



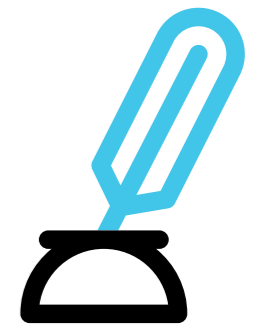
# 2021 Business Plan

## Final Principles and Approach

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# Contents (click/tap to navigate to page)

# CEO Foreword



- CEO Foreword ..... 3
- Introduction ..... 4
- Market Context..... 5
- Our Approach ..... 6
- Focus Areas..... 8
  - Exceptional Customer Experience ..... 8
  - Opening Up Our Data..... 9
  - Gemini Roadmap ..... 10
  - UK Link Roadmap..... 11
  - Protecting Against Cyber Crime..... 12
  - General Annual REC Charge..... 13
  - General Annual UNC Charge..... 13
- Key Assumptions ..... 14
- Customer Timeline ..... 15
- Questions and Participation..... 16
- Appendices ..... 17

I am delighted to be able to share with you the context and thinking behind this years' Business Plan (BP21). Business Planning at Xoserve is only in its fourth year since Ofgem's Funding Governance and Ownership (FGO) review and I am proud that each year we take our customers' feedback and push ourselves to make the process better. You told us that last year we delivered a step change in quality of documentation and process; and this year we aim to do even better. This document sets out our approach to BP21 and specifically lays out the market, customer and technology trends that must inform our funding requirements over the next three years.

Last year I opened the Business Planning process by commenting on the changing energy market and an uncertain future for Britain as we wrestled with if and how to separate from the EU. But 2020 has redefined what uncertainty means, with each one of us experiencing a complete and profound shift in what we consider normal. Xoserve has performed well during the COVID-19 crisis. Our systems, processes and people have all been pushed exceptionally hard and against this backdrop we have ensured the gas market is able to function, through us, without any degradation in service. In fact, in some areas our performance has improved, which gives us cause to reflect on the working environment we provide for employees and the benefit of greater home working and flexible hours.

The energy market as a whole has rallied superbly to the COVID-19 challenge and because of the prompt and thoughtful actions of our customers, we are yet to see any credit defaults or bad debt grow in the centre of the market, despite this being felt by suppliers, and with this in mind we are thoughtful about where to take BP21. Customers may desire us to reduce investment and therefore our charges in 2021 however, a pound spent with Xoserve in reducing the effort customers have to expend to deal with us, will save money for everyone connected to us. With this in mind the objective of this Business Plan is to simplify the investment landscape we present down to a smaller number of investment themes, focused on improving our customer experience and reducing customer effort; alongside our continuing need to keep our platforms and data up to date and secure.

I am incredibly proud of Xoserve's authentic and passionate commitment to providing a world class customer service. We started on this journey knowing we had an exceptionally long way to go and there have been a number of bumps in the road. But I hear from customers every day that they believe that our people care about their success and want to have a positive impact; and this tells me that with grit and determination, we will get there. Certainly, the last six months have delivered a step change in our performance compared to 2019; and the mood across our business is one of optimism, of relentless commitment and a growing confidence that our plans are delivering for customers.

**2020 has redefined what uncertainty means, with each one of us experiencing a complete and profound shift in what we consider normal**

**Sian Jones**  
Chief Executive Officer



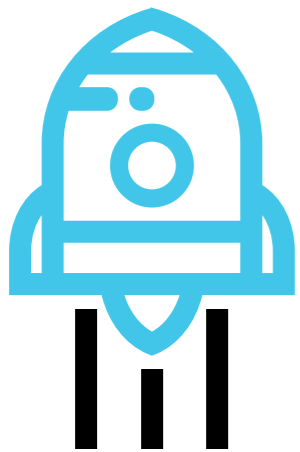
# Introduction

This document marks the start of our annual process to engage our customers in the strategic direction of Xoserve and, specifically, to seek feedback on the investments we believe will deliver the greatest value during the period April 2021 to March 2024.

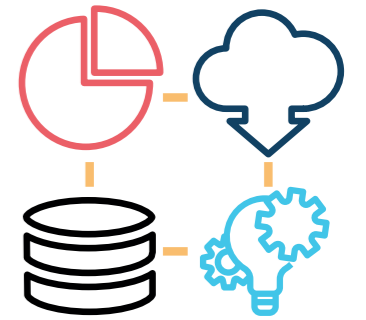
We have listened to your feedback and have taken it into consideration when planning this year's Business Plan. We hope that you will see improvements to our approach that reflect your feedback, and as a result, your experience will continue to improve. We will continue this process through this year's business planning cycle, and we would welcome further feedback from all our customers at any time.

Our aim is to provide you with a thorough understanding of the market context we believe we must respond to, our cost drivers and the assumptions we have made along the way. We plan to give ample opportunity to review, understand and challenge our thinking, ensuring what we do enables and supports your business strategies.

We described our strategy in some depth in our 2017/18 Annual Report and again, in our 2019 Business Plan Principles and Approach document. We will not repeat it again here, **but you can find a summary of our strategy and importantly the detailed ambitions we have set within each strategic pillar on [Xoserve.com](https://www.xoserve.com)**. Our strategy remains unchanged during this next business planning period, but the market context is evolving. A thorough review of our performance in 19/20 will be published in late August in the form of our 2019/20 Annual Report.



