

# Draft Principles & Approach Roundtable 5<sup>th</sup> July

Post-meeting summary published  
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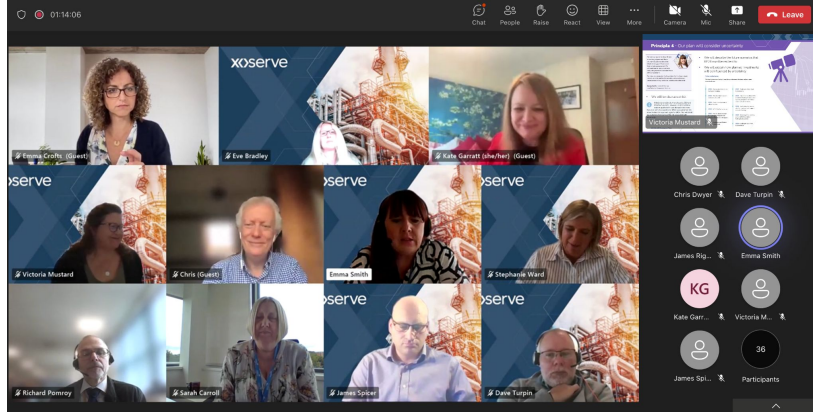
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# Overview of the event

# The event

**Objective of the event:** To provide an initial 'in-person' feedback opportunity for the draft P&A document. To demonstrate that the BP24 process would be transparent and focused on engagement, and that it would allow for open dialogue with the Xoserve senior leadership team.



# The event - attendees

## Xoserve Team Members

- **Stephanie Ward** Chief Executive Officer
- **Dave Turpin** Head of External Affairs
- **Emma Smith** Head of Change & Delivery Assurance
- **Eve Bradley** Company Secretary & Head of Cross Functional Governance
- **James Spicer** Head of Finance & Support Services
- **Chris Dwyer** Head of Contract Management & Procurement
- **James Rigby** Business Plan Manager
- **Vicki Mustard** Decarbonisation Strategy Lead
- **Jayne McGlone** Contract Manager
- **Ellie Rogers** Regulation Change Manager
- **Kate Garratt** Event Facilitation

# The event - attendees

## Guests

- **Jenny Rawlinson** Regulatory Affairs Manager at BUUK
- **Steve Mulinganie** Regulation Manager at SEFE Energy
- **Charlotte Gilbert** Contract Manager, BU-UK
- **Andy Clasper**, Industry Codes Specialist, Cadent
- **Gregory Edwards** Network Regulation Manager, Centrica
- **Sally Hardman** Regulatory Process Manager, SGN
- **Mark Jones**, SSE
- **Helen Chandler** Market Services Manager, Northern Gas Networks
- **Andrea Godden** Customer Gas Policy Manager, National Gas

# The event - attendees

## Guests

- **Claire Louise Roberts** Energy Industry Improvement Analyst, Scottish Power
- **Kirsty Ingham** Head of Industry Transformation, Governance & Forecasting, Centrica
- **Oorlagh Chapman** Regulatory Manager, Centrica
- **Michelle Brown** Regulatory Analyst, Energy Assets
- **Richard Loukes** Industry Frameworks Change Lead, National Gas
- **Richard Pomroy** Regulation Manager at Wales & West Utilities
- **Kundai Matiringe** Customer Success Analyst at BUUK Infrastructure
- **Stuart Monk** Regulation and Compliance Manager, MUA
- **Milly Nyeko** Legal Counsel, Centrica

# The event - attendees

## Board Members

- **Clare Spottiswoode** Chair of Xoserve
- **Sarah Carroll** Network Director, Xoserve
- **Christopher Logue** Transmission Director, Xoserve
- **Chris Jones** Shipper Director, Xoserve



# Agenda recap

Approximate Timings	Agenda item	Lead
1:00pm	Welcome, Key XO team member introductions Agenda recap	Kate Garratt
1:10pm	Scene setting and the role of engagement in shaping BP24 Why setting good foundations is important (i.e. the role of P&A)	Stephanie Ward
1:25pm	4 x principles in brief	James Rigby
1:35pm	<b>Principle 1 overview: Our plan will be built on engagement</b>	<b>Dave Turpin</b>
1:45pm	<b>Principle 2 overview: Our plan will be accessible</b>	<b>James Rigby</b>
2:00pm	<b>Principle 3 overview: Our plan will articulate value for money (VfM)</b>	<b>James Spicer</b>
2:15pm	<b>Principle 4 overview: Our plan will consider uncertainty</b>	<b>Emma Smith</b>
2:30pm	Break	
2:40pm	Quick-fire feedback round	Kate Garratt
2:50pm	Open discussion on responses to principles	All
3:05pm	Initial thoughts on BP24	All
3:20pm	Closing thoughts	Stephanie Ward
3.25pm	Next steps and goodbyes	Kate Garratt

