Ofgem

Project Nexus Shipper Delivery Plan Assessment Report

Version 1.0

December 2014

Reputation built on Results

Contents

Executive Summary

Background and Context

- The UK Link Programme (UKLP), a delivery vehicle for Project Nexus requirements, aims to ensure that the systems operated by Xoserve which underpin the competitive gas market meet the current and anticipated business requirements of market participants. The programme is led by Xoserve and will impact other industry parties, most notably gas shippers. The current timescale for the implementation of Project Nexus process and systems changes is on 1 October 2015.
- Following discussion at the Change Overview Board and subsequent acceptance of UNC Modification 513, Baringa Partners has been appointed to conduct a readiness assessment on Shipper delivery plans.

Approach

- The Ofgem Shipper Delivery Plan Assessment is an independent assessment conducted by Baringa using a structured approach. Participating Shippers were asked to provide input relating to their status of Project Nexus preparation and implementation readiness using a detailed questionnaire. Assessment areas include UK Link change impact, status of Shipper Programmes, Shipper data readiness, involvement in Industry fora and organisational change delivery.
- Two kick-off sessions were held to provide participating Shippers with context of the readiness assessment and a walkthrough of the various questions.

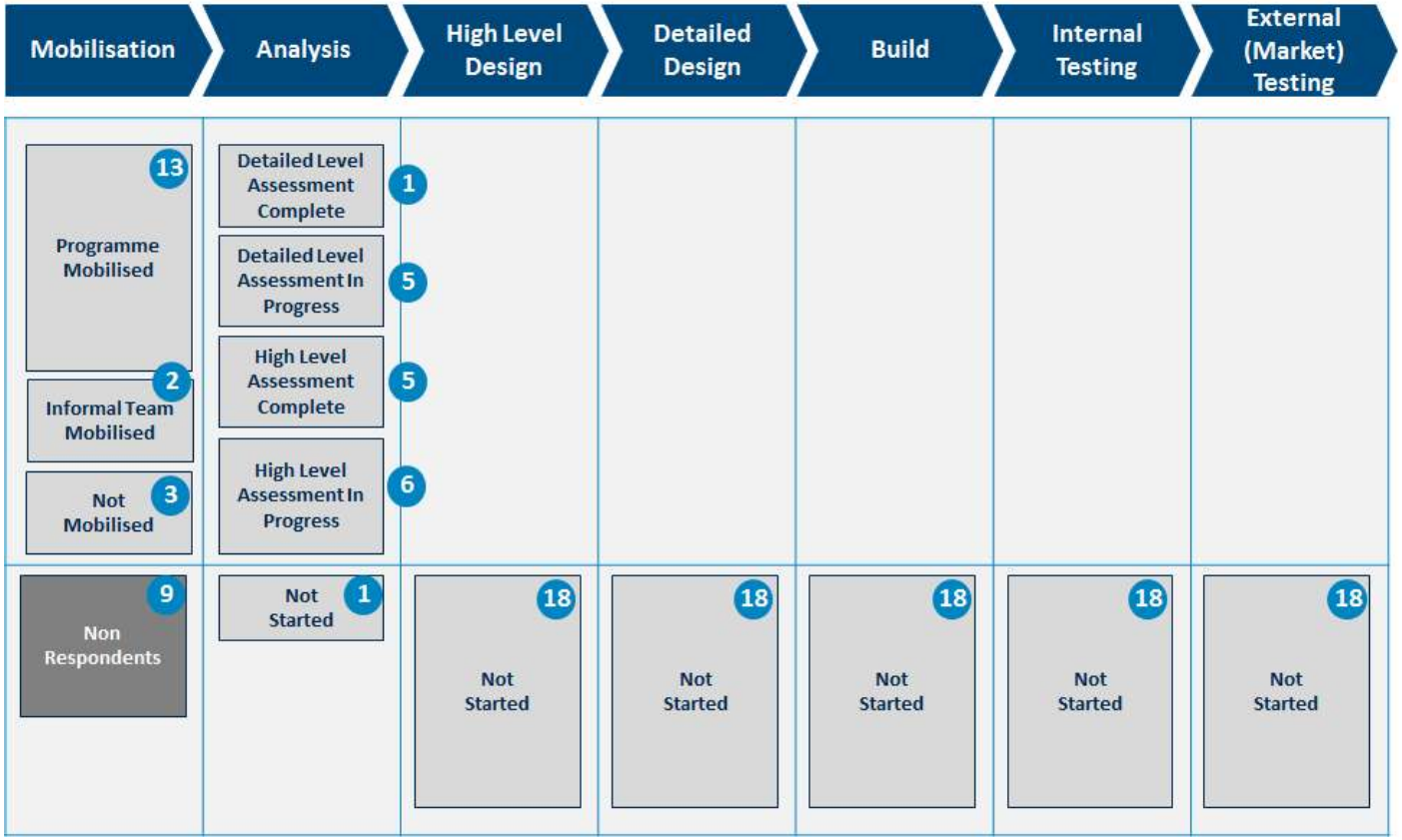
Overview of Assessment Response

- An initial invitation to participate in the readiness assessment was issued to all shippers by the Joint Office. There were 27 positive responses received.
- The Shipper Delivery Plan Assessment Questionnaire was sent to these 27 Shipper organisations.
- 18 of 27 (67%) Shippers provided their feedback. There is a relatively even spread of respondents across the following Shipper categories:
  - Big 6
  - Challenger
  - Industrial & Commercial (I&C).
- Only five out of the 18 respondents (28%) provided supporting documents of different levels of details. Two respondents indicated that the relevant supporting documents are too commercially sensitive to be shared with Ofgem. One indicated that the relevant documents are available for review at its offices.

Executive Summary

Key Findings and Conclusions

- Based on the information submitted by respondents for the assessment response, there is no clear evidence to suggest that Shippers would not be ready for UK Link Programme (UKLP) implementation on 1 October 2015.
- Whilst there is some level of confidence expressed by respondents in their ability to deliver Project Nexus on schedule, progress is in general slow and challenged, as illustrated in the diagram below – where the numbers represent the respondents stated level of completion by phase:

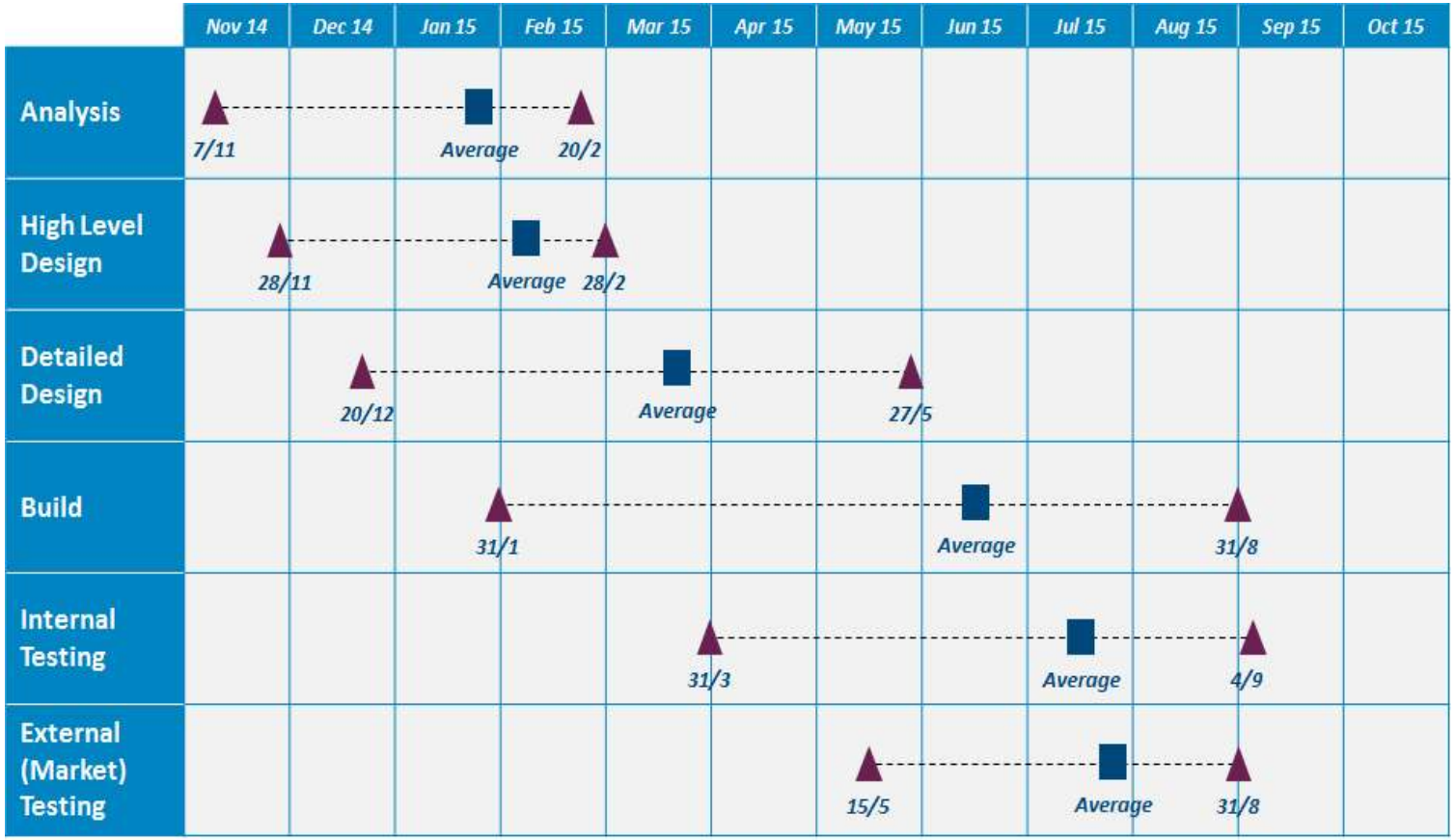


Executive Summary

- Several factors need to be taken into consideration when making the assessment:
  - The absence of response from nine Shippers who initially expressed their intention to participate in the assessment
  - Respondents are in an early stage of preparation with their project plans not yet developed into a detailed level for a delivery programme of such scale and complexity – detailed planning may result in unexpected changes
  - Lack of supporting documentation from respondents to substantiate their responses – the fact that 13 out of 18 (72%) of respondents have not provided a project plan may indicate the level of preparedness at this stage of the project lifecycle
  - Commercial sensitivity issues preventing some Shippers from sharing the relevant documentation with Ofgem – this should not have been an issue in information sharing as the relevant confidentiality agreement had been put in place for this assessment exercise.
  - There is a good level of delivery maturity among respondents. However, there is a concern over multiple number of programmes and competition for resources and skills. We noted that five respondents plan to have over 10 programmes under execution in 2015 and one respondent has over 50 programmes (excluding Nexus) in its portfolio.
  - The current level of confidence was generally expressed as high – with just one respondent having low confidence in delivery. However, this needs to be tested again once further progress has been made.

Executive Summary

- Milestone dates provided by respondents indicate a wide range of forecast completion for the various project stages due possibly to the size of the Shipper organisation and the level of complexity of its programme.
- Our analysis indicates that these milestones are mostly back-ended and are weighted towards the latest completion dates. While this is common for a project with a time-boxed timeline, it does not leave enough room for contingency should there be any delay to Shipper plans.



Executive Summary

Recommendations

Based on information provided by respondents and our analysis of this, we have identified six key recommendations for consideration by shippers:

- **Develop a detailed project plan as a high priority**
  - 72% of respondents have not yet developed a project plan but expected that it would be developed as part of the PID development. Some respondents indicated that they were dependent on Xoserve to finalise the testing timescale prior to completing their project plans.
  - We recommend that all Shippers develop their Project Nexus delivery plans as a top priority including planning assumptions where appropriate. The project plan should then be baselined and subsequent changes to the plan should then be subject to change control. Planning assumptions should be validated on a regular basis as new information becomes available.
- **Adopt a formal and structured management approach to Project Nexus delivery**
  - Some respondents indicated that they have no formal programmes in place to delivery Project Nexus or the relevant programmes are being mobilised.
  - While respondents stated that full commitment would be given to deliver Project Nexus, adopting good programme and project management practices and disciplines are key to successful delivery of programmes of such scale and complexity. This is evident from previous industry wide change programmes.
  - We also recommend consideration of developing a central project plan and adopting a more robust progress reporting process (e.g. self certification of project progress).
- **De-risk dependency on 3rd party service providers**
  - Most respondents depend on 3rd party service providers for changes to their IT systems (core, non-core and new builds).
  - It is important for Shippers to ensure that adequate expert resources are allocated by the service providers and their delivery plans are realistic. This is particularly relevant when the same service provider is engaged with multiple Shippers resulting in potential resource capacity and contention issues.
  - We recommend that a better understanding of the level of engagement of 3rd party service providers with market participants involved in Project Nexus delivery and other high priority development programmes should be established.

