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

Dear James,

Consultation on the first draft of Xoserve's 2025-28 Business Plan

Thank you for the opportunity to respond to the above consultation. This is a non-confidential response on behalf of the Centrica Group.

We welcome the significant improvement in the quality of the information in the first draft of Xoserve's 2025-28 Business Plan (BP25), compared to that in previous plans. The improved quality better facilitates stakeholders meaningfully scrutinising the plan and providing more informed feedback. We appreciate the effort made to produce a plan that is aimed at complying with the Business Plan Information Rules (BPIRs), which were introduced as part of Uniform Network Code (UNC) modification 0841.

Although the quality of the information of information has improved, we have some concerns about the intention of the proposals as an overall plan given our recent experiences. In our view, the proposals should be improved to represent a credible and focussed plan to correct recent and ongoing failures in the delivery of Central Data Services Provider (CDSP) Services that have caused detriment. We highlight the following:

- **The plan can be strengthened to address the areas of poor performance that have caused detriment.**
- **The 'CDSP Service Development' investment proposal should be refined.**
- **We disagree with some aspects of the independent assessor's view of compliance with the Business Plan Information Rules.**

The plan can be strengthened to address the areas of poor performance that have caused detriment:

In our response to the consultation on the Statement of Planning Principles, we noted that there appeared to be misalignment between those areas that the energy industry expects Xoserve to focus on and what Xoserve considers its priorities should be. We recommended that Xoserve should focus on its core role (which is to provide CDSP Services) and expressed concern that activities beyond the core role may become a distraction that is neither justified nor necessary. Other respondents expressed similar sentiments.¹

In the first draft of BP25, Xoserve seeks to provide reassurance about future core service delivery. A requirement of the BPIRs is that it should be explained how current performance has informed the proposals.² We do not think that the commentary and metrics in the draft provide a rounded view of current performance. For example, the draft is almost entirely silent on relevant core service performance failures and the delayed delivery in other areas. In some instances, these failures or delayed delivery have potentially harmed Centrica's commercial interests, required Centrica to incur significant costs unnecessarily, have caused reputational damage or have made operating in the energy market unnecessarily inefficient. Issues relating to the Data Discovery Platform have contributed to some of these performance failures. We have written to you separately to explain these issues.

The proposals do not adequately explain how core service performance will improve in these areas, leaving us unconvinced about future delivery. Therefore, we maintain our view that Xoserve should concentrate on its core role and responsibilities.

The 'CDSP Service Development' investment proposal should be refined:

We welcome the CDSP investigating how the suite of CDSP Services that it provides could and should be reformed to better serve market participants given future changes to energy market arrangements. Particularly, we welcome the consideration of the 'Data and Digitalisation Strategy' and 'Open Data Capabilities' components of the proposal. We think the investment proposal should be refined in the following areas:

Timing:

The chart on page 5 implies that the 'Data and Digitalisation Strategy' and the Scope phase of 'Open Data Capabilities' components will be finished by the end of June 2025. This appears impractical given other industry dependencies, which we recognise are moving at pace but have some scheduled timelines. Specifically, we can highlight for further review:

- The 'Strategic review of existing data frameworks' activity within the 'Data and Digitalisation Strategy' component can be delayed since the full details of the Data Consent Framework will not be known until the third quarter of 2025 at the earliest and the minimum viable product (MVP) of the Consent solution is expected to be launched in the first half of 2026.

¹ See: <https://bp25.xoserve.com/wp-content/uploads/2024/08/QA-Register-v3.pdf>.

² Section 4b of the BPIRs.

- We do not think the case has been made for aiming to sharing gas data with third parties from the launch of the MVP since third parties can already access what they need from the Data Communications Company (even if that is not the most efficient approach in the short term). It may also be beneficial to delay in order to assess any teething problems that Elexon face with their smart data repository for electricity data through 2026 and improve implementation in the gas sector accordingly.
- We agree that the 'Evolve data structuring in partnership' activity will be necessary eventually. We suggest that the preliminary step should be ensuring the data in question is in a consistent and accurate form, before discussion of automating Open Data takes place.
- 'POC and Review' by end of September 2025 seems ambitious, especially since what would be tested or rolled out has not yet been defined.

Business case(s) for Open Data:

We acknowledge that there is a legal requirement to offer Open Data. However, we would have expected there to be a business case (that considers costs, benefits, risks, etc.) since it is likely that there will be different ways in which the same objectives can be achieved. For example, the delivery options may range from the relatively simple/manual/low volume approach to more complex/automated/system-based solutions. We would encourage the CDSP to undertake the necessary analysis to identify the most beneficial solution before proceeding with delivery.

Code management and digitisation/consolidation of the existing gas network code(s):

We note that, relative to the SPP, the first draft of BP25 is less explicit about the CDSP's ambitions to be appointed as the Code Manager for the future gas network code and to digitise the existing gas network code(s). It is unclear whether these ambitions still exist. If activities have been included in BP25 to pursue these ambitions, 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 delivering only CDSP Services, unless the Authority permits otherwise.

It is not clear to us how activities involving preparing to be appointed as Code Manager could be categorised as a CDSP Service and, therefore, should not be funded via the CDSP Budget. In any event, Government policy relating to Code Managers is not yet mature enough to justify Customers being required to fund these activities.

It is also not clear to us how digitisation/consolidation of the existing gas network code(s) could be categorised as a CDSP Service. The approach to implementing the code governance reform programme is still being developed, although Ofgem has indicated that it may lead a programme of consolidation and has already set up a cross-code working group to consider digitisation. This means that digitisation/consolidation activities independent of any Government- or Ofgem-led initiatives are unlikely to be efficient. We also note that digitisation/consolidation activities would have to be funded in the same way that existing code administration activities are funded.