# Agenda points summary

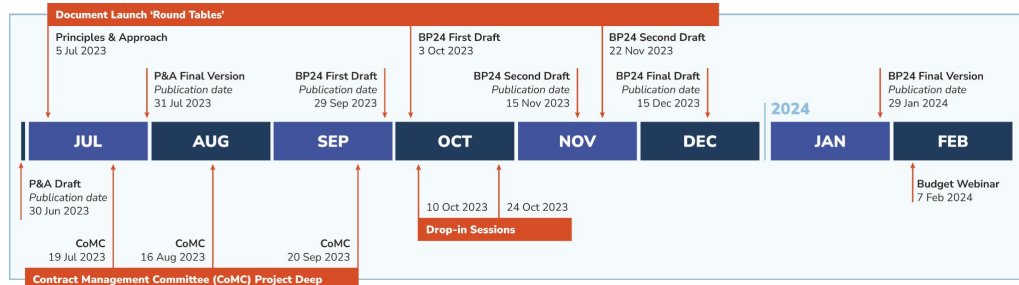
# Scene setting and the role of engagement

## Stephanie Ward, CEO of Xoserve, set the scene for the session by outlining:

- The energy industry landscape and inherent uncertainty
- The crucial role of the customer in business planning and how BP24 will look and feel different
- The critical role Xoserve has to play in providing mutualised services against the backdrop of the energy trilemma (sustainability, security and affordability)
- The importance of proactive contract management and the need to transparently articulate Value for Money

*"It's imperative that we work together to make sure that the Business Plan process delivers what we all need to move forward."*

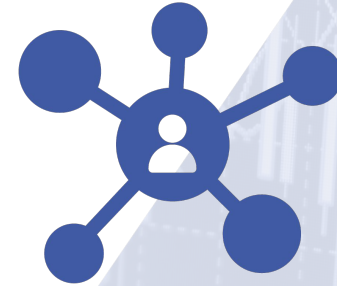
Stephanie Ward,  
CEO of Xoserve



# Principle 1 - Our plan will be built on engagement

**Dave Turpin, Head of External Affairs at Xoserve, proceeded to give an overview of Principle 1 by:**

- explaining that our approach to engagement will be to build on the things customers liked in previous Business Plans, adding more efficient, flexible and targeted engagement opportunities
- displaying when to expect engagement opportunities, which will include:
  - dedicated roundtables following publication of draft documents,
  - flexible drop-in sessions,
  - Investment-centric webinars,
  - a BP24 online hub, which will allow customers to access key info via various media when it's most convenient.



*"It is vital that we proactively engage customers, monitoring and acting on feedback"*

Dave Turpin,  
Head of External Affairs



## Principle 2 - Our plan will be accessible

**James Rigby, Business Plan Manager at Xoserve, introduced Principle 2 by:**

- explaining how BP24 will look and feel different by design, building on the aspects of previous Business Plans that customers wanted to see more / less of
- highlighting that BP24 documents will use fewer words, making the most important information more easily accessible, with other background information annexed
- highlighting that BP24 will include a transparent breakdown of Xoserve's direct costs and headcount
- relaying that related industry discourse (via feedback to BP23, DSC committees and UNC mod workgroups) is being considered in the development of BP24



*"Fewer words, more meaning... Some of you felt that BP23 was too dense and had too much written content: we are using that feedback for BP24 to ensure that the information you really need is easily accessible."*

James Rigby  
Business Plan Manager, Xoserve



## Principle 3 - Our plan will articulate value for money (VfM)

**James Spicer, Head of Finance at Xoserve, explained the rationale behind Principle 3 by:**

- Explaining how the 4E model aligns with CDSP activity:
  - Economy – providing quality services at a reasonable price
  - Efficiency – making the most of the resources at our disposal
  - Effectiveness – performance against DSC KPMs/PIs
  - Equity – sharing costs fairly via the Cost Allocation Methodology
- explaining that in addition to assurance activity being performed as 'BAU', Xoserve is undertaking a review to assess the Economy and Efficiency of CDSP service provision, reassuring attendees that this project is on track with stated timelines
- making clear how spending decisions will be driven by the BP24 principles and a focus on positive customer outcomes



*"The 4E framework will provide a common language through which we can communicate all aspects of VfM."*

James Spicer,  
Head of Finance



## Principle 4 - Our plan will consider uncertainty

Finally, Emma Smith, Head of Change and Delivery Assurance at Xoserve, offered an explanation of Principle 4. This included an overview of the following points:

- the importance of considering uncertainty in the political landscape and government policy milestones, stressing that there will be future decisions to be made following government changes
- key milestones around gas and electricity usage and how they relate to CDSP IT system upgrades
- the evolving role of hydrogen
- a reassurance that all renewable technologies, including biomethane and carbon capture, will be thoroughly assessed before being added to the BP
- emphasising the importance of setting risk profiles and highlighting that investment risks will be carefully considered when creating business cases and making investment decisions



*"It's critical that we consider potential futures when assessing future investment."*

Emma Smith,  
Head of Change  
& Delivery Assurance



# Quick-fire feedback

Three polls were held to garner initial feedback from customers. Questions included:

Do you agree with the P&A we have laid out?

