

UNC Modification	At what stage is this document in the process?
<h1>UNC 0612:</h1> <h2>Project Management and Assurance provisions for gas industry changes</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #00a651; color: white; padding: 5px; display: flex; justify-content: space-between; align-items: center;">01 Modification</div> <div style="border: 1px solid #00a651; padding: 5px; display: flex; justify-content: space-between; align-items: center;">02 Workgroup Report</div> <div style="border: 1px solid #00a651; padding: 5px; display: flex; justify-content: space-between; align-items: center;">03 Draft Modification Report</div> <div style="border: 1px solid #00a651; padding: 5px; display: flex; justify-content: space-between; align-items: center;">04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>This modification introduces provisions so that the UNC Modification Panel can instigate project management and assurance provisions for complex and/or widely-impacting changes. It is consequential to Ofgem’s Code Governance Review Phase 3 and an intermediate step ahead of full implementation of the Competition and Markets Authority (CMA) Energy Market Investigation remedies for code governance.</p>	
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> assessed by a Workgroup <p>This modification will be presented by the Proposer to the Panel on 16 February 2017. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>
	<p>High Impact: None</p>
	<p>Medium Impact: None</p>
	<p>Low Impact: Shippers, Transporters (and in due course the CDSP)</p>

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Timetable		 0121 288 2107
The Proposer recommends the following timetable:		Proposer: Hilary Chapman
Initial consideration by Workgroup	01 March 2017	 Hilary.Chapman@SGN.co.uk
Workgroup Report presented to Panel	17 August 2017	 07749 98 34 18
Draft Modification Report issued for consultation	17 August 2017	
Consultation Close-out for representations	08 September 2017	
Final Modification Report available for Panel	12 September 2017	
Modification Panel decision	21 September 2017	

1 Summary

What

Currently there are no explicit provisions in the UNC to allow for the engagement of specialist project management and assurance (PM/A) resources to support the implementation of complex and/or widely-impacting changes. This proposal seeks to provide the Modification Panel (Panel) with the means to assess a needs-case, instigate procurement and make recommendations to Ofgem when such PM/A is agreed to be beneficial.

Why

Ofgem's Code Governance Review Phase 3 Final Proposals in March 2016 concluded that it was appropriate for Panels to "...put in place appropriate project management and/or assurance arrangements to provide for greater oversight and to coordinate major change."

This is consistent with, and builds on the benefits seen in, Project Nexus, brought about by the expertise and coordination provided an expert PM/A organisation.

How

The UNC Modification Rules (MR) need to be amended to include the criteria Panel will assess requests for PM/A against and, when the criteria are satisfied, to then enable Panel to require the procurement of a PM/A organisation. Existing governance decision-making routines and timelines will be maintained wherever possible.

2 Governance

Justification for Authority Direction

Panel is requested to agree that this change requires Authority Direction, since the costs and affects brought about by the adoption of a project management and assurance facility would both represent a material impact on the UNC Modification Rules (refer to Self-Governance criteria (i)(ee) and on the commercial activities connected with the shipping and/or transportation of gas (i)(bb)).

Requested Next Steps

This modification should:

- be subject to Authority Direction
- be assessed by a Workgroup

Workgroup assessment of this modification is required to ensure that the criteria and processes it introduces provide for PM/A arrangements that add value to the industry and, ultimately, reduces risks to consumers associated with complex change.

3 Why Change?

In the Code Governance Review Phase 3 (CGR3) Initial Proposals, Ofgem suggested that:

“...we considered that panels could take a more proactive approach to managing ‘major’ industry change, including cross-code change and potentially also establishing arrangements to ensure oversight of end-to-end delivery of central systems changes, where appropriate. For example, the codes could provide for the panel to be able to put in place appropriate project management and/or assurance arrangements to provide for greater oversight and to coordinate major change. We noted that this is consistent with the approach now being adopted to manage the end stages of Project Nexus.”

The Final Proposals (see link in Section 4 below) concluded that panels should:

“...put in place appropriate project management and/or assurance arrangements to provide for greater oversight and to coordinate major change.”