# Market Context



***Our aim is to provide you with a thorough understanding of the market context we believe we must respond to, our cost drivers and the assumptions we have made along the way***

The broader market context impacting Xoserve in this business planning cycle can be summarised under four themes:

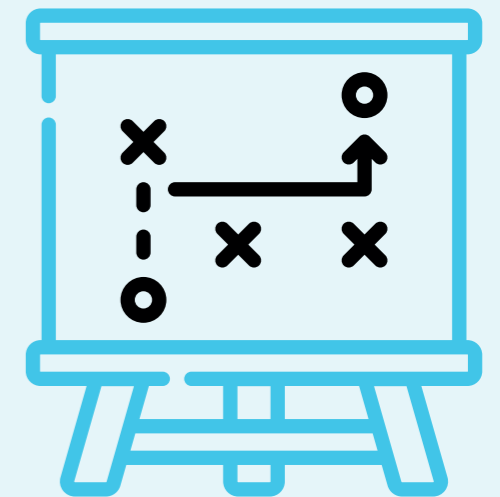
- **Decarbonisation**
- **Energy Market Reform**
- **Open Data**
- **Cost Pressure**

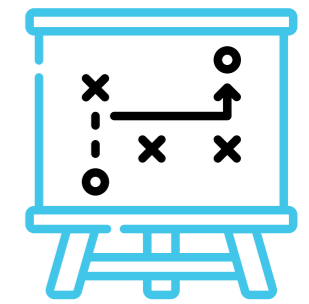
We expect the significant investment in Hydrogen by our Gas Transporter customers to continue and increase throughout BP21, with attention turning to how central systems need to evolve to support this important pathway to decarbonising the UK. But we expect different customers to take different approaches and to work at different paces, requiring flexibility from Xoserve and an ability to work bilaterally as well as holistically. We foresee it being beneficial for Xoserve to be able to take proactive, calculated risks and develop innovative products and services to support decarbonisation.

There was much excitement surrounding Energy Market Reform in 2019 and its proposed reform of energy industry codes and whilst this has been pushed back in order to focus on the UK's response to COVID-19, we see this regaining momentum during BP21. We foresee that Xoserve's corporate structure and governance, which has been helpful to date, could become inflexible and our level of deep vertical integration seen as a hindrance to moving at pace to restructure the market. History has demonstrated that Ofgem and BEIS could use competition as a tool to more rapidly bring about their vision; and being able to compete effectively will be key in this context. However, we think it would be helpful if customers were not the only source of capital for such reform activity, or the only avenue for underwriting the risks that will naturally emerge.

Xoserve manages and secures a huge volume of vital industry data. We have been acquiring new skills and hiring talented people to support unlocking the value of this data in a safe way. Throughout BP21 the role we perform is going to become more complex and the expectation higher. As Ofgem and BEIS continue to drive an agenda of open energy we will move from being the only organisation with access to gas data, to the organisation that facilitates safe and secure open access for research purposes and to support innovation. To ensure we create a platform for success, that the whole market can benefit from, we need to continue to attract and retain top talent and invest in infrastructure which supports open data. The benefit from this investment may not always be felt by all our customers equally and therefore we think it will be helpful if we could offer more commercial flexibility.

Meanwhile, our customers are facing into serious and rapidly escalating cost pressures. A challenging RII02 for our network customers, coupled with a challenging energy price cap for our retail customers have tightened margins to a degree that funding Xoserve's ongoing transformation is increasingly unattractive. And this was before the market was hit with COVID-19, which has been crippling for the UK overall, with shockwaves set to continue to stress all corners of the energy market for the foreseeable future; and this is assuming there is no serious resurgence following the relaxing of restrictions in 2020. Therefore, we think it would be helpful to explore alternative approaches to funding future transformation and innovation activity.





# Our Approach

Following Ofgem’s Funding Governance and Ownership (FGO) review in 2017, Xoserve has been maturing its cost base. This has been a journey of discovery because of the pace we have been changing and transforming. In 2017 Nexus go-live introduced entirely new ways of working and vastly different volumetric drivers which have taken several years to stabilise. In 2018, we separated our back-office provision from National Grid, creating new HR, Finance, IT, Network and Security teams in Xoserve for the first time. In 2019, we continued this significant reshaping of our business, dramatically reducing headcount in legacy functions and channelling new capability into Data Analytics, Digital and Customer Advocacy. It is hard to do justice to the pace and scale of our transformation in just one paragraph and this has introduced challenges in ensuring traceability of such a dramatically shifting cost base for our customers.

**Each investment roadmap proposed will be accompanied by a detailed investment case, available to customers on request and shared as standard with the DSC Contract Committee**

However, our cost base has now stabilised and in BP21 we want to respond directly to your feedback that our charging statements have become less connected to the business we now run. In our 2020 Business Plan Principles and Approach, we described how the existing charging methodology would continue to be applied in 2020/21, also noting this being the final year of the current Price Control for Gas Transporters against which current allowances have been set. The introduction of new core systems as part of Project Nexus, along with the reshaping of our business to become a much more customer-centric organisation, has resulted in major variations to how people and non-people costs are deployed to deliver services. Through the Data Services Contract (DSC) Contract Management Committee, we continue to work with customers to agree a set of process journeys with associated performance measures, that align to each of the services provided under the DSC and consider how we can use this view of our services to re-define the Service Areas set out in our Budget and Charging Methodology. It is our intention to use the output of this review to allocate costs for 2021/22 onwards. This approach will provide a clear and transparent approach for our customers to understand what services we are providing, are they delivered Right First Time (RFT), On Time (OTD) and at what Cost to Serve (C2S). In turn, this will facilitate a much greater focus on those services where service is below par and allow us to collectively target investments that reduce the Cost to Serve (C2S) for the long term.

