

Xserve



Working to be more
Customer Centric



2019 Business Plan Final Edition

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Introduction

This document sets out Xoserve's approved 2019 Business Plan. It sets our Budget for the financial year commencing 1st April 2019 and provides our forecasts for the following two financial years.

The Plan reflects the outcome of extensive customer consultation and was approved by the Xoserve Board on 24th January 2019. We have provided a recap of our strategy and ambition for the next three years, a reminder of our planning assumptions, a summary of the consultation process and outcomes and a suite of financial schedules that provide key information about our expenditure requirements and how these are funded by our customer constituencies. Further information about customer charges is contained in the Annual Charging Statement and the Pricing Schedules that were issued in February 2019.

We have learnt a number of important lessons as we've worked our way through the Business Planning cycle, and we're taking these on board as we develop our approach for our 2020 Business Plan, as well as for our longer term forecasting work in support of Ofgem's RII0-2 process. We expect to share our initial thinking on our 2020 Business Plan in Spring 2019.



Our Strategy

This is only a brief recap of our strategy. If you're interested in reading more about the thinking behind our strategy and what it means for our customers going forward, you can find further information in the Forward Look section of our [2017/18 Annual Report](#).

We're shifting our thinking from reactive to strategic. We've begun to think differently about our obligations, not those that are enshrined in industry codes and licences, but our moral and social obligations. We believe that we have a responsibility to do all we can to not burden energy consumers with additional costs, but to allow them to realise fully the benefits of the significant investment in industry assets that they have funded previously.

Our operating model – which distributes the benefits of a well-run business out to our customers and ultimately energy consumers – encourages us to think this way. We also know that the impacts of this way of thinking become even more powerful when applied to all energy industry assets, not just those that we look after here at Xoserve.

We have captured this thinking in our Vision:

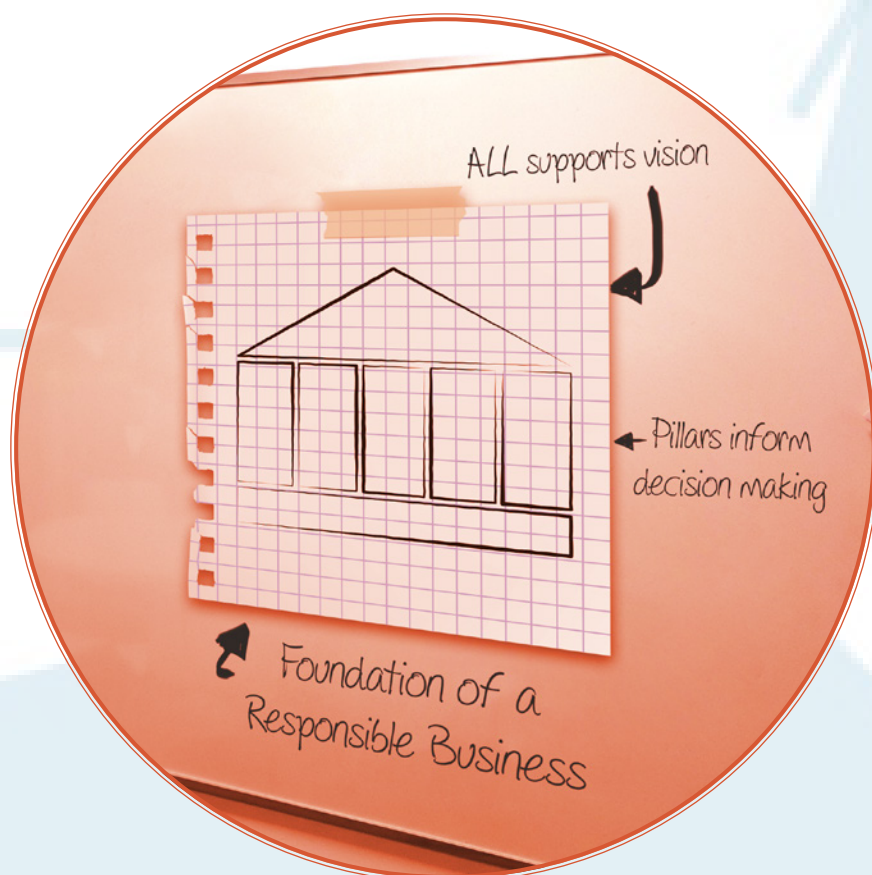
“We believe in radically simplifying the Energy Market through maintaining and leveraging industry assets for the benefit of all.”



