

Stage 01: Modification

At what stage is this document in the process?

0548:

Project Nexus – deferral of Implementation Date

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

This modification identifies requirements relating to the deferral of the implementation of Project Nexus under UNC Modifications 0432, 0434 and 0440.









The Proposer recommends that this modification should be:

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



High Impact: Large Transporters and Shipper Users

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About this document:		 commercial.enquiries@xoserve.com														
The Proposer recommends that this modification should follow urgent procedures based on the timetable below:																
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1 Summary

Is this a Self-Governance Modification?

Self-Governance procedures are not requested as this modification is expected to have a material impact on existing gas customers.

Is this a Fast Track Self-Governance Modification?

Fast track procedures are not requested on the basis that this modification does not meet the self-governance criteria.

Why Change?

It has been determined by the Project Nexus Steering Group (PNSG) that it is not possible for industry parties to implement systems and processes to facilitate the UNC arrangements under Modifications 0432, 0434 and 0440 on the Project Nexus Implementation Date. This is presently defined in UNC as being 1st October 2015

The PNSG has identified and agreed a new date being 1st October 2016.

Urgent procedures are sought to provide absolute clarity to the industry at the earliest possible opportunity on the content of the Project Nexus regime to be implemented as part of the UK-Link replacement programme on 1st October 2016.

Solution

Modification of the UNC is required to amend the Project Nexus Implementation Date and establish key systems and process development milestones in the period leading up to Project Nexus Implementation.

Relevant Objectives

The modification can be expected to better facilitate Relevant Objective f) Promotion of efficiency in the implementation and administration of the Code.

Implementation

This modification can be implemented immediately upon direction by the Authority.

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

This modification impacts the industry programme for replacement of UK-Link systems.

2 Why Change?

The UNC General terms Section C paragraph 1 presently defines the Project Nexus Implementation Date as being 1st October 2015. This date was established by UNC 0432 'Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation Reform'.

Following concerns expressed by industry parties regarding the extent of industry 'readiness' for implementation of Project Nexus on 1st October 2015, an industry workgroup, the PNSG consisting of Shipper User, Large and Small Transporter members with voting powers was convened to assess the prevailing position. The PNSG is provided with guidance and advised by the Project Assurance Manager PricewaterhouseCoopers (PwC) and the Transporter Agency, Xoserve. In addition to this PwC has undertaken a readiness survey and produced an implementation plan.

At its meeting held on 1st July 2015 based on a PwC recommendation, members of the PNSG unanimously determined that the Project Nexus Implementation Date should be deferred to 1st October 2016. It was also been identified that rather than the Uniform Network Code Committee (UNCC) being identified as having 'rights' under the code to determine an alternative date, this should be within the remit of Ofgem. The reason for this is that such change of date would constitute an exceptional event which could have significant adverse financial consequences for the industry. As such the view of PNSG members was that such a decision should only be taken with the Authority's consent.

In addition to identifying a new Project Nexus Implementation Date, this modification contains a requirement for delivery 'milestones' in relation to the UK-Link pre-implementation testing and 'Market Trials' timetable. Monitoring of adherence to the milestones will be performed by PwC and reported to the PNSG. Decisions on whether such milestones have been met will be undertaken by the PNSG.

As part of preparation of this modification it has been identified that there are consequential effects arising which are related to the proposed deferral of the Project Nexus Implementation Date. A number of UNC modifications which have been directed upon (and in one case, implemented) are affected as follows:

- Modification 0428 'Single Meter Supply Points'
Modification is implemented but text amended by Modification 0432. Text refers to the 'Project Nexus Go-Live Date' (being 1st October 2015) as opposed to the Project Nexus Implementation Date. It is not proposed to change this date through this modification.
- Modification 0445 'Amendment to the arrangements for Daily Metered Supply Point Capacity'
No legal text consequences. It would be necessary to issue a revised notice of implementation
- Modification 0473 'Project Nexus – Allocation of Unidentified Gas'
No legal text consequences. It would not be necessary to issue a revised notice of implementation
- Modification 0514 'Extending the Daily Metered 'voluntary' service to Project Nexus Implementation Date plus six months'
No legal text consequences. It would be necessary to issue a revised notice of implementation
- Modification 0516S 'Information provision by large Customers to aid understanding of site characteristics'
No legal text consequences. It would not be necessary to issue a revised notice of implementation

3 Solution

Modification of the UNC is required to amend the Project Nexus Implementation Date in General Terms Section C to 1st October 2016 or such other date as may be determined by the Authority (rather than the existing reference to UNCC).

While not part of the solution identified within this modification it is expected that the Authority would only be required to intervene and make a direction in respect of a proposed change to the Project Nexus Implementation Date should an exceptional event occur necessitating urgent revision (such as a failure during systems 'cutover' or significant testing issues, etc.).

In addition, in the period prior the Project Nexus Implementation Date the following 'milestone' definitions and dates are required pertaining to the Transporter Agency's UK-Link replacement programme being systems requirements to facilitate meeting the Project Nexus Implementation Date:

1. Solution readiness:
 - a. L2 (compliant with the entry criteria as identified within the PwC implementation plan) completed on 1st October 2015
 - b. L3 (compliant with the entry criteria as identified within the PwC implementation plan) completed on 31st December 2015
2. Level 2 – File Structure Trials: Commencing 2nd November 2015 and completed on 18th December 2015
Positive and negative trialling of file format to ensure the structure and formatting is correct.
3. Level 3 – Functional Market Trials: Commencing 1st February 2016 and completed on 27th May 2016 (Core elements only – Mods 0432 and 0440). For retrospective adjustment (Mod 0434): Commencing 2nd June 2016 and completed on 29th July 2016
Functional trial enabling Stakeholders to run scenarios, applicable to their organisations, to test the end to end business processes.
4. Level 4 – Multi-Party Market Trials: Commencing 1st February 2016 and completed on 27th May 2016 (Core elements only – Mods 0432 and 0440). For retrospective adjustment (Mod 0434): Commencing 2nd June 2016 and completed on 29th July 2016.
Multi-party trials, enabling parties to test processes with other stakeholders (e.g. Transfer of Ownership).

