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21st June 2016

WWU response to Ofgem consultation on Project Nexus; Consultation on Options for a Successful Completion

Dear Jon,

Thank you for the opportunity to respond to this consultation and for the constituency meeting on 15th June.

The consultation asks for views on PwC's recommended option C which is to postpone Project Nexus Implementation Date (PNID) to between 1st February 2017 and 1st April 2017.

Specifically the consultation asks the following question:

"Do you agree that the Authority should re-plan the approach to go-live and agree "to continue with a programmed delay" with a new implementation date between 1st February 2017 and 1st April 2017?"

Summary of WWU position

- We continue to fully support a successful Project Nexus go live implementation at the earliest date possible. We are currently focused on ensuring Xoserve has all the support required to deliver planned milestones to facilitate a successful October 1st 2016 go live implementation. We are also supporting the various industry governance groups to promote industry readiness for a successful October 1st go live implementation
- We agree with the PwC position that there are risks associated with a go live date of 1st October 2016. However, the revised governance implemented over the last six months coupled with industry wide focus has helped to deliver significant milestones. Therefore, it is our view that a decision not to go live on 1st October 2016 should be left as late as possible (possibly end of July) to maximize the likelihood of achieving that date and to avoid the costs and other impacts of a postponement
- We are not able to express a preference for any of the alternative options (options B, C or D) because the mitigation for the various issues we list below is unclear. Our preference would depend on further information that we currently don't have

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- If there is a delay to the planned October 2016 go live date, there will be additional costs that will need to be funded

The remaining points in this response outline issues to be considered and mitigated should there be a delay from October 1st 2016.

Risks of Project Nexus going live in the winter

WWU does not plan system changes to safety critical systems in the winter for two primary reasons:

- 1) The requirement for critical system outages which in turn require the use of Business Continuity Management (BCM)
- 2) The risk that the implementation does not go as planned resulting in a period of continued use of BCM processes and consequences for other processes

Nexus implementation will impact key industry interfaces and systems as the new files and processes are implemented and there is a risk of on-going impacts should problems materialize.

A winter outage could also increase the risk of adverse impacts on vulnerable customers as we may not have up to date information on vulnerable customers if key systems containing relevant information are not available. Due to volumes of work, these issues are much more important in winter than summer.

To mitigate the potential risks highlighted above, one option would be to have a go live planned for 1st February but with the ability to postpone if required.

Risks of Implementation mid-way through a gas year

Although there are likely to be some impacts on WWU, any major impacts are likely to be seen by Shippers and Xoserve due to the impact on settlements. We recommend that Ofgem consults with the industry Uniform Network Code Demand Estimation sub-committee whose next meeting is on 6th July. <http://www.gasgovernance.co.uk/desc/060716>

Impact on other industry changes - Xoserve Funding Governance and Operation (FGO)

Phase 2 of the new funding, governance and operational arrangements of Xoserve (FGO) is due to be implemented on 1st April 2017 and changes to the GT Licence have recently completed their statutory consultation process. The post April 1st FGO arrangements are predicated on Nexus implementation before FGO implementation.

As an example of the issues that we will need to address, the FGO arrangements include contractual, funding and governance obligations that include Independent Gas Transporters (IGTs). These IGT arrangements are only required if UNC modification 0440 and IGT UNC modification 039 are implemented which will be achieved at PNID. The FGO arrangements consist of:

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- Funding changes so that Shippers and IGTs as well as GDNs and NTS pay Xoserve for services
- New contractual arrangements between industry participants
- Significant changes to the UNC and IGT UNC legal text to implement these changes

It will therefore not be straight forward to implement FGO before PNID as, apart from the substantial legal text issues, FGO relies on the Nexus changes as without them IGTs will not use Xoserve to provide services and therefore cannot be part of the FGO arrangements. Further, and more seriously for Xoserve, this would mean that IGTs would no longer be required to make payments to Xoserve therefore leaving Xoserve with a funding gap.

Resource constraints

For WWU and all industry parties, the regulatory and commercial resources involved in Nexus are also involved with the FGO programme. Our resources will be involved in both post PNID issues (UNC modification development) and FGO cutover. Therefore it is highly desirable that there is a gap between PNID and FGO phase 2 implementation.

Priority Services Register arrangements for vulnerable customers

The statutory consultation on Licence changes to introduce the new arrangements for vulnerable customers has just been issued by Ofgem. These changes are due to be implemented in June 2017 across both gas and electricity industries. This date is achievable with a PNID of 1st October 2016 as this then gives Xoserve and the gas networks eight months between PNID and June 1st for the new systems to bed in and for Xoserve to assess the changes required to the Nexus systems, plan them and implement them.

A delay to the October 2016 Nexus implementation date threatens the June 2017 implementation date for the changes to the new vulnerable customer arrangements.

We recognise that as the new vulnerable customer arrangements and June implementation is proposed across both gas and electricity it will have a consequential impact for the electricity industry if Ofgem wants simultaneous implementation across both industries. Option D which envisages PNID of 1st July 2017 would require modifications to legacy systems for one month and then the implementation of the changes required for PSR at PNID. The changes required for the new vulnerable customer arrangements are not part of the current design and would require an expansion of the Nexus solution. This is not deliverable under the options proposed which assume no change in scope.

Retrospective Asset and Supply Point (RAASP) functionality

A decision to delay implementation of this functionality was made in early 2016. UNC modification 0573 was raised to implement this and this set the date for the introduction of the RAASP functionality as 1st October 2017. This date is probably still achievable under Option B but Options C and D would mean that a further postponement or cancellation of this functionality would be required. Industry would need to consider likely proposed design for the Central Registration Service (CRS) and whether any changes proposed for CRS mean that building

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RASSP functionality in Xoserve systems is efficient given that there are no benefits for final consumers from this functionality.

Summary and next steps

We are working hard with Xoserve and other industry participants to deliver a successful Nexus go live for October 2016. We acknowledge the risks of an October implementation but we have also highlighted a number of issues that need to be considered and mitigated should there be a planned delay from October 2016. None of these industry issues are insurmountable and Ofgem could remove significant uncertainty by clearly articulating its approach when it issues its decision about this consultation on 30th June.

Finally, it is very important that the roles and responsibilities of Ofgem, PwC and Xoserve are clearly defined and understood by all parties going forward.

Should you have any queries on any aspect of this response, please do not hesitate to contact me.

Yours sincerely,



Steve Edwards
Director of Regulation and Commercial
Wales & West Utilities

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