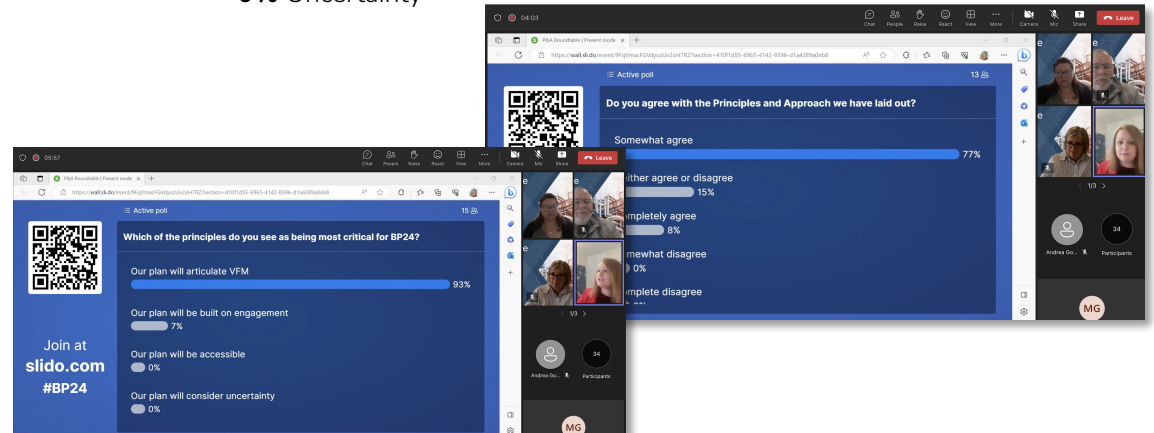
- **77%** Somewhat agree
- **15%** Neither agree or disagree
- **8%** Completely agree
- **0%** Somewhat disagree
- **0%** Completely disagree

How frequently would you like to share thoughts and feedback?

- **60%** Monthly
- **20%** Every other month
- **13%** A few times a month
- **7%** Only when a draft is produced

Which of the principles is most critical for BP24?

- **93%** VfM
- **7%** Engagement
- **0%** Accessible
- **0%** Uncertainty





# Customer feedback & post-meeting responses

# Key feedback theme: transparency

## You said

Transparency was an important focus of the round table event. They want it to be explicitly recognised in the P&A and to drive the BP24 process.

Gregory Edwards from Centrica shared his view that it might have been more helpful if transparency was its own principle rather than being a part of principle 2.

Other customers agreed with him, wanting transparency to be a central focus of the P&A and explicitly stated as such.

*"I think the conversation today has been very useful ... it has provided detail which was not captured in the P&A document. It would have been good to see more of it in the document so that we could feed back on it. How will it be captured in its richness and shared? "*

Gregory Edwards Network Regulation Manager, Centrica

*"To say [transparency] will be covered as a side point is really missing an opportunity to address how we've got to where we are today. You are doing the work so why not say the words?"*

Steve Mulinganie, Regulation Manager at SEFE Energy

## We will

*"We recognise the need for BP24 to be appropriately transparent, and we are looking forward to sharing more information relating to Xoserve in BP24, including a breakdown of our direct costs and current / forecasted headcount. In addition to this, we will transparently share the output of the in-flight Efficiency Review and our plan to manage any findings that may arise.*

*Using the feedback from the 5<sup>th</sup> July Roundtable, we will also update the P&A so that transparency is a 'golden thread' that underpins all 4 principles. It's clearly a very important issue that needs to be applied to each of the 4 key principles.*

*We also agree that the Roundtable was a really useful and engaging event. We have made the recording of the meeting available to anybody who couldn't attend, and produced a summary report which pulls out key discussion points, and post-meeting reflections as to how we will adapt the P&A before publishing the final version. We also intend to reach out to customers directly to make sure we have satisfied individual questions that were raised during the event, and share info with customers via a 'you said / we did' register, which will be available on the BP24 online hub."*

James Rigby, Business Plan Manager



# Key feedback theme: uncertainty

## You said

When discussing uncertainty, it was evident that the focus on hydrogen was deemed to be too narrow in scope to some stakeholders, who felt that a broader perspective might be needed, considering the pace and scale of industry change.

