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for energy consumers

The Joint Office, relevant Gas
Transporters and other interested
parties

Email: Angelita.Bradney@ofgem.gov.uk

Date: 16 July 2015

Dear colleague,

UNC548: Project Nexus – deferral of implementation date

We have received a request from National Grid Distribution that modification proposal UNC548: '*Project Nexus – deferral of implementation date*' follows urgent modification procedures¹. We agree to that request.

Background

UK Link is an IT system which enables Gas Shippers and Gas Transporters (GTs) to exchange information relating to supply point administration, the balancing of the gas system and other matters. The GTs agent Xoserve is undertaking the replacement of UK Link as part of project referred to as Project Nexus.

Project Nexus will fundamentally change the basis of gas settlement. It will also incorporate the independent GTs (iGTs), providing a single supply point administration function, bring the customer transfer arrangements for iGT-connected consumers into line with those of other networks.

The principal UNC modifications that will give effect to these changes are UNC432² and 434³, which were accepted in February 2014, and UNC440⁴ which was accepted in January 2015. All of these modifications were scheduled to be implemented together on the Project Nexus Implementation Date, which was defined within UNC432 as 1 October 2015.

However, on 1 May 2015 the Project Nexus Steering Group received an interim report from its independent project assurance manager, PwC, showing that 1 October 2015 was no longer a viable implementation date for Project Nexus. This was based on an assessment of GTs' and shippers' planning and state of readiness, which, amongst other things, suggested that there was insufficient provision for systems testing ahead of scheduled market trials. Given the potential risk to consumers and industry parties, we accepted the recommendation that Project Nexus implementation be delayed in order to allow robust systems testing and market trials. This was communicated to stakeholders both in Steering Group minutes and our open letter of 18 May 2015⁵. In this letter we also set out our view that industry had the tools, through the code governance process, to address the

¹ Modification Proposal UNC548 can be found on the Joint Office website: www.gasgovernance.co.uk/0548

² UNC432: '[Project Nexus – gas settlement reform](#)'

³ UNC434: '[Project Nexus – retrospective adjustment](#)'

⁴ UNC440: '[Project Nexus – iGT Single Service Provision](#)'

⁵ Ofgem open letter 18 May 2015:

www.ofgem.gov.uk/sites/default/files/docs/2015/05/nexus_open_letter_18_may_2015_0.pdf

risk of further delay. This included, for example, setting out in the code, specific deliverables and interim milestones leading up to full systems implementation that all parties would be obligated to meet.

Since that time, PwC has been working with Xoserve and other stakeholders to formulate a revised implementation plan. At its meeting of 1 July 2015 the Steering Group unanimously supported PwC's proposed plan, which included specific and extended periods for each stage of market trials, culminating in a recommended implementation date of 1 October 2016⁶. Whilst the plan will be further developed, for instance to provide further detail on the approach to market trials, UNC548 seeks to bring the UNC reference to the Project Nexus implementation into line with the revised plan.

UNC Modification Panel View

In accordance with paragraph 10.1.1(b) of the Modification Rules⁷, before making our decision on whether the modification proposal should follow the urgent procedure, we requested the UNC Modification Panel's (the Panel) view on urgency for this particular proposal. At the Panel meeting on 16 July 2015 the UNC Panel members present voted to recommend that the proposal follow urgent procedures.

Notwithstanding its recommendation on urgency, several Panel members considered that in the event the Authority did accept that UNC548 should follow urgent procedures, there should be a longer period for consultation than the 5 days originally suggested by the proposer⁸.

Authority decision

In reaching our decision, we have considered the details contained within the modification proposal, the Proposer's justification for urgency and the views of the Panel. We have assessed the request against the criteria set in Ofgem's published guidance⁹. We have considered in particular whether it is linked to "*an imminent issue or a current issue that if not urgently addressed may cause a significant commercial impact on parties, consumers or other stakeholder(s)*".

Whilst all stakeholders should now be aware that the Project Nexus implementation date is no longer 1 October 2015, the continuing reference to this date within the UNC may cause confusion and, if not addressed, raise concerns regarding a possible breach of the UNC. It is therefore appropriate to remove any potential confusion as soon as possible. Perhaps more importantly, we consider it vital that all parties now plan for the revised implementation date of 1 October 2016 and manage their planning and resource accordingly. We recognise that even with a revised implementation date, the delivery of Project Nexus remains a significant challenge and represents a material investment for all parties.

We are therefore satisfied that there is a pressing need to revise the UNC reference to the Project Nexus implementation date to facilitate efficient planning, and that if this proposal does not follow urgent procedures, there may be a significant commercial impact to the proposer and other UNC Parties.

⁶ Project Nexus Steering Group Minutes 1 July 2015:

www.gasgovernance.co.uk/sites/default/files/Minutes%20Project%20Nexus%20SG%20010715%20v1.0.pdf

⁷ The Modification Rules can be found here:

www.gasgovernance.co.uk/sites/default/files/Modification%20Rules_13.pdf

⁸ For the minutes and voting record of this meeting see: www.gasgovernance.co.uk/panel/160715

⁹ Ofgem's Guidance is published on our website:

www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/Ofgem%20Guidance%20on%20Code%20Modification%20Urgency%20Criteria.pdf

We have noted the comments of some UNC Panel members regarding the consultation period for this proposal. We consider that a longer consultation period is appropriate in this case. The timetable should therefore be as follows:

Process	Date
Consultation commences	20 July 2015
Consultation closes	31 July 2015
Draft Final Modification Report issued to the UNC Panel	3 August 2015
Panel provide recommendation and submit report to the Authority	6 August 2015
Authority decision	By 13 August 2015

For the avoidance of doubt, our decision on urgency should not be treated as any indication by us on the merits of modification proposal UNC548. The Authority will make a decision on UNC548 in accordance with the appropriate process after taking account of all relevant considerations.

Yours faithfully

Angelita Bradney
Head of Smarter Markets