

Stage 04: Final Modification Report


0491:

Change Implementation Date of Project Nexus to 1st April 2016


At what stage is this document in the process?




This proposal seeks to move the implementation and go live date of Project Nexus-related changes to 1st April 2016.

 The Panel recommends implementation

 High Impact:
Changes to the Project Nexus-related UNC changes implementation date

 Medium Impact:

 Low Impact:

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07 April 2014

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About this document:

This Final Modification Report was considered by the Panel on 07 April 2014.

The Authority will consider the Panel's recommendation and decide whether or not this change should be made.



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1 Summary

This Modification Proposal seeks to change the NEXUS programme UK-Link-related UNC Changes implementation date and Go Live date (referred to in Part II C Section 13.1.1 of the UNC Transition Document as the Project Nexus Go Live Date and in GENERAL TERMS Section C – Interpretation "Project Nexus Implementation Date") to no earlier than 1st April 2016.

National Grid NTS consider that this is necessary in order to mitigate the high risk of failure to deliver changes associated with the currently proposed joint implementation of Project Nexus and EU CAM Network Code during 2015 as identified by the Transporters' Agent (Xoserve) at a meeting of the Change Overview Board on 3rd March 2014.

Is this a Self-Governance Modification?

The Modification Panel determined that this is not a self-governance modification because it proposes to delay the implementation of various UNC Proposals related to the "Project Nexus" changes to the UK-Link system and as such has a material impact on the industry's preparations for the Nexus changes.

Why Change?

UNC Modification 0432 included legal text which defined the Project Nexus Go Live Date and Implementation date. This date is currently set out in the UNC Transition Document Part II C Section 13.1.1 and General Terms Section C and defined as the 1st October 2015.

The European Network Code on Capacity Allocation Methodology (CAM) requires that member states implement the code on or before 1st November 2015 and is legally binding on the UK.

Each of these require changes to the same system code in the Gemini system and would therefore need to be delivered as a single release. This creates a cross dependency, which has the effect of producing a material combined risk of a significant time delay to both schedules. It has been established that decoupling the projects (to allow the Gemini code to be changed twice in a controlled manner) will significantly de-risk delivery for both changes.

At the meeting of the Modification Panel on 11th March the Xoserve representative stated that the "drop dead date" for splitting the delivery of the two projects was 16th May 2014.

Solution

It is proposed that the Project Nexus Implementation and Go Live Date be changed such that it shall be no earlier than 1st April 2016 or such other later date as may be determined by the Uniform Network Code Committee

Relevant Objectives

Implementation of this modification would better facilitate relevant objectives: c) Efficient discharge of the Licensee's obligations, and; g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Cooperation of Energy Regulators.

Implementation

No specific implementation date is proposed.

However, at the meeting of the Modification Panel on 11th March the Xoserve representative stated that the "drop dead date" for splitting the delivery of the two projects was 16th May 2014.

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2 Why Change?

UNC Modification 0432 included legal text which defined the Project Nexus implementation and Go Live Date. This date is currently set out in the UNC Transition Document Part II C Section 13.1.1 and General Terms Section C and defined as the 1st October 2015.

The European Network Code on Capacity Allocation Methodology (CAM) requires that member states implement this Network Code on or before 1st November 2015.

In the industry workshop, the Change Overview Board, held on 3rd March 2014, which considered the 2015 system implementation change congestion, the Transporters' Agent (Xoserve) stated that they have a relatively low level of confidence that the NEXUS related programme of changes to the UK-Link suite can be delivered by October 2015. As such we consider that coupling the Project Nexus Go Live Date with the date required for the changes associated with the EU CAM Network Code presents a high risk of failure for both projects (i.e. if one project fails to successfully meet the October 2015 implementation date, both projects will fail to meet their implementation aspirations). One of Xoserve's proposed solutions to this implementation risk, as set out in their "Change Programme Delivery Options 20140207" document, is to decouple the two projects, enabling EU CAM Network Code change to be delivered followed by Project Nexus (Option 2B).