Executive Summary

- We also recommend direct engagement of 3rd party service providers in relevant Industry fora (e.g. technical forum).

- **Better availability of project and supporting documentation**
  - Visibility of supporting documentation across the respondents has been low (e.g. only 5 PIDs and 3 project plans provided). Some respondents indicated that the required documentation was currently being developed while others indicated that commercial sensitivity was the main reason for not providing them.
  - We recommend that future readiness assessments should include a walkthrough of Shipper's project plan and RAID logs. While this may be more intrusive for Shippers, it will serve to provide more evidence and supporting information for a more informed and fact-based assessment.
- **Define partial readiness and go-live criteria**
  - Based on experience from other Industry wide change implementation programmes of similar scale and complexity, there is potential likelihood of a partial implementation readiness at Go-Live. This will need to be addressed and this should be linked to the Go-Live criteria currently being defined by Xoserve.
  - One of the Go/No Go criteria relates to the involvement of market participants in industry testing. We understand that the details of the criteria and the governance of the assessment are still being finalised.
  - We recommend the issue of potential partial implementation readiness to be addressed early to provide clarity to Shippers and other market participants.
- **Continue with ongoing readiness assessment and assurance**
  - It should be noted that the findings of this Shipper Delivery Plan Assessment are a snapshot in time and are specific to the stage of the programme lifecycle.
  - We recommend that future readiness assessment and assurance exercises be undertaken, focused on key points within the project lifecycle.

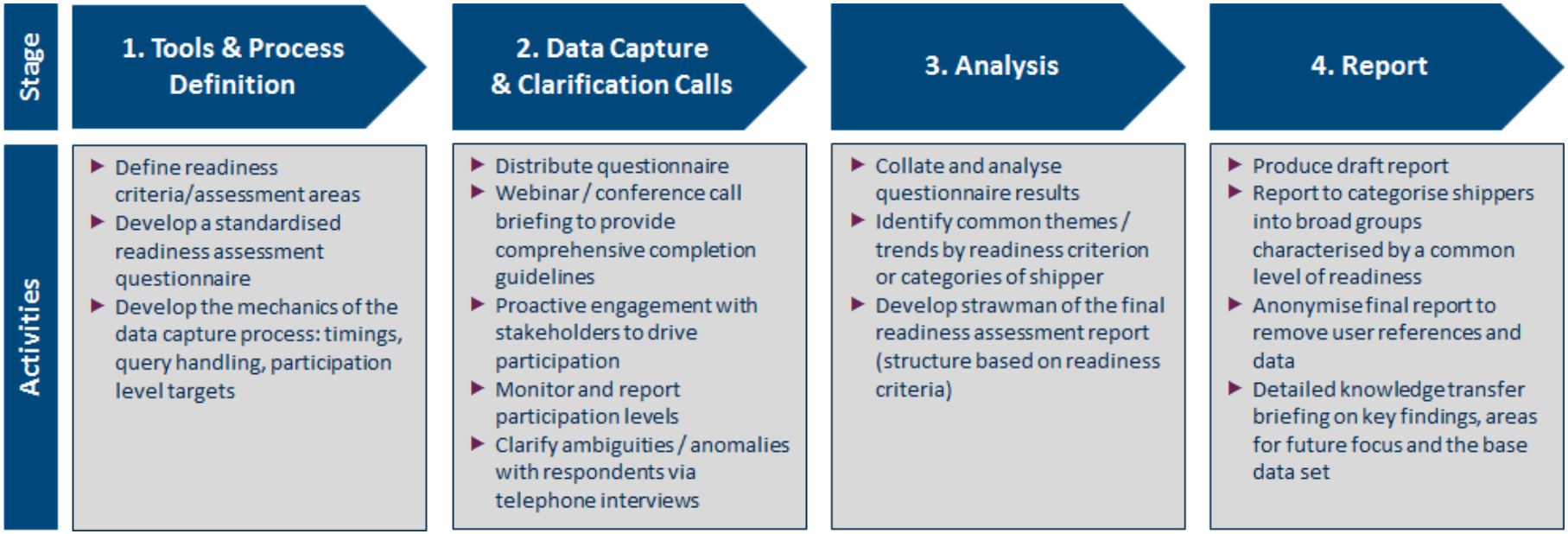
Introduction

- The UK Link Programme (UKLP), a delivery vehicle for Project Nexus requirements, aims to ensure that the systems operated by Xoserve which underpin the competitive gas market meet the current and anticipated business requirements of market participants.
- The programme is being led by Xoserve, the central systems operator, but also impacts other industry parties most notably gas shippers. The current timescale for the implementation of Project Nexus process and systems changes is on 1 October 2015.
- The success of the UKLP is dependent upon the industry collectively being ready for implementation. It is important that all UNC parties are prepared for the cutover to the new systems. Initiatives such as the UK Link industry engagement forum provide visibility on Xoserve's state of readiness. Xoserve has also appointed a third party to assist it with project assurance of its own preparatory activities.
- Through discussions at the Change Overview Board and elsewhere, a need has been identified to provide such project assurance on a more holistic basis, incorporating shippers.
- Further to acceptance of UNC Modification 513, Ofgem has appointed Baringa Partners to produce a report on shipper preparations for the transition to the new systems.
- The scope of this high level assessment is on Shippers only. Future assessments, subject to confirmation, may include other market participants.
- This is the public facing, anonymised version of the assessment report. A full report is to be submitted to Ofgem separately.
- This report is structured as follows:
  - Assessment Approach
  - Observations and Findings by Assessment Areas, including commentary on findings and observations on consistency
  - Conclusions and Recommendations
  - Appendix – Shipper Delivery Plan Assessment Questionnaire.

Assessment Approach

Stages and Activities

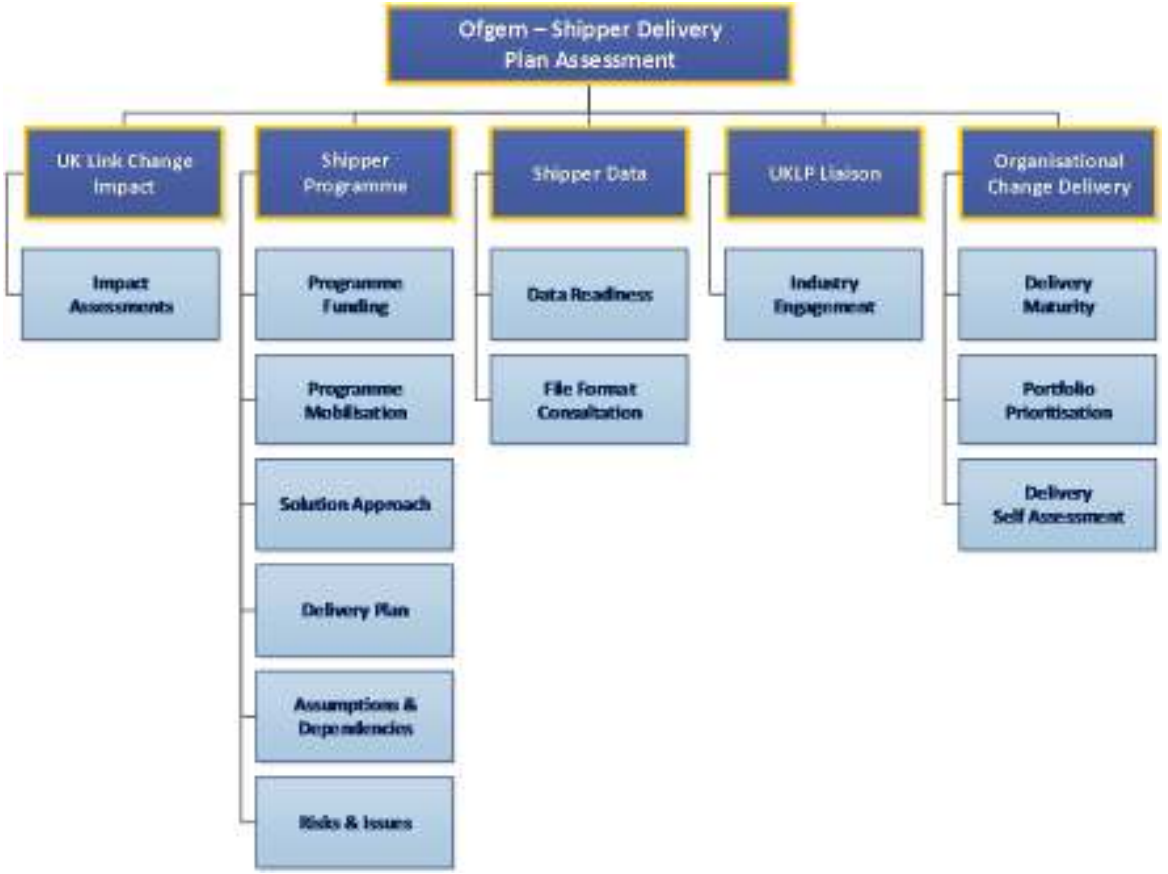
- A structured approach was adopted to conduct the Shipper Delivery Plan Assessment. The stages and activities are set out in the diagram below:



Assessment Approach

Assessment Areas

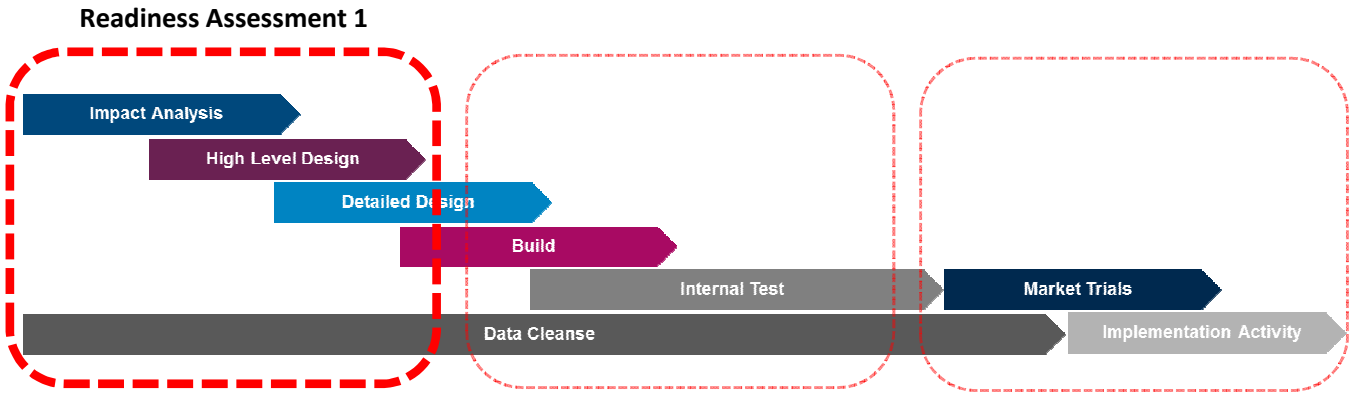
- The readiness of individual Shipper organisations have been assessed across common areas to enable a meaningful aggregate assessment and comparison. These common areas include:
  - **UK Link Change Impact** – assessment of the impact of UK Link Programme on the business processes and IT systems of the Shipper organisation
  - **Shipper Programme** – status of the Shipper organisation's programme to deliver Project Nexus
  - **Shipper Data** – status of readiness of Shipper data cleansing and file format changes
  - **UK Link Programme Liaison** – level of engagement with the Industry fora
  - **Organisational Change Delivery** – maturity of change delivery within the Shipper organisation and the priority of Shipper's programme to deliver Project Nexus.