Ofgem wrote to the Independent Panel Chairperson, Alex Plant, in May 2016 (see link in Section 4 below) requesting that Panel sets out its' Implementation Plan for the CGR3 outcomes. Helpfully, the Annex to this letter set out the specific items to be addressed and Panel has been monitoring progress since that time, reporting regularly to Ofgem. PM/A provisions, being one of the more difficult findings to implement, were anticipated for development in late 2016.

At its October 2016 meeting, Panel discussed the subject in light of constraints ahead of implementation of the Competition and Markets Authority's Energy Market Investigation remedies that were anticipated to introduce Licensing for the wider Code Manager role that might include explicit project management responsibilities. It was generally agreed that some form of 'soft-landing' PM/A arrangements, potentially entailing procurement on a case-by-case basis, could be beneficial in the near term.

Given the CGR3 requirements set out by Ofgem are reasonably specific in the need to progress this matter, it would be untenable not to proceed.

4 Code Specific Matters

Reference Documents

Ofgem CGR3 Final Proposals:

<https://www.ofgem.gov.uk/publications-and-updates/code-governance-review-phase-3-final-proposals>

Ofgem letter to the Independent Panel Chairperson, Alex Plant published on 03 May 2016:

<http://www.gasgovernance.co.uk/panel/190516>

Knowledge/Skills

It may be helpful if the expertise of Shipper and Transporter organisations' own Project Management personnel could be utilised in assessing this proposal.

5 Solution

A. General Comments

To enable the use of PM/A support, changes to the Modification Rules are required that would set out the mechanism and qualification criteria for the assessment and progression of any proposed PM/A requirements.

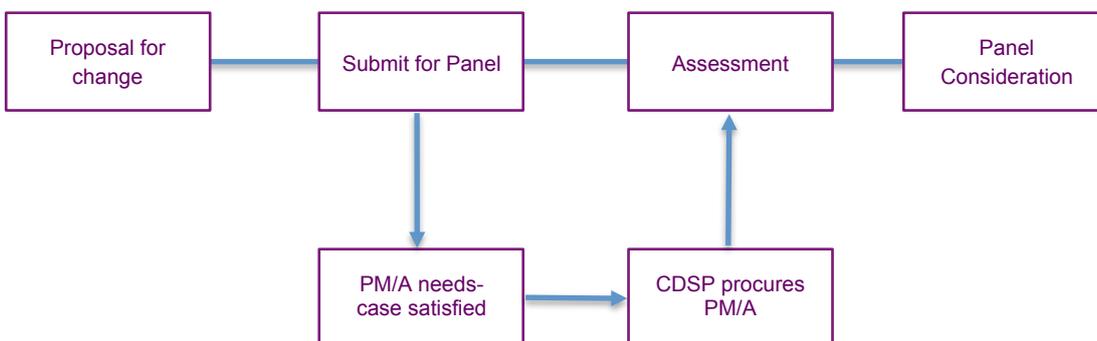
It is sensible to also set out how any such PM/A would be managed in practice as this would avoid confusion and/or delays later.

The diagram below shows at a high level how a change currently progresses through UNC governance and (below the dotted line) when the needs-case for a PM/A would be assessed and then how it feeds through into the eventual Workgroup Report.

Existing Process



Future Process



B. Governance Changes to the Modification Rules

1. The need for PM/A will normally be articulated by a Proposer within the UNC modification driving the change (within Section 6 Impacts and Other Considerations). In the event an indirect, or non-modification, driver exists – such as Faster Switching – an enabling modification may be required (similar to the process followed for Network Entry Agreement changes - see UNC TPD I 2.2.3(a)) that would facilitate the decision without actually amending any part of the UNC (i.e. no legal text).
2. Once a need has been proposed under B.1 above, Panel will assess the 'needs-case' and either (i) determine by normal Panel majority to progress the request to the CDSP for procurement, or (ii) return it to the Requester (*potentially a new defined term*) for further development/assessment as necessary.
3. In the event B.2(i) applies, Panel will also set a timeline that takes into account any subsequent procurement event.

