



respect > commitment > teamwork

Lansdowne Gate
65 New Road
Solihull
West Midlands
B91 3DL
0121 623 2300
www.xoserve.com

12th May 2017

Dear Colleagues,

We are rapidly approaching the most important milestone of Project Nexus – the go-live of the new UK Link platform. In anticipation of this, I thought it would be helpful if I issued an update to the industry on our preparedness for go-live and the on-going post go-live operation of the new UK Link platform. This is intended to be a high-level briefing that is meaningful to all participants, but capable of being forwarded to non-technical personnel and interested parties not directly involved in the day to day governance and detail of the programme.

Accordingly, this letter and accompanying briefing note is not intended to replace any of the formal governance material for the project, but instead is intended to be complementary and focused primarily on Xoserve's own readiness. For a more complete picture of the technical details and industry readiness for Nexus, this update should be read in conjunction with the more detailed industry documentation published to the Project Nexus Steering Group.

As of today, the Xoserve position is one of cautious confidence based on both our own assessment and the extensive independent assurance that has been provided by Baringa Partners along with the wider industry assurance services that PwC have provided to Ofgem. This means that our assessment is that the benefits of maintaining the go-live date of 1st June outweigh the risks of doing so. Whilst it is impossible to define a hard-numerical algorithm which describes this position in absolute terms, we can identify and analyse the key facts at our disposal which lead us to our conclusion:

- The new UK Link platform is functionally well tested and not overly customised;
- The new UK Link platform performs well under load;
- Xoserve operational teams are ready to handle increased queries and exceptions; and
- We are working with the industry to agree how defects will be prioritised after launch and the process for agreeing a timetable to fix them.



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We have work in progress relating to three key areas in preparation for go-live and are confident that we will make sufficient progress to support a successful post go-live period:

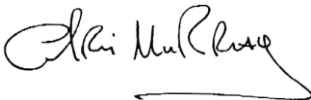
- MIS data about the performance of our platform for reporting to all industry participants
- Our response, in conjunction with industry parties, to unexpected and crisis scenarios
- Determination, in consultation with industry parties, of future release scope and timing

In summary, we must all expect that, with a programme of this size and complexity, issues will undoubtedly arise after go-live and we are preparing for this. However, I have confidence in the progress and work done to date and that this, together with Xoserve's plans for managing the post go-live period, will result in us meeting the industry agreed Project Nexus Success Factors and that going live on 1st June is appropriate. That confidence is further boosted by the decision to adopt a governance freeze, which provides stability and will ensure that we are using tried and tested groups, supported by those involved in the lead up to go-live, for managing any issues in the post go-live period.

For added confidence, I have reviewed this briefing with Sian Baldwin, our incoming CEO (as from 5th June), who, in addition to her existing insights to the programme as a Non-Executive Director of the company, has been conducting her own analysis of the programme within our organisation as part of her induction and she supports the conclusions I have drawn.

I hope you have found this update useful. As previously stated, it is intended to be an executive summary only and much more detail is available through the various industry forums, via a detailed review of the GONG criteria supporting go-live and the forthcoming decision support pack which Ofgem will be publishing on 15th May.

Kind regards



Chris J Murray MBE
Chief Executive Officer

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Project Nexus – UK Link System

Summary to support Xoserve CEO letter of 12th May 2017

1. **The new UK Link platform is functionally well tested and not overly customised.** We have undertaken some 12 months of User Acceptance testing (UAT) along with a similar period of industry wide market trials and market trials regression testing which give us a high degree of confidence in the new platform. As Xoserve's assurance partners Baringa have described the level of functional testing as high and the level of customisation as being low.

Where known defects remain, they are either sufficiently minor so as not to materially affect market participants, have been agreed via industry governance processes that they can be addressed post go-live, or involve manual workarounds that have been published, and are in the process of being agreed with the industry. We do not believe that, at a macro level, additional testing and fixing would create any marked additional functional benefit for the industry; and inside Xoserve we are already scaled to handle the manual workarounds identified (see paragraph 3 below). We therefore conclude that delaying beyond 1st June will not significantly reduce the risks of go-live and would instead delay the delivery of benefits to consumers and create considerable turmoil across the industry (not least in terms of re-coordinating release plans across all market participants) which, in itself could potentially lead to increased risks.

Therefore, in terms of functionality, our conclusion is that the system is well tested, not overly customised and that the benefit of going live on 1st June outweighs any benefit of delay.