Strategic Objectives

Our Strategic Objectives tell us how we need to operate and behave as an organisation.

1. We have a good track record of **operational excellence** in delivering services and meeting our contractual commitments, and we need to build on this strength.
2. We need to become truly **customer centric**, consistently and reliably creating value for our customers by understanding and prioritising our customers' desired outcomes in our decisions and practices.
3. We need to grow into a **change leading** role that helps customers successfully land changes into their organisations, as well as into our own.
4. We must be a **data driven** organisation that understands the value to our customers of the data attributes that we hold and makes data accessible to them in ways that best serve their individual business models.
5. We want to be **people powered**, unlocking our employees' hugely valuable industry process skills and expertise, enabling them to operate as effectively as possible in a new, more open and commercially focused environment. We know that sometimes we also need our people to be more agile in the way that we respond to customer requests and challenges, and to accelerate the way we go about developing solutions.
6. We prioritise behaving as a **responsible business**, being commercially minded, ensuring that our services offer demonstrable value for money and having the appropriate level of independent risk management and assurance. We offer a safe and stimulating environment for our employees, and work closely with suppliers and the local community to ensure we operate ethically and responsibly.



Strategy House

We have brought our Vision and Strategic Objectives together to create the Xoserve Strategy House.

We believe in radically simplifying the Energy Market through maintaining and leveraging industry assets for the benefit of all

Customer
Centric

Data
Driven

Change
Leading

Operationally
Excellent

People
Powered

Xoserve

Responsible Business
Assurance, commercial, suppliers, social and safety

Assumptions

We've set out here our key planning assumptions:

- Forecasts reflect a Central Switching Service (CSS) go live date at the end of 2020. Ofgem revised its Switching Programme timeline during our Plan consultation period, setting a revised go live target date of summer 2021. Given the number of ongoing Programme level uncertainties, we will await the outcome of analysis and design activities during 2019 before formally revising our financial forecasts. In practice, this means that we will manage our CSS Consequential workload against the 2019/20 Budget as set out in this document, and revisit our forecasts for 2020/21 and subsequent years as part of our 2020 Business Plan development
- Funding requirements to deliver the consequential impacts on Central Data Service Provider (CDSP) Services, arising from the introduction of the CSS, reflect a future in which a party other than Xoserve is appointed by the Data Communications Company (DCC) as the CSS Registration Service Provider
- Becoming a truly customer centric organisation that can properly meet the evident customer demand for services requires a substantial and accelerated investment in both people and tools
- The transitioning of the energy market to an open data environment creates demand on our business to invest in and maintain a data platform with appropriately controlled user access
- We will retain and build advanced data analytics capabilities in the business, such that the level of analysis we are providing for Unidentified Gas becomes part of our normal ways of working
- The volume of Market and Customer Change could create a bottleneck. A second systems development pathway, that will increase the volume of change and can be delivered in parallel, will be needed during the Business Plan period
- We will migrate the hosting of our systems away from physical data centres and towards the use of hyper-scale public or private cloud services



Consultation Process and Outcomes

We've summarised here our 2019 Business Plan Consultation Process. For each Stage, we have highlighted the key points that we consulted on and what our customers told us in response.