4. The costs and specification from the preferred bidder stage of the procurement will be provided to the Workgroup for inclusion in their report to Panel. The Workgroup will provide a recommendation to Panel on the most appropriate way forward with regards to PM/A support.
5. Panel will seek industry views on the PM/A support as part of the normal UNC consultation process.
6. Panel will make a recommendation on the PM/A support independent of the normal voting on the proposed modification (i.e. two recommendations are required – one for the modification and one for the PM/A).

C. Assessment Criteria for a ‘needs case’

Panel will apply a set of criteria to assess the needs case for any requests for PM/A.

The proposed change must satisfy at least one of the following criteria [to be further developed by the WG]:

1. Multiple Shipper and/or Transporter parties must be required to take their own actions to accommodate the change.
2. The cumulative costs of the change (as expressed in the related modification proposal) exceed [£1m].
3. There is likely to be a material impact upon consumer outcomes (such as switching, costs passed-through etc).

Requesters will be required to provide a justified assessment as part of the initial request for PM/A support. This assessment will also identify whether the change is considered to be:

- **major** (affecting many parties/high cost/significant potential consumer impact), requiring project management and assurance support; or,
- **minor** (subsection of parties/moderate costs/moderate potential consumer impact), requiring project management support only.

The following table will be added to relevant modification proposals.

Needs Case for Project Management and/or Assurance support:		
Criteria	Impacted Parties	Extent of Impact
1. Are changes required to systems that: a) comprise, or interface with, UK Link Systems. b) Interface with Gemini c) Other (specify)	Shippers Transporters CDSP Consumers Other (specify)	Insert text here
2. Are changes required to processes?	Shippers Transporters CDSP Consumers Other (specify)	Insert text here
3. Are new services and/or processes being introduced?	Shippers Transporters CDSP Consumers Other (specify)	Insert text here

4. Are other multi-party matters involved? (define)	Shippers Transporters CDSP Consumers Other (specify)	Insert text here
5. This change is considered by the Proposer to be:	Major Minor	Insert text here

D. Procuring PM/A services

1. The CDSP will treat a request for PM/A like any other code change and apply the [CDS change process] to define and cost out the services requested.
2. Panel will appoint a Stakeholder sub-group to support the CDSP during the procurement process to provide industry views and decisions (on a consensus basis) directly and in a timely manner. The Requester will be part of this sub-group.
3. The needs-case will specify the services required for the change under consideration, which will normally be:
 - a. Major change - Project Management and Assurance
 - b. Minor change - Project Management only
4. Procurement will proceed up to the preferred-bidder stage until the associated UNC modification (or enabling modification) is approved.

Optional Stage (to be assessed and resolved during Workgroup phase)

It may be more cost effective and time-efficient for the CDSP to procure an initial framework of PM/A services that can be called-off as required using the process outlined in this proposal.

E. Management of the PM/A organisation

There is a potential for conflict of interest where the CDSP (Xoserve) both engage a PM/A organisation and are responsible for a significant proportion of a delivery project. To avoid this, Panel will appoint a Steering Group to manage the project delivery and ultimately the PM/A organisation.

Fundamentally the Steering Group will:

1. Have delegated authority to instruct the PM/A organisation within the overall scope approved by Panel and Ofgem.
2. Comprise balanced representation from the parties impacted by the change driving the PM/A needs case. This will be on a case-by-case basis and Panel has ultimate discretion to direct this matter.
3. Be chaired independently

An example Terms of Reference is included in Appendix 1

6 Impacts & Other Considerations

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This proposal does not have a direct impact on any inflight change projects (Faster Switching SCR or Project Nexus).

Consumer Impacts

It is anticipated that the arrangements set out in this proposal will reduce both the likelihood and severity of risks occurring for consumers during complex industry change, because the PM/A will bring improved planning, delivery management, integration etc that typify successful change projects.

Cross Code Impacts

There are no direct impacts on other energy Codes, although it is noted that all panels are required to implement similar arrangements for their own code. The Code Administrators will ensure that any good practices identified that relate to this topic area will be shared.

EU Code Impacts

None.

Central Systems Impacts

This proposal has no direct impact on central systems.

It is anticipated that the Central Data Services arrangements will be used to procure the PM/A organisation.