At the above meeting, Xoserve stated that Option 2B would materially reduce the currently perceived high risk of failure to deliver the necessary European Network Code related changes. Pursuing Option 2B will necessitate the deferment of the Nexus change implementation by 6 months, although Xoserve also noted that this timescale would align with the anticipated 24 month timeline for strategic systems deployment on the proposed new platform for UK-Link, SAP. It is anticipated that this will, therefore, also increase the likelihood of a successful Project Nexus implementation.

In order to mitigate the implementation risks to the EU CAM Network Code and Project Nexus change programmes identified by Xoserve, we therefore propose that the two projects are decoupled with Project Nexus-related changes being delivered no earlier than April 1st, 2016, or a later date as determined by the UNCC.

3 Solution

It is proposed that the Project Nexus Implementation and Go Live Date be changed such that it shall be no earlier than 1st April 2016 or such other later date as may be determined by the Uniform Network Code Committee.

User Pays
Classification of the modification as User Pays, or not, and the justification for such classification.
No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
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.
NA
Proposed charge(s) for application of User Pays charges to Shippers.
NA
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.
NA

4 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.	Positive
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.	None
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.	None
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.	Positive

Relevant Objective c) Efficient discharge of the Licensee's obligations.

This Modification Proposal will mitigate against the risk of failure to implement European CAM Network Code change in October 2015, and the consequential failure by NTS to meet its licence obligations by decoupling the delivery of these changes from those related to Project Nexus.

Relevant Objective g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Cooperation of Energy Regulators.

It is a requirement of the EU CAM Network Code that it be implemented by 01 November 2015. This Modification Proposal will, based on the assessment of the Transporters' Agent (Xoserve), ensure that the CAM implementation can proceed with a high level of confidence of a successful delivery by this date, thus ensuring compliance with EU legislation.

5 Implementation

No specific implementation date is proposed.

However, at the meeting of the Modification Panel on 11th March the Xoserve representative stated that the “drop dead date” for splitting the delivery of the two projects was 16th May 2014.

6 Legal Text

TRANSITION DOCUMENT

PART II C - TRANSITIONAL RULES

Amend the existing paragraphs 13.1.1 and 13.1.1(b) as follows:

13 Transition to Single Supply Meter Point Regime

....

13.1.1 For the purposes of paragraph 13, 14 and 15 the:

....

(b) the "**Project Nexus Go Live Date**" is [1 April 2016](#) ~~1 October 2015~~ or such other [later](#) date as may be determined by the Uniform Network Code Committee;

.....

GENERAL TERMS

Section C - Interpretation

"Project Nexus Implementation Date" is [1 April 2016](#) ~~1 October 2015~~ or such other [later](#) date as may be determined by the Uniform Network Code Committee;

7 Consultation Responses

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
British Gas	Oppose	d- negative	<ul style="list-style-type: none"> Any implementation delay would seriously impact the benefits of Project Nexus, particularly the benefits to end consumers.
Co-Operative Energy	Oppose	d- negative	<ul style="list-style-type: none"> Delaying the positive benefits of Project Nexus would be unacceptable
Corona Energy	Support	-	<ul style="list-style-type: none"> Separating Project Nexus and EU reform removes the risks of implementing two high profile projects at the same time as other projects.
DONG Energy	Support	c - positive g - positive	<ul style="list-style-type: none"> Decoupling these projects to deliver the EU Reforms by October 2015 and Nexus by April 2016 provides a lower risk of non-delivery and gives the industry more assurance of successful delivery. It is crucial that implementation of Project Nexus is accurate and successful to reduce any financial risks to the industry.
EDF Energy	Oppose	c – negative d - negative f - negative	<ul style="list-style-type: none"> Modification 0491 will defer £11m of quantified benefit with no robust justification. EU CAM Network Code will only apply to two GB Interconnection Points. Xoserve ability to manage data from smart meters will be impacted.
E.ON	Oppose	d- negative	<ul style="list-style-type: none"> Delaying the positive benefits of Modifications 0440, 0432 and 0434 would have a negative impact on Shippers, iGTs and customers. Consequential complications relating to Xoserve system capacity and ability to process meter readings further impacting decisions for smart metering roll out.
Gazprom	Support	c - positive g - positive	<ul style="list-style-type: none"> The fundamental linking of Project Nexus and EU Changes into one Project introduces a level of risk in the joint project, which is incompatible with a reasonable and prudent operator.
National Grid Distribution	Support	c - positive g - positive	<ul style="list-style-type: none"> Simultaneous implementation of systems changes associated with the European Network Code on Capacity Allocation Methodology (CAM) and Project Nexus on 01 October 2015 represent an unacceptably high level of risk of failure.