The milestone dates may be subject to amendment in accordance with the review procedures set out in the PwC implementation plan. However these may only be changed with the agreement of the Authority.

The UNC should reflect that all UNC parties will take best endeavours to meet these.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, 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.	Not applicable
Proposed charge(s) for application of User Pays charges to Shippers.	Not applicable
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Not applicable

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

This modification would mitigate a significant risk to the UK Link Replacement programme. This would increase industry confidence of timely implementation of the proposed 'Project Nexus' regime on 1st October 2016. Consequently this can be expected to better facilitate Relevant Objective f) Promotion of efficiency in the implementation and administration of the Code.

5 Implementation

This modification can be implemented immediately upon direction by the Authority.

6 Impacts

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

An early decision date by the Authority would provide certainty to the industry as the expected delivery of systems on 1st October 2016. This modification is essential to the implementation of the UK Link Replacement programme (which incorporates the changes required for 'Project Nexus') as it would mitigate a significant programme delivery risk.

Pre Project Nexus Implementation

This modification is essential to implementation of the UK Link Replacement programme (which incorporates the changes required for 'Project Nexus').

Project Nexus Implementation

This modification is required to be implemented in advance of the Project Nexus Implementation Date. It will be noted that the series of transitional modifications required to efficiently manage the implementation period are linked to the above date and will move in parallel.

Post Project Nexus Implementation

There is no impact on the post-Nexus period.

7 Legal Text

Text Commentary

The following legal text reflects the business rules in Section 3. The text is divided into two parts. Firstly are the requirements concerned with activities required to enable parties to meet the Project Nexus Implementation Date.

Specifically identified and defined is a reference to the PwC implementation plan. The purpose of this is to direct industry parties to the presence and significance of the plan. Of particular importance is that a much more detailed explanation of the pre-implementation 'milestones' and associated requirements can be obtained from the plan.

It will be noted that there is also a reference to a need for parties to make 'best endeavours' to meet the requirements concerned with the milestones. Legally this constitutes a high degree of obligation on parties.

The second part is concerned with the actual change to the Project Nexus Implementation Date and associated terms.

Text

PROJECT NEXUS – DEFERRAL OF IMPLEMENTATION DATE

TRANSITION – PART IIE

Add new paragraph 9.2 to read as follows:

9.2 Project Nexus Implementation Date

9.2.1 For the purposes of this paragraph 9.2 "PwC Implementation Plan" is the plan of that name prepared by PwC relating to the implementation of the Transporter Agency's UK Link replacement programme.

9.2.2 Each Party acknowledges the following system trials (each more particularly described in the PwC Implementation Plan), to support implementation of Modifications 0432, 0434 and 0440, need to be undertaken and completed in accordance with the following timetable:

(a) Solution Readiness:

(i) L2 entry readiness criteria to be completed by 1 October 2015;

(ii) L3 entry readiness criteria to be completed by 31 December 2015;

(b) Level 2 File Structure Trials to be undertaken and completed in the period between 2 November and 18 December 2015;

(c) Level 3 Functional Market Trials:

(i) in respect of the changes needed to support implementation of Modifications 0432 and 0440, to be undertaken and completed in the period between 1 February and 27 May 2016;

(ii) in respect of the changes needed to support implementation of Modifications 0434, to be undertaken and completed in the period between 2 June and 29 July 2016;

(d) Level 4 Multi-Party Market Trials:

(i) in respect of the changes needed to support implementation of Modifications 0432 and 0440, to be undertaken and completed in the period between 1 February and 27 May 2016;

(ii) in respect of the changes needed to support implementation of Modifications 0434, to be undertaken and completed in the period between 2 June and 29 July 2016.

9.2.3 Each Party agrees to use best endeavours in supporting completion of the system trials in accordance with the dates and timetable in paragraph 9.2.2.

9.2.4 The dates and timetable in paragraph 9.2.2 will be subject to on-going review in accordance with the procedures set out in the PwC Implementation Plan, however the dates and timetable in paragraph 9.2.2. may only be changed with the approval of the Authority

GENERAL TERMS – SECTION C – INTERPRETATION

Amend text as follows:

"Project Nexus Implementation Date" is 1 October 2015 2016 or such other date as may be determined by the ~~Uniform Network Code Committee~~ Authority;

8 Recommendation

The Proposer invites the Authority to:

- Agree urgency on the basis that if standard non-urgent procedures were applied, an implementation decision could not be made in time for industry systems programmes to be re-planned for a potential delivery on 1st October 2016
- Permit the proposal to progress to consultation on the basis that it is fully developed, using the following timeline:

Panel Recommendation on Urgency	16 July 2015
Ofgem Decision on Urgency	17 July 2015
Consultation commences	20 July 2015
Consultation Close-out for representations	24 July 2015
Final Modification Report presented to Panel	27 July 2015
UNC Modification Panel recommendation	30 July 2015
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