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Dear Jon,

British Gas response to Ofgem's Project Nexus consultation on options for a successful implementation

Thank you for the opportunity to respond to Ofgem's above consultation.

Executive Summary

British Gas continues to support the implementation of Project Nexus at the earliest opportunity whilst ensuring that the solution delivered on day 1 is fit-for purpose, stable and not detrimental to consumers.

Regrettably, it is evident from the current project status information published by PwC that implementation on 1 October 2016 is no longer possible without all industry participants accepting a high level of implementation risk. Continuing with the current approach is not an acceptable or advisable risk profile solution we would endorse.

We therefore agree with Ofgem that the approach to go-live should be re-planned and agree to 'continue with a programmed delay' (Scenario C), with a new implementation date between 1 February 2017 and 1 April 2017 (or whatever date is deemed most suitable following conclusion of the detailed re-planning activity that is currently planned for July).

Scenario C: Continue with programmed delay

Following consideration of the output from PwC's Deep Dive activity, we agree with the progression of the recommended option (Scenario C) as we believe this:

- Provides the best balance between implementation risk and the desire from Ofgem (and industry) for as early an implementation date as possible
- Maintains the momentum of Market Trials and should provide sufficient time for the successful completion of this activity

- Allows Xoserve opportunity to complete performance testing and build confidence in the stability and performance of their solution
- Provides participants with a period of regression testing once all functionality has been deployed into Market Trials and key defects have been addressed by Xoserve
- Provides an extended period of time for enhanced transition planning and cutover activities
- Will enable Xoserve time to ensure the important data migration activity is robust

There is risk associated with this option and to support successful delivery the newly implemented governance structure must be adhered to and a rigorous and collaborative approach taken to risk and issue management. We stand ready to work closely with all parties as we believe this is a fundamental foundation of enabling the re-planned timeline to be delivered.

We support the proposed approach to undertake a period of detailed re-planning during July, which is expected to result in the direction of a revised implementation date by the end of July. This activity needs to be progressed and underpinned by a first principles re-planning approach which will provide confidence to stakeholders that the proposed dates are achievable and will also reduce the risk to consumers.

The project has already been subject to delay and re-planning. Continued uncertainty and delay creates conflict with our wider change delivery plan, increases our delivery costs and erodes the benefits to consumers. In our opinion, it would be unacceptable for implementation to be deferred further, unless the replanning exercise generates an unacceptable level of risk. However, at this time and based upon the information we have, it is not our perception that this should be the case.

Ongoing programme concerns

There are a number of ongoing concerns that we have with the delivery of the project, all of which have previously been and continue to be raised within the project governance arrangements. The successful delivery of Project Nexus is reliant upon all elements of the programme being appropriately progressed and documented. In no particular order:

1. Transition & Cutover arrangements. To enable the completion of our own planning and project delivery arrangements, a full detailed, approved transition plan is required at the earliest opportunity. There are knock on impacts to differing transition plans including internal project release governance, resourcing, cost budgeting, contingency arrangements etc.
2. Programme plan. Provision of a full, overarching programme plan is required at the earliest opportunity to provide all participants with the level of detail required to re-plan their own delivery programmes and to provide confidence in the ability of Xoserve to meet the revised implementation date. The programme plan should include the following elements: details of the re-planning arrangements, data cleansing and migration, transition and cutover arrangements, GONG arrangements,

3. Consequential impacts. There are numerous consequential impacts associated with a change of implementation date that need to be fully considered and understood. These include: the 2017 AQ Review, introduction of new AUG arrangements, delivery of iGT new connections process changes, implementation of FGO arrangements, implementation of the performance assurance regime, priority service register changes, CMA remedies, the implementation of the DCC and any other mandatory industry change which may be impacted by the revised implementation date.
4. Phase 2 delivery. The delivery of RAASP and other changes have already been delayed. This further extends the duration of internal project delivery activity that will need to be undertaken, now potentially into 2018 with a resultant ongoing drain of resources, costs and capacity to deliver other industry or business change. The forthcoming activities should aim to provide full clarity on when and how the phase 2 elements will be delivered.
5. Post-implementation/hypercare arrangements. We are keen to see detailed planning take place on this topic and fully understand the governance/arrangements that will be introduced to support this, in the interests of the industry having appropriate assurance that customers' experience can be maintained.
6. Market Trials. Following the planned completion of Market Trials testing at the end of July, a detailed approach for future testing requirements should be confirmed as soon as possible. If the plan is to have a full regression cycle, participants will need assurance that data and environments will be available to support this activity.
7. Stable Market Trials environment. All four scenarios assume that the currently scoped Project Nexus functionality is successfully delivered into the Market Trials environment by 30 June. We remain concerned that the industry will continue to undertake Market Trials on an unstable, incomplete set of functionality, which will not be complete until a currently unknown date after 30 June. For example, there are approved UK Link change packs for April, May and June which do not yet have any planned release dates into Market Trials. In addition there are blocking defects which are continuing to be resolved, where fixes will not be introduced until after 30 June. Clarity is required on when full functionality will be delivered into Market Trials and the impacts to the PwC recommendation if the above assumption is not achieved.
8. Big Bang implementation approach. Regardless of the activity undertaken by the project to address programme issues and mitigate risks, the overarching risk associated with a Big Bang SAP implementation approach across multiple participants will remain. It would be beneficial if Ofgem and PwC could articulate the key risks that all participants will need to work together on to mitigate risks associated with a Big Bang approach, as much as is possible.
9. Industry Dress Rehearsals. We have been advocates of the benefits that would be achieved with the inclusion of appropriate Industry Dress Rehearsal activity into the

project. We would appreciate early clarity of the scope and definition of the proposed Industry Dress Rehearsal approach and how this will be scoped, governed and established to cover all market participants. Dress Rehearsals are extremely useful in identifying shortcomings in readiness as well as dependencies; we are therefore keen to undertake as much cross-industry Dress Rehearsal activity as possible.

10. Data migration. A successful go-live is dependent on the alignment of data across the industry to allow transfer of ownership, recalculation of AOs and invoicing etc. Any discrepancies will generate exceptions, failed transactions and subsequent reconciliations. The ongoing work to transform and import IGT data into the Project Nexus solution and align it with the data held by Shippers is crucial and has encountered a number of challenges. We are keen to understand how the quality of this alignment will be measured and the criteria which will be applied for Go/No Go.
11. Performance Testing. The outcome of Performance Testing is a key factor for any Go / No-Go decision and participants need to be sure Xoserve systems will be able to catch up after the Non-Effective Days and cope with any surges in activity. Allowing adequate time to perform comprehensive performance testing and to resolve any issues identified is crucial to ensure the solution is fit for purpose. Our experience with large and complex SAP systems suggests that the daily batch schedules and in-built dependencies require extensive testing to cope with unexpected failures and process over-runs which are especially common with new systems.
12. Outstanding Design Issues. At least two significant design issues are currently outstanding which could, depending on the solution chosen, significantly impact the effort for British Gas (and by implication all shippers) and will have a bearing on any re-planned date. The issues are: the ERR / FRJ file error handling approach and the DUC flag on the ONJOB file format. We need clarity about the design solution for both these points before we would be able to commit to any new Go Live date.

British Gas is committed to continuing to work and engage with Ofgem, PwC and all market participants to deliver a reliable and stable Project Nexus solution in accordance with any revised implementation directed by the Authority.

Please do not hesitate to contact me if you require any further detail on our response.

Yours sincerely,

Sharon Johnson
Director of Regulatory Affairs & Energy Compliance