



Making a positive difference  
for energy consumers

The Joint Office, gas  
transporters, gas shippers,  
Xoserve and other interested  
parties

Email: jonathan.dixon@ofgem.gov.uk

Date: 2 June 2016

Dear Stakeholders,

### **Project Nexus: consultation on options for a successful implementation**

The UK Link system, operated by Xoserve for energy settlements, supply point administration and other functions for the GB gas market, is scheduled to be replaced. Project Nexus aims to ensure that the replacement systems meet the current and anticipated requirements of Market Participants and that these organisations have updated their own IT systems to interface with the new Xoserve systems. The current go-live date for Project Nexus is 1 October 2016.

Earlier this year, Ofgem took on a formal sponsorship role for Project Nexus, reflecting the risks to consumers from an implementation failure of the new IT systems<sup>1</sup>. This letter sets out Ofgem's view – as project sponsor – on what we consider to be success for the implementation of Project Nexus. It also seeks views on an assessment we commissioned from PwC on the status of the project, including the achievability of the current go-live date, an assessment of alternative options and a recommendation for the most appropriate implementation plan and go-live date, given Ofgem's definition of success.

There is an urgent need to continue Market Trials over the coming weeks alongside this consultation. It is critical that the existing momentum that has been built up is maintained, as the programme's objectives are best supported by progressing Market Trials and exiting this phase as early as possible. The IT solution in the Market Trials environment is materially complete (including Unique Sites), so Ofgem expects senior level support in every Market Participant to progressing through Market Trials.

#### Project Nexus Success Factors

At the highest level, Project Nexus will be successful if: it delivers a fit-for-purpose gas settlement solution that supports industry requirements, is stable and sustainable, and enables a positive consumer experience. As the Competition and Markets Authority has identified, Project Nexus has the potential to correct an Adverse Effect on Competition in the gas market and deliver better outcomes for consumers through the use of smart meter data for settlement<sup>2</sup>.

However, as with any IT-enabled transformation of this scale, there are significant risks of problems occurring during its implementation. Indeed, as a multi-party programme involving

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[https://www.ofgem.gov.uk/system/files/docs/2016/06/ofgem\\_open\\_letter\\_on\\_project\\_nexus\\_and\\_ofgem\\_sponsorship.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/06/ofgem_open_letter_on_project_nexus_and_ofgem_sponsorship.pdf)

2 <https://assets.digital.cabinet-office.gov.uk/media/5706757340f0b6038800003b/Provisional-decision-on-remedies-EMI.pdf>

every shipper in the GB market, these risks are particularly acute for Project Nexus. All Market Participants need to ensure their own IT upgrades are built and tested so they are ready for a synchronised, whole market go-live.

Ofgem wishes to see Project Nexus introduced as early as possible, given the benefits it offers for consumers and competition, and because it has already been subject to significant delays. However, it is critical that consumers are not negatively affected by Nexus and they experience a seamless transition from legacy to new arrangements. This means Ofgem will only allow the new systems to go-live once we are content that the risks to consumers of an implementation failure can be properly mitigated.

Ensuring that consumers have a positive experience of, and have trust in, the switching process is key to driving market engagement and creating competitive tension between suppliers. This ultimately improves outcomes for consumers. The change of supplier process is underpinned by the systems being updated as part of Project Nexus. It is a priority that these arrangements operate effectively across the industry. The gas settlement systems also affect suppliers' billing functions. As such it would also be unacceptable to Ofgem for consumers to have to endure inaccurate or late bills as a result of Project Nexus.