User Pays

Classification of the modification as User Pays, or not, and the justification for such classification.	There are no direct costs associated with implementing this proposal.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	The costs associated with (i) procurement of a PM/A, (ii) the PM/A activities and (iii) management on behalf of the industry (the 'client') would be borne by Shipper Users and Transporters on a case-by-case basis – <i>as determined by the CDSP Change process?</i>
Proposed charge(s) for application of User Pays charges to Shippers.	n/a
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	n/a

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive <i>tbc</i>
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

It is likely that there will be an indirect small positive effect on relevant objective *d) Securing of effective competition between Shippers* because the result of this proposal will be more efficient and effective change implementation, which should be at lower overall cost to the industry than at present.

The most significant impact is that it will have a positive effect on relevant objective *f) Promotion of efficiency in the implementation and administration of the Code* because the additional project management activities will provide greater oversight and coordination of major change.

8 Implementation

No implementation date is specified and no explicit industry-change driver exists today to require early implementation.

It may however be beneficial if implementation was to take place sufficiently ahead of the go-live of the significant Faster Switching-related changes to enable PM/A to be put in place.

9 Legal Text

Text Commentary

To be provided at a later date

Text

To be provided at a later date

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Authority Direction should apply
- Refer this proposal to a Workgroup for assessment.

11 Appendix 1

Example Terms of Reference for a [Change] Steering Group

Scope and Purpose

1. The primary purpose of the [Change] Steering Group (the "Steering Group") is to facilitate the timely implementation of [Change]. The Steering Group will not generally consider matters which may ordinarily be determined under an established governance body (e.g. a sub-committee or workgroup of the Uniform Network Code (UNC)). The Steering Group will therefore provide a forum for cross-industry decision-making on the implementation of [Change].
2. The Steering Group can make decisions on issues relating to the implementation of [Change]. This includes actions on the CDSP and industry parties to ensure they are ready for [the new systems].
3. The Steering Group will be supported by independent project management and assurance (PM/A) organisation.
4. The Steering Group will be responsible for monitoring and liaising with other industry governance bodies, such as UNC work streams that are considering business relevant to the [Change].

Deliverables: Steering Group

5. The responsibilities of the Steering Group, will include, but not be limited to:
 - a. agreeing a holistic plan to fully incorporate all stakeholder deliverables and dependencies;
 - b. providing change control for any documents produced under a) and communicate such changes to all stakeholders;
 - c. overseeing regular progress, readiness and issue reporting from the PM/A to wider stakeholders;

- d. recommending remedial action if an industry party's plan does not appear to facilitate readiness for implementation, and/or progress against that plan is not maintained;
- e. informing, and where appropriate, influencing the recommendations and/or decisions of any relevant governance body, as required, where they may result in a significant impact on the overall implementation plan;
- f. considering and deciding upon actions to mitigate the risk(s) to the defined implementation date;
- g. approving a documented "go/no go" framework and methodology for testing readiness against that framework document (as determined by the PM/A), and subsequently testing readiness against that framework;
- h. considering options (including the costs and benefits of each option) and providing a recommendation on alternative implementation dates in the event that "go" criteria are not met;

Deliverables: Project Management and Assurance Organisation

- 6. Unless otherwise instructed by the Steering Group, the deliverables of the PM/A will be those set out in contract, which will include but not be limited to:
 - a. Provide pro-active leadership and management to the market wide programme, supported with ad-hoc deliverables and reporting required to achieve this objective.
 - b. Maintain a cohesive 'assurance plan' for [Change] – which highlights the schedule of assurance activities at key points and the key assurance providers.
 - i. Agreeing and rolling-out GONG framework covering market trials entry, market trials exit and final go/no-go criteria.
 - ii. Monitoring and reporting on industry progress and readiness against the criteria including periodic audit/validation of supporting evidence on a sample basis. Roll-out of assessments to support early and transparent measurement of participant progress towards key implementation milestones.
 - iii. Providing ongoing project assurance reports to the steering group, including recommendations for remedial action where necessary in order to ensure that the implementation date remains viable.
 - c. Building on the milestones in the assurance plan, own and maintain the market-wide [Change] plan. This will draw on plans and data held by the CDSP and relevant market participants.
 - d. Project Management Office ('PMO') duties, including planning, progress monitoring, risk and issues management and steering group pack preparation/presentation.
 - i. Coordinating BAU Steering Group pack including ongoing aggregation of market-wide information, progress, risks and issues reporting.
 - ii. Maintaining documentation such as risk and issues logs, and an assumptions register.
 - iii. Performing specific risk and issue 'deep dives' as instructed by the Steering Group.
 - iv. Highlighting potential future issues, based on experience of similar transformation programmes.
 - e. Market Trials coordination of Industry participants for market trials and reporting
 - i. Coordinating industry input into a revised market trials plan and approach
 - ii. Aligning views on the extent, depth and breadth of market trials
 - iii. Coordinating further industry input into market trials as the approach is executed.

