Kirsty Ingham
Centrica plc
Regulatory Affairs
Millstream
Maidenhead Rd Windsor
SL4 5GD

21 November 2024

Sent via email to Kirsty.ingham@centrica.com

Dear Kirsty

Many thanks for your written correspondence in relation to Draft 1 of the CDSP Business Plan for 2025-28 (BP25) dated 18 October 2024. I appreciate you taking the time to provide feedback. Your letter, and this response, will be uploaded to the BP25 portal to reflect the non-confidential status of both correspondences.

I'd like to address each point you have helpfully raised.

Quality of information

I'm very pleased that you regard the quality of information a significant improvement and that you recognise the effort that has been applied in presenting a plan that aims to be compliant with the new UNC modification 0841 Business Plan Information Rules (BPIRs). We have found the BPIRs to be very useful during the development of the plan. While their introduction necessitates a greater amount of information to be collated, validated and presented (and consumed) than ever before, we are clear that their use has led to a more comprehensive suite of information. As the modification proposer, it is extremely encouraging that you recognise the influence the rules have had on the creation of Draft 1, and that you believe their application allows for more meaningful scrutiny of Business Planning content.

CDSP performance

Our approach to relaying performance in Draft 1 has been to provide historic, current and forecasted performance across 49 Data Service Contact (DSC) Key Performance Metrics (KPMs) and Performance Indicators (PIs). It is important that the Business Plan includes this quantitative reporting and commentary, and we are proud that performance in each metric is either improved or maintained over the last full financial year.

However, we agree with you that performance related dialogue and / or action should not be limited to processes where successful / suboptimal outputs are expressed directly by a KPM or PI – extensive and stretching as the DSC metrics are, they are not comprehensive enough to include every isolated incident that might impact on customer businesses. We agree that this should be rectified in Draft 2.

Customers have referenced a specific example of suboptimal performance in the provision of information from the Data Discovery Platform (DDP) for use by the Performance Assurance Framework Administrator (PAFA) and consumption in the Performance Assurance Committee (PAC). In an isolated incident (that didn't present as a KPM/PI failure) PAC, the industry committee tasked with assessing and addressing risk associated with gas settlement processes (e.g. Annual Quantity, Meter Read Submission) acted on incorrect information from DDP. Although the issue in DDP was resolved, the incident had a negative impact on some customers.

We see an opportunity to reduce the risk of this (and incidents like this) from occurring in the future, by applying more resource to proactive Enhanced Qualitative Assurance. Current assurance activity, thorough as it is, is focussed on the KPMs and PIs that we have extensively reported on in Draft 1 and is therefore more quantitative in nature.

When incidents occur, such as the one referenced above, we act quickly to resolve them, however we see value in enhancing our existing assurance capacity and capability, by adding proactive qualitative elements.

As such, Draft 2 contains the means for Xoserve to apply additional assurance resources from 2025-26. We propose to add £0.4m to S&O which will fund new resources responsible for qualitative, embedded assurance in projects delivered by 3rd party suppliers. This will fund a mix of 3 permanent Xoserve roles and a budget for additional targeted 3rd party audit.

Our deployment of these newly enhanced assurance capabilities will flex from case to case, with our approach to each project / phase / exercise being based on predetermined risk and prioritisation criteria. We will provide monthly progress and health-check updates in ChMC/CoMC which will enable customers to understand and scrutinise the activities being undertaken (e.g. the results of test assurance at key stages of any given project or release), and their impact (e.g. the risks that are being identified and mitigated).

We are also facilitating a review of the existing suite of DSC KPMs and PIs, with input being sought from CoMC. We encourage participation in this exercise, which will be undertaken alongside BP25 development.

CDSP Service Development

I am pleased that you see value in the scope set out in the CDSP Service Development investment proposal, in particular the delivery of a CDSP Data and Digitisation Strategy and the exploration of a CDSP Open Data solution.

We have taken on board your comments regarding the delivery timeframe, and the rationale for potentially delaying aspects of scope until later in financial year 2025-26.

Regarding a business case for a CDSP Open Solution, we agree that there are likely to be multiple options in terms of an approach to this. The funding set out in BP25 is to explore and analyse those options fully, and we will produce detailed outputs from this work ahead of making proposals in BP26 for potential delivery of a solution.

