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Sent by email to james.rigby@xoserve.com, business.planning@xoserve.com,

Dear James,

Consultation on 2025-28 Business Plan Statement of Planning Principles

Thank you for the opportunity to respond to the above consultation. This is a non-confidential response on behalf of the Centrica Group. Our feedback is based on both the content of the draft Statement of Planning Principles (SPP) and the material presented during the 'Roundtable' held on 9 July 2024.

The draft SPP indicates that there is misalignment between those areas that the energy industry expects Xoserve to focus on and what Xoserve considers its priorities should be. The discussion during the 'Roundtable' highlighted that industry expects Xoserve to focus on its core role: the delivery of Central Data Services Provider (CDSP) Services. At this stage, we agree. We share concerns that activities beyond Xoserve's core function as the CDSP that have not been shown to be justified nor necessary may become a distraction.

Xoserve refers to polling from the May 'Strategy Day' as justification for the approach to the SPP and content. However, the results of the polls were not conclusive and should not influence the approach to the SPP or Xoserve's future work. There does not yet appear to be broad industry support for Xoserve undertaking activities that are not directly related to or are beyond the scope of its core role.

The aim of the SPP in the Annual Budget process is to set out the basis on which the CDSP will establish its Budget, including planning assumptions, scope of services and basis of the financial forecasts to follow in the drafts of the business plan. In our view, the draft SPP is not sufficiently focussed on the energy industry's priorities, including its expectations of the CDSP, is not sufficiently focused on business planning for 2025-26 and does not include key information that we would hope to gain from the SPP part of the process. We recommend:

- **Focus should be placed on explaining how the efficiencies that were identified in the 2023 Efficiency Review will be realised, and how these will be treated and communicated within business plans, and on developing the future arrangements for service delivery.**

- **Xoserve should explain how it will be able to successfully deliver CDSP Services and large projects within its core role while also undertaking code management strategy and business development activity.**

Focus should be placed on explaining how the efficiencies that were identified in the 2023 Efficiency Review will be realised, and how these will be treated and communicated within business plans, and on developing the future arrangements for service delivery:

Key industry priorities that were discussed during the 'Roundtable' held on 9 July include the improved delivery of CDSP Services and the efficient delivery of investment projects. There are also other factors that are crucial to service delivery but were either excluded from or discussed in insufficient detail in the draft SPP.

Realising efficiencies:

A detailed explanation of how efficiencies that were identified in the 2023 Efficiency Review will be realised and incorporated in the 2025-26 Business Plan (BP25) should be included in the SPP. Xoserve convened the 'Efficiency Review Implementation in Xoserve' (ERIX) programme in late 2023 to facilitate implementing the recommendations of the review. We would like to see information in the SPP about how recommendations will be implemented and indicative timeline(s) for implementation of all the recommendations.

Xoserve should present a 'roadmap' in the SPP for embedding the efficiencies and improvements identified in the 2023 Review in 2025-26, and for tracking progress. We are happy to help Xoserve develop an approach that can be used to demonstrate progress in realising efficiencies to the energy industry. This could continue our discussion with you during the BP24 planning cycle on approaches to assess and convey tracked and projected efficiency gains in ways that are most helpful for stakeholders to understand.

Developing the future arrangements for service delivery:

The vast majority of CDSP Services are delivered via subcontracting arrangements according to a contract between Xoserve and a third party.¹ The future arrangements for service delivery need to be designed to, among other things, ensure the continuity and improvement of service provision.

It is our long-held view that competition can deliver long-term value for consumers; this also applies for the future arrangements for the delivery of CDSP Services. We encourage Xoserve to explore a range of competitive approaches, to inform the future arrangements for service delivery. It is also necessary fully to assess whether outsourcing on the scale that it currently occurs can provide the greatest value for Customers.

As we indicated in our letter of 20 October 2023, Customer feedback should be used to inform decisions about the future arrangements for the delivery of CDSP Services as far as is possible. The collaborative approach taken by the industry to develop Uniform Network Code Modification 0841 should also be used to shape the future arrangements wherever possible.