We support the CDSP investigating activities it should undertake, to support code governance reform in its capacity as the CDSP. It would be helpful if the CDSP described how it identified those activities that it considers to be 'no regrets' activities, the criteria used to identify those activities and the net benefits to Customers and consumers of those activities being undertaken in BP25 given our concerns about core service delivery.

We disagree with some aspects of the independent assessor's view of compliance with the Business Plan Information Rules:

We welcome that the third-party assurance report (*BP25 Draft 1 BPIR Assurance Report*) has also been published with the first draft of BP25. The inclusion of the 'fully compliant' and 'adjusted compliant' scores are a helpful summary of the third party's assessment of compliance. We recognise that, as comments to an independent third-party review, our feedback here does not relate directly to your drafting of BP25. However, at this stage of the new planning process, we think it helpful to share areas where we disagree with some aspects of the third-party assessment and have provided explanation to support any further review. We provide a summary in Appendix 1 and discuss some of the main areas below.

Section 4e of the BPIRs: Costs and expenditure:

The main difference in our assessment relates to compliance with the requirements to demonstrate the efficiency of the proposed expenditure.³ The third party considers that the draft of BP25 is fully compliant: both the 'fully compliant' and 'adjusted compliant' scores are 100%.⁴ We believe this assessment to be inaccurate.

The draft does not contain any evidence of the efficiency of the proposed Investment Costs and S&O Scope Changes and Reclassifications Costs, both of which comprise about 23% of the proposed Budget.⁵ It appears that the CDSP has relied on the *Efficiency Review Implementation in Xoserve* (ERIX) programme as evidence of the efficiency of the proposed S&O Baseline Costs. References to the ERIX programme do not, in isolation, demonstrate efficiency. Achieving the efficiency opportunity that was identified in the 2023 review of the CDSP's cost base depends on the recommendations being implemented. This means that BP25 should contain information about how each recommendation has been implemented and the subsequent impact on Costs in the 2025-26 CDSP Budget because of implementation. This will allow stakeholders to trace how the 2-8% efficiency identified in the 2023 review of the CDSP's cost base is being achieved. Any recommendation(s) that will not be implemented in time to affect 2025-26 Costs should be identified.

We have already had some helpful discussion with you about the approach to conveying the outcomes of implementation of the Efficiency Review.

Section 4f of the BPIRs: Allocation of Costs to Customer Classes:

The third party considers that the draft of BP25 is fully compliant: both the 'fully compliant' and 'adjusted compliant' scores are 100%.⁶ We believe this assessment also to be inaccurate.

The BPIRs require that the allocation of Costs to Customer Classes for each item (e.g. CDSP Service or Investment) is justified in the CDSP Budget. There are several instances in which the proposed allocations have not been explained. For example, it is proposed that costs for the CDSP Service Development and the 'Digital User Experience' investments are allocated according to expected benefits. How the expected benefits will accrue to the different Customer

³ As per section 4e of the BPIRs.

⁴ "BP25 Draft 1 BPIR Assurance Report"; pages 33 and 36.

⁵ Data taken from page 14 of the first draft of BP25.

⁶ "BP25 Draft 1 BPIR Assurance Report"; pages 34 and 36.

Classes in the proposed proportions has not been explained, and, therefore, has not been justified.

The BPIRs also require that the details of any assumptions and descriptions of the data relied on to derive the allocations are included in the CDSP Budget. The third-party assessor states that the Budget and Charging Methodology (BCM) states the assumptions. The BCM does not contain these assumptions. The third-party assessor also states that the cost allocation methodology file states the inputs considered in the model. We do not agree that the methodology contains descriptions of data relied on to derive the allocations. We would be grateful for further explanation to support the findings.

Sharing of confidential information:

A matter related to our assessment of the first draft of BP25 against the BPIRs is the sharing of confidential information. We welcome that the CDSP proposes to host private briefing sessions with Customers to discuss the confidential information. This is another way in which the CDSP's approach to developing BP25 is an improvement on that for previous plans. With input from Xoserve and other workgroup members, the UNC modification was designed to cater for circumstances in which confidential information would not be made public while also being transparent with Customers. The mechanisms within the modification that involve 'closed' sessions with the Contract Management Committee should also be utilised to this aim.

We hope you find these comments helpful. Overall, as discussed with you already, the improvements against previous plans are truly notable and we are grateful for your collaborative approach to the process. 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 1: Areas in which Centrica disagrees with the independent assessor's view of compliance with the Business Plan Information Rules

Section		Notes
4b	Current performance	<ul style="list-style-type: none"> There is an incomplete representation of performance in the current year.
4c	Outputs	<ul style="list-style-type: none"> There is an incomplete representation of performance in the current year and, so, how measures of the existing levels of service that Customers and consumers receive and how the proposed levels of service for Year Y represent an improvement have not yet been fully explained.
4e	Costs and expenditure:	<ul style="list-style-type: none"> Why the proposed combination of 'internal' and 'external' resources is optimal has not been explained and, therefore, has not yet been justified. Evidence of the efficiency of Investment Costs and S&O Scope Changes and Reclassifications Costs has not been presented.
4f	Allocation of Costs to Customer Classes:	<ul style="list-style-type: none"> How the expected benefits will accrue to the different Customer Classes in the proposed proportions for various investment proposals has not been explained. The Budget and Charging Methodology does not contain any assumptions used to derive cost allocations. The cost allocation methodology does not contain descriptions of data relied on to derive the allocations.