National Grid NTS	Support	c - positive g - positive	<ul style="list-style-type: none"> The lead-time for the implementation of Project Nexus proposed is such that it will allow the lowest impact decoupling of the two programmes' implementation plans.
Northern Gas Networks	Support	c - positive g - positive	<ul style="list-style-type: none"> Decoupling the Project Nexus and the EU CAM Network Code changes will mitigate the risk of failure for both projects. Modification will ensure compliance with statutory EU legislation.
RWE npower	Support	c - positive g - positive	<ul style="list-style-type: none"> The delivery of Project Nexus and EU CAM Network codes for 01 October 2015 implementation, poses a high level risk of failure and they are concerned that there is no contingency for delays or failures.
Scottish Power	Oppose	d- negative	<ul style="list-style-type: none"> The delay of Project Nexus will result in customers losing expected benefits and customers will continue to pick up costs that should not be attributed to them. Remain unconvinced with the assertion of high risk failures associated with joint implementation of Project Nexus and Gemini changes to meet European Network Code requirements without substantiated details. A delay of 6 months could result an impact of between £5m-£6m to the SSP market.
Scotia Gas Networks	Support	c - positive g - positive	<ul style="list-style-type: none"> As the Gas Day change must be implemented to facilitate legislative compliance and to ensure that this is completed on schedule the two changes must be decoupled,
SSE	Oppose	c – negative d - negative f - negative	<ul style="list-style-type: none"> SSE believes that there is no new evidence of increased risk of failure to implement the EC Network Code change for October 2015 connected to the delivery of Project Nexus. Without key information, this modification only seeks to prioritise the EC Network Code change over the modifications associated with Project Nexus, there by introducing the risk that significant, real and very positive benefits to UK customers brought by the delivery of Project Nexus could be delayed unnecessarily.
Wales & West Utilities	Support	-	<ul style="list-style-type: none"> Decoupling the Project Nexus and the EU CAM Network Code projects will mitigate the risk of project failure and potential negative impacts for all industry participants. Implementing this change now, may also avoid costs associated with future changes required.

Winchester Gas	Oppose	d- negative	<ul style="list-style-type: none"> Continued usage of a mechanism recognised to be flawed within the industry and is unacceptable. Delays will result in continued inaccurate reconciliation costs. Extended burden on Xoserve system capacity and ability to process increased number of meter reads for smart metering roll out. The delay to Project Nexus is based on a modification not yet approved.
Xoserve	Support	-	<ul style="list-style-type: none"> The risk of continuing both Project Nexus requirements and EU Reform for 2015 would present a high likelihood of neither being delivered to that schedule.

Of the seventeen representations received, ten supported implementation and seven were opposed.

Representations are published alongside the Final Modification Report.

Additional Issues Identified in Responses

E.ON UK believe the changes to the gas day are a requirement of the new EU Balancing Code which is still in development and has not yet been published and so consideration should be given as to whether the requirement to change the Gas Day is being accelerated and rushed through on the back of the CAM change while the Balancing Code changes are still being developed.

