

xserve

CDSP SERVICE DEVELOPMENT



INVESTMENT PROPOSAL

September 2024

Contents

Executive Summary	1
Cost drivers	4
Expenditure profile	5
Individual Project Scope / Outputs	6
BPIR Assurance	9



Executive Summary

Overview

Need:

As Net Zero targets approach and code reform beds in, we need to ensure that the CDSP has the required capability and capacity to react to new industry requirements. Customers have also told us that we should be proactive in seeking out ways in which we can centrally deliver new services to drive Value for Money.

Approach:

We are proposing this investment to explore and deliver future industry projects, starting with a CDSP Data and Digitalisation strategy, an exploration of available options for a CDSP Open Data solution, improvements to the Priority Services Register and delivering vulnerability data projects with central bodies and Ofgem/DESNZ.

Benefits:

Prompt and effective response to potential new code reform requirements (e.g. communicated via Ofgem's forthcoming Strategic Direction Statement) and proactive development of value adding new CDSP services.

Background

Xoserve's new strategic principles clearly set out our intention to build **trust** and **innovate** to **deliver** maximum value to customers, industry stakeholders and consumers alike.

We believe that in order to do this, we need to evolve our capabilities and capacity to deliver the changes that we know are on the horizon, such as Project

Trident, and be flexible enough to add value when as-yet-unknown events occur outside of our annual business planning cycle.

As recent history informs us, the horizon isn't fixed and there are policy, market and societal 'unknowns' that, as central body for the gas industry, we need to be flexible enough to respond to if / when they arise. We intend to be proactive in scanning the horizon for ways in which policy, market and societal changes will impact CDSP services, and in ways we can innovate to provide new central services where they can benefit all.

Code reform and impacts on CDSP Services

Code reform is very firmly on the horizon. As communicated in the 2024 [Multiyear Strategy](#) document, later this year Ofgem will publish an inaugural annual Strategic Direction Statement (SDS). This will set out Ofgem's vision for how codes should evolve. As a central body delivering central services, this vision may include initiatives or changes that impact the services we are responsible for. We need to have the capacity and capability to react to this.

The first SDS is proposed to be published during the winter of 2024/25 and will encompass all codes regardless of whether Code Managers for each have been selected - this will "provide opportunities for strategic change to be progressed and co-ordinated under existing governance" ([Consultation on the implementation of energy code reform](#) (ofgem.gov.uk) section 4.5, p.37).

Certainly, the introduction of new ‘Code Managers’ is likely to impact the way that change (to central systems and processes) is implemented, with the regulator seeking to ensure a more strategic, joined-up approach across all of the codes. The codes themselves are set to be consolidated in order to make modifications to them more efficient and effective – it’s possible that this will, in turn, lead to changes to the way functional changes (to central systems) are designed and delivered.

It’s clear that Digitalisation and Data will be an essential enablers in meeting Net Zero by 2050. NESO have recently communicated a forthcoming [Data Orchestrator](#) role, with Chief Information Officer Shubhi Rajnish stating that Net Zero is [‘next to impossible without data sharing’](#). We see the clear need for Xoserve to develop CDSP capabilities in Digitalisation and Data Sharing.

Developing value-add CDSP services

In addition to ensuring we are aware of and can react to future policy, we have set out our ambition to move from Assurance to Confidence, proactively identifying where Xoserve can innovate to either take on services that are already being delivered (and delivering them centrally in a more economic / efficient / effective and more equitable manner), or identify new services that can deliver beneficial outcomes. During consultation on the [Statement of Planning Principles](#) (SSP), it was suggested by Cadent that Xoserve could “*build trust by putting itself in the shoes of its customers to identify services it could undertake to save them money. For example, could Xoserve provide a service that costs a DSC customer £1, whereas the same service would cost them £2 to deliver in-house etc*”. We agree that this should be pursued.

We also received feedback from Centrica that a continued focus on driving efficiencies should be an important feature of BP25. They stated that “*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*”. We agree that this should be the case, and believe investing in the capacity and capability of Xoserve to innovate so that future services can help deliver value.

Scope

To ensure that we can continue to maintain delivery of robust, secure CDSP services, there is a requirement now for resources to undertake the following:

- Industry horizon scanning and response (to the Strategic Direction Statement and other government / policy sources)
- Alignment of the CDSP Business Plan to future policy statements and developments
- Assuring compliance with / adding value to as-yet-unknown industry requirements
- Proactive market data analysis
- Oversight of Industry and CDSP Service Development projects
- Delivery and execution of a CDSP Data and Digitalisation strategy
- Exploration of Open Data Capability (leading to proposals to implement a suitable future solution)

The initial focus will be on developing a Data and Digitalisation Strategy and exploring Open Data Capabilities. But we will also look to evolve industry

support for vulnerable customers, who maybe left behind as the energy industry decarbonises and gradually transitions away from gas fired boilers for domestic heating. Our package of works includes hosting Fuel Bank events to support development of energy policy, improvements to the Priority Services Register and delivering vulnerability data projects with central bodies and Ofgem/DESNZ.

