

To:

All DSC Contract Managers

22nd December 2021

Dear Contract Manager,

As you are aware, over the course of the BP22 business planning cycle, there has been an ongoing discussion about the funding approach for the replacement Contact Management System (CMS) described in the plan.

The purpose of this letter is to confirm the decision of the extraordinary Contract Management committee held yesterday, 21<sup>st</sup> December 2021.

#### **Context of the discussions**

Having established the need for a replacement system to be built in late 2020, we have been working with customers to gather the requirements for a replacement system, with particular emphasis on the resolution of a number of pain points in the current system and associated processes, as highlighted by customers.

Throughout the consultation on BP22, we have presented two options for the funding of this replacement system:

- **Option 1:** A subscription-based funding model, where Correla will set up and run the system on Xoserve's behalf, taking responsibility and risk for any unforeseen costs and refresh liabilities in return for a flat subscription fee (of the type paid for most other software-as-a-service solutions). Correla would therefore fund the build of the replacement solution (no up-front design and build costs for CDSP Customers) with charges instead being recovered as a subscription fee, at a cost of £1.5m per year to Xoserve, which will then be passed on to DSC Customers.
- **Option 2:** the traditional CDSP funding model, where the design and build of the replacement system will be funded up-front by DSC Customers (£4.1m over 2 years) with an additional annual charge to then run the system (including licencing and hosting costs) of £1.2m and further one-off costs every so often for future system refreshes (to be costed at the time).

NB: these costs assumed an agile delivery approach for Option 1 (where Correla is taking the investment risk) and a waterfall delivery approach for Option 2 (in order for the up-front costs of for CDSP Customers to be kept lower).

A third option, to 'do nothing', was discounted as the current system will be out of support, resulting in a significant risk to service stability and restoration. CMS needs to be fit for purpose, in order for the ongoing provision of the CDSP Services described in the DSC and to meet the agreed service levels.

### **Decision**

We have advocated, throughout the consultation, that Option 1 represents the right delivery choice for our customers (and, thus, for consumers) as it offers the same technical solution and ongoing service but at a lower, flatter cost over both the short term and an extended period (evidenced across a 16-year period in the supporting documentation we have provided).

At an extraordinary DSC Contract Management Committee Meeting held on 21<sup>st</sup> December 2021, the members of the Committee agreed and voted for Option 1 (the Subscription Model) as the preferred funding route.

As a result, the Final Draft of BP22 issued on 3<sup>rd</sup> December remains unchanged and will be carried forward for Xoserve Board Approval in January 2022.

Full minutes of the meeting, which include a record of key discussion points which underpinned this decision, will shortly be available on the Joint Office website ([www.gasgovernance.co.uk](http://www.gasgovernance.co.uk)).

It should be noted that during the debate around this option, we have identified that the Maintain the Business (MTB) funding splits for CMS (90% shipper funded, 10% Distribution Network funded), should be reconsidered collectively by DSC Customers to establish if these should be revised moving forward. We propose that the DSC Contract Management Committee should lead these discussions.

If you would like further information on the Xoserve Business Plan 2022 (BP22) or this topic, please contact your Customer Advocate.

Yours faithfully

Dave Turpin  
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Xoserve Limited