

The background of the slide features a photograph of an industrial refinery or chemical plant at sunset. The sky is filled with warm, orange and yellow clouds, and the refinery's complex structure of pipes, towers, and scaffolding is silhouetted against the light. The foreground is dominated by a dark blue geometric pattern of overlapping shapes, including large chevrons and hexagons, some in shades of teal and light blue.

xserve

Moving towards a more collaborative approach

2024-25 Business Plan

Fast access >>

This report was published in December 2023

2024-25 Business Plan **Fast Access >>**

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BP24 sets out the required scope and draft budget for the provision of Central Data Service Provider (CDSP) services during the 2024-25 financial year. It also provides a forecast for the financial years 2025-26 and 2026-27.

The BP24 principles

BP24 follows our guiding principles as stated in the Principles and Approach (P&A) document published in July 2023:

- 

Our plan will be built on engagement
- 

Our plan will be accessible
- 

Our plan will articulate value for money (VfM)
- 

Our plan will consider uncertainty
- 

Transparency will be the golden-thread that runs through the BP24 process

The full version of our P&A plan is available [here](#).



Industry context in brief

Last year's business planning cycle was overshadowed by global events, increased energy prices and domestic political turbulence. These factors combined to create an added layer of market complexity and uncertainty.

While it was difficult to know how to respond, we are proud to have played a part in the design and implementation of the Energy Price Guarantee and Energy Bill Relief Scheme.

A year on, the acute energy crisis seems to have passed and the focus is once again on the efficiency and resilience of the UK energy market, including what steps can be taken to reduce the costs of operating the commercial gas market.

A note on uncertainty

Since the last Business Plan there have been important policy statements on the role of hydrogen, biomethane and carbon capture technologies in decarbonising the energy system. We expect further announcements on hydrogen blending and on the upscaling of trial areas.

Our role is to support our customers and stakeholders by ensuring that central market issues are considered at both trial and pilot or roll-out stage, and that all possible future scenarios are assessed and understood. Our role is not to promote hydrogen, but we do provide timely and accurate data to support decision making.

For this reason, **BP24 focuses on understanding and managing uncertainty and risk to avoid potential wasted investment.**

When scoping BP24 investment proposals, we:

- **considered technical, global, political and market uncertainties**
- **focused on delivering no-regret spend where possible.**

More information can be found at page 38 and 45 of the full-length [BP24 report](#).



Finance and value



Our draft budget for 2024-25 and draft forecasted budget for 2025-26 and 2026-27 includes a summary of our total expenditure and how that breaks down into S&O and Investment costs.



Proposed total expenditure (TOTEX):

- **£81m** (£11.7m less than in 2023-24). This is primarily due to a smaller total investment profile during 2024-25.
- The cost per meter point to deliver CDSP services will be **£3.22** at 2023-24 prices.
- Our direct costs are primarily people-based. We will have 58 employees during 2024-25 for a total cost of **£5.1m**.

Since our restructure in 2021, we outsource the majority of our investment and S&O activity to third party suppliers. More details on the contracts we have in place are available in the Contract Management and Assurance section at page 34 of [BP24](#).

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Infrastructure and change:

The total proposed investment budget for 2024-25 is **£13.9m**

This investment is smaller than in recent years, when we delivered major industry programmes which are now operational.

The scope for this year has the following objectives:

- Sustain and enhance the critical IT platforms that facilitate the operation of Great Britain's gas industry
- Deliver incremental and beneficial customer changes to central systems and processes
- Support the gas industry on its journey towards net zero.