Recommended Solution

This investment is being proposed to enhance Xoserve’s capacity and capability in the proactive and reactive development of CDSP services. We propose to augment existing Industry Projects resources (that are situated within the Strategy and Development directorate). We will consider how a mix of contract and internal resource is best deployed to ensure that capability and capacity can be flexed to meet demand, while also delivering the most efficient use of funding. A CDSP Service Development strategy is being developed and will be published in Draft 2 (published in November 2024) of BP25.

Total Budget

We propose to invest £0.6m in BP25 to:

- Deliver a Data and Digitalisation Strategy (£0.1m)
- Undertake the ‘Scope’ and ‘Discovery’ phases of an Open Data Capabilities project (£0.3m)
- Fund the augmentation of existing Strategy and Development capability with additional resource to proactively explore CDSP Service Development (£0.2m)

Cost split

We propose to apply the ‘common funding’ default split between parties to reflect the expected shared benefits:

Shipper	Nat Gas	DN	IGT
51.40%	6.00%	41.30%	1.30%

The means for calculating this funding split is set in the [Budget and Charging Methodology](#) (section 7.2, p,20).

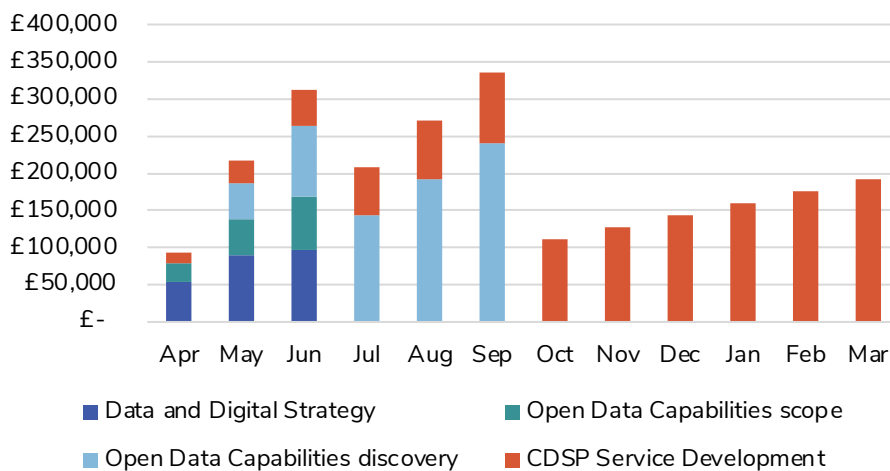


Cost drivers

Initiative	Scope phase	Explanation	FY25/26
Data and Digitalisation Strategy	Strategic review of existing data frameworks	<ul style="list-style-type: none"> Detailed review of Ofgem's Data Consent Framework against current DSC data permissions framework, REC Co permissions matrix, Gas Transporter and Gas Shipper license conditions. 	£54,000
	Stakeholder Engagement	<ul style="list-style-type: none"> Hold interactive workshop on findings to calibrate parties views and support wider sharing of gas data as a whole system enabler 	£24,000
	Develop Code Changes if required	<ul style="list-style-type: none"> Facilitate the development of potential code changes to provide comfort to all parties on what gas data can be provided openly and what data needs to be governed more tightly. x 	£0
	Develop Data and Digitalisation strategy	<ul style="list-style-type: none"> Develop a Digital and Data Strategy for Xoserve to be launched in Summer 2025 	£12,000
	Evolve data structuring in partnership	<ul style="list-style-type: none"> Evolve data partnerships with NESO, Elexon, REC Co, SEC Co, DCC particularly aimed at evolving data structuring protocols, championing gas protocols with the aim of aligning data management best practice between gas and electricity 	£6,000
Open Data Capabilities	Scope phase	<ul style="list-style-type: none"> Draft Business Processes Draft Service Design Draft Functional Specification Engagement with potential service providers 	£72,000
	Discovery phase	<ul style="list-style-type: none"> Business Requirements Final Business Processes Final Service Design Draft High-Level Design (HLD) Draft Low-Level Design (LLD) Updated Interface Catalogue (if necessary) Final Functional Specification Draft Test Approach/Plan Draft Data Security Assessment Approach/Plan POC and Review 	£240,000
Service Development	Proactive service development	<ul style="list-style-type: none"> Enhanced industry horizon scanning and response (to the Strategic Direction Statement and other government / policy sources) Alignment of the CDSP Business Plan to future policy statements and developments Assuring compliance with / adding value to as-yet-unknown industry requirements Proactive market data analysis Oversight of Industry and CDSP Service Development projects 	£192,000

Expenditure profile

Incremental expenditure £ per workstream



Value for Money

This investment is aimed at ensuring Xoserve has the capacity and capability to proactively develop innovative CDSP future services – therefore the immediate VfM benefit is in making us a more effective CDSP.