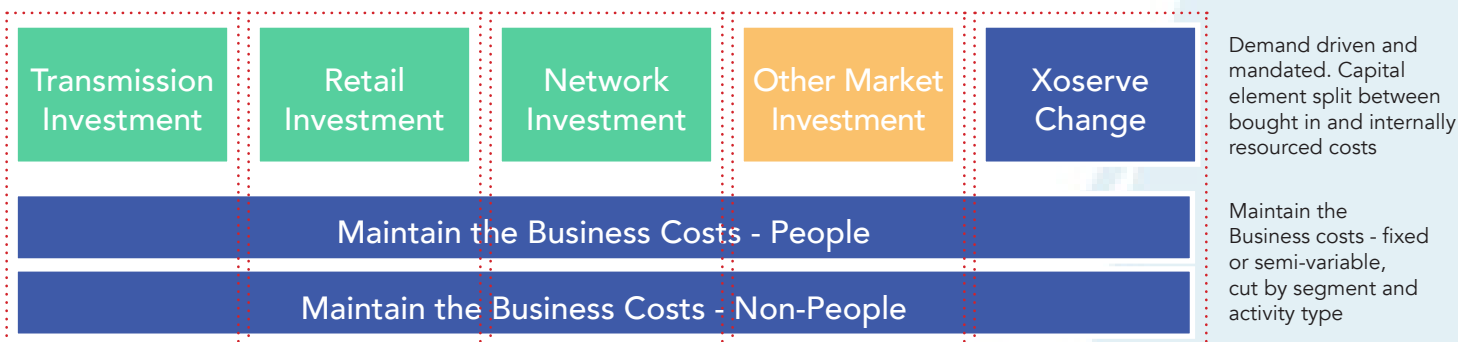
Stage	Timing	What we consulted on	What our customers said	Outcome
Principles and Approach	June 2018	<ul style="list-style-type: none"> • Strategic foundation • Key planning considerations • Engagement opportunities and timeline • Provision of financial information 	<ul style="list-style-type: none"> • Broad support for Plan Principles and engagement approach • Desire for increased visibility of planning assumptions • Request for early sight of detailed financial information 	Preparation of draft Plan for customer consultation
Draft Plan	Sept – Oct 2018	<ul style="list-style-type: none"> • Planning assumptions • Change and investment proposals • Risks and opportunities • Review of Cost Allocation Model 	<ul style="list-style-type: none"> • Broad support for assumptions; change of CSS Programme timeline highlighted • Good level of support for change and investment proposals, although concerns raised around approach to governance review and associated funding requirements • Desire for greater detail of risks and opportunities • Support for review of Cost Allocation Model, with outcomes aligned to start of RIIO-2 period 	Preparation of updated draft Plan for customer consultation
Updated draft Plan	Nov – Dec 2018	<ul style="list-style-type: none"> • Updates to financial forecasts • Change of approach to governance review and associated funding requirements • Approach to forecasting of CSS Consequential Change costs 	<ul style="list-style-type: none"> • Support for financial updates • Updated governance review proposals broadly supported • CSS forecasting approach supported 	Updated draft Plan sent for Board approval

Presentation of Financial Information

We know that our customers value transparency, so they can easily understand what our Plan means for their organisation, particularly the levels of funding, services and investments that they are being asked to pay for. We also want to be able to demonstrate to our customers how the funding that we are asking for responds to demand for services and delivers the activities that turn our strategy into practical action.

We have presented financial information in line with the diagram below. This fulfils three purposes:

1. It differentiates between funding that:
 - a. Maintains the business, retaining the high quality assets necessary to deliver our services
 - b. Invests in response to:
 - i. Customer constituency demand for services
 - ii. Regulatory or market-wide demand
 - iii. Requirements identified by Xoserve
 - c. Invests in assets in order to access and realise leverage opportunities
2. It is transparent about the funding of initiatives that deliver our Strategic Objectives
3. It makes plain to customer constituencies their contribution to the funding of Xoserve and the services and investments that they are paying for



