

0549:

Improving Arrangements for Managing Major Industry Changes

Whilst normal industry changes are generally well managed in the UK Gas Market through existing processes and governance structures Major Industry Changes such as RGMA and more recently Nexus have demonstrated fundamental weaknesses in the current arrangements. This modification proposes the introduction of governance and support arrangements to ensure future Major Industry Changes are more efficiently delivered.

	The Proposer recommends that this modification should be sent to the workgroup for development
	High Impact: Shippers
	Medium Impact: None
	Low Impact: None

- 01 Modification
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

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About this document:		
This modification will be presented by the Proposer to the Panel on 20 August 2015.		 telephone 0845 873 2284
The Panel will consider the Proposer's recommendation and agree whether this modification should be:		Transporter: Scotia Gas Networks
<ul style="list-style-type: none"> referred to a Workgroup for assessment. 		 Erika.melen@sgn.co.uk
The Proposer recommends the following timetable:		 01293 818308
Initial consideration by Workgroup	27 August 2015	Systems Provider: Xoserve
Workgroup Report presented to Panel	19 November 2015	 commercial.enquiries@xoserve.com
Draft Modification Report issued for consultation	20 November 2015	
Consultation Close-out for representations	07 January 2016	
Final Modification Report presented to Panel	08 January 2016	
UNC Modification Panel decision	21 January 2016	

1 Summary

Is this a Self-Governance Modification?

No because the changes it proposes are likely to have a material impact on the Uniform Network Code governance procedures or the Uniform Network Code modification procedures.

Is this a Fast Track Self-Governance Modification?

This is not a Fast Track Self Governance modification as it is not proposing a house keeping change.

Why Change?

The industry generally has a good reputation for developing and implementing “normal” incremental industry changes and the existing industry structures and processes are adequately developed to manage this level of change. However, these structures and processes struggle when faced with Major Industry Changes. This has recently clearly been demonstrated by governance and project management issues which have beset Project Nexus.

Solution

The solution proposes to implement a clear delivery structure for major industry deliverables, comprising a Project Board, Project Management Team and Project Assurance. It defines the key responsibilities for each body and the expected interactions and decision-making responsibilities.

UNC already contains or provides for a number of committees and roles such as EBCC, UK Link etc., and this proposal would utilise this principle.

Relevant Objectives:

This modification aims to introduce a more efficient structure for managing Major Industry Change thus furthering relevant objectives:

- d) Securing of effective competition between relevant shippers; and
- f) Promotion of efficiency in the implementation and administration of the Code.

Implementation

No specific implementation date has been provided, however it makes sense that the modification is introduced as soon as reasonably practicable to ensure appropriate arrangements are in place for managing future major industry changes.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No impacts are anticipated.

2 Why Change?

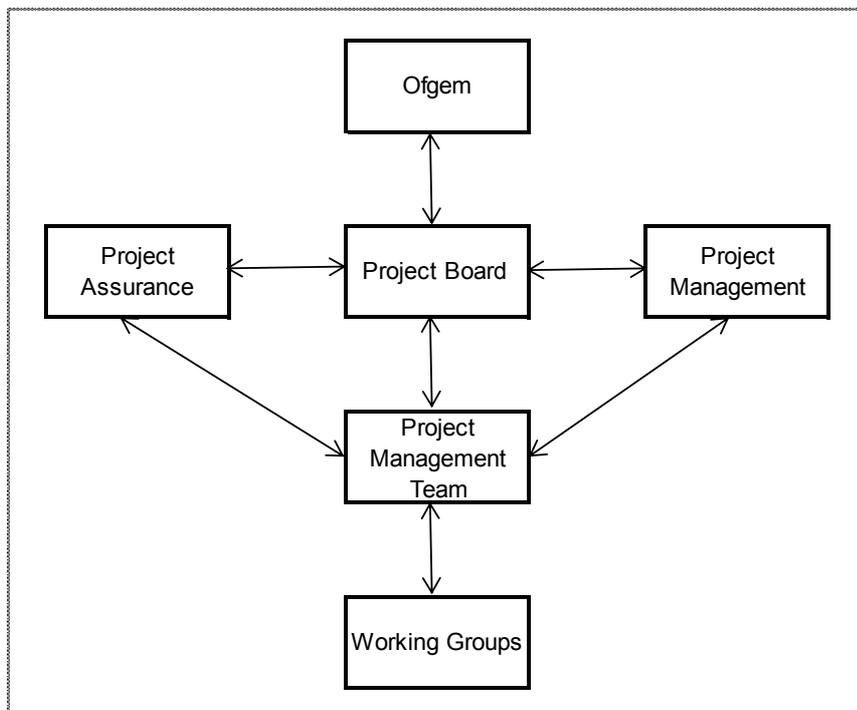
The industry generally has a good reputation for developing and implementing “normal” incremental industry changes and the existing industry structures and processes are adequately developed to manage this level of change. However these structures and processes struggle when faced with Major Industry Changes. This has recently clearly been demonstrated by governance and project management issues which have beset Project Nexus.