Assessment Approach

Future Assessments

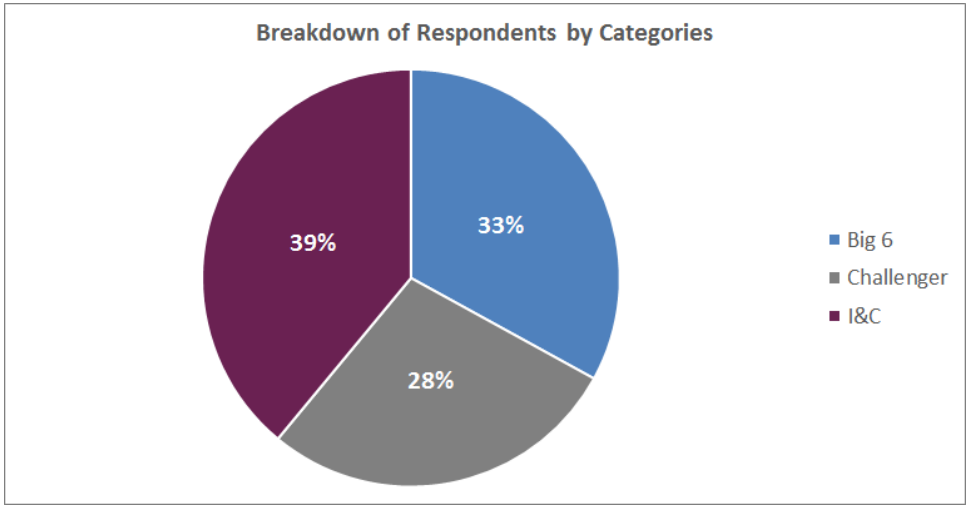
- It is recommended that subsequent readiness assessments should be undertaken and these assessments should focus on specific activities within the project lifecycle and may include other market participants. Based on previous experience of Industry wide programmes involving multiple stakeholders, we would suggest that there should be future assessments should at least cover the transition from design to build, and then testing and trials as shown in the diagram below:



Observations and Findings

Overview

- An initial invitation to participate in the readiness assessment was issued to all shippers by the Joint Office. There were 27 positive responses received.
- The Shipper Delivery Plan Assessment Questionnaire was sent to these 27 Shipper organisations.
- 18 of 27 (67%) Shippers provided their feedback. There is a relatively even spread of respondents across the following Shipper categories :
  - Big 6
  - Challenger
  - Industrial & Commercial (I&C).
- All Big 6 Shippers provided input to the assessment and 73% of the I&C Shippers and Suppliers (ICOSS) Group members responded.
- Only five out of the 18 respondents (28%) provided supporting documents of different levels of details, including:
  - Project charter
  - Project organisation and governance
  - High level project timeline.
- Two respondents indicated that the relevant supporting documents were too commercially sensitive to be shared with Ofgem. One indicated that the relevant documents are available for review at its offices.

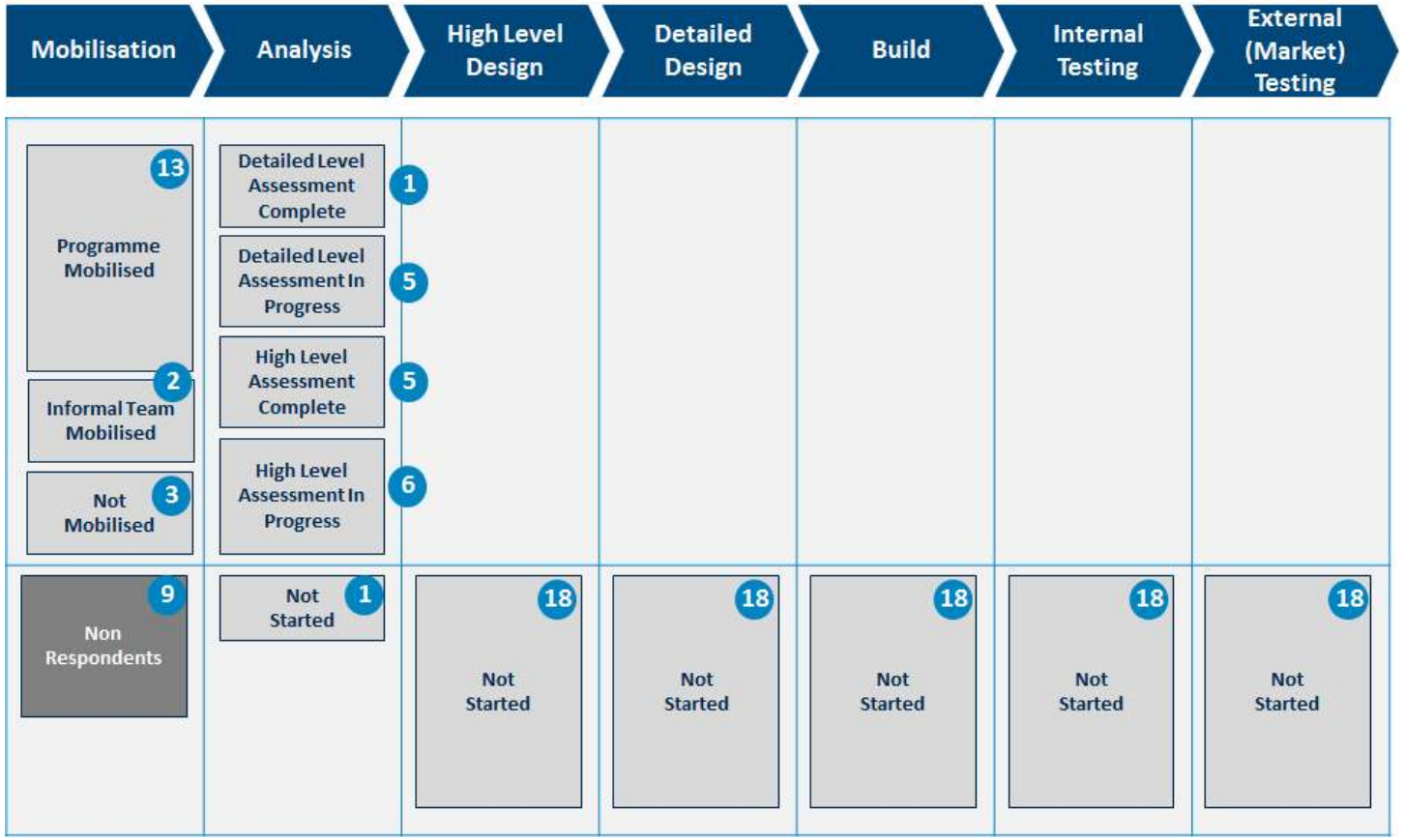


- While useful observations and findings have been drawn from this assessment exercise, the level of confidence in Shipper preparation and implementation readiness is impacted by:
  - Lack of input from nine Shippers who expressed their intention to participate in the assessment
  - Lack of supporting documentation from respondents to substantiate their responses
  - Commercial sensitivity issues preventing some Shippers from sharing the relevant documentation with Ofgem.

Observations and Findings

Overview

- Based on the information submitted by respondents for the assessment response, there is no clear evidence to suggest that Shippers would not be ready for UKLP implementation on 1 October 2015.
- Whilst there is some level of confidence expressed by respondents in their ability to deliver Project Nexus on schedule, progress is in general slow and challenged, as illustrated in the diagram below – where the numbers represent the respondents stated level of completion by phase:

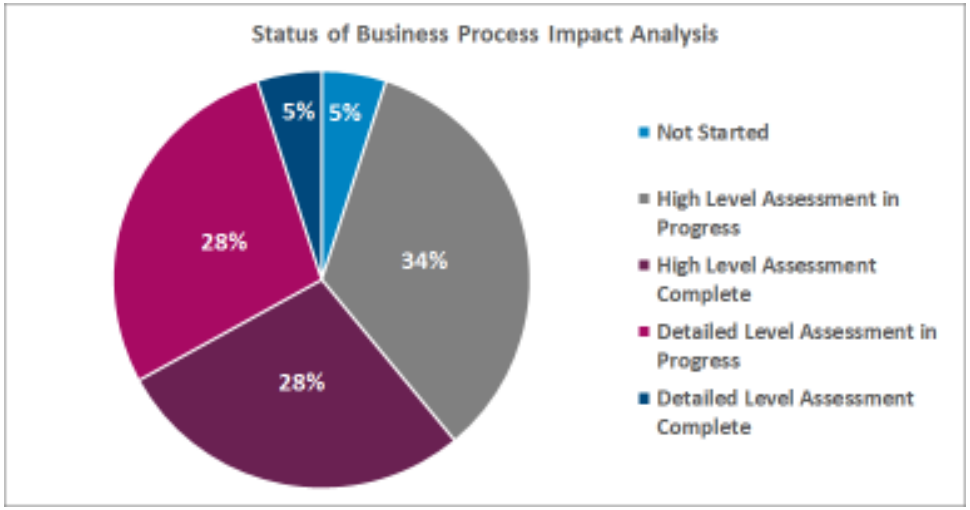


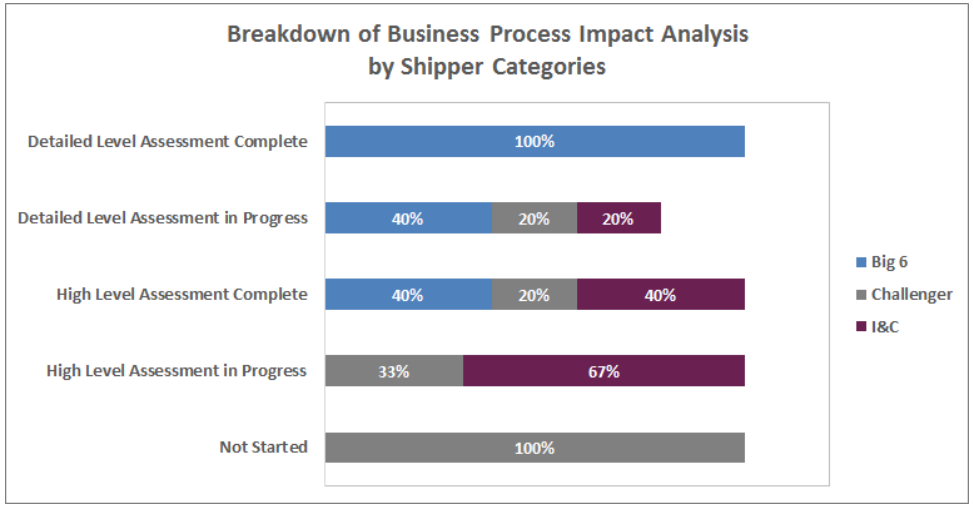
- Five out of the 18 respondents have started analysis activities without mobilising a formal programme for Project Nexus delivery while one respondent has mobilised an informal team but has not started any analysis work.

Observations and Findings

UK Link Programme Change Impacts – Business Processes

- 95% of respondents have undertaken business process impact analysis of Project Nexus requirements using the Nexus Business Requirements Documents (BRDs) to various level of details, with:
  - 34% currently undertaking high level assessment
  - 28% completed high level assessment
  - 28% have progressed through to detailed level assessment
  - 5% have completed detailed level assessment.
- A breakdown of the business process impact analysis by Shipper categories indicates that the Big 6s are more advanced than I&Cs in the impact analysis, with all of them completed high level assessments.
- One Challenger who has not yet started any business process impact analysis, it was deemed that such impact assessment was not relevant to it based on its current business and commercial situation.
- The BRDs are signed off requirements documents and were developed collaboratively with the industry. While several modifications remain unapproved, all industry stakeholders including Xoserve are exposed to this risk. It should be noted that Xoserve has proceeded on the basis that the outstanding modifications will be approved.





Observations and Findings

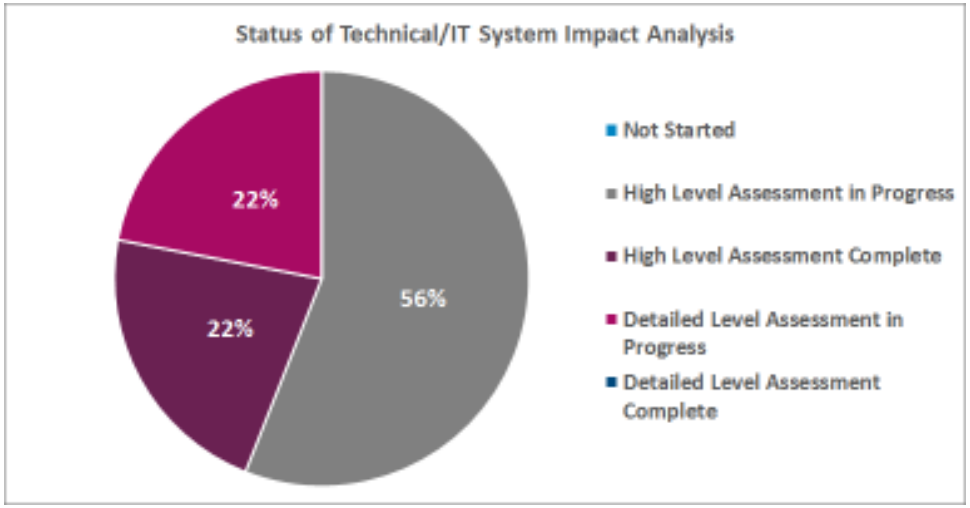
UK Link Programme Change Impacts – Business Processes

