

Representation – Urgent Modification 0548

Project Nexus - deferral of Implementation Date

Responses invited by: 31 July 2015

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| Representative: | Tim Hammond |
| Organisation: | Corona Energy |
| Date of Representation: | 31 July 2015 |
| Support or oppose implementation? | Qualified Support * <i>delete as appropriate</i> |
| Relevant Objective: | f) Positive * <i>delete as appropriate</i> |

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

Project Nexus has been in development since 2008 and it is imperative that implementation is stable and robust enough for industry and customers. We have provided qualified support for Modification 0548.

Corona Energy (CE) agree with changing the implementation date of Project Nexus from 1 October 2015, but do not believe that 0548 addresses the root cause of why the original implementation date became impossible to achieve. We believe the industry is simply swapping one untested implementation date for another.

Project Nexus is the most ambitious industry change since privatisation and inherently complex. To ensure a robust and smooth transition to the Nexus framework it is important that any implementation date is based on a sound assessment of the progress of the industry to meeting this goal, in particular progress through market trials. As the industry has not yet commenced detailed work on its strategy regarding market trials, we do not believe that the industry is in a position to properly assess the validity of any implementation date at this stage.

In light of this we are surprised to see, not only an explicit implementation date (1 October 2016) proposed but also a set of detailed project milestones. We agree that any major project needs clear checkpoints to manage its progression to implementation, but not only is this a level of technical detail we do not expect to see in the contractual agreement between Transporters and Shippers, but these dates will also need to be revised as the industry enters testing. This aspect of the proposal is therefore unwarranted to address the issue at hand and will create additional work and uncertainty for the industry in the longer term.

CE is also uncomfortable with the ability for the authority, without the need of prior warning or consultation, to change any of the dates referenced above. Not only does that create significant uncertainty of the dates proposed, but considering the requirement for industry parties to use best endeavours to meet these milestones, if they are

changed at short notice this is likely to create significant cost for shippers who must adjust at short notice their own implementation projects.

We also question whether Ofgem should have the power to change the UNC unilaterally, either with or without a consultation process. Whilst the requirement to consult before these powers would marginally improve transparency, this proposal gives an unprecedented level of control to Ofgem and sets a worrying precedent. The UNC modification process provides a clear and robust process for progressing industry change, often at short notice, and we believe this should be relied upon as a mechanism for managing these milestones and the implementation date.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

As the 1 October 2015 implementation date is not viable, our concerns above notwithstanding this modification should be implemented as soon as possible.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

Moving the implementation date for Project Nexus will have an impact on all shippers, including CE, as it will require adjustment to our implementation timeline for Project Nexus. The uncertainty created by proposing an untested implementation date in its place will add uncertainty and ultimately cost to our delivery programme.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

We have not reviewed the legal text.

Are there any errors or omissions in this Modification that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

CE believes that Ofgem should be required to formally consult on any revised implementation or testing milestone dates.

Please provide below any additional analysis or information to support your representation