
INDUSTRY CODE GOVERNANCE CONSULTATION RESPONSE

ANNEX 2

OBSERVATIONS ON PREVAILING ARRANGEMENTS, THE APPLICATION OF LESSONS LEARNT AND LINKAGES TO PROPOSED REMEDIES

Introduction

Xoserve has had extensive involvement in several significant industry charge programmes. From that experience, we have set out in the tables below a number of observations on what has worked well and could have been improved upon, and also have set out our view of the potential future application of 'lessons learnt' from these experiences, endeavouring where possible to identify which of the potential remedies in the consultation would have contributed to the removal of weak or reinforcement of strong features of prevailing arrangements.

The principal programmes upon which we have drawn are Project Nexus, the cross industry switching reforms in 2014 ("FS14"), and the establishment and operation of the Senior Stakeholder Forum and subsequently the Change Overview Board ("SSF/COB").

Our key insights are that:

- Any newly created / appointed body has to show true leadership of issues, must be able to guillotine debate, and needs to demonstrate to all parties that it is working collaboratively with the appropriate authority;
- There has to be clarity of customer benefits at all times;
- There has to be confidence that such a new body is working for the consumers' benefit
- There must be a willingness to listen to views and an independence when it comes to decision making; and
- When system change is required, experienced and engaged representatives from all parties must be secured, and there must be realistic and clearly defined timetables, targets, requirements and expectations for all impacted parties from the outset

Table 1 – Observations on prevailing governance

Observations	Examples	Application and relevance of the proposed Remedies
Parties have legitimately different and sometimes opposing commercial interests.	<p>Nexus</p> <ul style="list-style-type: none"> • Definition of requirements to inform UNC modifications took a long time • No party had authority to conclude code modification process, even though core reform principles remained unchanged. • Evidence of a lack of trust between several parties, with concerns that motives were for vested interest 	<ul style="list-style-type: none"> • Invest authority in a body to guillotine debate if there is no evidence of progress • Define upfront and keep focus on change objectives and benefits • The potential remedies could assist through early establishment of clear strategic directions and mechanisms / powers with Code Manager(s), Industry Change Managers and a consultative board to expedite progress.
Parties do not trust the progression of change outside of the code governance framework	<p>Nexus</p> <ul style="list-style-type: none"> • Early buy in to the establishment of the Project Nexus Advisory Group (“PNAG”) outside of Code governance, with good attendance from invitees and generally non-partisan constructive behaviours. Over time, there was pressure for PNAG deliberations to be brought under Code governance. Flexibility, coordination and collaboration were replaced by formality and rigidity which hampered progress. 	<ul style="list-style-type: none"> • A key differentiator between Nexus and FS14 was very clear direction and requirements, accompanied by a risk of significant reputational damage for any party perceived to have ‘dragged their feet’. • Invest authority in a body that has rights and powers to hold parties to account against an agreed plan.

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	<p>FS14</p> <ul style="list-style-type: none"> • Collaborative approach to the development of requirements, with governance rules applied but in a flexible and accommodating manner. • Parties demonstrated willingness to progress matters 'at risk'. 	<ul style="list-style-type: none"> • The potential remedies could assist through the vesting in a relevant body or bodies, recognised as having consumers' interest as prime and having appropriate expertise in delivery planning, both the responsibility and authority to progress definition of change and planning of delivery.

Table 2 – Observations on Change Management

Observations	Examples	Application and relevance of the proposed Remedies
<p>Little or no prioritisation and scheduling of change leads to inefficient behaviours</p>	<p>Nexus</p> <ul style="list-style-type: none"> • Some parties scaled back their engagement because of concerns with a potential lack of alignment with the Smart Metering Implementation Programme (“SMIP”). • The absence of a strategic cross-industry plan meant that the relationship between Nexus and other parallel significant reforms was neither visible nor understood by all parties • Attempts to resolve a potential conflict between Nexus and the delivery of EU Reforms was made the subject of a formal Modification Proposal rather than a ‘round the table’ discussion and resolution. • Under Project Nexus delivery governance, matters have been addressed and resolved through the Project Nexus Steering Group, and Modification Proposals have been raised only if required to give effect to their resolution. This approach allows for a more efficient formal Code governance process. 	<ul style="list-style-type: none"> • A visible and understood cross industry plan along with the overall vision gives all parties a common point of reference against which to assess plans and priorities. • The body charged with populating the plan must be recognised as doing so inclusively and without favour to any industry parties, but in the interests of consumer benefit. • The potential remedies could assist through the establishment of an inclusive consultative board,