Steve Mulinganie from SEFE Energy, stressed that there are more issues to be considered and that Xoserve needs to focus on wider market issues, such as the half hourly settlement and energy market consolidation, and be vocal about its views on how such matters will impact the running of Xoserve and of the overall industry:

*"Is there only uncertainty around hydrogen or the broader market? Certainly, uncertainty is an issue and will always be with us, but there are some changes in the market which are fundamentally being brought forward and there are major changes upcoming - there are more issues to be considered."*

Steve Mulinganie, Regulation Manager at SEFE Energy

## We will

*"While the future of Hydrogen is clearly a priority for the gas industry, we agree that future uncertainty is not limited to this topic. As such, we will widen the content captured in Principle 4 in the final version of the P&A to include the other elements we will consider when presenting our approach to the management of uncertainty in the Business Plan and specific investment Business Cases"*

Emma Smith, Head of Change  
& Delivery Assurance



# Key feedback theme: decision making

## You said

During the open discussion, a question was asked about the role of customers in making spending decisions and how information about choices and risks would be shared. It became clear that customers want to be more involved in the decision making process, particularly where third-party contracts for services are concerned.

Kirsty Ingham from Centrica told us that she had really enjoyed reading the P&A document this time and that she felt optimistic about the BP24 process, but that she needed to see the 'proof of the pudding'.

It's clear that customers are keen to be involved with spending and strategic decisions, that they want more transparency and that there are some trust issues in this area, based on past experiences.

It was also raised that the CoMC might not be the best vehicle for customer engagement. Would workshops under Chatham House Rule be better?

*"What is the role of customers? How will we get involved and make those decisions with you - this hasn't happened in the past, so how will this change? The stuff we haven't seen in business cases before which I would like to see now include; cost benefits, proof of why that choice has been made, all the content in investment and transparency, what other options were looked at? Why have we gone with this choice?"*

Kirsty Ingham, Head of Industry Transformation, Governance & Forecasting at Centrica

## We will

*"It's very pleasing that you can see a positive difference in how we have presented the information, and we are committed to continuing this in all Business Plan documentation.*

*We recognise the importance of making the information we present in BP24 accessible, transparent and targeted at what customers need to assess our plan. We have listened to recent feedback and intend to use these learnings to inspire BP24 content. For example, we will use reasonable endeavours to include the majority of information currently being assessed via UNC mod 0841 regardless of the trajectory of this ongoing industry discussion.*

*We have also considered opinions regarding the suitability for CoMC to be used for investment and S&O deep dives. While we will periodically update and consult with the experts appointed to CoMC, we will stand up dedicated webinar sessions to deep dive into various elements of BP24. An updated engagement timeline will be included in the final version of the P&A"*

Dave Turpin, Head of External Affairs



# Key feedback theme: inflation and risk

## You said

The open discussion included a conversation about the approach BP24 would take to inflation. BP23 took a new approach but it was perhaps not clear whether this was a 'holding position' that needed to be reviewed or whether that review had taken place. The conversation also turned to the management of risks in contracts and whether Xoserve was 'hedging' that risk.

Gregory Edwards from Centrica was keen to know how inflation would be handled going forward. How and when would customers be given an informed view on the approach for BP24?

Steve Mulinganie from SEFE Energy wasn't sure that rising inflation could be considered an uncertainty. He asked whether it was being called out as a particular risk because of the new contracts Xoserve was entering into and how they were funded. He also asked how Xoserve was intending to insulate customers from that risk. Would they be 'hedging' their contracts?

There was a discussion about the pros and cons of SaaS models.

*"Are the existing inflation escalators a cause for concern? Is there something peculiar or particular to the arrangements we have now that expose us... ?*

*Thinking about Correla, are we more exposed because we've opted into this type of arrangement as opposed to the historical-type of arrangements?"*

Steve Mulinganie, Regulation Manager at SEFE Energy

## We will

*"Application of inflation to CDSP costs has not changed as a result of company separation.*

*We did not apply CPI-H to all Change Charges (specific to Table 3 in the Annual Charging statement) in BP23. This decision was taken to reflect the fact that these investments were un-scoped when we presented in the Business Plan process, instead these budgets are accessed on a needs-be basis following incremental customer approval. We did apply CPI-H to the Infrastructure investments in BP23 (specific to Table 2 in the Annual Charging Statement), because the scope and costs associated with these investments were fixed at the point of Business Plan publication.*

*We will further review the application of inflation, and explore options as to how we could treat both types of investment going forward, and present options to customers as part of the BP24 process.*

*We will ensure that, should SaaS options become available in future, we will present clear cost benefit analysis which provide customers with information that supports decision making."*

James Spicer, Head of Finance



Thank you for taking the time to engage. We look forward to the next opportunity to discuss BP24.