We plan to take a measured approach to navigating potential futures. The majority of the budget is held for incremental use following approval in DSC committees, with the remaining funds dedicated to sustaining critical central platforms. This was discussed in detail at our 'First draft investment round table'. [View the video.](#)

Infrastructure Projects

No	Infrastructure Project	Annual Infrastructure Charge Base
1	UK Link Sustain	1,800
2	UK Link Service Essentials	560
3	Gemini Sustain	3,434
Total Infrastructure Service		5,794

Change Projects

No	Change Project	Annual Change Charge Base
1	Gemini Regulatory Change	2,420
2	UK Link Optimisation	1,500
3	Decarbonisation	678
4	DSC Change Budget	2,650
5	REC Change Budget	350
6	Data Discovery Platform	383
7	Non Standard Items for Data Reporting	110
Total Change Service		8,091

Business Cases

Business Cases provide a comprehensive overview of an identified need for investment, and present an informed view of the challenges, opportunities or risk mitigation strategies that investments seek to address, as well as the solution options, costs and benefits associated with the investment.

There are four Business Cases for investment in 2024-25:

Gemini Sustain

During the BP24 period, we will use the allocated funds to conclude the modernisation of the Gemini platform and complete the delivery of modifications required to support evolving regulatory regimes. This work has begun and is expected to run from October 2022 to October 2024.

Read more about the Gemini Sustain investment at page 30 of [Annex 4](#).

UK Link

The UK Link roadmap is a multiyear programme of work with the objective of completing a mandated upgrade of the UK Link estate by 2027 (or 2030 with extended support). This is a fixed, no-regret £2.4m investment to fund activities associated with sustaining the UK Link Systems Applications and Products (SAP) infrastructure and its networking components.

Read more about the UK Link investment at page 12 of [Annex 4](#).

Decarbonisation

The decarbonisation investment will be used for a range of projects. This investment enables us to understand the impacts of trials and pilot schemes on existing licence conditions, regulatory requirements, settlement and billing systems and processes. As such, it allows us to identify least-regret investment options while supporting the gas industry transition to a low-carbon future.

Read more about the Decarbonisation investment at page 46 of [Annex 4](#).

General Change

Each year, Xoserve is required to make changes to the systems and services it provides to Data Service Contract (DSC) customers, to ensure compliance with all industry obligations and align with any rule/code changes. The purpose and size of the general change investment has remained relatively static over recent years, while the scope and of individual segments has evolved, based on changes in industry and customer feedback.

Read more about the General Change investment at page 2 of [Annex 4](#).

S&O costs

S&O costs fund all 'business as usual' CDSP activities and comprise four elements:

Total General Services Charge	59,698
Total Specific Services Charge	4,574
Total Additional / 3rd Party Charge	153
Total RECCo Charge	2,691
Total Service & Operate Business Plan 24	67,116

In 2024-25, the baseline S&O budget is **£67,116**


This is reduced by **4%** (£2.6m) due to:

- a renegotiation of costs associated with RECCo services
- the modernisation and cost-reduction brought by the Gemini Sustain programme
- decommissioning of legacy CMS.

A detailed breakdown of TOTEX, investment and S&O costs is available at page 17-25 of [BP24](#).

The gas industry continues to navigate a difficult path. We must approach the coming year knowing that a degree of uncertainty remains over future energy scenarios. All investment in the BP24 period will fall into one of three categories:

- No regret
- Required to keep options open
- Delivering benefits now.

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How customer feedback has changed our approach

Customer engagement is an essential part of what we do at Xoserve. In our role as CSDP, serving our customers is our reason for being, and so we strive to engage continually.

We do this in many ways, including formal, periodic DSC committees, REC, UNC and IGT UNC working groups, change development sessions, and directly.

That is why, alongside the necessary consideration of future uncertainty, our approach to investment for BP24 has also been shaped by customer feedback on BP23.

In response to customer feedback, we led a well-attended customer roundtable at the start of the formal BP24 process in June. The roundtable generated useful discussion.

Attendees broadly agreed that the principles we had identified as being most important were also their priorities. They also felt that transparency was the most important principle and that our commitment to it should be more explicit. In July, we published the final version of the P&A document, in which transparency was at the forefront.