Continuing this theme, you also told us that you would like a clearer articulation of customer benefit from our investments. As a result, from BP21 onwards, each investment roadmap proposed will be accompanied by a detailed investment case, available to customers on request and shared as standard with the DSC Committee. Business case benefits will typically be identified as a reduction in Customer Effort (CE), an improvement in Right First Time (RFT), or an improvement in On Time Delivery (OTD). In many cases, improving our performance in these areas will reduce our cost to Maintain the Business (MTB), but equally the benefits may be felt inside our customer P&Ls rather than ours and these are equally important, but hard for us to calculate. Any reduction in our Cost to Serve driven by our investments will automatically be included in our MTB forecast from BP21 onwards and therefore reducing investment compared to BP20 could result in increased MTB costs in future years.

In BP20 we identified several investment areas we believed needed our attention based on market and technology trends. This year we want to simplify this landscape as we found in practice that many of these focus areas overlapped. In addition, to aid transparency, and to build trust we tried to break investment areas down into smaller investments, implying each delivered independent and incremental value, which in practice was not always the case. As a result, BP21 includes fewer investment focus areas, with each underpinned by a detailed roadmap and business case. We have included a draft business case template alongside our Principles and Approach upon which customers can provide early feedback. Our experts will walk customers through the roadmap for each investment focus area bilaterally, via constituency meetings and via our contract and change committees. We will also provide recorded walkthroughs for any customer who is unable to attend one of these sessions. Our focus areas for BP21 are therefore: →

# Our Approach

1.	<b>Exceptional Customer Experience</b> (including in-flight investments from BP20 previously grouped under: Customer Centricity; Digitising our Business and Realising Operational Excellence)	
2.	<b>Opening Up Our Data</b> (including in-flight investments from BP20 previously grouped under: Digitising our Business and Moving to the Cloud)	
3.	<b>Gemini Roadmap</b> (including in-flight investments from BP20 previously grouped under Gemini Services)	
4.	<b>UK Link Roadmap</b> (including in-flight investments from BP20 previously grouped under: Moving to the Cloud and Realising Operational Excellence)	
5.	<b>Protecting Against Cyber Crime</b>	

In addition, we will also allocate funding for work driven by Ofgem, the Retail Energy Code (REC), Faster Switching and the Uniform Network Code (UNC), under two headings:

6.	<b>General Annual UNC Change</b>	
7.	<b>General Annual REC Change</b> (including in-flight investments from BP20 previously grouped under: Central Switching Service Programme)	

This will leave us with a much simpler business planning methodology which has greater longevity, with fewer themes expected to be repeated from one year to the next. This will ensure over time that it is easy to follow investment trends between financial years.



# Focus Areas

# Focus Areas

## 1. Exceptional Customer Experience

Customer Centricity is at the very heart of our strategy. Over the next three years Xoserve will continue to build on our strategic transformation of the Customer Experience. We will demonstrate the value of this transformation through a significant improvement in Right First Time (RFT), On-time Delivery (OTD) and Customer Effort (CE). Our progress will be measurable, and we will agree hard targets with customers, who will be able to hold us accountable for delivering the improvements promised in return for the investment.

Our Customer Experience approach has four distinct strategies:

1. To minimise the need for customers to have to contact us with queries and complaints
2. To make it easy for customers to self-serve via seamless digital channels
3. To automate as much of our work as possible, ensuring a frictionless service delivery
4. Where a customer contact is needed, they are met with friendly, empowered people who are eager to build great customer relationships, solve problems quickly in a consistent manner and have a deep understanding of our customers' needs.

**We will demonstrate the value of this transformation through a significant improvement in Right First Time, On-time Delivery and Customer Effort**

To deliver this strategy, we will continue to invest in digital, CRM and our process automation platform, to simplify our customer experience, evolving xoserve.com into the central hub where customers manage their business with us. This means transitioning from a website that just publishes information, into a transactional service that connects customers to the services they need quickly, providing simple access with one login to most services you consume from us today, and any new services we launch during the plan period.

We have faced an uphill battle to provide the experience we want to, against the backdrop of a barrage of UK Link defects since Nexus go-live. We have already fixed a significant number of these and whilst more continue to be identified, we are deploying a systematic approach to identifying and rectifying them and as such we continue to see numbers reduce. In addition, the market has moved around us creating some significant challenges for us to overcome in the past year. We responded rapidly to the prospect of a major increase in Class 3 meter reads from circa 400 thousand per day increasing to nine million per day; and we committed to dramatically improving the reliability of our AQ processes, which remains ongoing and will complete in the summer of 2020. In the last six months, we have finally started to give customers a glimpse of the goodness to come, by delivering a 25% reduction in major system outages and a 40% reduction in open ticket volumes and associated resolution times. This progress has created a strong foundation upon which to present a progressive and ambitious customer experience roadmap in BP21, backed up by a measurable business case.