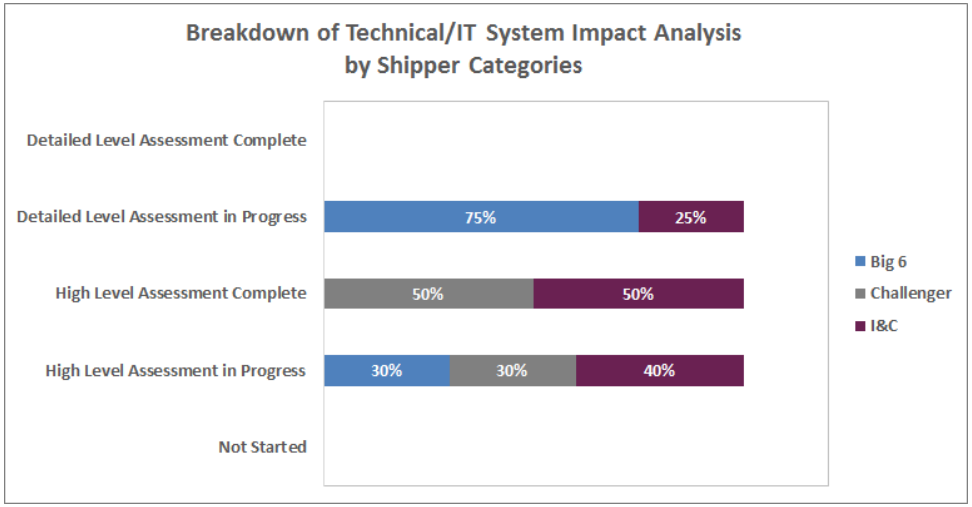
- Most respondents indicated that there would be extensive changes to their business processes to meet Industry business requirements defined in the BRD. Areas which have been highlighted include:
  - Change of Supply and New Connections
  - Metering, including meter read validation, retrospective adjustment
  - Class Changes
  - iGT process changes
  - Billing & Settlement
  - AQ Review
  - Reporting.
- Extensive preparation of training materials and user training are also expected to support the rollout of process changes.
- Some respondents expected revisions to contracts with meter reading service providers and potential changes to customer agreements.
- Most respondents expected low to medium organisational change while a few of them expected significant changes to their organisation and team structures.

Observations and Findings

UK Link Programme Change Impacts – Technical/IT Systems

- All respondents have started impact analysis of their IT systems with:
  - 56% currently undertaking high level assessment
  - 22% completed high level assessment
  - 22% have progressed through to detailed level assessment.
- A breakdown of the IT systems impact analysis by Shipper categories indicates that the Big 6s are more advanced than I&Cs and Challengers in the impact analysis with most of them undertaking detailed level assessments. This is as expected for a programme of this scale and complexity.
- Respondents were asked to describe the level of effort required to deliver the changes required by Project Nexus to their:
  - Core systems – these are the systems supporting the Shippers' core business processes across the order to cash lifecycle and interfaces with the industry systems (e.g. supply point administration, meter reading)
  - Non-core systems – these are the supporting systems and will depend on individual Shippers (e.g. it can be the forecasting systems that use data from the site and meter database intending to give the Shipper organisation competitive advantage)
  - New systems (Commercial off-the-shelf or Bespoke).
- Observations and findings from respondent input are provided in the following sections.

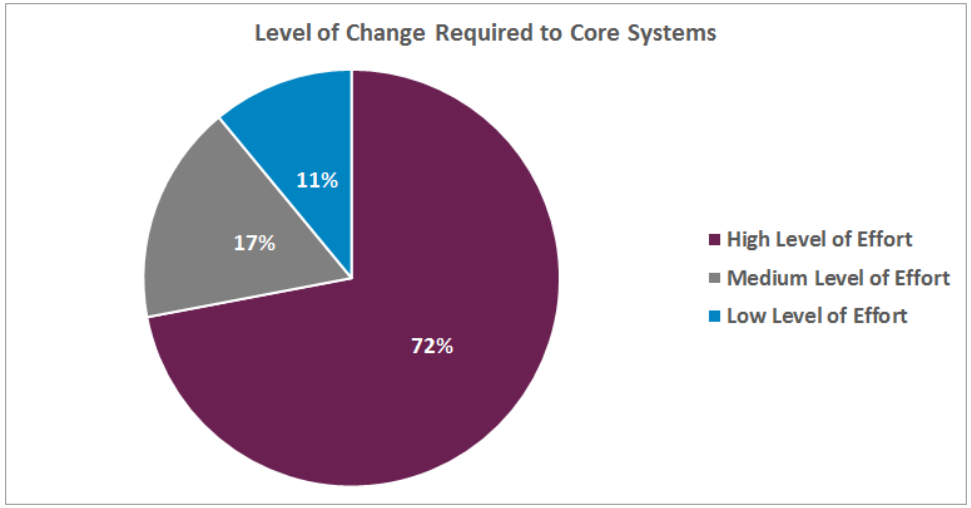


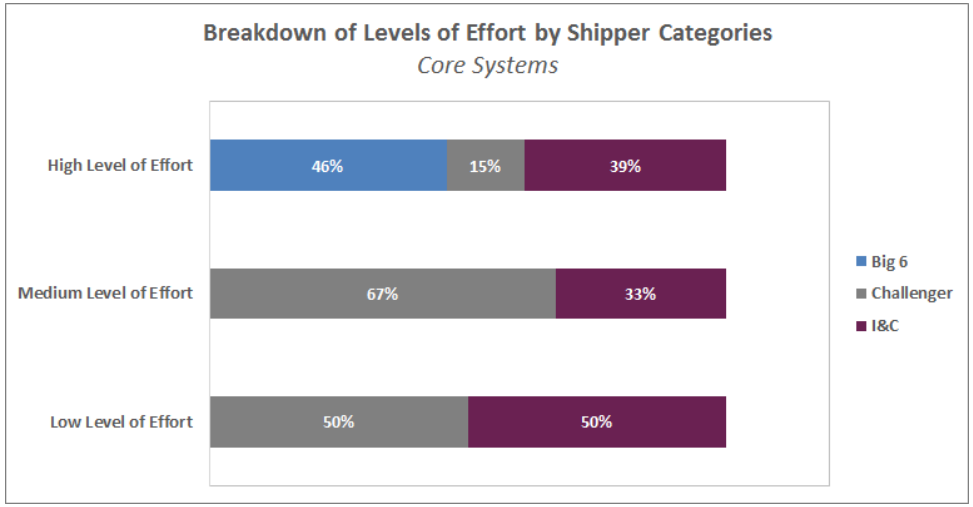


Observations and Findings

UK Link Programme Change Impacts – Technical/IT Systems: Core Systems

- 72% of respondents identified a high level of effort to address the changes arising from Project Nexus. This is particularly the case for respondents with SAP as its core business system due to the integrated nature of the system. In addition, a significant amount of end-to-end testing is also expected.
- Key observations include:
  - An extensive amount of changes to gas data flows and addition of new data flows will be required
  - Scalability of existing systems is key to accommodate changes to AQ review as more granular data needs to be available at the meter point level
  - For respondents with no single integrated core system, multiple systems and associated batch processes are impacted
  - Some respondents have their core systems managed by 3rd party service providers. These service providers, where appropriate, are engaged to deliver the required changes
  - In-house development will be necessary if the required functionality (e.g. handling of unique sites) is not supported by 3rd party service providers
- Some respondents have taken the opportunity to upgrade existing systems or platforms at the same time as delivering Project Nexus requirements.

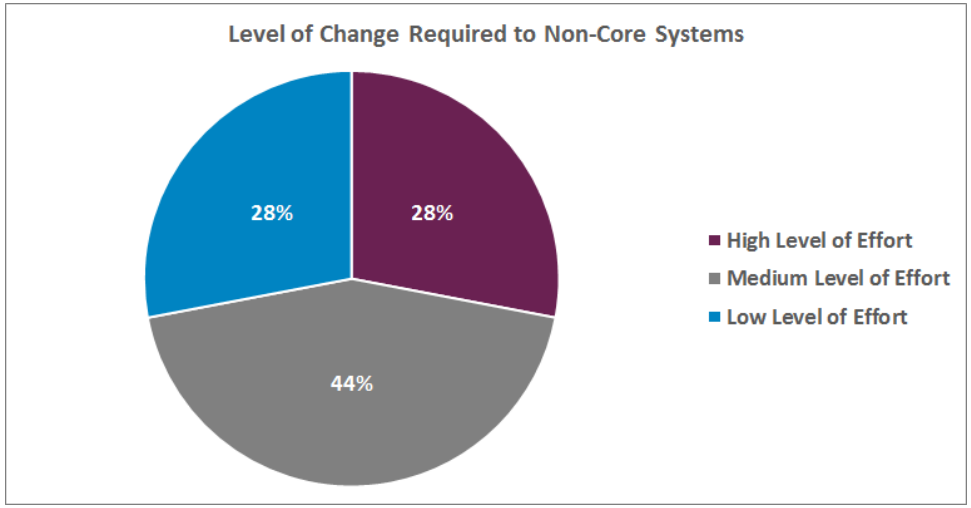


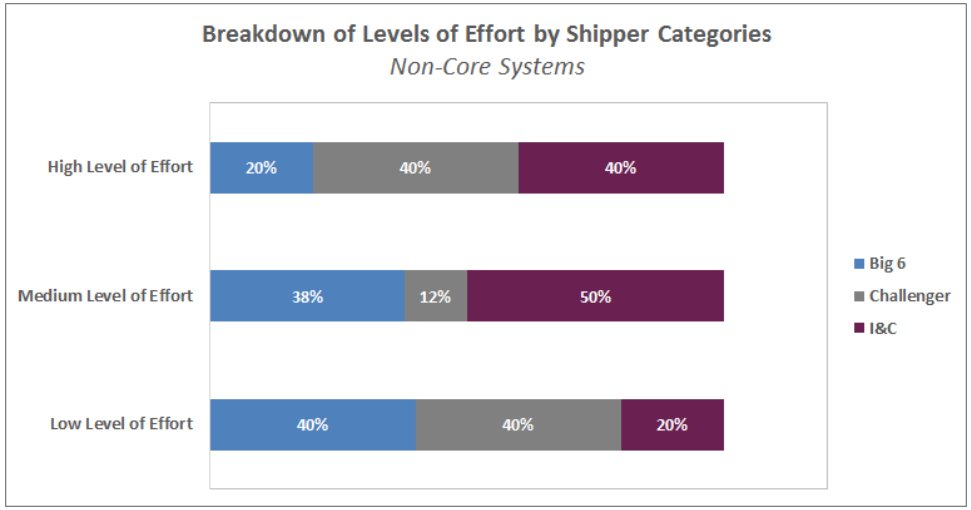


Observations and Findings

UK Link Programme Change Impacts – Technical/IT Systems: Non-Core Systems

- Non-core systems may be impacted if they interface with the core systems and there are changes to the relevant functionality or interface formats.
- The majority of respondents (44%) indicated that a medium level of effort is required to deliver changes to non-core systems.
- 28% of respondents indicated a high level of effort is required to deliver changes to non-core systems. This is particularly the case if non-core functionalities are tightly coupled with and integrated into the core systems.
- Other key observations are:
  - In general, respondents indicated that a low number of non-core systems are impacted
  - There may be potential impact on 3rd party systems
  - Some respondents have decided to deliver changes to non-core systems post go-live where possible due to resource contention and tight Project Nexus timescale.