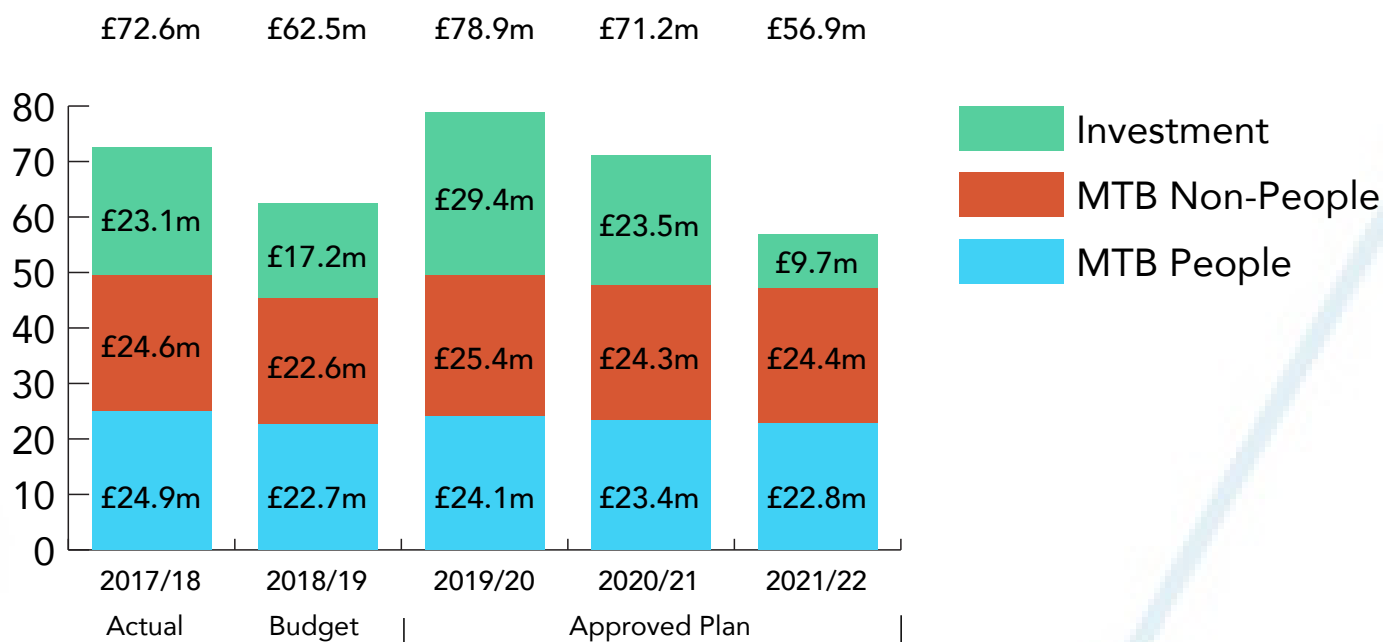
	Customer Demand Driven Investment Xoserve proposes, Customers choose including timings and consequential costs	Examples: Uk Link, Gemini, DSC
	Market Driven Investment Xoserve and Customers respond jointly to regulatory/market demand	CSS
	Xoserve Change and Maintain the Business Xoserve develops, Customers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

Financial Schedules

All Plan financial information is stated in 2018/19 prices. The Annual Charging Statement and Pricing Schedules issued during February 2019 are stated in 2019/20 prices.

