



The Joint Office, relevant Gas Transporters and other interested parties

*Promoting choice and value for all gas and electricity customers*

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Dear colleague,

**UNC573: Project Nexus – deferral of implementation of elements of Retrospective Adjustment arrangements**

We have received a request from National Grid Distribution (NG-D) that modification proposal UNC573: '*Project Nexus – deferral of implementation of elements of Retrospective Adjustment arrangements*' follows the urgent modification procedures<sup>1</sup>. We agree to that request.

**Background**

UK Link is an IT system which enables Gas Shippers and Gas Transporters (GTs) to exchange information relating to supply point administration, the balancing of the gas system and other matters. The GTs agent Xoserve is undertaking the replacement of UK Link as part of project referred to as Project Nexus.

Project Nexus will fundamentally change the basis of gas settlement. It will also incorporate the independent GTs (iGTs), providing a single supply point administration function, bringing the customer transfer arrangements for iGT connected consumers into line with those of other networks.

The principal UNC modifications that will give effect to these changes are UNC432<sup>2</sup> and 434<sup>3</sup>, which were accepted in February 2014 and UNC440<sup>4</sup> which was accepted in January 2015. All of these modifications are scheduled to be implemented together on the Project Nexus Implementation Date (PNID), which was originally scheduled to be 1 October 2015 but subsequently deferred as part of UNC548<sup>5</sup>, to be 1 October 2016 or such other date as may be determined by the Authority. In accepting urgency<sup>6</sup> for UNC548, we recognised that even with a revised PNID, the delivery of Project Nexus remains a significant challenge and represents a material investment for all parties.

As part of its remit, the Project Nexus Steering Group (PNSG) has, on advice of the independent project assurance manager PwC and Xoserve, identified certain programme risks and potential mitigating measures. In particular, Xoserve confirmed that whilst the retrospective adjustment of meter read data was on track to be delivered alongside core functionality, other elements were complex and falling behind the rest of the programme. This related to the retrospective adjustment for assets and supply points (RAASP). At its

<sup>1</sup> Modification Proposal UNC548 can be found on the Joint Office website: [www.gasgovernance.co.uk/0548](http://www.gasgovernance.co.uk/0548)

<sup>2</sup> UNC432: '[Project Nexus – gas settlement reform](#)'

<sup>3</sup> UNC434: '[Project Nexus – retrospective adjustment](#)'

<sup>4</sup> UNC440: '[Project Nexus – iGT Single Service Provision](#)'

<sup>5</sup> UNC548: '[Project Nexus – deferral of implementation date](#)'

<sup>6</sup> UNC548 Urgency decision: [www.gasgovernance.co.uk/sites/default/files/UNC%20548%20urgency%20decision.pdf](http://www.gasgovernance.co.uk/sites/default/files/UNC%20548%20urgency%20decision.pdf)

meeting of 1 July 2015, the PNSG asked PwC to provide analysis which could support any potential decision on the deferral of RAASP functionality as a risk mitigation measure. The PwC report was published<sup>7</sup> (in draft) following discussion at the PNSG meeting of 1 September 2015.

At the PNSG meeting of 8 January 2016<sup>8</sup> Xoserve confirmed that whilst its detailed design on RAASP was complete, it would be unable to deliver the required functionality by the PNID and that the programme status was, at that time, red. The PNSG therefore voted unanimously to cease further work on RAASP. This would enable Xoserve to concentrate additional resources on the delivery of the core products. This also allowed for the two months of market trials that were originally dedicated to RAASP functionality to instead be utilised for testing of core functionality, extending the testing period for those elements from 4 to 6 months. These measures have lowered the assessment of risk to the Project Nexus timeline and ensured that 1 October 2016 is again achievable.

Given the likelihood that without a deferral of RAASP the PNID would again be delayed, we support the PNSG decision. This was subsequently communicated to stakeholders both through PNSG minutes and relevant industry meetings such as the Project Nexus UNC (PNUNC) workgroup.