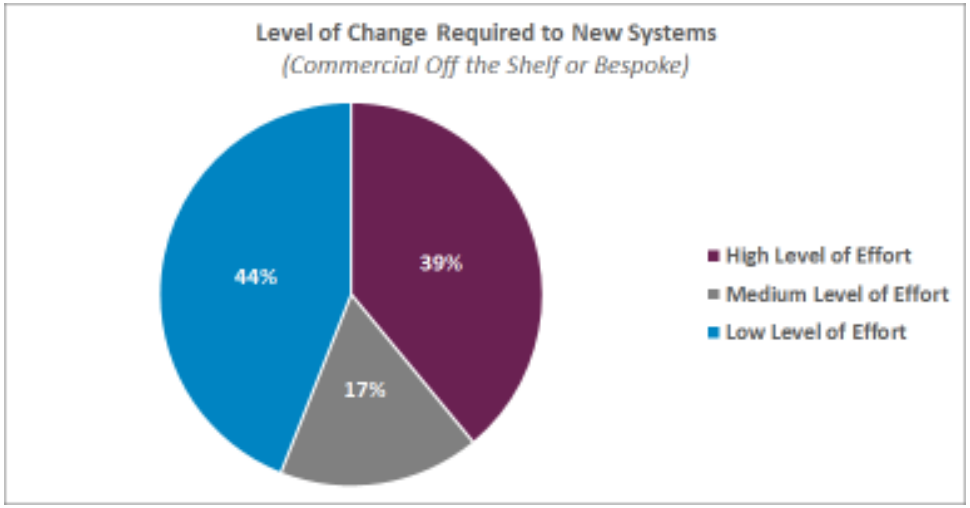


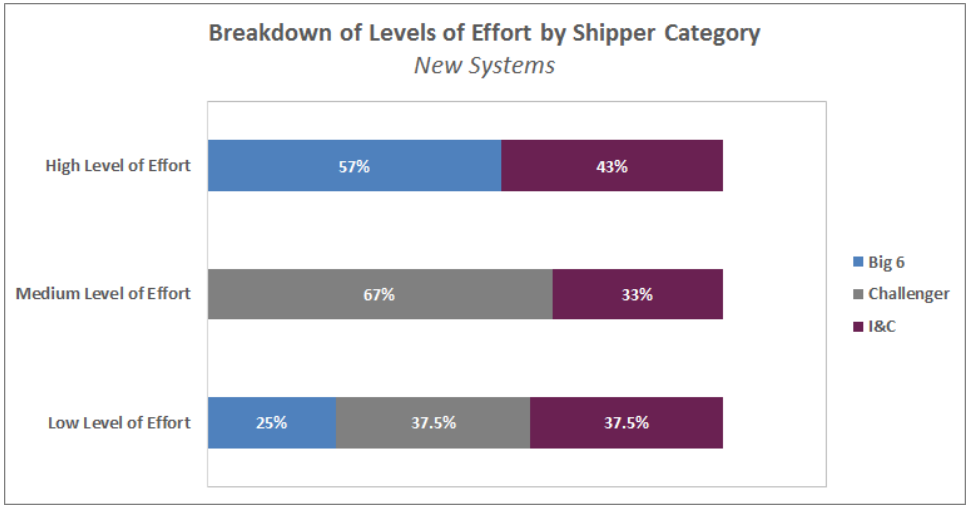


Observations and Findings

UK Link Programme Change Impacts – Technical/IT Systems: New Systems

- The levels of effort required to deliver new systems are split between high (39%) and Low (44%) with 17% of respondents indicated a medium level of effort is required.
- Key observations are:
  - Scalability of existing systems is a key factor in deciding whether a new or replacement system is required
  - New functionalities are required to replace functionalities implemented in Access and Excel
  - New systems are preferred if upgrade to existing system requires significant effort or takes too long to implement.
- Examples of Commercial Off-the-Shelf packages procured by respondents include:
  - An integrated solution such as SAP to deliver Project Nexus requirements
  - Commodity purchasing.
- Examples of bespoke systems procured by respondents include:
  - AQ
  - Gas settlements
  - Registration
  - Message transition and routing.

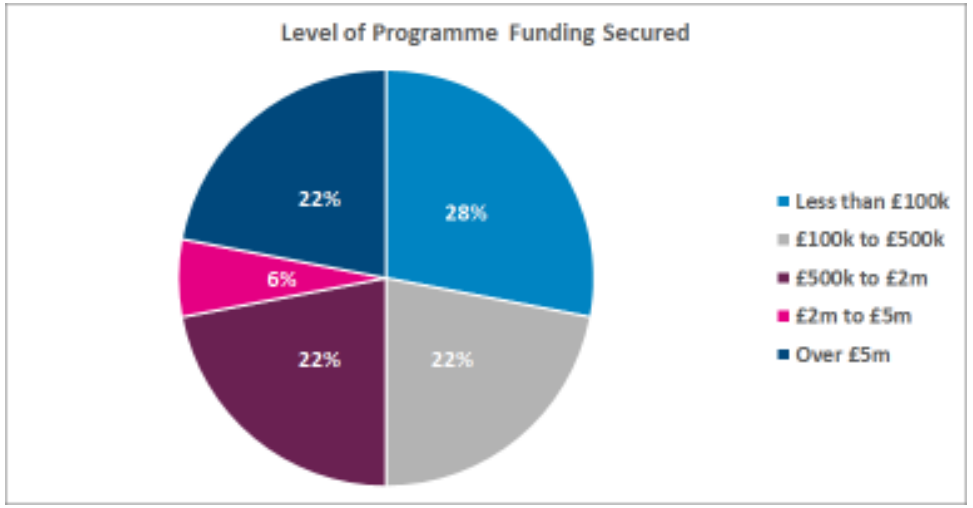


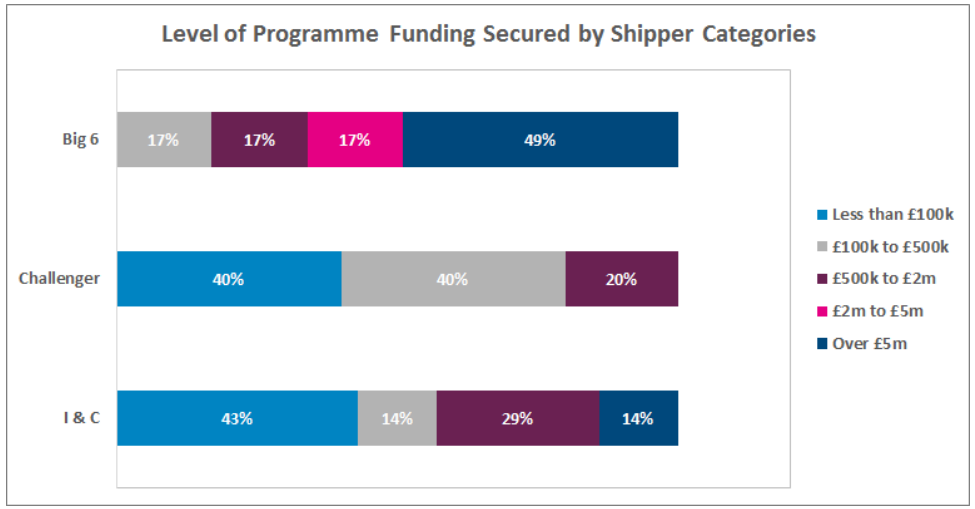


Observations and Findings

Status of Shipper Programmes – Programme Funding

- 50% of respondents indicated that they have secured adequate project funding to cover the full scope of their UK Link Programme delivery.
- This provides a high level view of the range of programme funding for each respondent. A more detailed comparison will need to take into account:
  - The precise scope of the programme as this is likely to differ from respondent to respondent
  - The strategic approach adopted by the respondent in delivering Project Nexus.
- The reasons for the 50% of respondents who have not yet secured adequate project funding are varied, including:
  - Initial budget approved for Analysis stage but additional budget needs to be requested for Design and subsequent stages
  - Awaiting internal budget approval
  - Awaiting approval of file format definitions which will determine expected cost for change
  - Awaiting cost estimates from third party service providers
  - Budget request pending on selection of solution options.
- It should be noted that the secured funding for some respondents were initial funding which only covered the Analysis stage of the project lifecycle.





Observations and Findings

Status of Shipper Programmes – Programme Mobilisation

- 83% of respondents have successfully mobilised their own Project Nexus delivery.
- Only 28% of respondents provided a project initiation document (PID) or equivalent for reference. The reasons for the remaining 72% of respondents who have not provided any supporting documentation are:
  - There is no formal programme in place to support Nexus activities
  - The Nexus programme is being established
  - The PID is in various stages of development and is not ready for sharing
  - The PID is deemed too commercially sensitive for submission.
- The scope of Shipper's internal Nexus Programme typically covers:
  - System changes required to support the mandatory Nexus requirements
  - Business processes for the support of Nexus changes.
- Some of the respondent programmes include system upgrades which may not be directly attributed to Nexus requirements.
- Most, if not all, respondents will be using a combination of in-house staff and external 3rd party staff. The size of the programme team varies depending on the scale of changes required. Responses ranged from one internal FTE to over 90 internal FTEs depending on different stages of the programme lifecycle.
- Although some respondents had received resource estimates from 3rd party service providers, most were not in a position to confirm estimates at this stage.

Observations and Findings

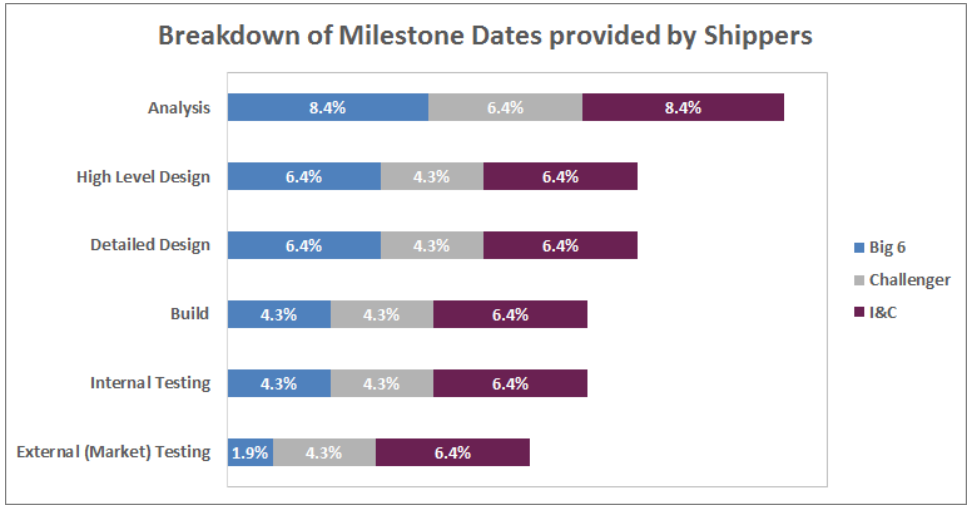
Status of Shipper Programmes – Solution Approach

- Most respondents have adopted or intend to adopt a structured delivery methodology to enhance successful Nexus delivery. Some respondents structured the Nexus delivery as a portfolio of related projects covering different areas of change such as:
  - Business and operational changes
  - System changes
  - Interfaces
  - Data
  - Transition.
- From a solution perspective, it is mainly a combination of:
  - Upgrade of existing operational processes
  - Upgrade ore redevelopment of existing core systems
  - Replacement of existing systems in cases whereby upgrade is not feasible
  - New build (Commercial Off-the-Shelf or bespoke) to provide functionality to meet Nexus requirements.
- There is also a recognition that Nexus provides an opportunity to upgrade existing system from a technology perspective (e.g. platform upgrade). Respondents will need to minimise the risk of any delay of such development or the mainstream Nexus activities.
- Some respondents have outsourced development work to 3rd party service providers. It should be noted that adequate partner management should be put in place to ensure timely delivery of Nexus requirements. It is also important for respondents to ensure that 3rd party service providers have allocated adequate expert resources for Nexus delivery if they also work for other market participants in the Industry.

Observations and Findings

Status of Shipper Programmes – Delivery Plan

- 28% of respondents indicated that they have developed a detailed delivery plan for UKLP spanning the full delivery lifecycle. 60% of these respondents provided a high level project plan as supporting evidence.
- Without any visibility of a detailed delivery plan, it is difficult to opine on whether timing for various key milestones are achievable. It is recommended that the next readiness assessment should include a walkthrough of delivery plan with each Shipper organisation (and potentially other market participants) to provide more confidence to Shipper's own Project Nexus delivery.
- The remaining 72% of respondents who have not yet developed a project plan expected it to be part of the PID development. Some respondents indicated that they were dependent on Xoserve to finalise the testing timescale prior to completing their project plans. It is suggested that a project plan should be developed as a priority with planning assumptions as required. The project plan should then be baselined and subsequent changes to the plan should then be subject to change control.
- A breakdown of the key milestone dates provided by respondents highlights the nature of rolling wave planning with 61% of respondents provided dates for the completion of Analysis down to 39% of respondents provided dates for external Market Testing.

