



Making a positive difference
for energy consumers

Project Nexus Sponsor Forum
representatives

Wider Ofgem stakeholders

By email

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Project Nexus – go-live

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 meter reads from smart meters and remove distortions in the current gas settlement arrangements, which are hindering competition. It will improve the reliability of gas switching arrangements, by bringing the systems operated by independent gas transporters into a single centralised system. The CMA recommended that Ofgem implement Project Nexus as soon as possible, once we were satisfied that it did not present risks to final customers.

As you are no doubt aware, Xoserve declared go-live for the new UK Link systems yesterday as planned and the processing of transactions stored up during the cutover process has commenced. We note that as a result of going live with Project Nexus, 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.

The purpose of this letter is to ensure you are aware of this important event and to summarise the information supporting the go-live decision, which was discussed by the gas industry in taking the Go Live decision.

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 IT system deployments in both the GB energy sector and other sectors/jurisdictions, to advise us and help us manage key risks. This supplements the existing independent assurance in place for Xoserve provided by Baringa Partners.

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, with key decisions underpinned by independent assurance. Xoserve's central delivery has been assured through a combination of Baringa and PwC, each

focussing on specific areas. PwC has also provided assurance over market participants' preparations.

Recognising the importance of the systems being replaced for customer switching and gas settlement we took a conservative approach to the go-live decision. The Success Factors enabled us to consider whether the system: meets industry requirements, is stable, is sustainable, and 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 Xoserve's preparations. In addition, we regularly appraised the need for further forums and later established a specific risk and issues advisory group and ad hoc groups to address particular issues.

As we have executed the plan, we have built confidence in going live incrementally, based on attainment of key milestones and independent assurance. Risks have been reviewed at every Project Nexus Steering Group meeting. However, while it is not possible for a project of this nature to eradicate all risks; we believe the Success Factors have been 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 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 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