At the PNUNC meeting of 29 January 2016<sup>9</sup> Xoserve presented three options for dealing with retrospective adjustments in the interim period, pending full systems functionality being available. The consensus of the group was that Xoserve should continue to provide the ad hoc workaround that it currently provides for Larger Supply Points, albeit on a non-codified basis, but to extend this to Smaller Supply Points.

NG-D subsequently raised UNC573, which seeks to defer those elements of UNC434 that cannot be delivered on the PNID, and provides a hard fall back date of 1 October 2017 for their implementation. Whilst this modification is not required in order to enact the decision of the PNSG regarding RAASP, NG-D considers that it is necessary for it to follow the urgent procedures in order to provide certainty to stakeholders at the earliest possible opportunity on the scope of functionality that will be available from the PNID and the way forward on areas that are now out of scope.

### **Authority decision**

In reaching our decision, we have considered the details contained within the modification proposal and the Proposer's justification for urgency. We have assessed the request against the criteria set out in Ofgem's published guidance<sup>10</sup>. We have considered in particular whether it is linked to *"an imminent issue or a current issue that if not urgently addressed may cause a significant commercial impact on parties, consumers or other stakeholder(s)"*.

Whilst we hope that all stakeholders are following developments with Project Nexus, and therefore already aware of decisions taken by the PNSG and their implications for project milestones, the PNSG's Terms of Reference are limited to the implementation of UK Link replacement systems, and do not extend to the content of the UNC itself. Given the potential conflict between the project documentation and the prevailing provisions of the UNC, we consider it appropriate to provide clarity to all stakeholders as soon as possible. This will enable them to revise their own plans accordingly and efficiently.

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<sup>7</sup>

[www.gasgovernance.co.uk/sites/default/files/RAASP%20Impact%20Assessment%20v1.0%2003%20September%202015.pdf](http://www.gasgovernance.co.uk/sites/default/files/RAASP%20Impact%20Assessment%20v1.0%2003%20September%202015.pdf)

<sup>8</sup> [www.gasgovernance.co.uk/sites/default/files/Minutes%20Project%20Nexus%20SG%20080116%20v1.0.pdf](http://www.gasgovernance.co.uk/sites/default/files/Minutes%20Project%20Nexus%20SG%20080116%20v1.0.pdf)

<sup>9</sup> See: <http://gasgovernance.co.uk/nexus/290116>

<sup>10</sup> Ofgem's Guidance is published on our website:

[www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/Ofgem%20Guidance%20on%20Code%20Modification%20Urgency%20Criteria.pdf](http://www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/Ofgem%20Guidance%20on%20Code%20Modification%20Urgency%20Criteria.pdf)

We are therefore satisfied that there is a pressing need to clarify the status of the UNC434 provisions in their entirety, and that if this proposal does not follow urgent procedures, there may be a significant commercial impact to the proposer and other UNC Parties. Given the extent of discussion that has already taken place in industry fora on the necessity for such an urgent modification to the scope of functionality to be delivered on the PNID, we did not consider it appropriate on this occasion to exercise the option of further consulting with the UNC Modification Panel, as allowed for in paragraph 10.1.1(b) of the UNC Modification Rules. This will allow for this modification to following the expedited timetable suggested by the Joint Office, as follows:

<b>Process</b>	<b>Date</b>
Consultation commences	9 February 2016
Consultation closes	16 February 2016
(Draft) Final Modification Report issued to the UNC Panel	17 February 2016
Panel provide recommendation and submit Final Modification Report to the Authority	18 February 2016
Authority decision by	Week ending 26 February 2016

For the avoidance of doubt, our decision on urgency should not be treated as any indication by us on the merits of modification proposal UNC573. The Authority will make a decision on UNC573 in due course and in accordance with the appropriate process after taking account all relevant considerations.

Yours sincerely

**Angelita Bradney**

**Head of Smarter Markets**

Signed on behalf of the Authority and authorised for that purpose