

By email



Making a positive difference
for energy consumers

The Joint Office, gas
transporters, gas shippers,
Xoserve and other interested
parties

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Dear colleague

Open letter: Project Nexus implementation

On 1 May 2015, the Project Nexus Steering Group received an interim report from the Project Nexus independent project and assurance manager, PwC. This report set out PwC's views on shipper and transporter plans and readiness for implementing Project Nexus on 1 October.¹

We were very disappointed to learn that PwC's analysis shows that 1 October is unlikely to be a viable implementation date for Project Nexus. This is mainly due to organisations not having sufficient time to test their own systems in advance of joining market trials. The review showed that parties were focused on delivering their internal systems by 1 October, and in some instances sooner, but that very little or no provision had been made for adequate involvement in market trials. In addition, many plans did not sufficiently consider transition activity, training and contingency.

We know from experience that large IT system migrations present risks to consumers' experience of the energy market. We are disappointed that industry parties have not focussed sufficiently on the potential impacts on their customers, and made sure collectively that enough time was left to test the new market arrangements in time for implementation on 1 October. This echoes our concern at industry's failure to make the necessary preparations to deliver electricity settlement reform for customers in profile classes 5 – 8 on time.

PwC, in their role as the independent project and assurance manager, has recommended that parties continue to target 1 October 2015, or earlier, to complete their own systems with rigorous market testing to be completed after that date. We support this recommendation and consider it imperative that parties complete building and testing of their internal systems by 1 October 2015 at the latest so they can enter a new market trials period as soon as possible and avoid further delays to this project.

Alternative dates for implementing Project Nexus

The current approach to implementation and the date set out in the UNC will expose consumers to certain risks. PwC will develop and assess options for a new approach and implementation date for discussion at the next Steering Group meeting on 2 June.

¹ This report can be viewed at
<http://www.gasgovernance.co.uk/sites/default/files/PwC%20project%20plan%20analysis%20for%2001%20May%20Steering%20Group%20FINAL.pdf>

This assessment will consider the earliest appropriate date for beginning market trials and the length of market trials required. From this, a potential new implementation date will be determined. PwC will assess other factors that may affect the viability of this date before presenting a recommendation on 2 June. Steering Group members will then have two weeks to seek views from the organisations they represent before voting on whether to recommend this date. The proposed new implementation date will therefore be known by mid-June. We expect that a modification to the UNC will then be raised, seeking to give formal effect to the new date, overwriting existing references to 1 October 2015. Given the circumstances we would expect to approve a request for this modification to follow urgent procedures.

In assessing any modification to set out the new implementation date, we are unlikely to consider it sufficient to grant a simple extension to the 1 October deadline. An alternative approach would be to ensure that the benefits of the improved settlement arrangements afforded by Project Nexus are realised as soon as possible. Also, without further controls the project could be in a similar position as the revised deadline approaches, with some shippers having built their systems and being ready to enter market trials, and others not. This situation would be unacceptable. Industry, through the code governance process, has tools to deliver a solution that addresses this risk. This could include, 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.

Governance of market trials

PwC have recommended that enhanced governance and oversight of market trials is provided by the Steering Group. We will work with PwC and the Steering Group to ensure this is implemented effectively. This is likely to involve measurement of each individual party's readiness to join market trials through an 'entry criteria' gateway. We support PwC's view that formal entry criteria will play an important role in ensuring each party has delivered its own systems and completed rigorous internal testing prior to joining market trials. As a result, market trials can focus on identifying and resolving issues in the end-to-end market processes without distraction from issues that are yet to be resolved in the systems of each individual party.

We consider the approach outlined above to be a robust process to provide a new implementation date. This new date will be determined by evidence from organisations' plans showing what is achievable, and the time required for a thorough market trials process. For the avoidance of doubt, until a new date for starting market trials is established, we expect parties to work to ensure their internal systems are built, tested and ready to enter market trials by 1 October at the latest. We expect that the enhanced market trials governance will provide early warning of parties that are not aligned to this milestone.

We also consider that it may be possible to secure some of the benefits of the new settlement rules from 1 October 2015, even if the systems are delayed. We will discuss the potential for this, together with the form that any further modification(s) to the UNC may take, with Xoserve and stakeholders in the coming weeks.

Yours sincerely

Rob Church
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