Gazprom highlight two additional industry changes have been proposed for implementation around the same time. These are the Theft Risk Assessment Service which is scheduled for December 2015 and the introduction of Demand Side Response scheduled for winter 2015. In their original Project Nexus responses they highlighted their concerns over the industry program congestion during quarter four 2015. They believe the number of major projects scheduled for delivery during this period creates material risk. Furthermore they are concerned that taking forward a high risk plan which delivers at the start of the Gas Year may create market risk and could have unintended consequences. They also highlight concerns from Xoserve regarding the appropriateness of attempting to deliver a full SAP implementation in 21 months instead of the preferred 24 month and this approach means that Project Nexus Project already has no contingency within the project plan and thus any delay in any item on the critical path will impact on the overall delivery date.

SSE believe that the uncertainty around the Project Nexus delivery date and any extension to the current settlement regime will act as a barrier to entry in the Small Supply Point and Domestic markets. As demonstrated by some recent modifications raised by small suppliers, the current allocation regime can be detrimental in a significant way to small suppliers and will be remedied by Modification 0432. Likewise communicating with several parties (xoserve and individual iGT's) to effect a change of supplier and other transactions such as metering and meter reading is also a barrier to entry for new suppliers to the domestic market and modification 0440 seeks to remedy this situation. SSE believe if the Project Nexus delivery is delayed by six months as proposed then most of the benefits of Project Nexus will be lost for the 2015/16 gas year as a majority of the gas is used in winter and will not be settled on actual reads.

SSE is also concerned that as part of the data migration element of the Project Nexus delivery, this modification may extend a period in which two databases (for iGT data) may have to be updated and maintained. This might impact delivery risk and potentially the cost of delivery. Switching to a new settlements regime at the beginning of the gas year (October 2015) is the most sensible and risk free approach. Whilst SSE accepts that it is possible to switch to a new system during the gas year (proposed new date April 2016), there is a concern that further risks will be introduced to the implementation. In particular and for example, the winter to summer ratio of use which will be derived by

two different formulae where the sum of the ALPs must equal 100% at the end of the gas year.

SSE also sought assurances that other beneficial modifications will not be delayed due to the delay to Project Nexus and that there will be no additional risks, costs or other implications in delivering modifications into the old systems.

Winchester Gas were concerned that a delay to Project Nexus has been proposed based on a modification that has yet to be approved by Ofgem when Xoserve expressed their confidence that they would be able to deliver an October 2015 start date even with the EU changes.

National Grid NTS provided a statement from the Department for Energy and Climate Change (DECC), regarding EU CAM, the EU related changes to the current Gas Day and the EU network Code on Balancing Code, which they believe clarifies the requirement for compliance in October 2015 and for any subsequent EU-specified implementation dates. They also highlighted that the Authority have acknowledged that EU legislative requirements take priority over GB domestic legislation and associated regulations and codes, including the UNC within the decision letter for Modification 0461. National Grid NTS further highlighted that the Authority has exercised its power, defined in Standard Special Condition A11 of Transporters' licences and introduced into the UNC via Modification 0448, to direct Transporters to implement Modification 0461 by the proposed implementation date of 1 October 2015. National Grid NTS believe that these actions remove any doubt as to the mandatory nature of the requirement to implement European change in a timely fashion.

8 Panel Discussions

The Panel Chair summarised that Modification 0491 had been raised to address the risks associated with the close proximity of implementation dates for Project Nexus and European Code-related changes mandated by EU Regulations. Each of these require changes to the same system code in the Gemini system and would therefore need to be delivered as a single release. This creates a cross dependency, which has the effect of producing a material combined risk of a significant time delay to both schedules. It has been established that decoupling the projects (to allow the Gemini code to be changed twice in a controlled manner) will significantly de-risk delivery for both changes.

It is proposed that the Project Nexus Implementation and Go Live Date be changed such that it shall be no earlier than 01 April 2016 or such other later date as may be determined by the Uniform Network Code Committee.

Members considered the representations made noting that, of the seventeen representations received, ten supported implementation and seven were opposed. Members agreed that there were no issues requiring Workgroup consideration.

Members voted and with 7 votes in favour (out of a possible 9), determined to recommend implementation of Modification 0491.

9 Recommendation

Panel Recommendation

Having considered the Modification Report, the Panel recommends:

that proposed Modification 0491 should be made.

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