Project Nexus, as well as covering the replacement of IX, has introduced major changes to existing industry processes and procedures. However the programme has, until recently, had no centralised or co-ordinated approach to its delivery. Numerous sub groups have been set up with ambiguous authority to take decisions and no clear overarching hierarchy managing the strategic delivery of the program. This has led to the industry requesting that Ofgem introduce a Steering Committee and appoint Independent Project Management and Assurance. We believe the lessons learnt from managing such a Major Industry Change should not be lost and appropriate changes are made so that future Major Industry Changes can benefit from these lessons learnt.

Whilst such major changes are not common their impact is significant and the efficient implementation of such projects are critical to the industry as a whole. It is also noticeable that a number of significant industry changes such as the rollout of Smart and Advanced Metering, Next Day Switching and Centralised Registration are ongoing which may lead to Major Industry Change.

3 Solution

This solution proposes the introduction of a number of new Structures (Committees / roles) summarised in the diagram below. Note: Ofgems participation is anticipated although it is not mandated by these proposals:



If a Major Industry Change is identified then it is proposed that the following Governance structure and roles are introduced: -

1. Project Board (Key Features)

- Subject to generic principle based ToR which could be enshrined as a Code Related Doc
- Ofgem Chair Group
- Small Group responsible for Strategic Delivery of Change and able to co-ordinate with UNCC on implementation matters and other relevant existing structures
- Members represent industry constituents
- Group is empowered to make decisions on behalf of industry
- Group is empowered to appoint independent Project Management and Project Assurance roles

2. Project Management Team (Key Features)

- Project Management Role Chairs Group
- Subject to principle based ToR developed by the Board
- Manages the day to day delivery of the Change
- Broader representation of industry company representatives
- Work with Project Manager and Project Assurance in delivering Change
- Able to form Sub Groups as required to manage specific aspects of the Change

3. Project Management Role

- Independent Service Provider
- Appointed by Board
- Responsible for advising and assisting the Board and Management Team
- Responsible for managing the Project Plan

4. Project Assurance Role

- Independent Service Provider
- Appointed by Board
- Responsible for providing independent Project Assurance to the Board

Note: Although specific definition of Major Industry Change has not been proposed, we would look towards the workgroup developing a suitable definition using experience from projects as RGMA and NEXUS

We would welcome further input from Ofgem and the Industry through the workgroup on how funding can best be managed for these arrangements perhaps, again, based on experience of having to introduce these arrangements on an Adhoc basis in previous and ongoing projects.

UNC already contains or provides for a number of committees and roles such as EBCC, UKLink etc. and this proposal would utilise this principle.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	This is not a User Pays Modification as it does not amend or create a User Pays service.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	
Proposed charge(s) for application of User Pays charges to Shippers.	
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

This modification aims to introduce a more efficient structure for managing Major Industry Change thus furthering relevant objective d) Securing of effective competition between relevant shippers.

This modification may also be positive in relation to objective f) as it would improve the efficiency of implementing change under the code. The benefits clearly extend to Consumers as a de-risked delivery is a great positive.

5 Implementation

No specific implementation date is proposed, however it makes sense that the modification is introduced as soon as reasonably practicable to ensure appropriate arrangements are in place for managing future major industry changes.

6 Impacts

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No impacts have been identified or are anticipated should this modification be implemented.

7 Legal Text

Text

To be provided by Transporters.

8 Recommendation

The Proposer invites the Panel to:

- Determine that this modification should not be subject to self-governance; and
- Progress to Workgroup assessment.