We agree that BP25 should only include funding for the provision and development of CDSP services and I can confirm that this is the case. Xoserve's role within the in-flight work being carried out collaboratively with the Joint Office of Gas Transporters that is focussed on the digital consolidation of documents, is to identify the benefits associated with combining code delivery documentation (e.g. UK Link Manual) with code documentation (e.g. the UNC and IGT UNC). This is important, because digitalising code delivery documentation is an 'efficiency ' enabler for some phases of Project Trident.

Compliance with BPIRs

Thanks for providing your thoughts on the process of 3rd Party assurance. I feel that this is another very useful aspect of the BPIRs, especially given this is the first time they have been applied. I agree that the 'adjusted' compliance measure is useful, as it helps identify areas where full compliance isn't possible at various stage of the Business Planning cycle allowing Xoserve to priorities where compliance can be increased while the Business Plan is in-flight.

Costs and Expenditure

As you would expect, VfM remains a key topic for Xoserve. We aim to continue progressing each recommendation made in 2023 independent 3rd Party Efficiency Review, and we have set a target to further reduce the 2022/23 cost base by £0.7m in 2026/27 and again in 2027/28. As each recommendation is progressed via the Efficiency Review Implementation in Xoserve (ERIX) programme, we will be able to continue to work with customers in the ERIX Customer Advisory Board and share impacts (be that making costs more economic, services more efficient, or our delivery more effective) with CoMC and beyond.

We are pleased that the independent assessor scored our compliance with the Costs and Expenditure related BPIRs at 100% and we believe our approach to expressing VfM is sound. However, we agree with the reasonable point of view expressed in your letter regarding the VfM of scope that was added after 2022/23.

As you know, CDSP services that came into effect after financial year 2022/23 were not included in the remit of the 2023 Efficiency Review, which was only focussed on the 2022/23 cost base.

As you state, scope applied after 2022-23 forms part of the total budget and so it is important that we articulate the VfM of these services too, even in the absence of independent 3rd party benchmarking which has been applied to the majority of S&O costs. We have included more information in Draft 2 on this topic.

<u>Current Performance and Outputs</u>

You are correct that Draft 1 contains a view of performance up to the end of Q1 (2024-25). Q2 performance has been added in Draft 2. We will include Q3-to-date performance in the final draft of BP25.

In terms of continuous improvement, I trust the information in this letter about CDSP performance' provides additional insight into how we will improve service provision in future.

<u>Allocation of costs to customer classes</u>

I acknowledge your position with regard to the Digital UX Investment Proposal from Draft 1 in terms of "*how the expected benefits will accrue to the different Customer Classes in the proposed proportions for various investment proposals has not been explained*". We have withdrawn this Investment Proposal from BP25 following customer feedback, and will reassess how to better explain the sharing of benefits ahead of potentially re-proposing the work in future Business Plans.

To address your point about 'assumptions and data' used in allocation, as described in Draft 1, the Cost Allocation Methodology (CAM) explains the data that drives how S&O costs are shared across Service Areas, and each Investment Proposal describes the means through which investments are shared (in most cases via a calculation described in the Budget and Charging Methodology, item 7.2.)

In terms of how costs are shared across customer classes, as you will be aware, these % shares were determined as part of 'Funding, Governance and Ownership', a multi-year gas industry programme, which culminated in the regulators implementation in 2017. Since then, % shares across Customer Classes have been periodically reviewed by the DSC Contract Management Committee, so have therefore been subject to multiple layers of industry governance.

At a headline level, the scope of the in-flight Equitability Review is to explore whether the Cost Allocation Methodology could / should be refined. This will include a review of cost share across the Service Areas and customer classes. I would encourage and very much welcome Centrica's ongoing interest and support with this activity. For clarity, the review will not conclude before the end of the BP25 cycle and will not impact the 2025-26 budget.

Thanks once again for engaging with this process, and I look forward to further discussion as the BP25 cycle continues.

Kind regards

James

James Rigby

Business Plan Manager

James.rigby@xoserve.com

07739689512

Xoserve Limited: Lansdowne Gate, 65 New Road, Solihull B91 3DL

Company Website: www.xoserve.com

We love feedback. Please complete our customer feedback survey to leave some about the service you've received.