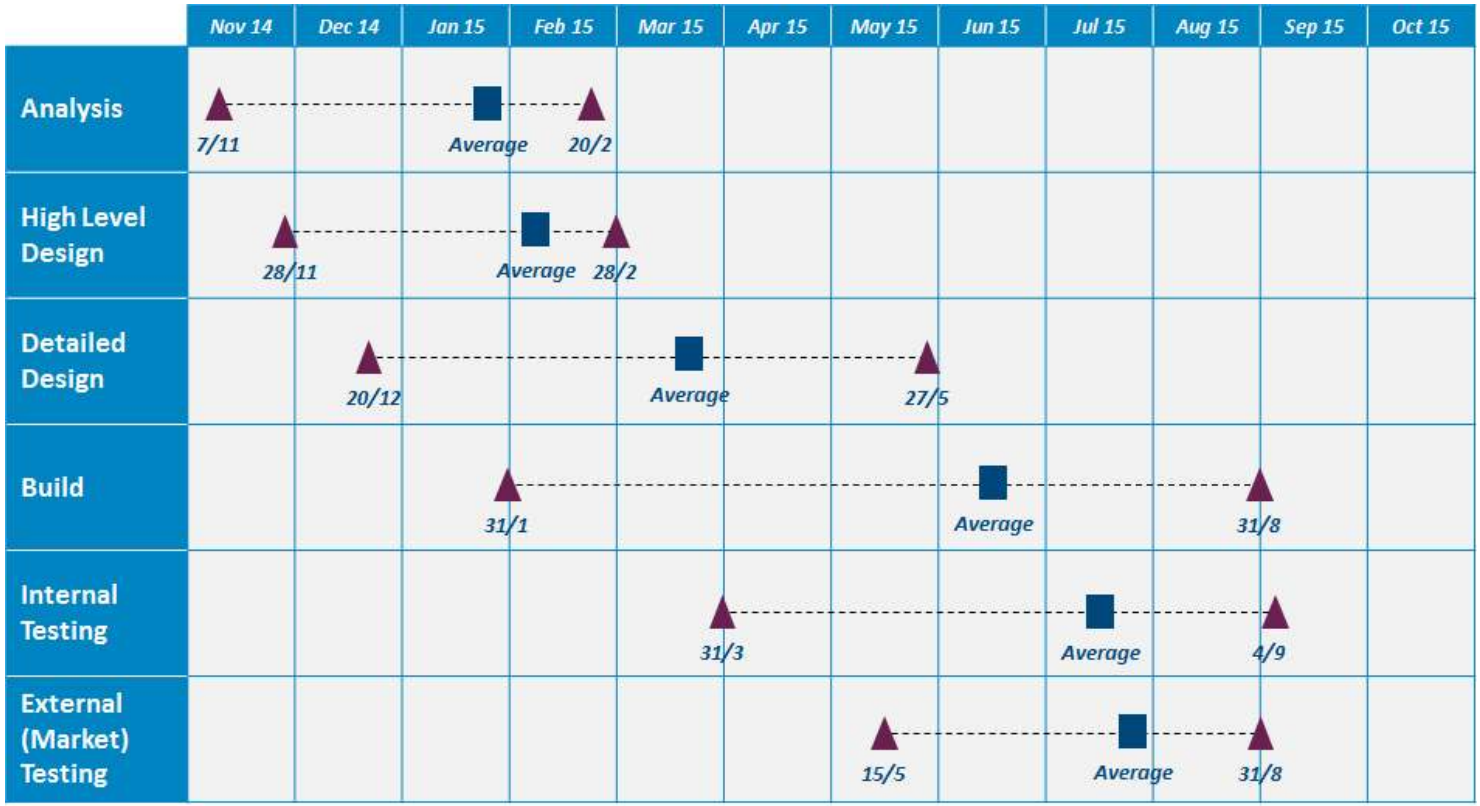


- Progress against plan is currently done at a high level and mostly on a subjective basis. The lack of detailed plan has prevented respondents from adopting a more fact-based reporting. It is expected that this will change as detailed level plans have been developed.
- Most respondents reported that they were on track while some indicated that progress was slower than planned but would expect this to changed as additional resources were mobilised.
- Programme contingency measures are currently being reviewed by respondents.

Observations and Findings

Status of Shipper Programmes – Delivery Plan

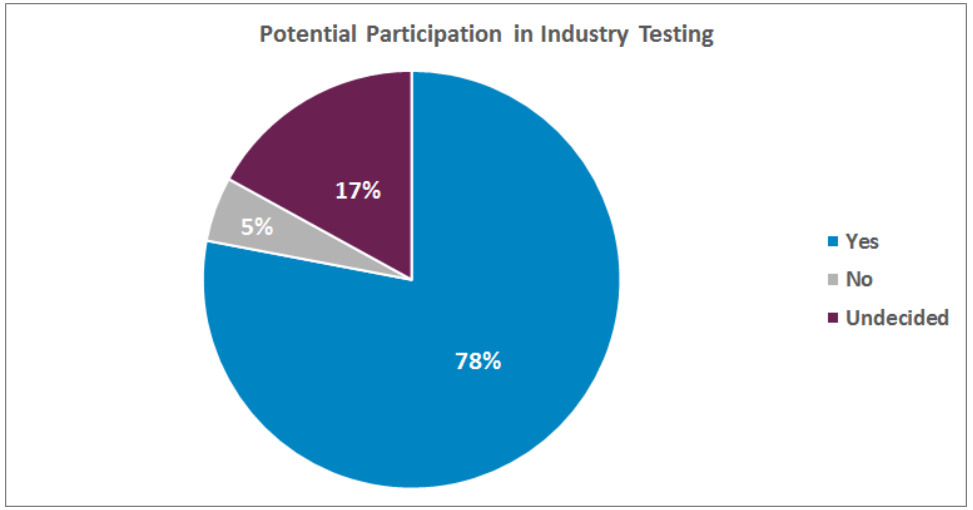
- The milestone chart provides a range of completion dates for the various project stages submitted by respondents. An indicative, average completion date for each stage is plotted to provide an indicative milestone for comparison purposes.
- Milestone dates provided by respondents indicate a wide range of forecast completion for the various project stages due possibly to the size of the Shipper organisation and the level of complexity of its programme.
- Our analysis indicates that these milestones are mostly back-ended and are weighted towards the latest completion dates. While this is common for a project with a time-boxed timeline, it does not leave enough room for contingency should there be any delay to Shipper plans.

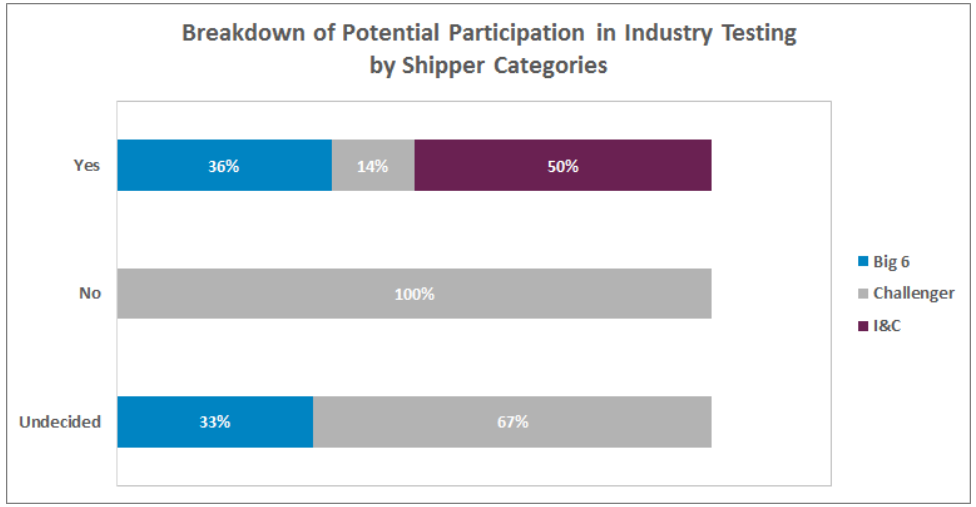


Observations and Findings

Status of Shipper Programmes – Delivery Plan

- 78% of respondents indicated that they plan to participate in industry testing such as market connectivity testing and market trials while 17% of respondents are still undecided. The 5% of respondents are small Challengers.
- One of the Go/No Go criteria defined by Xoserve relates to the involvement of market participants in industry testing. It is intended that at least 2 Shippers with the majority of gas flows would need to participate. The details are currently being developed by Xoserve.





Observations and Findings

Status of Shipper Programmes – Assumptions and Dependencies

- Respondents were asked to provide details of any planning assumptions made to enable October 2015 delivery. They were asked to focus on planning assumptions and delivery dependencies specific to their own delivery and exclude those relating to Xoserve delivery if they are already documented elsewhere (e.g. Xoserve UKLIEF Dashboard).
- Key assumptions and dependencies identified by respondents are set out in the tables below. These are not dissimilar to those identified by market participants in Industry wide programmes. Most of them have also been identified in the current UK Link Programme Dashboard Report dated 19 December 2014, for example:
  - Industry (Shipper and Non Shipper) agreement on file formats
  - All baseline and Transition mods required to be approved
  - Industry Stakeholders to complete their internal system builds and System Test.

Assumptions
▶ Sufficient internal funding and availability of internal resources of the required skill set ▶ 3rd party solution will be ready for internal testing ▶ Successful completion of Industry testing ▶ Go/No Go criteria are successfully met ▶ No other regulatory or industry changes in 2015 ▶ UNC code freeze ▶ Specific assumptions relating to Xoserve delivery: ▪ Output from Xoserve is sufficiently robust to facilitate testing ▪ Adequate Xoserve resources to assist with Market Testing ▪ Market Testing is restricted to a connectivity test and the basic transmission and receipt of files ▪ Industry governance model is adequate

Dependencies
▶ Receipt of interface and process specifications from 3rd party service provider ▶ Solution delivery by 3rd party service providers for internal testing ▶ Dependency on franchise suppliers to implement their own Nexus compliant processes ▶ External dependencies identified by respondents include: ▶ Stability of Industry requirements ▶ Timely approval of file formats and modifications ▶ Timely completion of data cleansing activities ▶ All Xoserve activities completed to published timeline

Observations and Findings

Status of Shipper Programmes – Risks and Issues

- Respondents were asked to provide details of any implementation risks and issues that are facing their organisations for the delivery of Project Nexus. They were asked to focus on risks and issues specific to their own delivery and exclude those relating to Xoserve delivery if they are already documented elsewhere (e.g. Xoserve UKLIEF Dashboard).
- Key risks and issues identified by respondents are set out in the tables below. These are not dissimilar to those identified by market participants in Industry wide programmes. Most of them have also been identified in the current UK Link Programme Dashboard Report dated 19 December 2014, for example:
  - **Data Cleanse**: There is a risk that data cleanse activities will not complete in the required timescales due to progress to date on settlement data cleanse activities and the unknown quantity of data cleanse required
  - **File Formats**: There is a risk that any changes to file formats as a result of the UKLC approval process (formal consultation and reps) may impact on the ability of the industry to deliver by Oct 2015 due to design re-work
  - **Market Testing**: There is a risk that Market Trials is insufficient in length and too late within the programme, and participants may not be ready in time to take part.

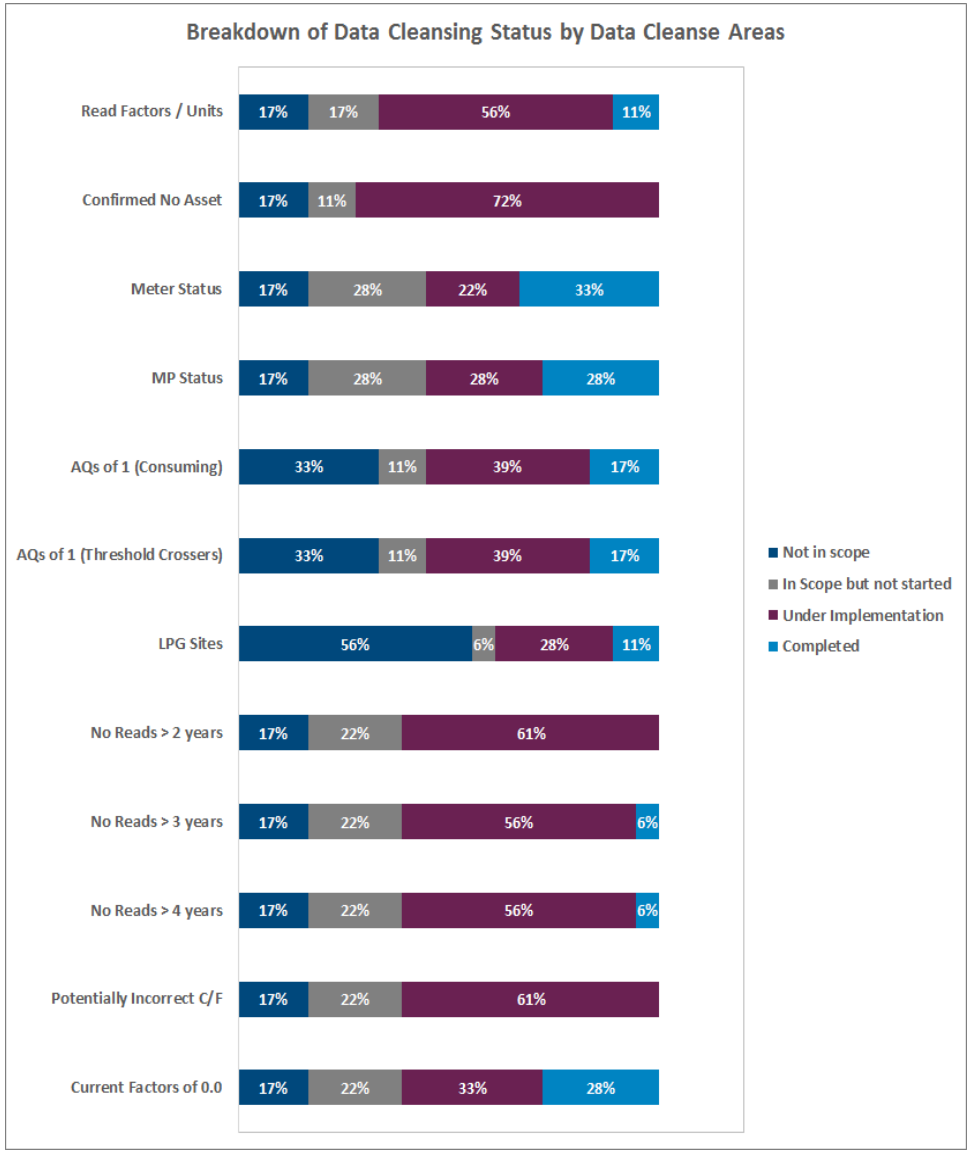
Risks and Issues
▶ Delay in mobilisation of internal Nexus programme ▶ The solution is currently based on some file formats and modifications which are yet to be formally approved ▶ Late approval of industry requirements, file formats and modifications may incur unnecessary delivery cost and put timelines under pressure ▶ Potential omission in scope and requirements due to the scale and complexity of Project Nexus ▶ Delay in the delivery of key functionality ▶ Risk of not being able to participate in Industry testing ▶ Contention of expert resources with other change programmes