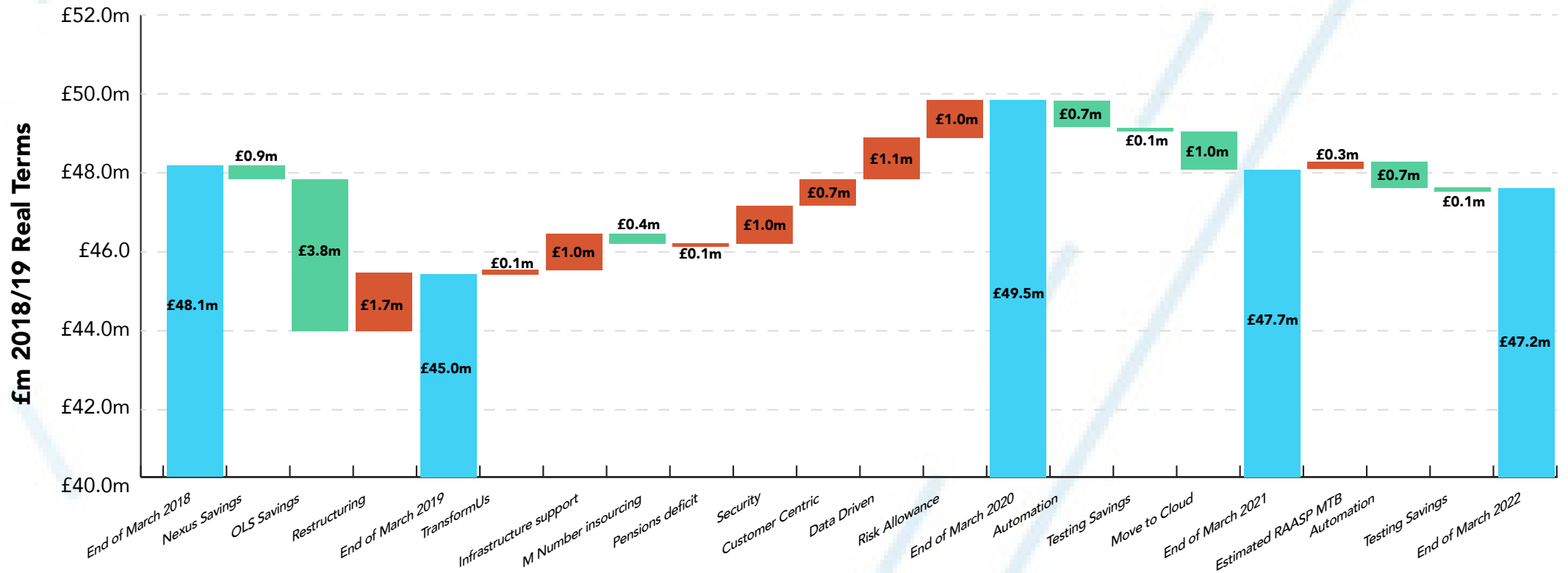
1. Our Total Expenditure

This is our total business expenditure for financial years 2017/18 to 2021/22.



2. Maintain the Business

This is our Maintain the Business expenditure. The chart shows the year on year movements in costs from April 2018 through to March 2022, and identifies the drivers for each movement.



3. Customer Change

These are the customer-led changes planned for the next three years:

Initiative Title	Initiative Description	2019/20 Investment Spend	2020/21 Investment Spend	2021/22 Investment Spend	Total Investment Spend
Replatforming	Includes Gemini replatforming (£8.025m) and CMS Replatforming (£1.1m)	£7,230,000	£1,895,000	£-	£9,125,000
DSC Change Budget	Placeholder for two major releases per year with scope defined by DSC plus one documentation release per year	£2,500,000	£3,000,000	£3,000,000	£8,500,000
MOD621 - Amendments to Gas Transmission Charging regime	Proposal to amend the Gas Transmission Charging regime in order to better meet the relevant charging objectives	£1,900,000	£-	£-	£1,900,000
UIG Resolution	Continuation of UIG Taskforce if required and changes to correct any root causes identified	£550,000	£-	£-	£550,000
Retrospective Adjustments (RAASP)	Delivery of Retrospective Adjustments solution	£770,000	£880,000	£-	£1,650,000
Gemini Enhancements	National Grid has been working with Gemini Users to identify a set of enhancements/changes to the current Gemini system	£638,000	£2,265,000	£1,627,000	£4,530,000
Improvements in Change Impact Assessment and Minor Release Delivery	Development of an in-house capability to deliver minor releases to improve customer responsiveness and enhance customer impact assessments	£484,000	£484,000	£484,000	£1,452,000
Non-Standard data items for reporting	Where data does not exist in the data warehouse and is unreportable, we propose that the propagation of this data is centrally funded rather than becoming a 'first-user' cost	£110,000	£110,000	£110,000	£330,000
CMS Rewrite	Analysis work to investigate the options and benefits of a Contact Management System rewrite (last completed 2013/14) to provide an improved customer experience	£-	£165,000	£-	£165,000
Data Quality	Introduction of tools and capabilities that allows Xoserve to monitor and report on the quality of the data entering the Xoserve systems. Reporting and analysis highlights potential impact causing quality issues caused by data inaccuracies, missing data and the timeliness of data arriving into the Xoserve systems	£-	£165,000	£-	£165,000
Gemini Rewrite	Following the current programme of Gemini replatforming work, there will be a requirement to invest in a rewrite of the application	£-	£-	£2,420,000	£2,420,000
Smart DCC Demand Data	Includes the DCC GT User requirements. Change is driven by all DNs. New data items to be created between SAP ISU and SAP BW and new reports required	£-	£-	£275,000	£275,000
Minor Release Delivery	The delivery of two UK Link minor releases a year	£301,000	£-	£-	£301,000
		£14,483,000	£8,964,000	£7,916,000	£31,363,000