## 2. Opening Up Our Data

We are developing an Open Data governance framework, which combined with our Big Data Platform, will allow us to step further into the realms of insight rather than simple data provision. In line with Energy Data Taskforce recommendations, it will help the industry to safely open up data in an anonymised or obfuscated way to other organisations, such as local councils and data aggregators, who want to support the industry in addressing some of its more fundamental challenges, whilst providing more value to the consumer. We will ensure it is only used by those who have permission to use it via existing channels such as the Contract Management Committee (CoMC) and the Data Permissions Matrix. Alongside this, Xoserve is also developing the maturity of its Data Governance capabilities, enhancing our ability to manage data and preparing for the future of open data, focusing on the quality, security and integrity of the data we hold for customers.

The benefits of opening up our data to customers and other market participants in a secure and controlled manner are starting to be realised by our customers through newly created API services and through the Data Discovery Platform (DDP), creating digital products and platforms that meet customer needs, whilst reducing Customer Effort (CE) and Cost to Serve (C2S). The fantastic customer reception to the DDP has proven that we can add value to customers' data and share this back with the industry in a safe and engaging way. Investments to date have allowed us to build out our technical capabilities and work with customers to prove the value of the technology that has been deployed. Throughout BP21 we will continue to invest in providing more data, greater flexibility, and ever better insight to customers, along with keeping pace with continuously evolving technology.

Our Big Data Platform will continue to expand to allow us to absorb and integrate more complex data sets, performing complex analytical processes to try to support serious issues for the industry such as decarbonisation and the introduction of mixed fuels. We'll support large scale data analysis through investment, which will house structured and unstructured data, not just from the gas industry but from other wide and varied data sets that increase the value of our data to our customers and the wider market. A good example of where we have done this successfully is in our analysis of Unidentified Gas, which we stood up as a one-off, but are now building this capability in the business to be available for the long-term.

**DDP has proven that we can add value to customers' data and share this back with the industry in a safe and engaging way**



# Focus Areas

## 3. Gemini Roadmap

Our Gemini roadmap ensures we stay up to date with new obligations and changes within the Capacity and Balancing regimes. Our annual releases will be built in partnership with National Grid.

We are adjusting the year on year phasing of the Gemini roadmap, to bring forward certain investments and improvements. This approach has been agreed with National Grid and Ofgem.

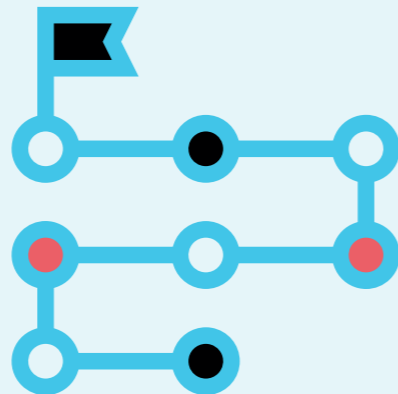
We have been working closely with National Grid to support the development of their RII0-2 submission, by providing a roadmap which meets the drivers for a robust, agile, responsive and value for money solution. This is being achieved by retaining the core engine of the Gemini application, but delivering:

1. Performance and reliability enhancements
2. Simplification and modernisation of the user interface
3. Providing improvements which make the platform easier and more cost efficient to change

***We can now deliver automated application processes and testing to reduce the cost of future development***

The roadmap will deliver a suite of ongoing sustaining activities throughout the business planning period, along with the delivery of functional and technology enhancements. BP21 will aim to replace and enhance the existing security of the Gemini platform, along with delivery of enhanced APIs to benefit National Grid and Industry participants with flexible data reporting and faster performance.

Building on the move of the application into a private cloud and the MTB savings this will provide, we can now deliver automated application processes and testing to reduce the cost of future development and ease of processing. This will free up the capacity to focus on reducing the technical and application debt that has accumulated over several years of prioritisation decisions.



# Focus Areas



## 4. UK Link Roadmap

The UK Link roadmap is focused on three areas:

1. Improving the reliability of service to customers
2. Ensuring UK Link can support future demand and customer needs
3. Is free from technical debt and based on the latest technology (realising any cost savings this enables)

As described in BP20, the principle activity to achieve this is through a movement to cloud hosting and we have made good progress on this. A set of development environments have been successfully deployed to public cloud hosting and are already supporting our change programmes during 2020. This has been extremely valuable preparatory activity in advance of the wider programme to move UK Link production to the cloud.

A key requisite of any move to cloud is to ensure that the underlying software components are cloud ready, which in practice means ensuring all the individual components that make up the UK Link estate are within mainstream vendor support parameters. To this end we are replacing and upgrading all UK Link components that are end of life, with cloud ready versions. Exploratory work is also underway to assess the suite of supporting technologies and components to ensure that Xoserve can leverage the power of cloud computing in order to deliver value for money for customers.

The movement to cloud hosting will require significant testing and we think this is an opportunity to completely revamp our approach to testing, the level of automation we benefit from and to remove the effort associated with handling test data.

Consistent with the approach detailed in BP20 Xoserve will transition UK Link Production from its current on-premise data centres to the cloud in 2021/2022. This transition will be scheduled to minimise the impact to the ongoing CSS Programme and the scheduled UK Link releases and will seek to minimise customer disruption and achieve economies of scale in testing and cutover through co-ordination with CSS.

During BP21 we will re-think our operating model for support of UK Link, to ensure that it is fit for the future, relevant to our industry and taking advantage of technology and new methodologies to deliver greater value for our customers. This will include reviewing the structure and value of our 3rd party contracts. It is anticipated that this will be a substantial undertaking and require a focused and dedicated team to ensure we identify a way forward which represents best value, greatest flexibility and optimal access to innovative thinking. This work will commence in 2021.

