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Your Reference: Urgent UNC Modification Proposal 0513

UNC Urgent Modification Proposal 0513 –
UK Link Programme (Project Nexus) - independent project assurance for Users

Dear Bob,

Thank you for your invitation seeking representations with respect to the above Urgent Modification Proposal for which National Grid Gas Distribution (NGD) as proposer would like to support.

Do you support or oppose implementation?

Support

Please summarise (in one paragraph) the key reason(s) for your support/opposition:

NGD believes that it is essential that Shipper Users are required to co-operate with an agency appointed by Ofgem to validate Shipper User readiness for Project Nexus implementation. Ultimately it is expected that Shipper Users are able to provide a statement of confidence in their ability to meet the implementation date of the UK-Link Programme in October 2015.

Are there any new or additional issues that you believe should be recorded in the Modification Report:

It has been necessary for NGD to raise a variation to this Urgent Modification Proposal as we have noted a number of errors in the Solution section of the Proposal which impacted on the legal text. However we do not believe these to be material in that they do not alter the intent of the Proposal.

Self Governance Statement:

We agree that this Urgent Modification Proposal should not be subject to self-governance procedures given its material effect on consumers.

Relevant Objectives:

Relevant objective f) Implementation and Administration of the Code

The UK-Link Programme will incorporate the industry requirements defined within the Project Nexus Related 'core' UNC Modifications 0432, 0434 and 0440. A high degree of confidence in each Shipper User's state of readiness is essential to ensure effective and timely implementation. If this Proposal were not implemented, while we do not believe this would frustrate the ability of Ofgem to appoint an agency to undertake the necessary analysis and evaluation, we consider there to be a significant risk that the appointed agency may not obtain the degree of support and co-operation from Shipper Users which is required. This in turn increases the risk profile and may mean that the Project Nexus Implementation Date identified within the UNC is not met.

Impacts and Costs:

We concur with the statement concerning the funding of this Urgent Modification Proposal. It is our opinion that the purpose of the agency's activities is to validate the readiness of Shipper Users in respect of their systems and processes and not those of the Transporter or its agent Xoserve and consequently User Pays arrangements are appropriate.

Implementation:

We are in agreement with the timescales identified within the Urgent Modification Proposal i.e. that it is required to be implemented by 12th September 2014 to enable the appointed agency to have sufficient time to complete their assignment and submit a report to the Authority by 1st December 2014.

Legal Text:

We note that it has been necessary to amend the legal text as part of our variation to this Urgent Modification Proposal.

Is there anything further you wish to be taken into account?

NGD raised and led development of UNC 'Project Nexus' Modifications 0432, 0434 and 0440. We are strong advocates of the new allocation & settlement regime and associated arrangements and view these as being of significant long term benefit to gas consumers.

Other than the role of each Transporter and in particular its agent Xoserve in ensuring that the UK-Link Programme can be implemented on 1st October 2015, readiness is essentially a matter for Shipper Users in that should one party of any significant scale be unable to implement relevant systems and processes in time for 1st October 2015, then we are advised that this has the potential to adversely affect other Shipper Users who have achieved full readiness. Ultimately this could have a detrimental impact on gas customers. We view this with some seriousness and as proposer of the 'core' Project Nexus Modifications, while we do not have an obligation, we consider we should seek to implement steps which mitigate the inherent risk.

We note and agree with Ofgem's statement in its decision letter on Urgency for this Modification Proposal that "primarily, assurance is needed for industry to enable them to manage their preparations and not for the Authority". We read from this that it is for the industry to ensure readiness for UK-Link Programme implementation and consequently all relevant parties have a responsibility in this respect. We are aware that our agent Xoserve has taken steps to assess, validate and prove their readiness by recruiting an external agency for this purpose. We understand that the agency's work is well underway in this respect.

We trust that this information will assist in the compilation of the Final Modification Report. Please contact me on 01926 653541 (chris.warner@nationalgrid.com) should you require any further information.

Yours sincerely,

Chris Warner
Stakeholder Implementation Manager, Operate & Maintain,
Gas Distribution.