4. Market Investment

These are the market-led investments planned for the next three years:

Initiative Title	Initiative Description	2019/20 Investment Spend	2020/21 Investment Spend	2021/22 Investment Spend	Total Investment Spend
Central Switching Service	Full lifecycle delivery of changes required to Xoserve's systems and processes as a consequence of the delivery of the Central Switching Service (CSS) within the Ofgem Switching Programme Primarily, this work will lead to alignment to Retail Energy Code rules and supporting market interoperation of the new processes established by the introduction of CSS	£11,000,000	£12,100,000	£-	£23,100,000
Xoserve Governance	Customer engagement, research and analysis activities in respect of a review of the Xoserve governance model and the efficiency of its operation	£300,000	£-	£-	£300,000
		£11,300,000	£12,100,000	£-	£23,400,000

5. Xoserve Change

These are the Xoserve-led strategic initiatives for the next three years:

Initiative Title	Initiative Description	2019/20 Investment Spend	2020/21 Investment Spend	2021/22 Investment Spend	Total Investment Spend
Customer training and education	There is an increasing demand for training and education across all customers. Our ambition is to provide these services in a timely and high-quality way, that enable customers to operate their business more effectively	£163,000	£163,000	£163,000	£489,000
Customer journey continuous improvement	In order to better understand our customers, and tailor our business to them, we need to continually review and embed thinking that aligns to our customers' experience of Xoserve. This is an annual process of mapping and improving customer journeys	£50,000	£50,000	£50,000	£150,000
Creating an agile customer change process	Introduction of an agile approach and methodology for customer change, allowing an increased pace in delivery and subsequent customer benefit realisation. This project includes improvements to help customers identify how a particular change affects their organisation and proactively engage with them to support them through the change lifecycle, including enhanced support for customer test strategy and execution	£300,000	£200,000	£100,000	£600,000
CRM + Rant and Rave	Introduction of a new CRM platform and adoption of tools and technique to better manage customer relationships and feedback	£250,000	£100,000	£100,000	£450,000
Digital	A team comprising digital strategy, digital channel management (including our website) and digital process improvement - all to drive more self-service, better user experience, and customer effort efficiencies	£600,000	£350,000	£350,000	£1,300,000
Data Access Platform (DAP)	Evolution of the Data Access Platform (DAP) over the next three year business planning cycle, to provide self-service reporting, machine to machine APIs, data analysis and advanced analytics to our customers. This budget funds infrastructure expansion, tools and third party support	£600,000	£600,000	£600,000	£1,800,000
Xoserve ERP evolution	Continued development of our new ERP platform to enable the risk and assurance business planning and source two contract modules	£200,000	£150,000	£-	£350,000
One touch customer issue resolution	Implement improvements to the IS Service Desk and the full end to end lifecycle of issues management for our customers in order to implement a one touch, right first time culture	£200,000	£50,000	£25,000	£275,000
Consumer Enquiry Service	Minor enhancement and defect fixes	£25,000	£20,000	£10,000	£55,000
Service management transformation	Our service management (Incident Management, Change Management, Problem Management and Access Control Processes) are not yet fit for purpose. This project will identify the issues and then design and implement a new target operating model, which will better support the pace of customer change and the quality of service we want to provide to our customers	£300,000	£-	£-	£300,000
Improvements to testing, tooling and automation	Developing our test strategy and undertaking a maturity assessment to deliver improvement to our testing capability and test services to customers. Enabling leverage of the tools we have established through integration with our core platforms and facilitating reuse of standard regression packs and test automation	£200,000	£100,000	£-	£300,000
Infrastructure General	Investments required to sustain the Xoserve-owned assets that include IX, EFT, shared components in data centres and replacement of office tools. The value is reducing over the three years to reflect a change from owning assets to buying services	£500,000	£500,000	£250,000	£1,250,000
Back-office automation and continuous improvement	Implement lean process automation and / or robotics / improvements to replace low value manual services as well as technical improvements to reduce manual intervention in process	£300,000	£200,000	£100,000	£600,000
		£3,688,000	£2,483,000	£1,748,000	£7,919,000

