BP19 Business Plan – Draft Plan Consultation Webcast Questions and Answers

On Thursday 11th October 2018, Xoserve hosted a customer webcast where we provided an overview of the draft Business Plan (available to read here) and an opportunity for customers to ask questions. These questions and our answers have been captured below.

The costs are great for the MTB slide but could the associated FTE also be added into the slide?

As part of our consultation process, we will make the FTE elements visible and will circulate information in more detail at customer constituency meetings.

As at the end of 2019, our FTE position included in the MTB position is 354 FTE. This will increase to 384 FTE due to the work being carried out within the security, Data Driven and Customer Centric arenas. We then expect efficiency and automation improvements to bring this down to a level similar to our March 2019 position.

You mentioned £1M risk allowance was for working capital?

As a business, we have limited levels of profit reserves. The risk allowance applied is a buffer to ensure we are able to manage risks and deliver services, without having to request any short term capital.

How would you recover that? By increased charges?

The risk allowance has been calculated as a percentage change on our non-people costs. If we do not spend this cost, we will pass it back to the customer as part of our rebating mechanism.

Overall, how will the budget be measured to check it is effective? An annual overview similar to last year?

We will produce an Annual Report next year, similar to what we delivered this year. The Annual Report will review whether we have delivered everything we set out to, if we spent money how we expected to, and takes a retrospective look at whether we have achieved what we told customers we wanted to and the successes we have measured. Our Key Performance Indicators (KPIs) within the Data Services Contract (DSC) and Key Value Indicators (KVIs) demonstrate whether we are starting to deliver in the customers' eyes, as well as against the metric based measures within the DSC.

On Customer Change the 2018 task force are recognised in the Market and Service challenges but in Annex 02 the BP19 costs are not as transparent, they will need investment so it would be good to share that in a clearer way.

Within Annex 01, we have categorised the continued work on UIG resolution as an individual item. We have also included investment in building our issue management capability to enable our business to deal with issues more consistently and proactively. Therefore, we *have investment built in both at an individual level for UIG but also a more holistic view for building our capability.*

We will ensure that this is as transparent as possible.

Why given the substantial investment in FGO are we spending significant amounts on governance – we would strongly challenge this given that the current framework has only been in place for a short period of time.

Due to our diverse customer base, we have received different messages relating to governance. We want to understand whether or not there is any value in reworking the governance, so we will consult on it and the Draft Plan lays out some of our thinking. It is then up to our customers to say whether or not there is any value in any of the proposed changes; and whether there is any common understanding on what is working and what is not working.

The budget allowance is currently a placeholder. If our customers advise that we do need to make changes, we know based on FGO experience that this is a complex and timely activity to undertake. However, there is no necessity to spend the budget if it turns out that the governance, as it stands, is fine.

Is the amount spent on performance assurance too much, too little or just right? These are the costs to support the industry's performance assurance (Gemserv contract, customer advocate engagement, etc)

We conducted a procurement activity on behalf of the industry for the Performance Assurance Framework Administrator (PAFA), there is no particular increase in cost and the contract was awarded to Gemserv.

The money set aside specifically for dealing with the PAFA was to allow the Performance Assurance Committee (PAC) and Framework Administrator to develop different or more performance reporting across the industry. This will continue into the next year. We are happy to have an open conversation about whether we should increase this investment; and talking directly with our customers about the information we are finding and PAC are finding which is important to the industry.

We are investing in competencies which create a platform that can be used for a number of problems. We are moving away from a world where there is a project just for PAFA reporting and a taskforce just for UIG, to a world where it doesn't matter what the problem is. We are going to create a reusable capability at platform level which makes all of this possible.

So with working capital and governance place holdings, could be over £2M rebate?

We have a set of placeholders that we believe customers may need us to invest over the planning period. However, by formulating a budget, this does not enable us to spend the money without good reason. We must engage with customers on an ongoing basis as plans evolve and our customer base has complete control on what we do and don't do.

This year, we had no risk buffer and we were faced with UIG. By having a risk placeholder, we do not have to converse about needing extra money, and we can make a collective *decision where to invest our risk placeholder. However, if the market remains as we expect it to and we do not use the risk budget, we will rebate it. In addition, if we do not need to change our governance model, again we will rebate this to our customers.*

There is uncertainty over Xoserve's approach to large scale change i.e. its ability to manage CSS changes at the same time as other major change – we need to avoid another Project Nexus situation. How does Xoserve plan to manage expectations and risk?

Over the past 18 months, we have completely transformed our business. An infographic within the draft Business Plan shows that 27% of our workforce has left, 25% of our workforce is new and 25% are the best people we have kept from Project Nexus. Our change experts are inside our revamped and completely reinvigorated platform business. We have hired change professionals from other industries by recognising the gaps that we had as an organisation when we were working on Project Nexus.

We are already confident that we are not repeating some of the dynamics of the past. We are being tougher with ourselves and tougher with the market. We have learnt the lessons and we have a team that knows what it takes to deliver programmes of this scale. We are making sure that we bring this expertise to the forefront and bringing it to life for different parts of the market, including Ofgem. We have added value to these debates from our experience with Nexus and we are seeing this be taken into consideration within the large scale CSS plans at market level.

We understand that it will be tough and risky, however we have made great strides in our organisational step change over the last 18 months and we are in the best position we can be to face a level of market change which we are not in a position to avoid.

Bringing to life the scale of the CSS bid, the consequential aspect is a massive programme for us, however if we win the bid, it will be minor in comparison. Having the two combined will make things easier for us and hence we have gone forward with the full support of our customers to try and make this reality.

GDNs are very concerned with regard to our RIIO allowances being exceeded significantly, we are not seeing reductions.

We are intensely aware of this issue and we have taken great care when putting together our budget. We are facing the reality of our business, our position in the market and the scale of transformation required to make us an effective business.

We have not been able to get to a position where we are able to reduce our cost base, due to the scale of change we are facing – both directly upon us and within the market as a whole. It is currently unclear whether we can get to a place where we can meet the RIIO allowances.

We are very keen to work with GDNs to understand if there is anything we can do to fit back into the mould. We are reluctant to attempt to squeeze back to a position which isn't the reality of our business now. However, we are keen to work together to see if there is anything more we can do to pursue that position.