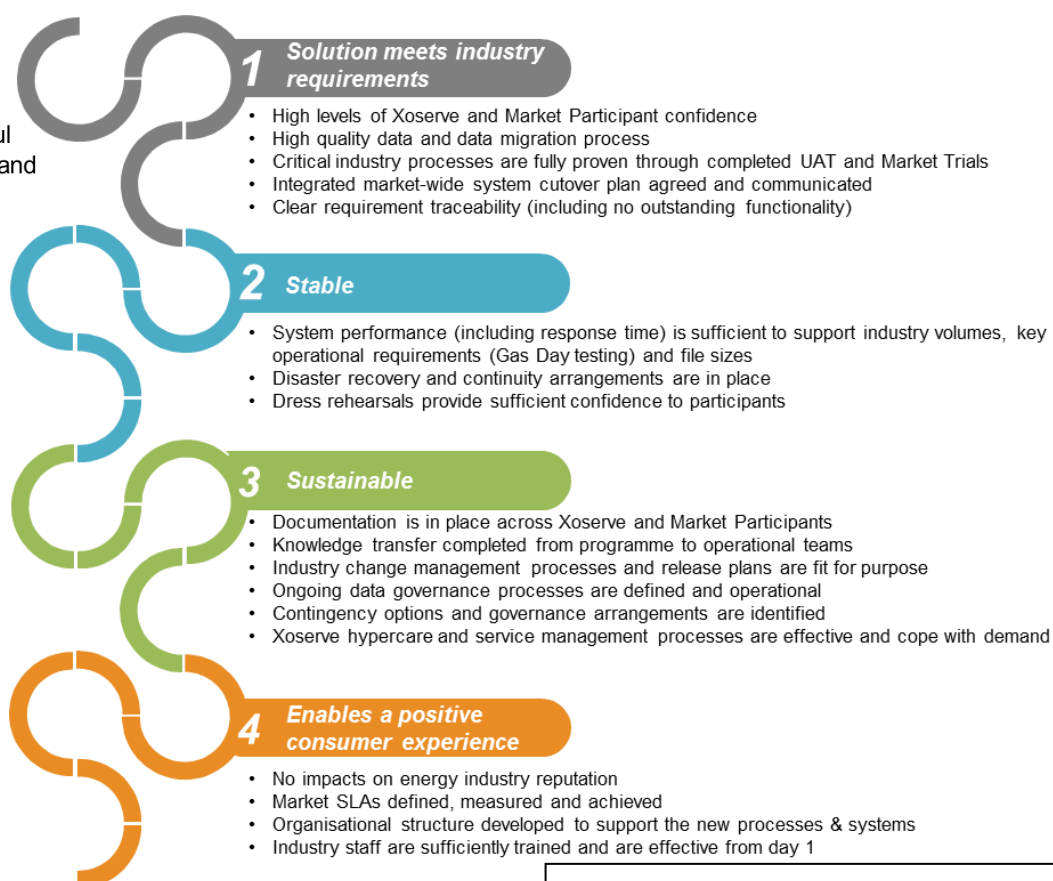
In addition to maintaining customer confidence, ensuring an effective change of supplier process and accuracy in customers' bills from day one, will also help protect the reputation of gas shippers. A manageable level of risk, a high quality transition and an implementation plan with a go-live date in which all Market Participants have sufficient confidence to plan their own preparations, is required in order to achieve this outcome.

Based on this overall definition of success, we have developed the following Success Factors to guide the industry through their preparation as we move towards a GO / No-Go ('GONG') decision. These Success Factors place firmly the stated intention of a managed risk, high quality go-live at the earliest opportunity, at the heart of our decision making. These criteria form the basis of a refreshed GONG framework that has been developed since we took on sponsorship of Project Nexus.

# Nexus

Driving towards successful outcomes for consumers and the industry

*Project Nexus will be successful if it delivers a fit for purpose gas settlement solution which supports pan-industry requirements, is stable and sustainable and enables a positive consumer experience.*



**Figure 1:** Ofgem Project Nexus Success Factors

## Planning for a successful implementation: alternative scenarios for go-live

The go-live date for Project Nexus as set out in the Uniform Network Code is 1 October 2016 or such other date as may be determined by the Authority<sup>3</sup>. However, as the programme moves into a critical phase, with four months before go-live, Xoserve and industry participants are experiencing a range of challenges that place the current go-live date at significant risk.

We appreciate that Market Participants are facing a period of change over the next 12 to 18 months in a number of areas (including the Smart Metering Programme) and need clear direction on whether Project Nexus is likely to go-live as planned on 1 October 2016. Equally, they need a good degree of confidence in the implementation date in order to manage dependencies, plan their own preparations and manage the significant resources needed for them to be ready for the synchronised whole market go-live.

When Ofgem took on sponsorship of Project Nexus, we commissioned PwC to undertake:

- a Deep Dive Review of Xoserve's delivery of the central IT systems;
- an assessment of the status of the project, including the achievability of the current go-live date, an assessment of alternative options and a recommendation for the most appropriate implementation plan and go-live date.

Alongside this letter, we have published three documents which are the outputs from PwC's assessment on the status of the project:

- **PwC Positioning Paper:** analysis of the risks to Nexus go-live on 1 October 2016 and consideration of the alternative implementation scenarios. This has been informed by the Deep Dive Review on Xoserve's delivery.
- **Project Nexus Planning Scenarios:** The aim of the scenarios is to present different delivery approaches in order to facilitate a decision on the most appropriate timeline that balances the desire of all parties for an early delivery against the risk to consumers and the market.
- **Project Nexus Go/No-Go (GONG) Criteria and Assessment**  
Describes the GO/No-Go (GONG) framework and assessment approach that will be used to support the decision to proceed with go-live on an agreed date and to commence with the associated cutover and transition plans.

