



Making a positive difference  
for energy consumers

Project Nexus Steering Group  
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### **Project Nexus – supporting letter for go-live decision pack**

Project Nexus is the industry programme to implement changes to the gas settlement arrangements and replace Xoserve's ageing UK Link IT system that was introduced in the 1990s. We took on sponsorship of the project last year, following a series of delays to the project. It offers significant benefits for consumers, as identified by the Competition and Markets Authority (CMA) following their recent energy market investigation. Its implementation is part of our strategy to support the transition to a smarter energy system by putting in place central systems, and governance, fit for the future.

Project Nexus will enable the processing of the volume of meter reads coming from smart meters and remove distortions in the current gas settlement arrangements which are hindering competition. It will also improve the reliability of the switching arrangements, by bringing the systems operated by independent gas transporters into a single centralised system. The CMA recommended that Ofgem implements Project Nexus as soon as possible, once we were satisfied that it did not present risks to final customers. As such, our aim is to make the implementation as invisible to consumers as possible.

At its heart, Xoserve's new solution uses SAP's Industry Solution for Utilities (IS-U). This is a relatively common application in the GB energy market, but as with all major business systems implementations there are risks and lessons to be learnt from previous implementations, such as, the need for rigorous testing, management of data, clarity on performance and volumes and clear thinking on transition, to name but a few.

When we took on sponsorship of Project Nexus, we appointed PwC to bring in an extended team of assurance and consulting experts with significant experience of SAP IS-U deployments in both the GB energy sector and other sectors/geographies, to advise us and help us manage key risks. This supplements the existing independent assurance in place for Xoserve provided by Baringa.

Last year, with support from our expert advisors we reprogrammed the implementation of Project Nexus, based on a 1 June 2017 go-live date. This put in place a robust plan which incorporated industry feedback, drawing confidence from PwC's assurance review of Xoserve's delivery plan for the new date and incorporating lessons learned from previous SAP IS-U implementations.

We also established the Project Nexus Success Factors and an associated "go/no-go" decision making framework. Recognising the importance of the systems being replaced for customer switching and gas settlement - which could ultimately affect consumer billing - we are taking a conservative approach to the go-live decision. The Success Factors enable us to make an assessment of whether the system:

- Meets the industry requirements
- Is stable
- Is sustainable
- Enables a positive consumer experience

To enable a successful pan-industry implementation, we established or re-invigorated three cross-industry working groups (with industry experts and chaired by PwC) under the overall governance we put in place. They have developed plans, scrutinised progress and provided rigour on the quality of preparations being made by Xoserve. In addition, we regularly appraised the need for further forums and later established a specific risk and issues group and ad hoc groups to address particular issues e.g. In-flights.

Alongside these working groups, we also implemented an independent assurance plan, identifying key products / phases where it was important to have an independent cross-check that they had been completed to an acceptable quality. Xoserve's central delivery has been assured through a combination of Baringa and PwC, each focussing on specific areas. Their findings and how Xoserve has responded to any recommendations has been reported to the Project Nexus Steering Group. PwC has also provided assurance over market participants' preparations.

As we have executed the plan, we have built our confidence in going live incrementally, based on attainment of key milestones and independent assurance of each of the key stages of the plan. For example, we included three assessment points where Xoserve and participants made self-assessments against the "go/no-go" criteria. Xoserve's readiness has been independently assured by Baringa and at the second and third assessment points, PwC has undertaken sample-based assurance of participants' readiness.

**We do not intend to take any decision to prevent go-live on 1 June as planned.** In making this decision, we recognise that for a period of 6 days around the cutover period, customer switches could take up to an additional 3 days to complete as a consequence of the cutover to the new systems.

It is not possible for a project of this nature, to eradicate all risks. Risks have been reviewed at every Project Nexus Steering Group meeting via the Risk Landscape, but there may be some which need resolving post go-live. However, do not believe that a further delay beyond 1 June would materially reduce them or tackle the known issues that need to be resolved after go-live. We are aware, on the other hand, that any such delay would cause significant costs and disruption to industry.

We believe the Success Factors can be met by going live on 1 June:

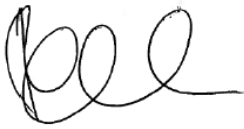
- the functionality of the system has been extensively tested through more than 10 months of testing between Xoserve and participants. Based on market participant focused assurance reports by PwC and the deliberations of the weekly Defects Prioritisation group, the Project Nexus Steering Group has agreed a successful exit of both these phases. As such we are confident the core processes such as switching will work as expected.
- the system meets the non-functional requirements agreed by industry as required for go-live. Baringa has independently assured that Xoserve has successfully completed its performance tests.
- there is good data already in the system and robust, well-tested methods for updating it. PwC has independently reviewed Xoserve's bulk data load and confirmed that there are no data defects and a similar level of review is underway for delta data.
- transition plans with appropriate contingency are in place across industry, including freezing (ie. retaining) the current governance for at least a month after go-live. These

plans have been assured by PwC (participants – on a sample basis) and by Baringa (Xoserve).

- Xoserve are completing their post go-live preparations (in-house SAP capabilities, improved management information and reporting on system health, crisis management etc).

Looking back at the last 15 months since we took on an end-to-end sponsorship role for Project Nexus, there has been a high level of co-operation between industry participants, Ofgem, Xoserve and the assurance partners for the programme. It has been a shared endeavour to get to this point and if the implementation is to be a success, it is vital that this spirit of collaboration continues as we bed down the new systems successfully and gradually transition responsibilities back to Xoserve and the enduring governance established as part of the Xoserve Funding, Governance and Ownership (FGO) project.

Yours faithfully,



Rob Salter-Church

**Partner, Consumers and Competition  
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