Following customer feedback, we are also presenting investments differently than in BP23, by reverting to terminology consistent with our Budget and Charging Methodology.

Our overarching aim has been to bring customers closer to the process than ever before.



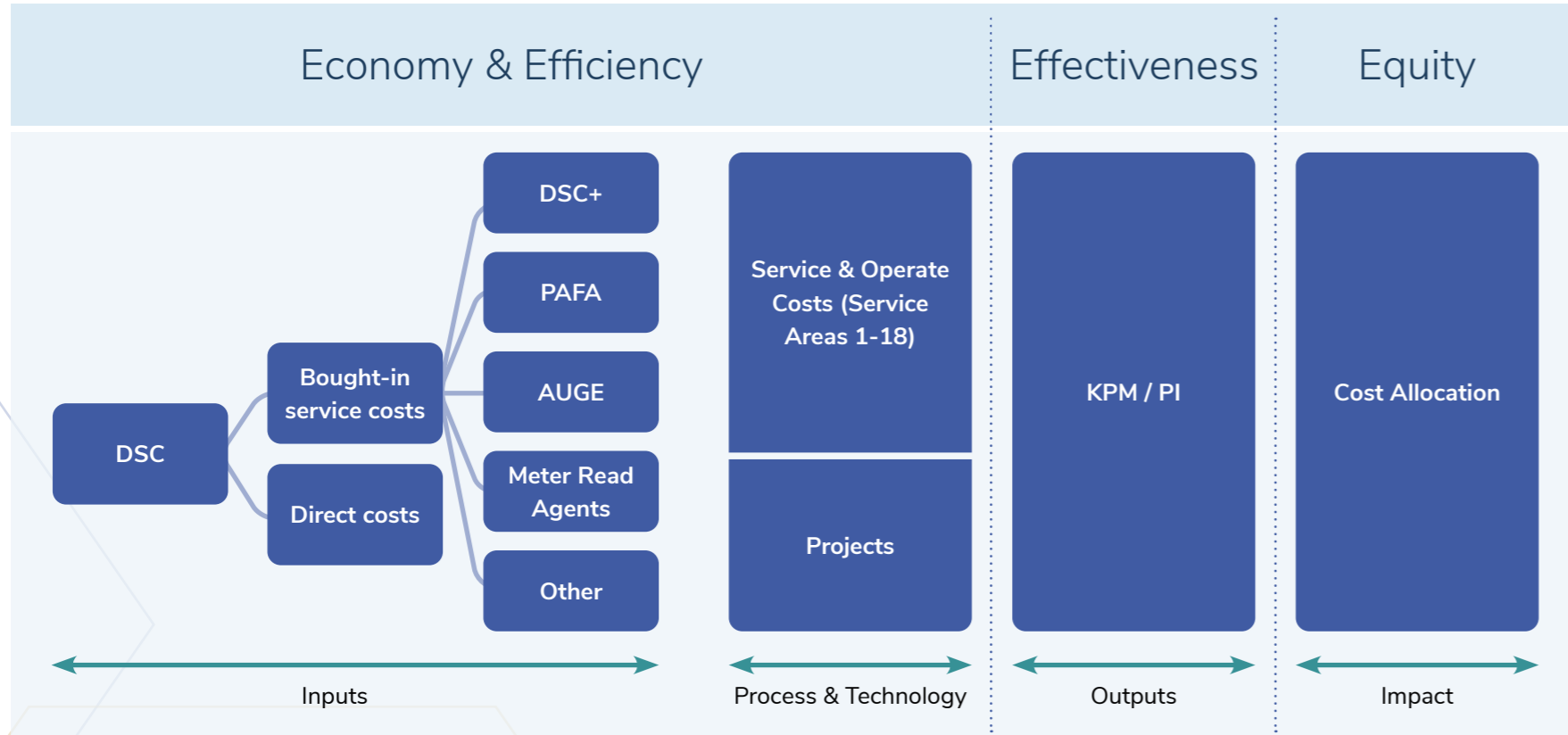
Delivering value for money (VfM)



All investment plans have been made in a way intended to maximise value for money (VfM).