In BP21 we will continue to invest in application performance monitoring and robotic process automation to improve resolution time, increase system availability and improve process efficiency. We will continue our ongoing development and adoption of our new IT Service Management platform (Service Now) which will initially launch in the latter half of BP20 and will introduce operational and governance benefits which will ultimately be passed onto customers as increased service levels and response times. We also expect continued investment in reducing technical debt, which will in turn reduce manual interventions and therefore errors. In order to consistently deliver high quality services, Xoserve recognises that our IT estate needs to remain highly efficient and optimal, and so the term Technical Debt is being used to recognise improvements required to our IT estate that if not made, will increase our operating costs. These range from accelerated removal of defects; improving system health and performance (E.g. data archiving, AQ Taskforce); improving right first time for incident management; driving automation and improving system monitoring and alerting. This activity will have a direct benefit to customers, by reducing risk, increasing reliability, reducing data processing errors and faults which disrupt our service provision; additionally, these improvements are an important part of delivering the year on year MTB savings we promised in BP20 and are continuing to promise in BP21.

This work takes place in several phases and workstreams, in the early years, we focus on reduction and sustained resolution of functional issues with the highest volume of defects in Reads, Energy Calculation and Profiling being tackled first, archiving our unused data to help us improve performance and manage costs, whilst ensuring our systems remain in vendor support. Later in the plan, this work will focus more on improving reliability of services, alongside assessing the viability of automating manual processes to reduce operational cost further, and removing service, operational reliability and security risks from our systems. As we finalise the plans to address our highest areas of technical debt we will be able to provide updates and metrics on the benefit of any investment (e.g. incident volumes, defect numbers, exceptions, service stability).

These changes and investments all contribute to continuous and sustainable operational improvement.



# Focus Areas

## 5. Protecting Against Cyber Crime

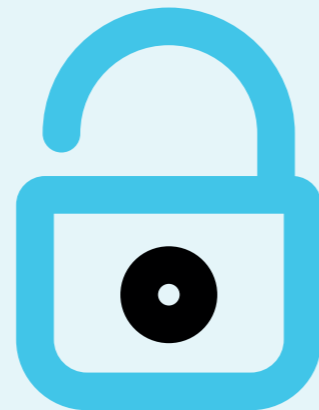
In 2018 we separated our back-office support away from National Grid, bringing it in house. We identified gaps in our security provision and initiated a Security Improvement Program (SIP1) focused on improving Information Cyber Security for our core industry platforms UK Link and Gemini.

We hired a new Chief Information Security Officer (CISO) and allocated sufficient resources to support the establishment of an Information Cyber Security and Privacy centre of excellence, new corporate governance processes and extensive pan-organisational training, with the objective of consolidating customer confidence and our reputation in the market as a secure operator.

Information and Cyber Security requirements and capabilities are dynamic and directly correlate to the threat landscape, which continues to change as our business evolves its operational capabilities, commercial offerings, and digital and data footprint. A continuous review cycle has been established to identify areas of risk and potential exposure, to proactively identify improvements that future-proof the organisation and in turn, our customers', against ever evolving cyber threats and potential data breaches.

**In the last 12 months and particularly throughout the COVID-19 crisis, we have become a more attractive target**

In BP20 we encouraged customers to invest robustly in Cyber Security, whilst at the same time trying to give customers flexibility and optionality around the long-term risk appetite and level of protection we design for. However, in the last 12 months and particularly throughout the COVID-19 crisis, we have become a more attractive target. A peer organisation was successfully attacked in 2020 and whilst the attack did not reach the core customer platforms, it was a wake-up call to all central bodies. With this in mind, we have developed a strategy and four-year transformation program which incrementally increases our Cyber Security control maturity year on year, in-line with ISO27001 compliance and in alignment to NIST. A degree of strategic agility will be required to cope with the ever-changing threat landscape. This is to ensure that the data and market (and ultimately consumers) are protected from cyber threats. For this reason, we are no longer confident we can protect Xoserve from this increasing threat landscape if the recommended investment in BP20 were removed in BP21. As a result, we propose to remove any optionality for the Security roadmap in BP21 and instead present our best view of what is required to secure Xoserve and in turn our connected customers. To support this approach, we welcome engagement from our customers' security professionals to review our proposed roadmap.



# Focus Areas



## 6. General Annual REC Change

The introduction of the Retail Energy Code (REC) brings together the code requirements relating to retail energy activities. It will govern the operation of faster and more reliable arrangements for consumers to switch their energy supply. The REC will provide a consistent set of arrangements for electricity and gas suppliers and consumers, and when it comes to the provision of REC services, means our central services will be driven by both UNC and REC requirements. In this plan, we have recognised that there are a wider set of activities that we will be required to deliver for REC, not just CSS, covering aspects such as change governance, the gas enquiry service and data permissions. With the ambition of aligning consumers, suppliers and government policy, we envisage REC will generate a material amount of demand into Xoserve, especially when CSS goes live in 2022. As a result, we think it is important that the budget for this is transparently separate from the equivalent in UNC.

