

Stage 01: Modification

0513 (Urgent):

UK Link Programme (Project Nexus) - independent project assurance for Users

At what stage is this document in the process?



This 'transitional' Modification Proposal identifies requirements for Shipper User co-operation and information provision in support of the introduction of an independent project assurance agency appointed by Ofgem to assess Shipper User readiness for the UK Link Programme. A report is due to be presented by the agency to Ofgem by 1st December 2014.



The Proposer recommends that this modification should be:

- treated as urgent and should proceed as such under a timetable agreed with Ofgem



High Impact: Users



Medium Impact: None identified



Low Impact: None identified

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About this document:

This modification ~~will~~ was ~~be~~ presented by the proposer to the Modification Panel on 26 August 2014.

The panel ~~will~~ considered the proposer's recommendation and agreed whether this modification should be:

- ~~issued to Ofgem for consideration~~ recommended to follow for urgent procedures to apply
- ~~subject to agreement for urgency, issued to consultation~~



Any questions?

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1 Summary

Is this a Self-Governance Modification?

This modification is not proposed to be Self-Governance as it is likely to have a material effect on competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes.

Is this a Fast Track Self-Governance Modification?

This modification does not meet the Self-Governance criteria and so is not a Fast Track Self-Governance modification.

Why Change?

The scale of industry change associated with the UK-Link Programme and associated Modifications require certainty that all affected parties can demonstrate readiness to meet the Project Nexus Implementation Date. Some industry members, including the Authority, have confirmed this requirement exists and that an urgent assessment of Shipper User readiness is made to enable the industry to plan, design, build and implement a successful industry-wide change programme. An agency will be appointed by Ofgem for this purpose.

The Transporter's agency has already engaged Baringa Partners LLP to conduct project assurance on its own preparatory activities and state of readiness.

'Transitional' Modification of the UNC is required to mandate Shipper Users to cooperate with, and support, the production of an assessment by the agency in the period to December 2014.

Solution

It is planned that an independent agency will be appointed by Ofgem to perform a project assurance role for the UK Link Programme (incorporating the Project Nexus modifications) to test for Shipper User readiness, with a report to be provided to the Authority no later than 1st December 2014. ~~For reasons of expediency it has been identified that Baringa Partners LLP will be the~~ identity of the appointed agency, ~~through this~~ would be a matter for the Authority.

To enable the agency to undertake relevant scrutiny and analysis of Shipper User readiness it is essential that it is furnished with relevant information and data by Shipper Users. This might include statements and analysis concerning the state of IT systems and supporting processes and evidence of readiness. Provision of relevant information and statements to the agency would need to be provided on a prompt and timely basis and consequently it is vital that each Shipper User co-operates fully with the agency. Information so provided would be dealt with on a strictly confidential basis and shared only with Ofgem.

This will be achieved by the introduction of transitional terms to the UNC TPD.

Relevant Objectives

Relevant objective f) Implementation and Administration of the Code

The UK Link Programme will incorporate the industry requirements defined within the Project Nexus related UNC Modifications 0432, 0434 and 0440 (if implemented). Certainty over Shipper User readiness is essential to ensure effective and timely implementation.

Implementation

This Modification Proposal is required to be implemented by 12th September 2014 to enable the appointed agency to have sufficient time to complete their assignment and submit a report to the Authority by 1st December 2014.

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A cost estimate for this Modification Proposal is not presently available; however, the value is expected to be below the OJEU threshold for single source tendering, being £172,514.

Does this modification affect the Nexus delivery, if so, how?

This modification does not directly affect Project Nexus delivery. However it will inform subsequent actions in support of timely delivery of the supporting systems solutions in time for implementation on 1st October 2015.

2 Why Change?

The scale of industry change associated with the UK-Link Programme and associated Modifications require certainty that all affected parties can demonstrate readiness to meet the Project Nexus Implementation Date. Some industry members, including the Authority, have confirmed this requirement exists and that an urgent assessment of Shipper User readiness is made to enable the industry to plan, design, build and implement a successful industry-wide change programme. An agency will be appointed by Ofgem for this purpose.

The Transporter's agency has already engaged Baringa Partners LLP to conduct project assurance on its own preparatory activities and state of readiness.

'Transitional' Modification of the UNC is required to mandate Shipper Users to cooperate with, and support, the production of an assessment by the agency in the period to December 2014.