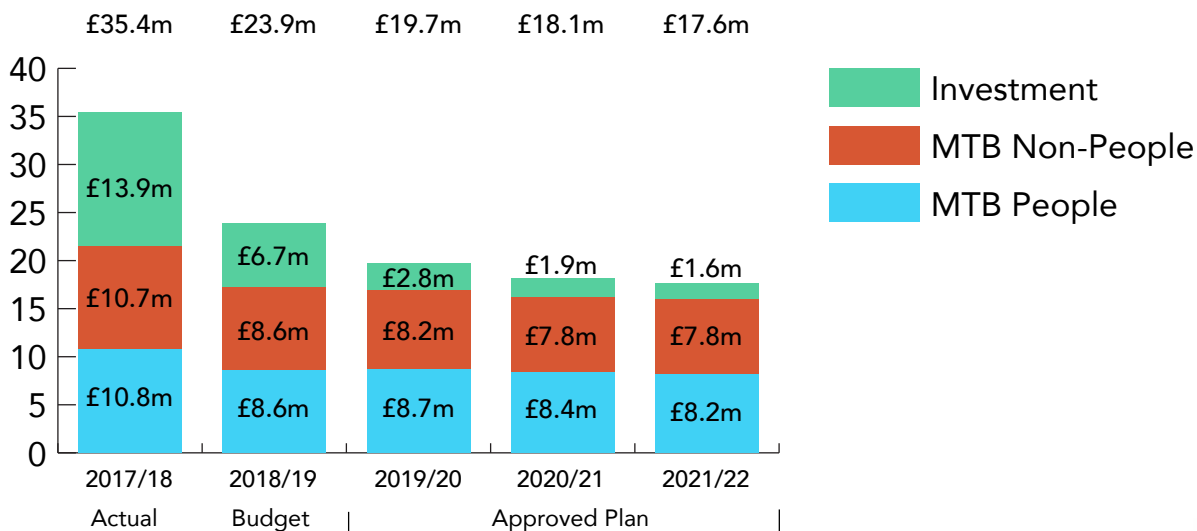
Legend

	Customer Centric		Change Leading
	Data Driven		Operationally Excellent
			Responsible Business