These reports assess a number of delivery scenarios with different go-live dates, including 1 October 2016, and consider the industry and consumer risks associated with each option. The scenarios are based on delivering the current scope for the central IT systems: we are not exploring any further scope changes through this process.

Having considered PwC's reports in the light of our Success Factors for Project Nexus, we are minded to accept their recommendation to "*continue with programmed delay*" (planning scenario C). This has a target "go-live" date of 1 February 2017, with a window lasting until 1 April 2017.

In line with the stated Success Factors in this letter, we consider such an approach to delivery would reduce the risks that the IT systems being delivered are unstable or unsustainable. It would also allow all industry participants to plan their individual programmes against a firmer implementation date. Moreover, it provides Ofgem – as project sponsor – with more confidence that the systems will enable a positive consumer experience and the implementation risks can be managed.

Whilst any change to the current implementation date is clearly undesirable and disappointing, pragmatic programme planning demands that there is open, transparent dialogue on the alternative implementation options to ensure consumer exposure to risks is minimised. In particular, we recognise the calls made at the Project Nexus Sponsors' Forum and Steering

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<sup>3</sup> <http://www.gasgovernance.co.uk/sites/default/files/UNC548D.pdf>

Group, for Ofgem to share information and engage with Market Participants before we make our final decision.

As such, we are seeking stakeholders' views on PwC's recommended option:

*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 1 February 2017 and 1 April 2017?*

#### Next steps

Our deadline for all written comments from all parties is 22 June 2016. Unless clearly marked confidential, all responses will be published on our website.

Please send all responses to [jon.dixon@ofgem.gov.uk](mailto:jon.dixon@ofgem.gov.uk) or in writing to:

Project Nexus c/o Jon Dixon  
Ofgem  
9 Millbank  
London  
SW1P 3GE

During the consultation period, we will be discussing this letter and the PwC position paper with the Project Nexus Steering Group (PNSG) meeting on 13<sup>th</sup> June. We will also be arranging meetings with each of the Project Nexus constituencies (six largest suppliers, challenger shippers, industrial and commercial shippers, GDNs and iGTs). Details of these meetings are set out in an annex to this letter.

In making our decision, we will take into account the responses from this consultation alongside the advice we have received from PwC and the progress that is made by Xoserve in delivering and managing key risks in their programme, and in Market Trials.

As set out in PwC's position paper, during the consultation period there are milestones in Xoserve's delivery where some of the risks to the stability and sustainability of the central systems will either be retired or will crystallise. We will continue to report progress on these through the Project Nexus Delivery Group processes, so Market Participants can reflect on these as they respond to this consultation.

Our ambition is to make a decision on PwC's recommendation at the end of June. Once we have taken a decision, we may need (depending on the option) a short period of more detailed planning with industry before we finalise the exact implementation date and issue any necessary formal direction. We intend to call a meeting of the Project Nexus Sponsors Forum in early July.

Given this is an in-flight review, Ofgem will continue to drive industry to the current 1 October 2016 target implementation date. Regardless of any implementation scenario, there is a need to continue to increase the pace in Market Trials. The most important action that Market Participants can take to de-risk the project and help ensure its delivery at the earliest opportunity is to continue with the current plan and Market Trials. We expect to see continued progress by all participants. Ofgem receives regular information from Xoserve on participation in Market Trials and will closely monitor participants to ensure momentum is maintained.

Yours faithfully,

**Rob Salter-Church**  
**Partner, Consumers & Competition**

## **ANNEX: Details of Project Nexus Constituency meetings on re-planning consultation**

<b>Constituency</b>	<b>Meeting date time</b>
GTs	Wednesday 15 <sup>th</sup> June, 1100 to 1230
Six Largest Suppliers	Wednesday 15 <sup>th</sup> June, 1230 to 1400
iGTs	Thursday 16 <sup>th</sup> June, 0900 to 1030
Industrial and Commercial Shippers	Thursday 16 <sup>th</sup> June, 1030 to 1200
Challenger Shippers	Friday 17 <sup>th</sup> June, 1400 to 1530

The Project Nexus PMO will be sending schedulers to all organisations on our distribution lists at the PNSG level. These will be open meetings for all in the constituency to attend, with representatives at the PNSG-level.

All meetings will take place in Ofgem's offices at 9 Millbank, London, SW1P 3GE.