VfM is multifaceted. At this stage it is difficult to quantify any future Return on Investment, Economy or Efficiency opportunities that may result from proactively developing CDSP services. But we can say that without building capacity and capability in this space will severely limit potential future opportunities, given the focus of existing resources is expended on existing CDSP services or other specific investments. Delivery of stable, secure CDSP services remains our priority, and we would not put that at risk by moving existing resource away from that critical work.

We expect that in Developing a Data and Digital Strategy and then exploring Open Data Capabilities, we can ensure that we keep pace with the drive towards net zero, being more able to quickly respond to requirements to securely share data with relevant other central / research bodies in the drive towards net zero. We also expect that developing Open Data Capabilities is likely to enhance the ability of Xoserve and its customers to innovate.

Finally, this investment supports our strategic principles. We can build **Trust** by sharing data in a more open way in future, we can **Innovate** to drive future value in proactively developing future CDSP service provision that benefits all, and we will have the means to **Deliver** CDSP services that are aligned with the strategic direction set out by governing bodies and the Regulator

Individual Project Scope / Outputs

Data and Digitalisation Strategy

Background

A digitized Gas Network Code will make it easier to make decisions for gas network users at pace. Bringing digitisation and code consolidation together is the first step in an evolving journey to simplify the gas network code landscape.

Alongside these projects stakeholders have told us that they are currently reviewing the emerging need to reform and support Open Data initiatives, as described in Ofgem's Data sharing consent framework. This comes with understandable nervousness from Xoserve's stakeholders. Some Gas Transporters are worried about data which forms part of critical national infrastructure whereas some shippers are worried about personal data and the combination of attributes that would be covered under General Data Protection Regulations.

The background of open data in energy stems from a report produced by The Energy Data Taskforce, commissioned by Government, Ofgem and Innovate UK in 2019. This report was spearheaded by Laura Sandys and aimed to provide recommendations which would move the industry towards a Modern Digitised energy system. It's key findings were:

- **Data Visibility:** Understanding the data that exists, the data that is missing, which datasets are important, and making it easier to access and understand data.
- **Infrastructure and Asset Visibility:** Revealing system assets and infrastructure, where they are located and their capabilities, to inform system planning and management.

- **Operational Optimisation:** Enabling operational data to be layered across the assets to support system optimisation and facilitating multiple actors to participate at all levels across the system.
- **Open Markets:** Achieving much better price discovery, through unlocking new markets, informed by time, location and service value data.
- **Agile Regulation:** Enabling regulators to adopt a much more agile and risk reflective approach to regulation of the sector, by giving them access to more and better data.

From the Energy Data Taskforce Report Ofgem have set out a series of consultations aimed at developing a Data Sharing Consent Framework as part of developing a digital energy system. The consultation decisions and next steps for implementation will be determined during winter 2024. This is likely to overhaul industry approach to customer consent and broadly widen data accessibility.

Across Xoserve we are already preparing for piecemeal changes, however this consultation response due in winter 2024 presents an opportunity to complete a holistic review of the data sharing protocols and set an overarching digital and data sharing strategy. This strategy would align with the Code Managers such as Elexon and REC Co, and also align with NESO's strategic aspirations.

Elexon and REC Co have already set out digital strategies which facilitate delivering open data frameworks with appropriate governance and controls in place to provide parties comfort that data isn't open at any cost. This proposal is to develop a digital and data strategy for Xoserve and its stakeholders, which aims at providing comfort to key stakeholders that governance arrangements are appropriate

and facilitate change in the gas market whilst also providing the necessary security to run an effective and competitive network. This has been identified as a necessary piece of work to ensure Xoserve keeps pace with change.