3 Solution

Modification of the UNC involving the introduction of transitional terms in respect of TPD Section U is required as follows:

1. Shipper Users to be mandated in the period to 1st December 2014 to co-operate with the agency appointed by Ofgem to validate their readiness for implementation of the UK-Link programme underpinning Project Nexus on 1st October 2015.
 - a. This is required for the agency to produce a Shipper User readiness report by 1st December 2014
2. The assignment report provided by the agency to the Authority will contain information provided directly by the Shipper User and will be on a non-anonymised basis.
 - a. The agency will also be required to provide a redacted version of the assignment report. This report will be prepared so that all references to a Shipper User by name will be removed and any data that may result in the identity of any Shipper User being ascertained shall also be removed. This report will be provided to the Authority who, having approved such report shall provide this to the Transporters for publication by the Joint Office of Gas Transporters.
3. For Shipper Users to use best endeavours to provide any data or relevant information as may be reasonably required by the appointed agency to undertake its activities (noting that such data is provided on a wholly confidential basis).
 - a. The agency will hold all data and information provided to it by each Shipper User in confidence and will destroy all data and information received from each Shipper User within three months of the provision of the assignment report to the Authority.
4. To provide for funding of the agency's activities under User Pays arrangements.
5. The Gas Transporters and their Agency Xoserve (other than responding to any reasonable requests for information from the appointed agency) shall have no involvement in the appointment of the agency, or the work undertaken by the agency in the production of the assignment report.

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Note: It is possible that further assessment work will be required in 2015 but any UNC related requirements for this are out of scope for the purposes of this Modification Proposal

User Pays – Table not updated as suggested in last version

Classification of the modification as User Pays, or not, and the justification for such classification.

The assignment is for the benefit of Shipper Users. An assignment service is facilitated by the implementation of this Modification Proposal and it is therefore classified as a User Pays Modification.

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.

100% of costs recovered from Shipper Users. The charges to Shipper Users are to be recovered from each Shipper User based upon the number of Supply Points in each Shipper User's ownership as a proportion of the total number of Supply Points in all Shipper User's ownership as measured on the date of the implementation of the Modification, excluding 'unique sites'.

Proposed charge(s) for application of User Pays charges to Shippers.

A cost estimate for this Modification Proposal is not presently available; however, the value is expected to be below the OJEU threshold for single source tendering, being £172,514.

Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.

TBC.

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.	None
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

Relevant objective f) Implementation and Administration of the Code

The UK Link Programme will incorporate the industry requirements defined within the Project Nexus related UNC Modifications 0432, 0434 and 0440 (if implemented). Certainty over User readiness is essential to ensure effective and timely implementation.

5 Implementation

This modification is required to be implemented by 12th September 2014 to enable the appointed agency to have sufficient time to complete their assignment and submit a report to the Authority by 1st December 2014.

A cost estimate for this Modification Proposal is not presently available; however, the value is expected to be below the OJEU threshold for single source tendering, being £172,514.

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6 Legal Text

Legal Text

New paragraph 9 to Section U of the TPD

9 MONITORING OF THE IMPLEMENTATION OF THE UK-LINK PROGRAMME

9.1 Introduction

9.1.1 This paragraph 9 sets out requirements applicable to Shipper Users in relation to the monitoring of the implementation of the UK-Link Programme by the Project Nexus Implementation Date.

9.2 User Obligations

9.2.1 Each Shipper User shall:

- (a) use best endeavours to provide any data or relevant information reasonably requested by the Relevant Agency; and
- (b) otherwise reasonably co-operate with the Relevant Agency,

in order for the Relevant Agency to prepare a report on the implementation of the UK-Link Programme to be submitted by the Relevant Agency to the Authority by 1 December 2014.

9.3 User Pays Charge

9.3.1 Each Shipper User will pay (in accordance with Section S) to the Transporter a User Pays Charge in respect of such User Pays Service.

Definitions:

“**Relevant Agency**” is the agency [which may be](#) appointed by the Authority to monitor the implementation of the UK-Link Programme, as [may be](#) notified by the Authority to the Shipper Users.

“**UK-Link Programme**” is [#]. *Note: use of term to be considered in context of transitional rules for Modifications 0432, 0434 and 0440 once developed.*

1. Transitional Text

New Paragraph 1.11 to the Transition Document Part IIC – Transitional Rules

1.11 TPD Section U: Monitoring of the Implementation of the UK-Link Programme

1.11.1 TPD Section U, paragraph 9 shall not apply after 1 December 2014.

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7 Recommendation

The Proposer invites the ~~Modification Panel~~ Authority to:

- Agree urgency on the basis that if standard non-urgent procedures were applied there would be insufficient time to implement the Proposal by 12th September 2014.
- Permit the proposal to progress to consultation on the basis that it is fully developed.

This Modification Proposal requires approval by 12th September 2014 and the recommended urgent modification timetable is identified below:

- Modification Panel view on urgency and consultation requested – 26th August 2014.
- Modification Proposal issued to Ofgem for consideration of urgency – 26th August 2014
- Ofgem grants urgency – 27th August 2014
- Joint Office issues for consultation – 27th August 2014
- Close out for representations – 3rd September 2014
- Joint Office to prepare Final Modification Report and issue to Modification Panel – 4th September 2014
- Modification Panel meeting (teleconference) to make recommendation – 5th September 2014
- Final Modification Report issued to Ofgem – 5th September 2014
- Ofgem decision by 12th September 2014