Risks and Issues
▶ Risk of delay to Go-Live due to Industry testing and the state of readiness of market participants ▶ Proposed Nexus timescale is extremely tight leaving no room for contingency ▶ The Big Bang implementation approach may severely impact UK gas customers if serious problems are encountered during Go-Live ▶ Alignment of Go-Live with the start of Winter period poses a risk to business operation

Observations and Findings

Shipper Data – Data Readiness

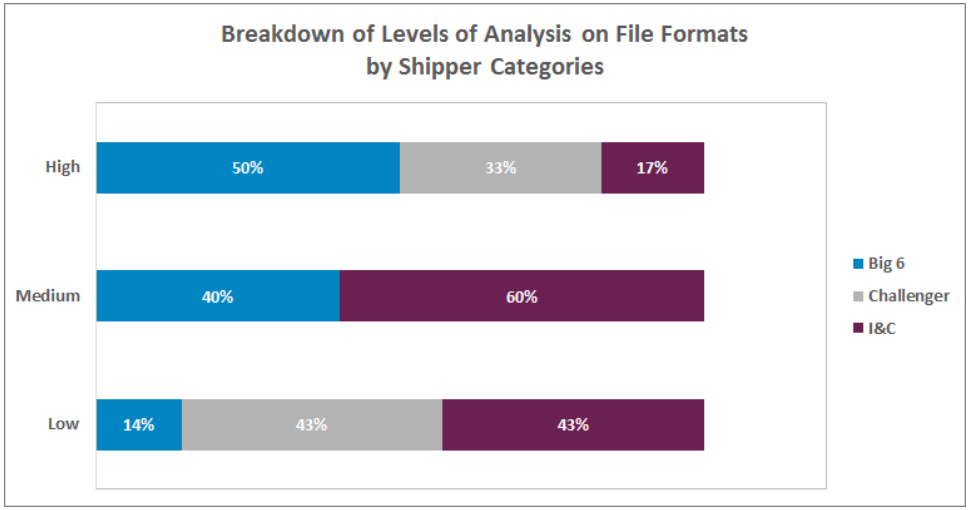
- 83% of respondents are currently undertaking data cleanse activity in readiness for UKLP implementation.
- Respondents were asked to describe the UKLP related data cleanse activity currently in progress within their organisations based on the following data cleanse topic areas monitored by Xoserve:
  - Current Factors of 0.0
  - Potentially Incorrect C/F
  - No Reads > 4 years
  - No Reads > 3 years
  - No Reads > 2 years
  - LPG Sites
  - AQs of 1 (Threshold Crossers)
  - AQs of 1 (Consuming)
  - MP Status
  - Meter Status
  - Confirmed No Asset
  - Read Factors / Units.
- A breakdown of the data cleansing status of respondents by data cleanse areas is provided opposite.
- Only two respondents indicated that the relevant data cleanses are critical to their Project Nexus delivery.



Observations and Findings

Shipper Data – File Format Consultation

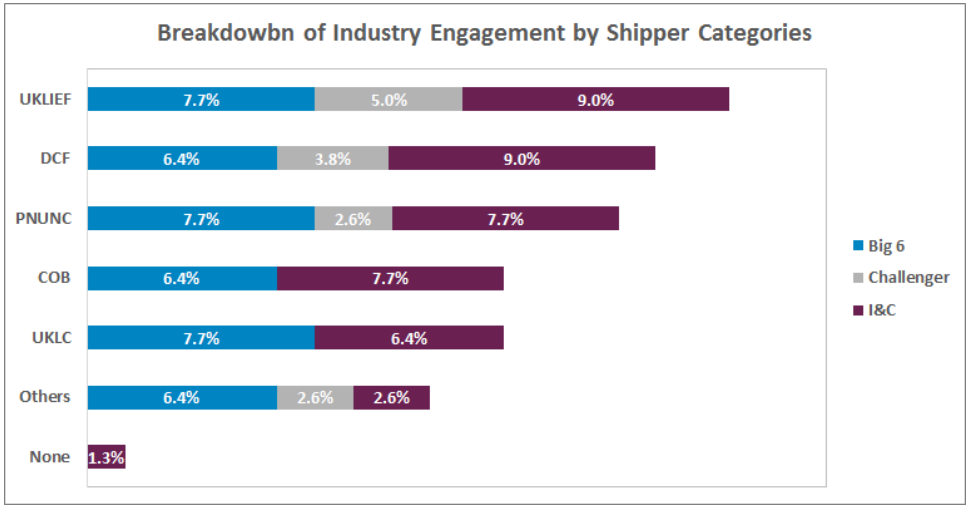
- There is a fairly even spread on the level of analysis undertaken by respondents of the file formats published by Xoserve within the formal consultation process:
  - 33% - high level of analysis
  - 28% - medium level of analysis
  - 39% - low level of analysis.
- Most respondents have conducted high level analysis of the file formats while some smaller Shipper organisations have decided to undertake detailed level analysis once file formats have been approved. This decision is mainly due to how available resource can be best deployed.
- Some respondents indicated that their analysis work was impacted by the quality and consistency of Xoserve file format documentation and the aggressive timescale for consultation and approval.
- The file format approval process is almost complete. The vast majority of file formats are now approved and have been (or are in the process of being) published by Xoserve. A small number of file formats are still going through the process for approval.



Observations and Findings

UK Link Programme Liaison and Industry Involvement

- Most respondents, especially the Big 6s and I&Cs, regularly monitor and attend UK Link Programme industry such as:
  - **UK Link Industry Engagement Forum (UKLIEF)** - This is the dedicated forum for the UKLP and the primary external communications channel for the programme
  - **Data Cleanse Forum (DCF)** - This is a monthly work group to discuss progress on data cleansing
  - **UK Link Committee (UKLC)** - This is the approval forum for the shipper file formats and changes
  - **Project Nexus Working Group (PNUNC)** - This is a Mod development forum where all industry Modifications are discussed prior to the Mod being formally submitted for approval
  - **Change Overview Board (COB)** - This is the senior stakeholder forum for the industry with a focus on long-term strategy and planning.
- Some respondents also attend other industry for a including:
  - Ad hoc Xoserve meetings such as Technology Days
  - CSEP meetings
  - Gemini Consequential changes
  - Various workgroups such as Operational Shipperless and Unregistered sites Workgroup, Market Trials Workgroup, Performance Assurance Framework Workgroup, etc.



Observations and Findings

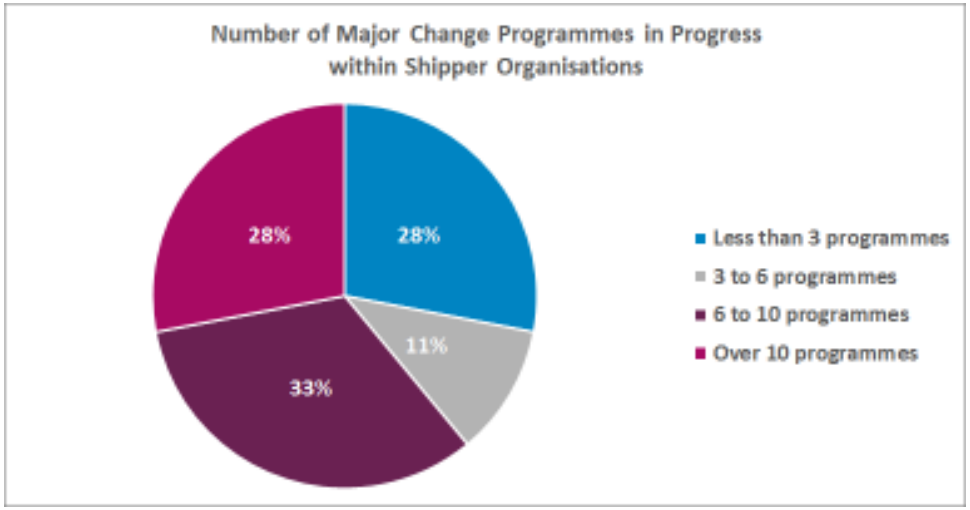
Shipper Organisational Change Delivery – Delivery Maturity

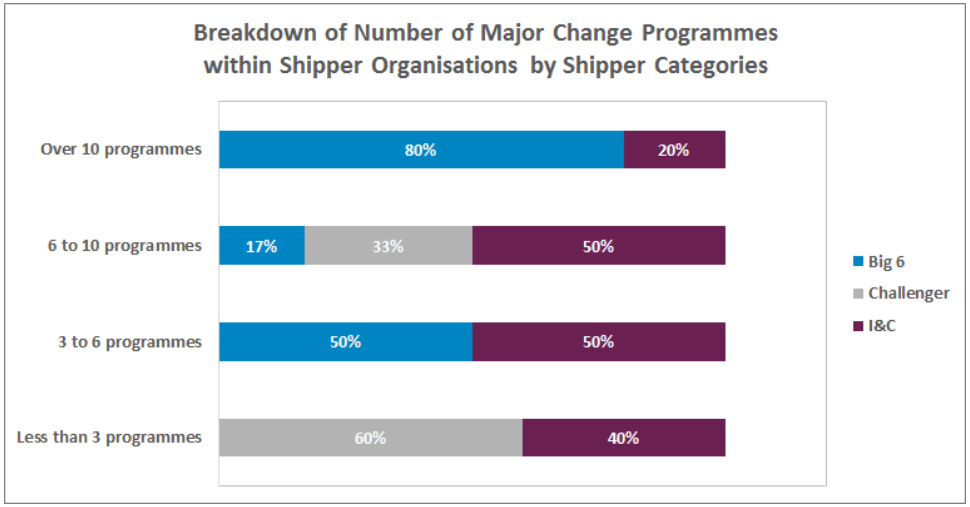
- All Big 6s, most I&Cs and large Challenges have all delivered IT based change programmes albeit not all of them were comparable in scale and complexity to Project Nexus.
  Examples of these IT based change programmes include:
  - CRM implementation
  - ERP implementation
  - Ofgem's Retail Market Review (RMR) programme
  - Electricity DTC upgrade
  - SMART programme.
- Most of these programmes were staffed with both internal and external 3rd party staff).
- This would seem to indicate a good, broad level of organisational capability to deliver Project Nexus.

Observations and Findings

Shipper Organisational Change Delivery – Portfolio Prioritisation

- 33% of respondents have between six to 10 major change programmes currently in progress within their organisations or planned for 2015 and 28% of respondents have over 10 programmes running in parallel. One respondent indicated that it has over 50 other programmes (excluding Nexus) which will run until 2018.
- These respondents tend to be the Big 6s and large I&Cs. Challengers, on the other hand, have a more manageable number of change programmes ongoing or planned for 2015, possibly reflected by their sizes and commercial activities.
- The number of major change programmes in place is likely to introduce risks due to parallel development and contention for resources and skills. Proactive management is required to monitor and mitigate these risks to ensure that progress of Project Nexus is not impacted:
  - It is critical for Shipper organisations to ensure that both internal and external 3rd party expert resources required to deliver Project Nexus are assigned to the project team and adequate effort are allocated
  - Appropriate organisational wide governance will need to be put in place in case of prioritise resources between major programmes and address resource contention issues.

