CoMC	Updated draft Business Plan
2.11	Not yet started	29/11/18	Provide feedback at CoMC meeting	CoMC	Xoserve	-
2.12	Not yet started	30/11/18	Xoserve hosts webcast	Xoserve	All customers	Webcast presentation Customer questions and Xoserve answers
2.13	Not yet started	07/12/18	Provide written feedback	All customers	Xoserve	Written feedback
2.14	Not yet started	12/12/18	Issue feedback report	Xoserve	Board	Feedback report
2.15	Not yet started	19/12/18	Consider feedback report and agree final updates to draft Business Plan	Board	Xoserve	-

Phase 3 - Final Business Plan						
Step	Status	Date	Action	Provider	Receiver	Deliverables
3.1	Not yet started	09/01/19	Issue draft Business Plan Consultation Report	Xoserve	All customers CoMC	Draft Business Plan Consultation Report
3.2	Not yet started	09/01/19	Issue final draft Business Plan	Xoserve	All customers CoMC	Final draft Business Plan
3.3	Not yet started	16/01/19	Consider draft Business Plan Consultation Report and final draft Business Plan	CoMC	Xoserve	-
3.4	Not yet started	17/01/19	Issue 'for approval' Business Plan and Business Plan Consultation Report	Xoserve	Board	'For approval' Business Plan and Business Plan Consultation Report
3.5	Not yet started	24/01/19	Approve Business Plan	Board	Xoserve	-
3.6	Not yet started	28/01/19	Issue approved Business Plan	Xoserve	All customers	Approved Business Plan
3.7	Not yet started	29/01/19	Issue 2019/20 Annual Charging Statement	Xoserve	All customers	2019/20 Annual Charging Statement
3.8	Not yet started	15/02/19	Issue 2019/20 Charging Schedules	Xoserve	All customers	2019/20 Charging Schedules

Questions

We welcome your views on all of the information we have set out and on anything that you think we may have missed. We will review thoroughly all the responses that we receive, and will issue a customer feedback report during December 2018.

We have set out below some key questions, which are concerned primarily with the updates to the draft Plan that we have made since our previous consultation. We look forward to receiving your comments - please send these to xoserve.customeropscomms@xoserve.com by Friday 7th December 2018.

- 1) What are your views on the updates that we have made to our financial forecasts? To what extent do they provide a meaningful response to customer feedback?
- 2) Do you agree with our revised thinking on the funding requirements for a Governance review?
- 3) Do you agree with our approach of maintaining CSS Consequential change forecasts until such time as we have greater clarity of requirements?

The logo for Xoserve, featuring a stylized 'X' composed of two overlapping blue shapes, followed by the word 'oserve' in a blue sans-serif font.