Whilst the introduction of the REC to replace SPAA and MRA is hoped to be a more efficient delivery vehicle for the industry as a whole, for Xoserve, the introduction of both the Gas Retail Data Agent's (GRDA) responsibility to connect REC systems and UK Link, and the provision of Gas Enquiry Services (GES) to RECCo rather than through the Data Enquiry Service (DES) in UNC, both introduce a set of new governance and change processes which will need to be supported. Since the REC and associated administration are still under construction we cannot be certain what will be required to support these on an enduring basis and therefore have considered there may be additional resources required, at least in the short-term to support both change management and the new contractual relationships that will exist in addition to those in place today. The support of the CDSP systems that are being built to support faster switching will certainly have an impact on our MTB costs to support the functionality introduced. We predict that the introduction of the REC and the new faster switching regime will not be perfect from Day 1 and will therefore likely generate

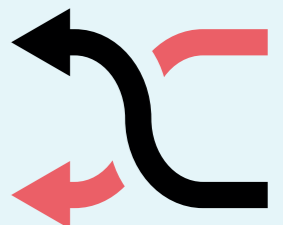
change requirements following implementation. This may not be the case, so we are certainly eager to understand customer views on whether this should form part of our forecasts for future years, and whether future REC-driven change should be funded in the same way as the CSS programme (i.e. Shipper funded investment).

**In this plan, we have recognised that there are a wider set of activities that we will be required to deliver for REC**

As we outlined in last year's Business Plan, the consequential changes to our systems, because of the introduction of the Central Registration Service Provider, are significant. As the largest incumbent with a vertically integrated platform, which now needs to be broken up, we have the largest amount of change to deliver within what is already a complex program. On top of this in early 2020 COVID-19 placed significant strain on the energy market and Ofgem took the decision to delay the CSS Programme by at least six months, albeit with central bodies continuing with the programme of work. This will result in our consuming all the contingency we put in place and will likely necessitate additional investment to take us through the remainder of 2021/22 and into 2022/23 for post implementation support.

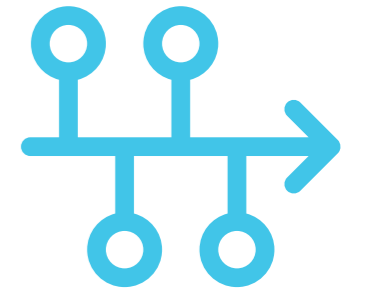
## 7. General Annual UNC Change

Xoserve, at the request of its customers, maintains an annual budget for bi-annual releases of customer driven change (DSC Change Budget) and small unplanned changes to software and infrastructure. We expect the levels of DSC customer change to follow a similar profile to previous years, although this assumption may change as we engage customers more deeply through the BP21 process. We plan to continue our investment in Non-Standard Data Items for Reporting until all data is available on a self-serve basis in Data Discovery Platform or other future self-serve products. In addition to the funds proposed to cover the delivery of change via major and minor releases, we will also include funding for Industry Performance Insights. We will pro-actively manage industry data quality and performance issues, such as those highlighted during meetings of the Performance Assurance Committee (PAC).



# Key Assumptions

# Customer Timeline



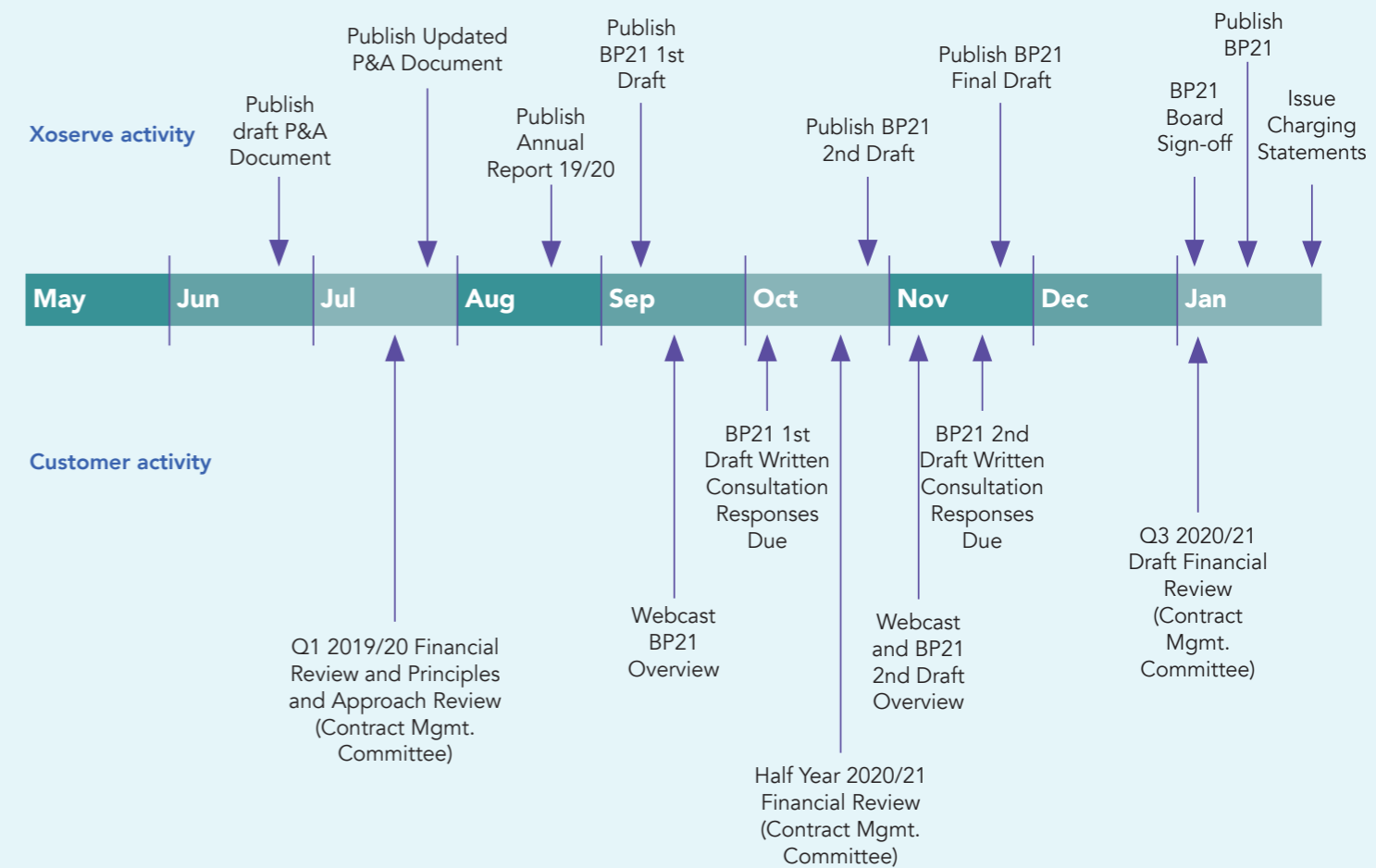
During the development of our Business Plan it will be necessary to make a number of planning assumptions around the evolution of our Maintaining the Business (MTB) costs and investment outcomes given the uncertainty in the marketplace associated with impacts from COVID-19 and other external factors out of our control. We will be wholly transparent with our customers about any assumptions underpinning the draft plan and will test and update them during the consultation process. With that in mind, set out below are some key early planning assumptions:

- The use of baseline and recommended investment lines caused confusion in BP20. Therefore, given capacity constraints across the industry introduced by COVID-19, we propose only to include investments we consider to be essential over the next three years. These will be supported by detailed Business Cases for each focus area roadmap, to help our customers understand the cost/benefit analysis for each.
- Each Business Case will outline the quantum of any benefits identified, with emphasis on whether it drives increased Right First Time (RFT) outcomes, less Customer Effort (CE), improved On Time Delivery (OTD) or enduring Cost to Serve (C2S) efficiencies. Engagement will then extend to include more detailed walkthroughs and opportunities for Q&A.
- We will also allocate funding for work driven by the agendas of Ofgem, the Retail Energy Code, Faster Switching and the Uniform Network Code, under the headings of General Annual UNC Change and General Annual REC Change (which will include our CSS consequential investment).
- Targeting MTB people and non-people separately creates an unhelpful constraint around decision making and so we intend to remove this distinction inside Xoserve with all our budget holders. Therefore, we think it is also right to remove this distinction within the business plan artefacts, talking instead about MTB costs as a whole, irrespective of how this is split between our own employee cost and third parties'.
- We recognise that some cost lines currently held in investments over the course of the Plan are largely enduring in nature and so intend to move these line items into the MTB envelope. Our digital web support costs, customer training, and Data Discovery Platform running costs will therefore be re-classified into MTB, whilst ensuring the total expenditure for these lines reduces or is equal to BP20. The CSS Consequential programme will reach Post Implementation Status from April 2022 and so run costs from that year onwards will appear in MTB.
- Cost savings in MTB promised in BP20 will not be eroded in BP21, despite COVID-19 impacts. Until we are able to understand the longer term affects our working assumption is that COVID-19 will have a net neutral impact on our MTB costs vs BP20 and that like for like MTB costs in the newly introduced Plan year of 2023/24 will remain flat relative to 2022/23.
- Our customers have requested that we include a tranche of investment for any unallocated items in the outer years to be more representative of future investment requirements, so we will repeat this in BP21.

**We will be wholly transparent with our customers about any assumptions underpinning the draft plan and will test and update them during the consultation process**

- We will use BP20 plus our Q1 forecast as the baseline for formal change control tracking purposes.
- Last year we were able to provide an indicative view of charging implications to customers at an earlier stage in the Planning cycle (September) and will continue to provide such an estimate.
- We will continue to use CPIH as the basis for any inflation assumptions.
- We intend to maintain a modest operating cost risk margin expressed as circa 2% of MTB costs (£1m pa) as a risk contingency for operations.
- We anticipate a need to uplift our future profit reserves above the current level of £1.8m to around £3m to improve the credit rating of the company, provide working capital headroom and leverage short term investment opportunities. We propose to achieve this gradually over the next three years via out-performing against our MTB reduction targets included in the Plan.
- We aim to update our cost allocation methodology for use in BP21. Instead of using the 23 Service Areas currently described in the Budget and Charging Methodology, which no longer accurately reflect the services we provide and how we provide them, we are moving to 13 rigorously tested and socialised customer journeys. Any impacts will be evaluated and shared during this consultation. Once accepted and implemented we will then look to continuously evolve and refine the methodology in future planning cycles.

We are keen to offer as many opportunities as possible for all our customers to provide us with their feedback on the draft Plan and we therefore propose the following timeline and milestones, with the opportunity to provide feedback through several channels including face-to-face, in writing and via WebEx.





# Questions and Participation

# Appendix A



## What we need from you

In our initial Principles and Approach document we asked for comments and feedback and a number of our customers responded.

We will be reflecting on that feedback and will provide a summary of the actions we intend to take as a result.



INVESTMENT NAME	
INVESTMENT AREA	
SPONSOR	



### WHAT IS THE INVESTMENT DRIVER AND WHAT IS IN IT FOR THE CUSTOMER?

Describe the need – either the problem this investment aims to solve or the opportunity it aims to develop.