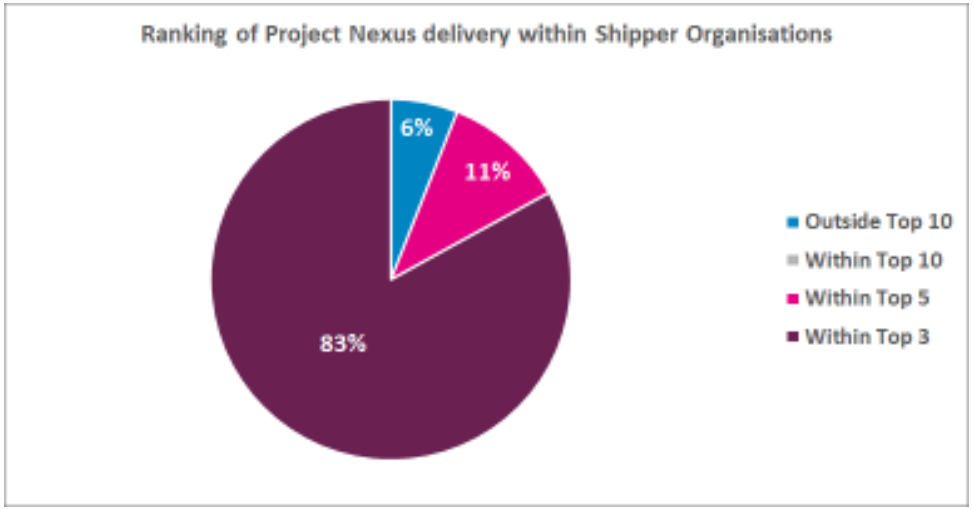


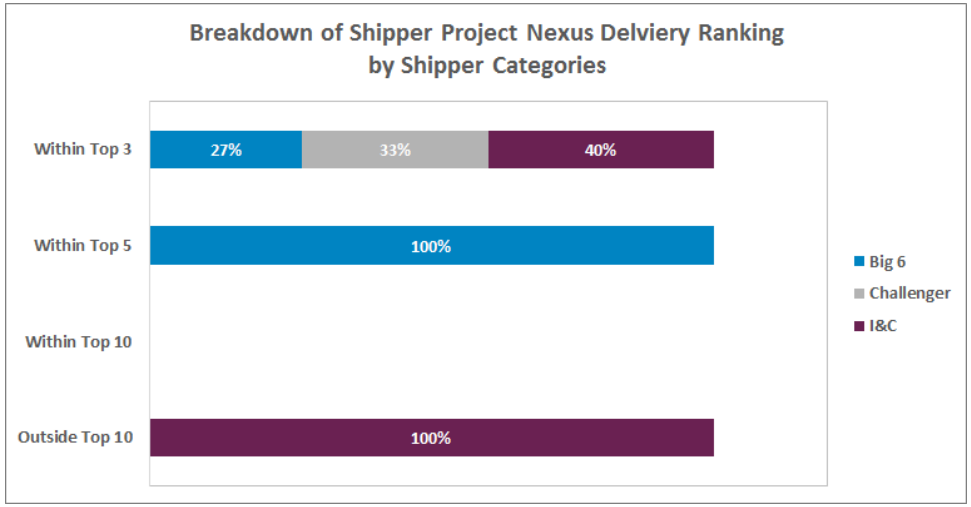


Observations and Findings

Shipper Organisational Change Delivery – Portfolio Prioritisation

- 83% of respondents ranked their Project Nexus delivery within the top 3 programmes in their portfolios with 11% ranking their Project Nexus delivery within the top 5 change programmes.
- 6% of respondents have ranked their Project Nexus delivery outside the top 10 in their programme portfolios.
- Examples of high priority change programmes within Shipper organisations are:
  - Core Systems Replacement Programme
  - Smart Metering
  - Electricity Market Reform.

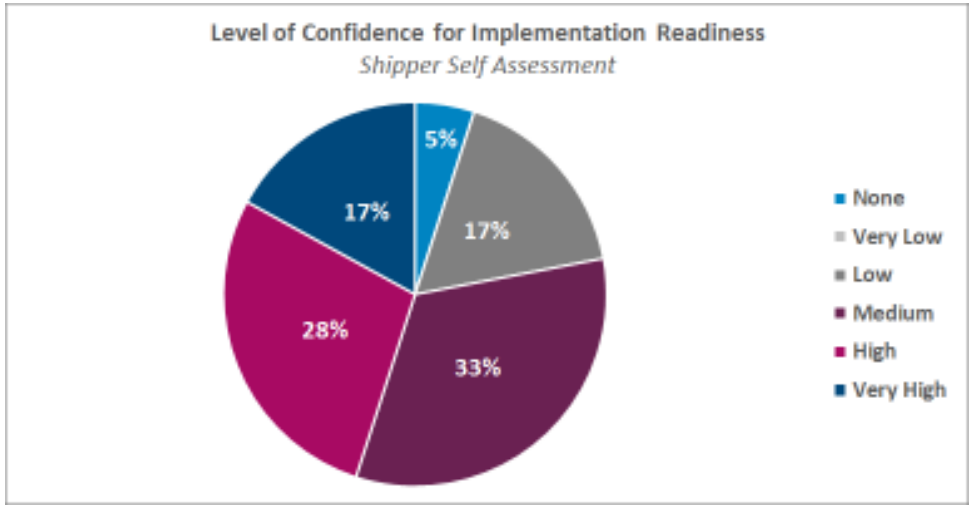


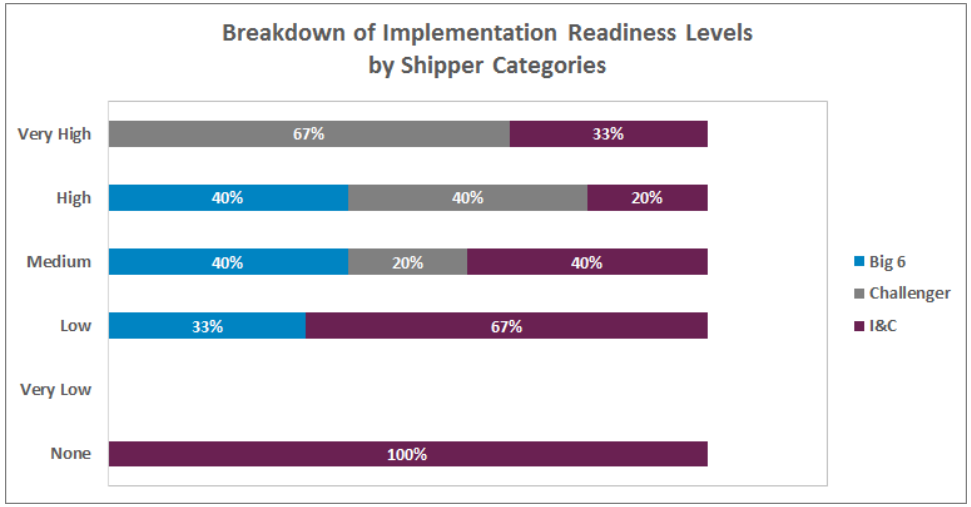


Observations and Findings

Shipper Organisational Change Delivery – Delivery Self Assessment

- Shipper organisations were asked to indicate what level of confidence they have in their organisation's ability to be ready for UKLP implementation based on their current state of readiness and future delivery plan.
- 45% of respondents stated a high or very high level of confidence with another 33% stating a medium level of confidence of being ready for UKLP implementation.
- One I&C Shipper indicated that it has no confidence that it would deliver Project Nexus on time.
- It should be noted that these ratings are a snapshot in time and are specific to the stage of the programme lifecycle. Some respondents indicated that it was difficult to gauge with any great level of certainty their state of readiness to deliver Project Nexus changes would be at this point in time.
- While the overall delivery self assessment from respondents appears to be optimistic, it should be noted that there is not enough supporting documentation to demonstrate how Project Nexus delivery can be achieved within the current timescale.
- Confidence levels expressed by respondents tend to depend on the size of the organisation, the availability of funding and resources, and the scale and complexity of their Nexus programmes.





Conclusions and Recommendations

Conclusions

- Based on the information submitted by respondents for the assessment response, there is no evidence to suggest that Shippers would not be ready for UK Link Programme (UKLP) implementation.
- While there is some level of confidence in the ability of respondents to deliver Project Nexus, progress is in general slow and challenged.
- Several factors need to be taken into consideration when making the assessment:
  - The absence of response from nine Shippers who initially expressed their intention to participate in the assessment.
  - Respondents are in an early stage of preparation with their project plans not yet developed into a detailed level for a delivery programme of such scale and complexity – detailed planning may result in unexpected changes.
  - Lack of supporting documentation from respondents to substantiate their responses – the fact that 13 out of 18 (72%) of respondents have not provided a project plan may indicate the level of preparedness at this stage of the project lifecycle.
  - Commercial sensitivity issues preventing some Shippers from sharing the relevant documentation with Ofgem – this should not have been an issue in information sharing as the relevant confidentiality agreement had been put in place for this assessment exercise.
  - There is a good level of delivery maturity among respondents. However, there is a concern over multiple number of programmes and competition for resources and skills. We noted that five respondents plan to have over 10 programmes under execution in 2015 and one respondent has over 50 programmes (excluding Nexus) in its portfolio.
  - The current level of confidence was generally expressed as high – with just one respondent having low confidence in delivery. However, this needs to be tested again once further progress has been made.
  - Our analysis of key milestones provided by respondents indicates that these milestones are mostly back-ended and are weighted towards the latest completion dates. While this is common for a project with a time-boxed timeline, it does not leave enough room for contingency should there be any delay to Shipper plans.

Conclusions and Recommendations

Recommendations

Based on information provided by respondents and our analysis of this, we have identified six key recommendations for consideration by shippers:

- **Develop a detailed project plan as a high priority**
  - 72% of respondents have not yet developed a project plan but expected that it would be developed as part of the PID development. Some respondents indicated that they were dependent on Xoserve to finalise the testing timescale prior to completing their project plans.
  - We recommend that all Shippers develop their Project Nexus delivery plans as a top priority including planning assumptions where appropriate. The project plan should then be baselined and subsequent changes to the plan should then be subject to change control. Planning assumptions should be validated on a regular basis as new information becomes available.
- **Adopt a formal and structured management approach to Project Nexus delivery**
  - Some respondents indicated that they have no formal programmes in place to delivery Project Nexus or the relevant programmes are being mobilised.
  - While respondents stated that full commitment would be given to deliver Project Nexus, adopting good programme and project management practices and disciplines are key to successful delivery of programmes of such scale and complexity. This is evident from previous industry wide change programmes.
  - We also recommend consideration of developing a central project plan and adopting a more robust progress reporting process (e.g. self certification of project progress).
- **De-risk dependency on 3rd party service providers**
  - Most respondents depend on 3rd party service providers for changes to their IT systems (core, non-core and new builds).
  - It is important for Shippers to ensure that adequate expert resources are allocated by the service providers and their delivery plans are realistic. This is particularly relevant when the same service provider is engaged with multiple Shippers resulting in potential resource capacity and contention issues.
  - We recommend that a better understanding of the level of engagement of 3rd party service providers with market participants involved in Project Nexus delivery and other high priority development programmes should be established.

Conclusions and Recommendations

Recommendations

- We also recommend direct engagement of 3rd party service providers in relevant Industry fora (e.g. technical forum).

- **Better availability of project and supporting documentation**
  - Visibility of supporting documentation across the respondents has been low (e.g. only 5 PIDs and 3 project plans provided). Some respondents indicated that the required documentation was currently being developed while others indicated that commercial sensitivity was the main reason for not providing them.
  - We recommend that future readiness assessments should include a walkthrough of Shipper's project plan and RAID logs. While this may be more intrusive for Shippers, it will serve to provide more evidence and supporting information for a more informed and fact-based assessment.
- **Define partial readiness and go-live criteria**
  - Based on experience from other Industry wide change implementation programmes of similar scale and complexity, there is potential likelihood of a partial implementation readiness at Go-Live. This will need to be addressed and this should be linked to the Go-Live criteria currently being defined by Xoserve.
  - One of the Go/No Go criteria relates to the involvement of market participants in industry testing. We understand that the details of the criteria and the governance of the assessment are still being finalised.
  - We recommend the issue of potential partial implementation readiness to be addressed early to provide clarity to Shippers and other market participants.
- **Continue with ongoing readiness assessment and assurance**
  - It should be noted that the findings of this Shipper Delivery Plan Assessment are a snapshot in time and are specific to the stage of the programme lifecycle.
  - We recommend that future readiness assessment and assurance exercises be undertaken, focused on key points within the project lifecycle.

Appendix – Shipper Delivery Plan Assessment Questionnaire

- Shipper Delivery Plan Assessment Questionnaire v1.1

Shipper Asst Questionnaire