Solution

The proposed investment is setting up a project team that aims to deliver:

- Detailed review of Ofgem’s Data Consent Framework against current DSC Data Permissions Matrix, REC Co permissions matrix, Gas Transporter and Gas Shipper license conditions to establish:
 - Gaps in data permissions
 - Contradictions
 - Areas of ambiguity
- Hold an interactive workshop on findings to calibrate parties’ views and support wider sharing of gas data as a whole system enabler:
- Present findings from gap analysis
- Identified true value - add data lead projects that deliver industry efficiencies [i.e. PSR data cleanse, alignment of theft and vulnerability data models]
- Propose a series of code changes to provide comfort to all parties on what gas data can be provided openly and what data needs to be governed more tightly.
- Develop a Digital and Data Strategy for Xoserve to be launched in Summer 2025

- Evolve data partnerships with NESO, Elexon, REC Co, SEC Co, DCC particularly aimed at evolving data structuring protocols, championing gas protocols with the aim of aligning data management best practice between gas and electricity

Outputs

This package of work would deliver:

- Assurance to stakeholders that Xoserve could confidently provide advice on data which could be shared openly.
- Provide alignment with Code Managers, central system operators and government and Ofgem that advice and data services provided would be consistent.
- Support a landscape of innovation and investment
- Act as a critical friend to support stakeholder business’s development in line with regulation.
- This project will reduce duplication of effort cross checking with data lawyers in treatment of different data items by stakeholders
- Ensure a cross market alignment of data standards, protocols, and best practices.
- Fosters a culture of data sharing and collaboration across organisations
- The strategy will foster the creation of comprehensive datasets by combining data from multiple sources in a way that we haven’t seen to date.

Open Data Capabilities

We recognise the role Xoserve and other central bodies play in terms of the custodianship of data, and ensuring the security of the information held in central systems. We take this responsibility very seriously and always apply the required focus and governance when sharing data.

Having the capability to share data in ways that enable the acceleration towards net zero is also something central bodies are increasingly reviewing. We are proposing to perform Scoping and Discovery exercises ahead of implementing an open data solution in 2026-27.

Scope

We will explore the technologies and platforms that facilitate the collection and sharing of open data which could include SaaS, PaaS, Data Warehouses, Cloud Storage Solutions and Data Integration tools. This may also include additional tools for data dissemination (APIs and a Data Portal), allowing internal and external parties to access the data. Security measures will also require implementing to protect sensitive data and ensure only appropriate data is shared publicly.

In the initial Scope and Discovery phases (funded via BP25), several 3rd party solutions will be selected for review which will include interviews, demonstrations and cost modelling.

From the initial set of solutions reviewed, those options which best fit the strategic model and objective will be selected for further conversations on cost, moving from Rough Order of Magnitude costs into a more detailed breakdown. These costs will also be supplemented with a Proof of Concept (POC) from each 3rd party solution that we're still in negotiations with.

Outputs/Outcomes

There are several deliverables and two main outcomes to be provided from this investment and the work entailed. These are split across the two phases (Scoping & Discovery):

Scoping phase outputs

- Draft Business Processes
- Draft Service Design
- Draft Functional Specification

The outcome of the Scoping phase is to whittle down an initial set of solutions and delivery partners through assessment and demonstrations. Starting with a large set of Gartner recognised solutions the aim is to enter Discovery with just 3 favoured solutions.

Discovery outputs

- Business Requirements
- Final Business Processes
- Final Service Design
- Draft High-Level Design (HLD)
- Draft Low-Level Design (LLD)
- Updated Interface Catalogue (if necessary)
- Final Functional Specification
- Draft Test Approach/Plan
- Draft Data Security Assessment Approach/Plan
- POC Review

The outcome of the Discovery phase will be to have chosen a single solution and delivery partner with whom we can move forward into BP26 with a plan to deliver. At the end of Discovery, the deliverables mentioned above will provide all the relevant architectural information and detail to allow movement into the Build phase. Those draft items will resolve into final versions over the subsequent phases of the Architecture framework and project delivery.

Discounted Options

The unadvised counterfactual is for Xoserve to try and absorb any new requirements that result from multiple policy sources. This presents a risk that, should this investment not be progressed, existing CDSP resources might need to be reprioritised away from solely focusing on current CDSP scope in order to manage new requirements. It would also mean that we would be less able to proactively approach innovative new ways that the CDSP can add value.

We considered including a dedicated budget for delivery of as-yet-unknown projects that might be required outside of the business planning cycle (e.g. following the publication the Strategic Direction Statement and before BP26) but our assumption is that we would utilise the General Change budget, as this represents the most efficient use of funding. This might take the form of market testing of potential new solutions, or Proof of Concept activities should they become required. Our approach to this was to assess the utilisation of historic General Change budgets (average £1m rebate per annum), which suggested that there will be ample budgetary headroom for any projects that may become required.



BPIR Assurance

The independent [BPIR Assurance report](#) can be downloaded from the BP25 hub.

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