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Sent by email to: stephanie.ward@xoserve.com and
CustomerExperience@Xoserve.com

Dear Stephanie,

Business Plan 2023 Draft Principles and Approach

We welcome the opportunity to provide feedback on the proposed approach to developing and the principles supporting Xoserve's 2023-24 Business Plan (BP23) for delivery of its role as the Central Data Services Provider (CDSP).

The proposed engagement activities and proposed improvements to information provision and accessibility are welcomed and necessary, to enable stakeholders to develop informed views and to provide meaningful feedback on the proposals. Overall, the proposed principles and approach (P&A) represent only a modest improvement on those that underpinned the 2022-23 Business Plan (BP22). The proposed P&A do not address the fundamental weaknesses that were raised throughout the BP22 planning cycle and in our appeal of BP22, namely the proposals lacked transparency and the efficiency of the proposed expenditure was not demonstrated.

The engagement during the BP23 planning cycle should be open and meaningful. We believe open and meaningful engagement involves Xoserve being responsive to stakeholder feedback, providing additional information when requested in a timely manner and at the granularity requested. Additionally, the proposals need to be clearly and robustly explained and justified. The information provided should be sufficiently detailed to allow stakeholders to understand why expenditure in individual categories may vary compared to the previous and the current plans.

The key points we highlight in our response are:

- **The efficiency of the Business Plan should be demonstrated.**
- **Greater transparency is needed.**

It is essential these issues are adequately addressed in the revised Principles and Approach document ahead of the first draft of BP23 being published. Also, Xoserve should explain how BP23 can be 'flexed' in response to the outcome of the appeal of BP22 that remains outstanding.

The efficiency of the Business Plan needs to be demonstrated:

We support enhanced external challenge/reporting on the draft CDSP Budget. An assessment of the efficiency of the proposed Business Plan is essential in order to demonstrate the extent to which it represents value for money. Also, it is appropriate that the baseline proposals should include only essential investment.

Any change to the suite of services being offered necessitates a revision of the cost allocation model. Changes to the suite of services and the cost allocation model should be consulted on.

Greater transparency is needed:

We welcome Xoserve's commitments to collate information and engage with stakeholders through several media and fora, allowing wider and easier access to materials. Publication and engagement, in themselves, do not constitute transparency. We expect the content of materials and response to questions and feedback at a level of transparency that allows meaningful scrutiny of the Business Plan.

Greater transparency is required in several areas:

- Business Plan manager: the role, cost and benefit of the new Business Plan manager should be explained in more detail.
- Greater assurance: it is unclear what *greater assurance of Business Plan content* means; this should be explained.
- Inflation: the application of CPI-H to specific elements should be clear and justified. We expect costs of multi-period investments to be locked-in at inception and therefore require no inflation adjustment (per p. 11: *following our restructure in March 2021, where project scope is known, costs can be fixed, thus insulating customers from project overspend*).
- Charging methodology: Any change to the suite of services being offered necessitates a revision of the cost allocation model. Changes to the suite of services and the cost allocation model should be consulted on.

Business Cases should contain adequate cost-benefit analyses

On p. 6 of the draft Principals and Approach, you state: *As in previous Business Plan years each project will be supported by a detailed Business Case and Overview presentation. This will help customers understand the cost-benefit analysis for each.*

We have previously and consistently provided feedback to Xoserve that the Business Case publication materials do not provide sufficient information or justification for projects, nor for customers to understand the cost-benefit analysis. We expect that unlike in previous Business

Plan years, BP23 will include information on all options considered and all relevant costs and benefits to demonstrate that the option selected provides best value for money. We request that Business Cases are published alongside the first draft of BP23, which then gives Xoserve an opportunity to respond to customer feedback and to revise them if necessary.

MTB / Service and Operate costs should be broken down and not presented as a total

Presenting MTB costs as a whole is not transparent. Presenting MTB / Service and Operate costs as a whole will not allow Xoserve robustly to demonstrate the efficiency of its Business Plan for delivery of its role as CDSP. Also, presenting aggregate expenditure estimates will not allow stakeholders to assess the efficiency of the proposals. MTB / Service and Operate costs need to be shown at a more granular level.

We note that you intend to make changes to the names and categorisation of certain BP23 elements compared to BP22. Where terminology is changed, clear explanations should be provided for the changes and reference to previous terminology and spending must be visible to track development over time. A clear comparison to the current plan is necessary for transparency.

Answers to the consultation questions are attached. We hope that you find this response useful. Please do not hesitate to contact me if you would like to discuss any aspect of this response.

Yours sincerely,

Kirsty Ingham
Head of Industry Transformation and Governance
Centrica Regulatory Affairs, UK & Ireland

Appendix: Answers to consultation questions

1.What other changes would you like to see to the way we present information in our Business Plan?

Xoserve should ensure focus remains on the completion of current investments at the most efficient cost to customers, this should be clearly demonstrated. Demonstrating efficiency is integral to demonstrating value for money.

Presentation of clear and transparent information, with detail of where changes have been made to the Business Plan and the reasoning behind these changes. This will ensure customers are aware of meaningful interactions, where actionable feedback is provided and acted upon.

2.Do you agree with our planning assumptions? Should we be adopting different assumptions when we prepare the Draft Plan?

No.

There is no justification for all costs being linked to inflation. Xoserve should clearly demonstrate where multi-year projects that continue into 22/23 have increased. These costs were assigned in previous plans and should not be increased. CPI-H is unlikely to represent true cost changes; we expect Xoserve to demonstrate which costs are relevant and where the increases are experienced.

3.Are there impacts of the current economic climate on your business that you feel we may not be aware of? If so, what are they?

4.Are there any services that you believe should be funded on a “per use” basis as a Specific Service, rather than through constituency and market share funding?

5.Is there a way we can think about the categorisation of Projects differently that will help you with your financial planning? Does this give you enough to be able to plug into your budgeting?

6.In what area of CDSP services would you like Xoserve to invest more in?

7.Do you have pending plans that we can support you with? Would you like to share ideas and collaborate with our team to test or deliver your innovative ideas?

When appropriate.

8.How can Xoserve help you when thinking about Net Zero 2050 targets and decarbonisation?

We will continue to engage with the Hydrogen Implementation group and other relevant events.

9. Are there other ways you'd like to engage with us during the business planning process to help you to assess the plan?

10. Would you use an On-line discussion forum if we created one?

Potentially – it would depend on whether this was easy to use and used in a meaningful way for engagement.