

Modification proposal:	Uniform Network Code (UNC) 573: Project Nexus - Deferral of implementation of elements of retrospective adjustment arrangements		
Decision:	The Authority ¹ directs this modification UNC573 be made ²		
Target audience:	UNC Panel, UNC Parties and other interested parties		
Date of publication:	26 February 2016	Implementation date:	To be confirmed by the Joint Office

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 UNC432³ and 434⁴, which were accepted in February 2014 and UNC440⁵ 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 UNC548⁶, to be 1 October 2016 or such other date as may be determined by the Authority.

As part of its remit, the Project Nexus Steering Group (PNSG) has, on advice of Xoserve and the independent project assurance manager, PwC, 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 of assets and supply point data (RAASP). At its 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 published⁷ (in draft) following discussion at the PNSG meeting of 1 September 2015.

At the PNSG meeting of 8 January 2016⁸ Xoserve confirmed that whilst it's 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 used for testing of core functionality, extending the testing period for those

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ UNC432: '[Project Nexus – gas settlement reform](#)'

⁴ UNC434: '[Project Nexus – retrospective adjustment](#)'

⁵ UNC440: '[Project Nexus – IGT Single Service Provision](#)'

⁶ UNC548: '[Project Nexus – deferral of implementation date](#)'

⁷

www.gasgovernance.co.uk/sites/default/files/RAASP%20Impact%20Assessment%20v1.0%2003%20September%202015.pdf

⁸ www.gasgovernance.co.uk/sites/default/files/Minutes%20Project%20Nexus%20SG%20080116%20v1.0.pdf

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 2016⁹ 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.

The modification proposal

UNC573 was raised by National Grid Gas Distribution. It seeks to defer those elements of UNC434 (Retrospective Adjustment) that cannot be delivered by the PNID, and provides a fall back date of 1 October 2017 for their implementation. The elements of UNC434 relating to retrospective adjustment of meter read data is not captured by UNC573 and remains scheduled to be implemented alongside other 'core' elements of Project Nexus modifications.

The proposer considered that it was necessary for it to follow the UNC 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. On 9 February, we agreed¹⁰ to the request that the modification follow the urgent procedures.

UNC Panel recommendation

There were 14 responses to the industry consultation on UNC573, 10 of which supported the implementation, one offered qualified support and three were not in favour. At its meeting on 18 February 2016, the UNC Panel noted that the majority of respondents supported UNC573 insofar as it will reduce the risks to the timely implementation of the core Project Nexus modifications. The Panel consider that implementation of UN573 would better facilitate UNC relevant objective (f) and voted by majority to recommend that it is implemented.

Our decision

We have considered the issues raised by the modification proposal and the Final Modification report (FMR) dated 18 February 2016. We have also taken into account the responses to the industry consultation summarised in the FMR and published in full on the Joint Office website¹¹. We have concluded that:

- the implementation of UNC573 will better facilitate the achievement of the relevant objectives of the UNC;¹² and
- directing that UNC573 be made is consistent with our principal objective and statutory duties.¹³

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

¹⁰ http://www.gasgovernance.co.uk/sites/default/files/UNC573_UD.pdf

¹¹ UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.co.uk

¹² As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, available at: <https://epr.ofgem.gov.uk/Content/Documents/Standard%20Special%20Condition%20-%20PART%20A%20Consolidated%20-%20Current%20Version.pdf>

Reasons for our decision

We note the strong support from both respondents and the UNC Panel for the proposal. We agree with respondents and the UNC Panel that the proposal should be considered against relevant objective (f), and that it would have a neutral impact upon the other relevant objectives.

(f) the promotion of efficiency in the implementation and administration of the Code

As set out above, we supported the PNSG decision to defer development of a systemised RAASP solution, as it was clear that component could not in any case be delivered by the PNID and that reallocating the freed up resources would reduce programme risk. However, the PNSG decision related solely to systems. We also agree with the UNC Panel and the majority of respondents that UNC573 will reduce risk to the timely delivery of the core Project Nexus UNC modifications, which are expected to have far greater benefits than those attributed to RAASP, and therefore better facilitate objective f).

We note the concerns raised by some respondents regarding the need for further clarity on the interim arrangements that will apply in lieu of a fully systemised RAASP solution. However, as noted by some respondents and by the UNC Panel, there are existing arrangements for the retrospective adjustment of asset and supply point data, albeit they are currently ad hoc and not systemised or codified. We therefore agree with the UNC Panel that whilst UNC573 may defer some of the benefit anticipated from the implementation of UNC434, it is not a diminution of the status quo. We consider that it would be inappropriate to delay consideration of this modification proposal pending further development of that interim arrangement.

We also have sympathy with the respondent who considered that Project Nexus should be delivered fully and correctly. However, this cannot obviate rescheduling and prioritisation where it is necessary and efficient to do so. Along with the arrangements for Unique Sites, RAASP was identified as an area of functionality that could be detached and delivered separately without compromising the integrity of the core systems. Therefore, whilst it may be disappointing that this has proven to be necessary, we do not agree with the suggestion that the deferral of RAASP should itself prompt a re-evaluation of the Project Nexus timeline or set any precedent for potential reductions in scope beyond those already identified.

Decision notice

In accordance with Standard Special Condition A11 of the GT licence, the Authority hereby directs that UNC573: *'Project Nexus – deferral of implementation of elements of Retrospective Adjustment arrangements'* be made.

Angelita Bradney
Head of Smarter Markets

Signed on behalf of the Authority and authorised for that purpose

¹³ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986 as amended.