2. **The new UK Link platform performs well under load.** The most recent round of platform performance tests successfully demonstrated that the new UK Link platform is able to handle up to 32 million meter reads per day. The maximum seen in any one day currently is around 500 thousand. On this analysis, even if all the meter readings for all industry parties were to be submitted in a single day, the platform has demonstrated that it is able to handle the load. The story is similar across all other core business processes for which we have operated within agreed industry SLA's across the board during Gas Day Testing and, for the avoidance of doubt, the system is designed to maintain delivery of SLA's to the industry. We have also assessed that it would take between 3-4 months to install additional capacity if we needed to increase the volume of data that the new UK Link platform can handle, which, provided we receive signals from market participants, should be enough time to be able to react to any revised industry requirements.

Therefore, in terms of performance, our conclusion is that the platform performs well under load and that the benefit of going live on 1st June outweighs any benefit of delay.

3. **Xoserve operational teams are ready to handle increased queries and exceptions.** Xoserve's operational staff are well trained and currently undertaking further training in readiness for go-live. We intentionally seconded operational staff into the Nexus programme team over the last 18 months, so that, as they return to their operational roles, they are doing so with a level of knowledge over and above that which could be achieved through training alone. We currently have 60 market trial related manual workarounds which range from simple to complex in terms of required activity with the vast majority being simple. In a programme of this significant scale, this level is considered to be very manageable by ourselves and our assurance partners. Documentation to support each of these workarounds has been finalised and they are being rehearsed as part of go-live training. Headcount forecasts have been based on a combination of modelling, the volumes of query and exception volumes experienced during market trials and the known volume of manual workarounds, with a contingency built on top. In addition, we have agreed with our suppliers for them to bring in an even greater volume of staff if needed in an exceptional situation. On this basis, we are confident that we will have enough qualified staff across all our operational teams.

A key area of risk that we will be tracking post go-live is the volume of invalid defects raised by market participants which, during market trials, was consistently around 50%. These required no fix or workaround action by Xoserve. However, we will be tracking this query type post go-live and our intention is to work with the industry to bring down volumes to within reasonable levels during the PIS period. The industry has a significant role to play here and we expect all parties to work co-operatively so as to reduce the level of invalid defects raised. Post go-live communications are intended to identify relevant valid defects to all participants.

Therefore, in terms of Xoserve operational staff readiness, our conclusion is that our teams are ready and that the benefit of going live on 1st June outweighs any benefit of delay.

4. **We are working with the industry to agree how defects will be prioritised after launch and the process for agreeing a timetable to fix them.** If we run into a very significant platform defect, we will work to fix it as soon as possible, outside of any formal release plan. All other defects will be prioritised by the industry and regular calls will be slotted into a drum beat of defect fix releases throughout the post implementation period. This area is still work in progress, but the level of detail in plans being reviewed by the industry is significant and we are very close to locking down plans ahead of launch.

Therefore, in terms of Xoserve's ability to fix defects collaboratively post launch, our conclusion is that the benefit of going live on 1st June outweighs any benefit of delay.

Ongoing work in preparation for go-live:

- (a) **MIS data about the ongoing health of our platform for all industry participants to access.** We have built a Management Information System (MIS) to support our operational teams in resolving issues internally. However, we recognise that our platform is an industry hub and that a good MIS is vital for all participants to be able to interrogate data, build confidence and resolve issues for themselves. With this in mind,

we are building an externally facing MIS. We intend to have an initial service ready for go-live and then further expand the level of detail and breadth of data available progressively after go-live.

- (b) **Our response to unexpected and crisis scenarios.** We have carried out rehearsals inside Xoserve for how we will respond to unexpected scenarios, ranging from minor platform outages, right through to crisis scenarios, perhaps the most significant of which is customers being unable to switch. We think about crises on three levels. Level 1 - those that can be handled within Xoserve and are largely invisible to the outside world. Level 2 - those that could impact market participants either operationally or commercially. Level 3 - a full-blown industry wide crisis. There is more work being done with Ofgem, PwC and broader industry on levels two and three and further communications on this topic will be issued within the next week.

- (c) **Determination of future release scope and timing.** We have issued a plan which proposes that the next major releases of new functionality will be in Q2 and Q4 2018, the content of which will be determined by industry agreement on priorities. This schedule is ultimately subject to how quickly we exit the hyper-care period post launch and so cannot be guaranteed at this point in time. We will be able to make a much firmer commitment 3 months after go-live, by when we will have more clarity and certainty regarding platform stability. However, this clearly lays out Q2 2018 as our desired first target. The process to prioritise the contents of this first release and who pays for what, will be handled under the new CDSP arrangements. These have put in place a new DSC Change Management Committee, with membership from all segments of industry and operating with formalised voting rights. It is this body that will decide the scope of future releases, not Xoserve.