

Lansdowne Gate  
65 New Road  
Solihull  
West Midlands  
B91 3DL  
0121 623 2300  
[www.xoserve.com](http://www.xoserve.com)

Rob Salter-Church  
Partner, Consumers and Competition  
Ofgem  
9 Millbank  
London  
SW1P 3GE

22 June 2016

Dear Rob

### **Project Nexus: Consultation on Options for Successful Implementation**

Thank you for the opportunity to respond to Ofgem's consultation on options for the successful implementation of Project Nexus, and to share our observations on the Scenarios that have been proposed by PwC. We appreciate greatly the open and collaborative manner in which this consultation is being conducted, and the structured process that is being put in place to reach a decision on a target delivery date.

We endorse wholeheartedly the emphasis that Ofgem is continuing to place on the timely progression and completion of Market Trials activities by all Market Participants (Shippers, GTs and iGTs) as the most effective means of proving the solution, and we are pleased that Ofgem has confirmed that it is not seeking to vary the functional scope of the delivery.

### **PwC's Findings**

We welcome the conclusions in PwC's report that the design of the Xoserve system solution is fit for purpose, and that robust plans are in place to prove that the solution is sustainable without significant impact on the industry and consumers. These conclusions demonstrate satisfaction of two of Ofgem's success criteria for Project Nexus, and we support fully a delivery approach that contributes to delivery of the remaining criteria and does not put the consumer experience at risk. We are also encouraged that the delivery risks identified by PwC are in line with those previously communicated to the industry by Xoserve and Baringa, albeit that in some instances we have a different view of their severity and impact point.

### **Review of Scenarios**

We recognise that Ofgem's preference is to make a decision on the delivery approach and timing prior to the maturity or retirement of certain risks. Consideration of options at this stage in the

Project Nexus lifecycle therefore needs to be informed by a balanced assessment of costs and benefits, and of the risks to delivery momentum, to solution quality (in particular the consumer experience and integrity of the market), and to the retention of industry commitment to ensure achievement of the earliest possible delivery. In this context, we note that there is an emphasis in the Scenarios on timescales and solution quality, and less attention given to costs and benefits.

#### Scenario A

Whilst the recent increased momentum, successful retirement of risks (RGMA, Unique Sites and Delta Design) and overall rate of progress against the current delivery plan have been encouraging, we recognise that continuation of this approach would result in an October 2016 delivery that would fall short of meeting in full Ofgem's success factors for Project Nexus as set out in the consultation letter. Furthermore, this option would not allow a firm delivery date to be fixed by the end of June given that some of the identified risks are not expected to be retired until July or August 2016.

#### Scenario D

We do not consider Scenario D to be particularly attractive because of the extended delivery timeline and associated incremental costs both for Xoserve and for Market Participants, and we observe that a summer 2017 delivery date would perpetuate and potentially exacerbate the change congestion challenges faced by the industry. The replanning and rephasing of activities that would be necessary to revise the implementation approach would risk a significant loss of delivery momentum, would increase industry wide demand for programme resource retention and would place at risk the ability to maintain continuity of knowledgeable resources through to operation.

#### Scenarios B and C

We observe that the fundamental variables between the two Scenarios are in the choice of target delivery window, the approach to achieving delivery within the selected window and the delivery risk profile.

Based on the information available at this time, we have carried out a high level comparative assessment of the two Scenarios with reference to the relative risks and benefits, the potential for risk mitigation, and the additional project activities proposed by PwC for inclusion in Scenario C. We observe that:

- a) Both Scenarios are capable of achieving delivery in line with the success factors, although they also both have the potential to be adversely impacted by variants that may arise during the remainder of the project lifecycle;
- b) The adoption of Scenario B (with a deferred go live date of 1 December 2016 that would make use of a contingency window in which to address data and performance issues) would enable the earlier realisation of benefits whilst controlling costs, and would be an effective approach for maintaining delivery momentum and ensuring retention of skilled and knowledgeable resources. It would, however, limit the time available to incorporate project activities that could drive up solution quality, and would leave only a very limited

window to respond to any adverse impacts from risks that would not be retired until July or August;

- c) The adoption of Scenario C would place a greater emphasis on risk reduction and improved solution quality, although the extended timescales and associated greater costs would delay and dilute the delivery of benefits to the industry and to consumers; and
- d) Scenario C would introduce a number of additional project activities, and these would require further scrutiny to ensure that they could be achieved within the revised timeline, would add value and would deliver a better quality product. We have a particular concern that the purpose and benefits of the proposed inclusion of an additional data load to support Market Trials regression testing are unclear, and we would welcome the opportunity for a dialogue with Ofgem and PwC to obtain clarity of purpose and explore options for alternative approaches that would deliver the same or greater value within the time available.

We have appended to this letter some supplementary material that sets out three high level indicative planning scenarios for a Go Live in December 2016, February 2017 or April 2017, and compares the extent of potential benefit realisation in each option. This material should be understood in the context of this response letter, and should not be regarded as a substitute for a robust replanning exercise and detailed analysis of activities and benefits.

### **Change Horizon**

The selection of a Project Nexus delivery scenario should also consider the potential impacts on and of other programmes, such as Smart Rollout, Ofgem's review of Xoserve funding, governance and ownership, the Switching Programme, and the implementation of the CMA's Energy Market Inquiry conclusions. The resource implications of replanning Project Nexus delivery should take these wider implications into consideration.

The priority and phasing of other reforms may also benefit from a review to ease the wider resource contention. We note also that the GONG criteria appear not to consider the wider change landscape and how this might be mitigated or exacerbated by the selection of a Project Nexus delivery scenario.

### **Conclusions**

We consider that we would be able to deliver a central systems solution against any of the Scenarios, but recognise that a closer target date limits the opportunity to meet all of the Ofgem success factors and therefore to minimise the risk to the consumer experience.

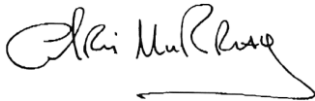
We recognise that, as the party responsible for central systems delivery and operation, we have taken a broad perspective on how to achieve a Project Nexus outcome that delivers industry wide success. Each Scenario has its own particular features, and the decision on the choice of Scenario needs to take account of the balance of stakeholder interests across the spectrum of quality, time and cost.

## Next Steps

Following the decision at the end of June, we would expect there to be a short and intensive period of replanning to determine a target date within the defined range for the chosen Scenario. We consider that it is essential that we are fully involved in the replanning activities, working in close collaboration with Ofgem, PwC and Market Participants to develop a detailed and shared understanding of timescales, activities and risk mitigation strategies that will maximise delivery against the Project Nexus success factors. It is imperative that during this period there remains a clear focus and drive from PwC and Ofgem on continuing to progress through and to complete Market trials.

We are happy for Ofgem to share our response with the industry, including appended material. If you would like to discuss further any particular aspect of our response, please contact Nick Salter, Director – Customer Engagement on 0121 623 2305 or e-mail [nicholas.j.salter@xoserve.com](mailto:nicholas.j.salter@xoserve.com).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chris Murray', with a long horizontal flourish extending to the right.

Chris J Murray MBE  
Chief Executive Officer