Membership

7. The Steering Group shall comprise, and unless otherwise agreed by the group, be limited to, one representative from each constituency listed below:
 - a. Transporter and User representatives [Change specific – to be determined as required]
 - b. Ofgem representative
 - c. CDSP representative
 - d. PM/A lead representative
8. Each Steering Group member will need to have sufficient experience and knowledge of the issues arising from the implementation of [Change] which may include, but not be limited to, the operation of the UNC arrangements and/or the implementation of large-scale IT projects.
9. Steering Group members are required, as far as possible, to represent the views of companies that fall within their constituency. Such members are therefore expected to communicate with other parties within that constituency and solicit views on the issues listed on the agenda for consideration. The member will be required to act in good faith, reconciling as far as possible the views of all those they represent on [Change] implementation issues.
10. Steering Group members have the responsibility for arranging for an alternate from their constituent grouping in the event that they are unable to attend any scheduled meeting of the Steering Group, in whole or in part.
11. Upon invitation by the Chairman, individuals such as subject matter experts may attend a specific meeting of the Steering Group if members agree in advance that the input of such an individual would assist them in discharging the scheduled business of that meeting.

Decisions

12. The voting members of the Steering Group will be [the three representatives of gas transporters], and [the three UNC user representatives]. The Steering Group will be quorate if at least [two] transporter representatives and at least [two] UNC User representatives are present.
13. Decisions on implementation issues will be taken by a simple majority of voting members present (whether in person or via telephone). These decisions will not cover matters that which may ordinarily be determined under an established governance body as set out in paragraph 1.
14. In the event that a simple majority cannot be reached, the decision will be tabled at the next scheduled meeting of the Steering Group, unless:
 - a. the chairman considers the matter to be of sufficient urgency that it cannot reasonably await the next scheduled meeting, in which case the chairman will schedule an additional ad hoc meeting. No additional items other than the urgent matter(s) will be added to the business of the ad hoc meeting; or
 - b. the chairman considers that deferment and/or consideration of further information is impracticable or unlikely to produce a different result, in which case the Ofgem representative may be invited to exercise a casting vote. In exercising any casting vote, the Ofgem representative will have regard to the relevant objectives of the UNC and its wider statutory duties.
15. Where a matter that is relevant to [Change] implementation is to be decided upon by another governance body, the Steering Group may make a *recommendation* to that body. Recommendations will also be made on the basis of a simple majority vote, but in the event of an

equal split of votes no casting vote shall be applied. The votes underpinning the recommendation, or as the case may be the failure to reach a recommendation, will be communicated to the relevant governance body ahead of any decision being taken.

Timescales

16. The Steering Group will initially meet on a [fortnightly/monthly] basis.

17. Interim and/or ad-hoc meetings may be conducted by teleconference as appropriate.

Communication

18. The Steering Group will collaborate with industry parties to ensure that an open and transparent communications strategy is established and maintained.

19. Minutes and deliverables of the Steering Group will be published [to be defined] within [5] days of the meeting.

20. Other than in the case of urgent matters as referred to in paragraph 14(a), all items for consideration by the Steering Group will be placed on the agenda for a scheduled meeting at least 5 working days ahead of that meeting taking place.

21. Information presented to the Steering Group and/or made available for publication by the PM/A will be in a non-attributable, anonymised form.

22. No Steering Group member shall use or disclose any information that it becomes privy to by serving on the Steering Group, other than that which is to be published or otherwise agreed to be disclosed as part of the Steering Group's communication strategy.