To evaluate VfM in a way that ensures a consistent approach and keeps transparency front and centre, we used a framework based on the four Es: economy, efficiency, effectiveness and equity.

What is the 4E framework and how will it be used?



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Economy and efficiency

Following customer scoping and approval of funding, in July and August 2023 a third-party consultant undertook an Efficiency (VfM) Review of the CDSP cost base. Their directive was to conduct a benchmarking exercise and assess whether Xoserve is delivering CDSP services economically and efficiently.

Key findings of the Efficiency (VfM) Review

- Cost to Operate accounts for around 50% of Xoserve's expenditure, which is deemed good.
- Cost to Change is in line with selected energy and utility players.
- General and Administration form only 3% of total spend.
- Savings of 2-8% can be achieved by
 - » rationalising project spend
 - » optimising the execution of fixed change
 - » optimising operations in collaboration with Correla
 - » enhancing current capabilities.

Since we published Draft 1 of BP24, we have initiated a programme of work to address the findings of the review. The Efficiency Review Delivery Programme (ERDP) will consist of five workstreams, each designed to categorise and address the 40 separate Findings Actions (FAs) emanating from the review, and sponsored by a member of our Senior Leadership Team (SLT).






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Efficiency Review Delivery Programme Packages

Programme Package	FA Count	Programme Scope Executive Summary	Accountable SLT Member
Contract Strategy	3	For future work consider gain share deals, benchmarking, competition and incentives for innovation and new services from its supplier base.	Chris Dwyer 
Contractual Application	2	Ensure Xoserve maximises all contract levers in its commercial agreements to ensure value for money and effectively manage third party suppliers.	Chris Dwyer
Change	27	End-to-end process and management review of the change process. The review will consider the operating model of change within Xoserve and its interactions with customers and Correla.	Emma Smith 
Customer Reporting	1	End to end review (including the cost of provision) of the reporting that Xoserve provides to customers. Review if current provision is still fit for purpose and if there are better ways to deliver customers reporting requirements.	Emma Smith
Financial & Operation Reporting	7	Ensure financial, operational and change metrics evidence value for money (VfM) continue with salary benchmarking roles in Xoserve to ensure VfM and rates charged to Xoserve for resource.	James Spicer 

Read the [Efficiency Review Summary Document](#)

Effectiveness

Our effectiveness is measured across a series of 49 KPM/PIs. You can find information regarding performance [here](#) (pages 34-47).

Equity

A review of our Cost Allocation Methodology (CAM) is underway and will make use of the observations and recommendations relating to cost classification from the Efficiency (VfM) Review. We will share information on the progress and outcomes of the CAM review as we move through the BP24 cycle.



Contract management and assurance



The majority of our cost base funds an ecosystem of contracts with third parties to deliver CDSP services.

During the BP24 cycle, we will continue to perform appropriate contract management and assurance activities for each contract, including qualitative and quantitative KPM/PI setting, monitoring and auditing.

Key contracts include, but are not limited to:

- Data Services Contract Extra Services (DSC+)
- Performance Assurance Framework Administrator (PAFA)
- Allocation of Unidentified Gas Expert (AUG-e)
- Efficiency (VfM) Review
- Non-daily metered service provider
- Daily metered service provider (Class 1 sites)
- ISAE3402 Assurance Audit 2023
- Financial Statement Audit
- DSC - Effectiveness
- Work volume ('process events') forecast

More details on the current contractual ecosystem and how each contract is managed can be found at page 34 of [BP24](#).



The BP24 plan has been built on customer engagement, and we encourage our customers and stakeholders to continuously provide constructive feedback to help us deliver CDSP services efficiently and cost-effectively.

You can provide feedback by completing [this form](#).





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