This should reflect / build on what is being set out in BP21

Some points to consider:

- How does this help us reach the rooftop of our House or our Customers achieve their vision?
- What are the key customer messages to make regarding this investment?
- What need is this investment supporting – is it going to save money, improve service to either a direct customer or their customers, increase capability, or help respond to industry required change? If none of these then why are we doing it?

### HOW DOES THIS RELATE TO PREVIOUS INVESTMENTS?

Describe if this is a totally new initiative or does it continue to build on a longer term set of previous investments?

- How does this relate to any live BP20 investments?
- How does this link in with the strategic investment themes in play from the P&A document?

### WHAT OTHER OPTIONS WERE CONSIDERED?

Briefly describe the options considered and why this was selected.

- What options were considered?
- Why was this chosen?

### WHAT ARE THE BENEFITS (FINANCIAL & NON-FINANCIAL), HOW WILL THEY MANIFEST AND WHEN WILL THEY START?

Reduction in Customer Effort, lower Cost to Serve, improvements in right first time or On Time Delivery?

Describe which of the following measures above will your investment deliver improvements against and list the fuller details in the appendix.

- How will the savings manifest and when (which year)?
- Which core processes, systems and customer groups will benefit?
- What is the payback period or ROI if known?
- What level of confidence can be applied to the benefits estimate (low/medium/high)?
- Describe any key milestones for the project?
- Describe any non-tangible benefits that may be derived (eg lower customer effort or NPS improvement)?

### WHAT ARE THE CONSUMER BENEFITS?

Describe the potential consumer benefits resulting from this benefit [Categories below as used by Ofgem for categorising consumer benefits]

- Lower bills than would otherwise be the case; (1. Lower Xoserve costs - that could/should be passed on to consumers, 2. Easier for customers to work with Xoserve, therefore lower cost for customers - that could/should be passed on to consumers, 3. Enable/support competitive gas industry (leading to cheaper supplies for consumers), 4. Enhance competitive gas industry (leading to cheaper supplies for consumers)
- Reduced environmental damage both now and in the future;
- Improved reliability and safety;
- Better quality of service, appropriate for an essential service;
- Benefits for society, including support for those struggling to pay their bills.

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# Appendix A



## WHAT ARE THE KEY RISKS AND HOW WILL THEY BE MITIGATED/ MANAGED?

Please provide a written summary of the key relevant financial, reputational, competitor, technological and compliance risks

- Has suitable contingency been added for all components and to cover any financial risk due to complexity and resourcing needs?
- What are the other main specific project risks to be aware of and manage?

Description	Mitigating Activity	Category
There is a risk that... leading to... resulting in...		Financial, Reputation, etc.
There is a risk that... leading to... resulting in...		Financial, Reputation, etc.

## WHAT HAPPENS IF THIS INVESTMENT IS NOT MADE?

What are the implications of not proceeding; the 'do nothing' option

- What are the main timing arguments for including next FY vs future years?
- Please quantify the financial cost / implication of 'doing nothing'

## ARE THERE ANY ADDITIONAL MTB COSTS RESULTING FROM THIS INVESTMENT?

Where appropriate, provide an overview of the MTB requirements which need to be considered (e.g. additional tech ops and/or people resource will need to be funded to provide support)

- Have all enduring MTB costs been identified and all affected parties been consulted to make sure these are included in their budgets?
- What MTB resource support from other functions will be required (Legal, procurement, contract, architecture) and has this been factored into the project cost estimate, including the first period run costs to year end?

## FINANCIAL INFORMATION

(This will be populated in conjunction with finance)

FUNDING SPLIT %	NTS	GDNs	iGTs	Shippers
BP20 (2020/21)				
BP21 (2021/22)				
BP21 – other years				
(if different from 21/22)				

INVESTMENT COSTS	2020 / 21 (Live)	2021 / 22	2022 / 23	2023 / 24	2024 / 25	TOTAL
BP20 (19/20 PRICES)						
BP21 (20/21 PRICES)						
BP21 capex / opex split %	/	/	/	/	/	NA

MTB SAVINGS £'000s	2020 / 21 (Live)	2021 / 22	2022 / 23	2023 / 24	2024 / 25	TOTAL
TOTAL BP20 (19/20 prices)						

TOTAL BP21 (20/21 prices)						
BP21 PEOPLE SPLIT						
BP21 NON-PEOPLE SPLIT						

## BP21 BENEFITS LISTING

Mark an X under Benefit Type (can be more than one X)

	List of core processes / systems affected	Basis of Benefit value calculation / assumptions	RFT	OTD	CE	C2S	Other
1							
2							

## BENEFIT TYPE LEGEND

- RFT – Right First Time. List all core processes affected. Provide the % improvement expected against each process.
- OTD – On Time Delivery. List all core processes affected. Provide the % improvement expected against each process.
- CE – Customer Effort. List which customers/segments will benefit and how the solution will deliver a reduction in effort.
- C2S – Cost To Serve. Which areas will benefit? Identify how many man-hours will be saved, or which third party costs will reduce on an enduring basis?
- Other – What real risks are mitigated or directly avoided. What commercial benefits for our customers will result from this change?

MTB INCREMENTAL COSTS £'000s	Impacted CC	2020 / 21 (Live)	2021 / 22	2022 / 23	2023 / 24	2024 / 25	TOTAL
BP20 (19/20 PRICES)							
PEOPLE							
NON-PEOPLE							

BP20 (20/21 PRICES)							
PEOPLE							
NON-PEOPLE							