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<p>Absence of effective co-ordination across changes to codes, contracts and systems delivery, resulting in duplication of effort and need for re-work.</p>	<p>Nexus</p> <ul style="list-style-type: none"> Poor coordination with SMIP, even when potential conflicts in resources were explicitly recognised in SMIP and Nexus industry forums. <p>FS14</p> <ul style="list-style-type: none"> Effective cross-industry engagement (gas and electricity) to define common requirements Early engagement of central delivery bodies and individual parties to assess feasibility against a target delivery date. <p>SSF/COB</p> <ul style="list-style-type: none"> Overview planning is recognised as valuable. COB draws on input from all parties, including Xserve and Ofgem, setting out the change horizon and seeking to identify potential synergies and conflicts. COB considerations are limited to changes in the 'gas central systems' space and there is clearly a bigger multi-Code, multi-sector picture that would benefit from this type of approach. 	<ul style="list-style-type: none"> A single overarching set of agreed priorities allows the industry to better marshal its resources. Industry needs to look to lead coordinator of those priorities to set the pace and direction. The potential remedies could assist again through a consultative board and also through clear strategic direction being established and routinely tested.

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<p>The party responsible for delivery of central system changes may not be regarded as authoritative and independent.</p>	<p>Nexus</p> <ul style="list-style-type: none"> • Efforts to gauge readiness of Code parties were viewed with suspicion. • Introduction of demonstrably independent assurance and cross-industry programme management services provided by PwC, and accountable to Ofgem, has been key in moving the delivery to a proper industry plan. <p>FS14</p> <ul style="list-style-type: none"> • Active, regular and repeated checking of industry progress provided a reminder of the importance attached to the change and assurance that industry parties and central bodies had the necessary support to achieve delivery. (In this instance, the nature of system changes did not require such extensive cross-party coordination and was largely achieved within trade associations.) 	<ul style="list-style-type: none"> • Parties leading change delivery need the explicit backing and support of a body or bodies with recognised authority and who are acknowledged as acting for the greater or customer good and without vested interest. • In addressing the industry assurance and programme management role on an ongoing basis, it is imperative that the party fulfilling it has the ‘authority’ to lead and work with the industry. • The potential remedies could assist through code and, change management roles being acknowledged as sufficiently in the customers’ interests, as opposed to any individual industry constituencies.
<p>Delivery approaches can be sub-optimal when projects are required to deliver to a ‘target date’ that has not been adequately tested.</p>	<p>Nexus</p> <ul style="list-style-type: none"> • In response to a slow pace of progress in defining requirements, target delivery dates were set to challenge the programme to increase pace and recover the time lost. • Timescales were over-ambitious, were not founded on a well-informed and balanced ‘left to right’ plan, and led to sub-optimal 	<ul style="list-style-type: none"> • Development of delivery plans should be informed by those parties, central and otherwise, who need to deliver change. • Where plans are considered to lack ambition, the basis of concerns should be reviewed by a party who has the expertise to

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	<p>approaches to solution design and development.</p> <ul style="list-style-type: none"> Failure to meet dates instilled a lack of confidence in the industry with Xoserve's ability to deliver, and placed a disproportionate focus on central system readiness. 	<p>make an informed and objective assessment.</p> <ul style="list-style-type: none"> The potential remedies could assist through an appropriately inclusive consultative board.
<p>Parties may be unable or reluctant to share information about their own organisation's plans</p>	<p>Nexus</p> <ul style="list-style-type: none"> The absence of realistic estimates from users of their likely usage can seriously increase the cost of delivery as non-functional specifications for data / transactional volumetrics and performance either need to err on the side of caution (with the risk of redundancy) or to adopt central demand assumptions (with the risk of capacity constraints). 	<ul style="list-style-type: none"> Reasons for not sharing plans and expectations should be better understood The potential remedies could assist through code and change management roles including assurance and planning and being acknowledged as in the customers' interests, as opposed to any individual industry constituencies. They should also be backed by formal authority and powers to require provision of information for planning.