¹ See <https://www.xoserve.com/media/41785/customer-handbook-frequently-asked-questions-06-april-2021.pdf>.

Xoserve should explain how it will be able to successfully deliver CDSP Services and large projects within its core role while also undertaking code management strategy and business development activity:

At this stage, we do not support Xoserve undertaking activities that are not directly related to or are beyond the scope of its core role as the CDSP. Particularly, we do not support the proposed prioritisation of activities relating to energy code management. Xoserve has not explained why undertaking activities that are not directly related to or are beyond the scope of its core role as the CDSP are in Customers' and consumers' best interests at this time.

There are important issues that are within the scope of Xoserve's core role that need to be resolved within the next few years and that cannot be de-prioritised. Arrangements for the delivery of CDSP Services that also provide the greatest value to Customers need to be developed. Project Trident, which is also fundamental to the operation of the energy market and will require significant Customer funding, needs to be delivered successfully. The efficiencies identified in the 2023 Efficiency Review need to be realised. CDSP Services must be delivered. Activities that are not directly related to or are beyond the scope of its core role as the CDSP could create delivery risks.

We naturally expect that Xoserve's entire corporate focus should be placed on improving and ensuring the effective and efficient delivery of CDSP Services and the investment to support service delivery. This remains our position until Xoserve can robustly demonstrate that undertaking activities that are not directly related to or are beyond the scope of its core role as the CDSP:

- are in Customers' and consumers' best interests;
- will not create delivery risks for the large projects that have to be delivered within the next few years; and
- the additional resources and institutional capacity required are efficient.

Code management investment may be premature:

There are still several policy decisions about the future code governance arrangements to be made. We welcome Xoserve participating in the industry code governance reform programme (e.g. workshops) to better understand how the CDSP will be required to support future code managers and energy codes governance. However, pre-emptive investment, ahead of the relevant policy decisions being confirmed, is not justified.

Policy decisions relating to the licensing of code managers have also not been made. The appointment criteria, the selection and appointment process and the timing of appointment have not yet been confirmed. Additionally, there is no reason that we are aware of to presume that Xoserve will be appointed as the code manager for the future gas network code. We are clear that any pre-emptive investment or activity carried out on the presumption of Xoserve being appointed code manager would be done entirely 'at risk', has not been yet justified and has not yet been demonstrated to be of net benefit to Customers or consumers. If any 'no regrets' activity and spend can be identified, this should be arrived at and agreed with Customer involvement.

Similarly, there is no justifiable reason why Xoserve should seek to instigate and undertake activity relating to the administration of the existing gas network codes.² By default, administration activities for the existing gas network codes remain the responsibility of the existing code administrator.

² For example, Xoserve proposed digitising the existing gas network codes.

We remind Xoserve that existing obligations in Condition A15 of the gas transporters' Standard Special Conditions, in the UNC and the DSC restrict the CDSP to include funding required only for CDSP Services in the CDSP Budget.³

Other issues:

It is our opinion that the removal of the Customer Advocate role within Xoserve has had a negative impact on service to Customers. Specifically, there has been a decrease in direct engagement with the senior management team, meeting relating to Customers' issues have become less effective and issues are not being resolved in a timely manner. We encourage Xoserve to review the Customer-related roles and oversight within Xoserve to identify how Customer satisfaction can be increased.

In September 2023, Xoserve stated that a review of the Cost Allocation Methodology was underway, and that the outcome would be shared with Customers during the BP24 cycle.⁴ We are aware that work has been undertaken and expected that the findings would already have been shared with all Customers. We encourage Xoserve to update all Customers on progress and timelines for completion via the 2025-26 business planning materials.

We hope you find these comments helpful. 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

³ Existing obligations do not permit Xoserve unilaterally to include funding to support its ambition to become a code manager or anything else outside of scope in the CDSP Budget.

⁴ This was stated in the first draft of the 2024-25 Business Plan that was published in September 2023.