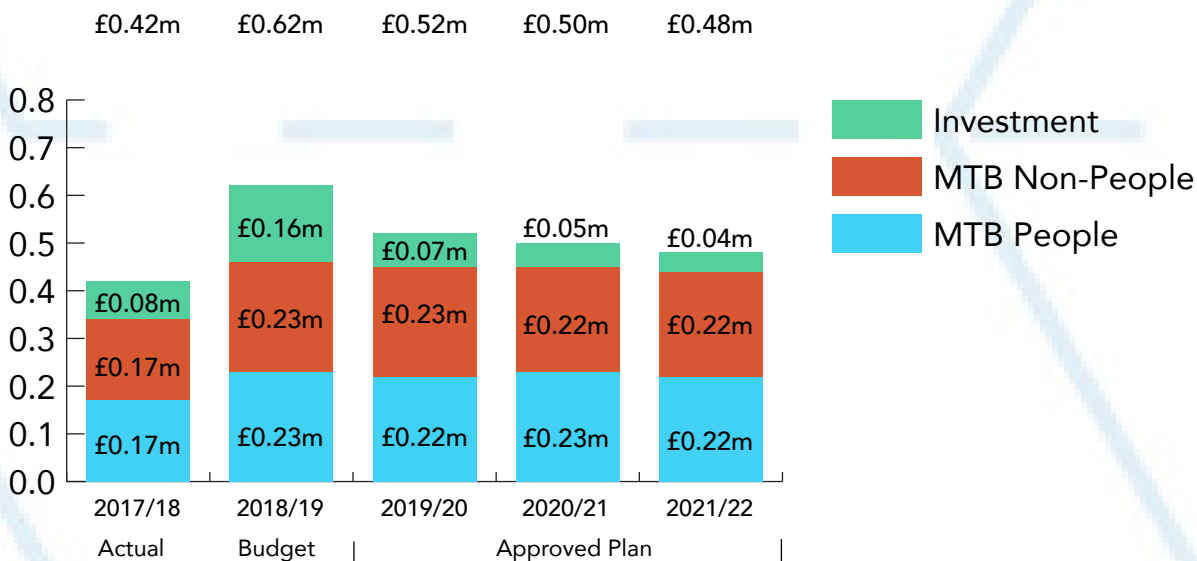
6. Constituency Funding

These four charts show the customer constituency funding requirements for financial years 2017/18 to 2021/22:

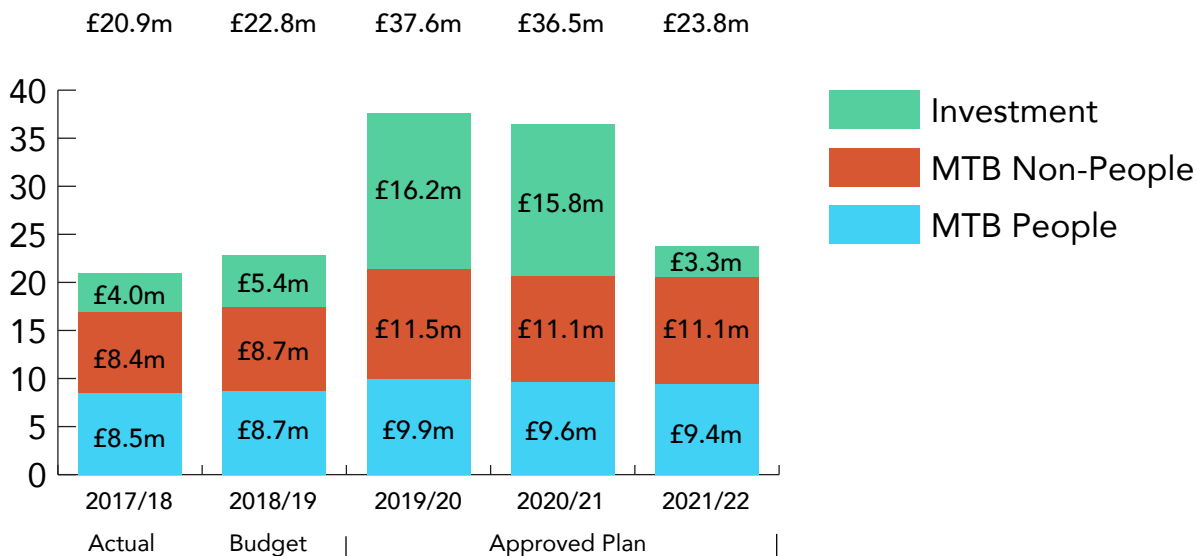
6a. GDN Funding



6b. IGT Funding



6c. Shipper Funding



6d. National Grid Transmission Funding

