

Representation – Urgent Modification 0573

Project Nexus – deferral of implementation of elements of Retrospective Adjustment arrangements

Responses invited by: **16 February 2016**

To: enquiries@gasgovernance.co.uk

Representative:	Peter Olsen
Organisation:	Corona Energy
Date of Representation:	16 February 2016
Support or oppose implementation?	Oppose
Relevant Objective:	f) Negative

Reason for /opposition: Please summarise (in one paragraph) the key reason(s)

As part of its response to UNC Modification 0548, Corona Energy expressed concerns regarding the revised implementation date for the Project Nexus solution of 1 October 2016, believing that it was built upon untested assumptions and so was not a robust target. The consequence of work to an unverified timeline would be to add additional costs to the industry as the pressure to meet this arbitrary deadline results in last minute reductions to the scope of the project and the delivery of a sub-optimal solution.

This current modification is a consequence of that earlier decision. We are strongly opposed to any form of last minute change to aspects to the baseline for Project Nexus that was approved by Ofgem in February 2014. This reduction in scope is being proposed to ensure that the “Core” aspect of the new system build can be delivered in time for full market operation by 1 October 2016. This proposal will not achieve that aim.

Any form of adjustment to the delivery scope at this stage adds significant additional cost and risk (even if it is reducing what is to be delivered) to the programme. This reduction may reduce the risk to the central systems, but it increases the risk on shippers, both in terms of their own system build and also in terms of market operation, as it proposes a reliance instead on a manual process. It also sets an unwelcome precedent for further reductions. We note that the Unique Sites service is now in the words of PWC “at risk” and that this aspect of delivery may possibly be delayed. Xsoerve is also experiencing problems with other aspects of “Core” functionality, such as RGMA. In short even if the RAASP functionality is de-scoped this project is still at high risk which will inevitably result in further changes to the specification of the final delivery and delivery of an unstable solution on 1 October 2016 which will cause problems for the industry for the foreseeable future. If the project continues on its current course, it therefore will not deliver the benefits for the market that the regulator hopes to achieve, jeopardise the customer experience and have long-term repercussions for the functioning of the market.

Instead of this continual watering down of the delivery specifications, we will reiterate our belief that the timeline of Project Nexus should be re-evaluated immediately with a view to determining a robust delivery date for all aspects of the programme. This will ensure that Xoserve and the industry can work to a realistic plan and deliver a working solution, which may result in a temporary delay in implementing the new market framework, but will mean that the customer can realise the benefits of the new framework as soon as possible.

We have always believed the overriding principles of Project Nexus are that it is implemented fully and correctly. Whatever costs are associated with delays in the go live date these will be dwarfed if a sub-optimal implementation is imposed on the industry which leaves all shippers revamping their own programmes as parts of the programme are descope.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

We disagree that this modification should be rushed into implementation by the end of February. As set out below this modification is not complete as it does not address several key areas and will have to be followed by a subsequent modification if implemented. Considering that the original modification 0434 is not to be implemented until October 2016, there is sufficient time for a full modification to be developed and raised covering areas such as performance standards for Xoserve in undertaking the interim solution or incentivising delivery to the revised implementation date.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

Corona Energy, like all other shippers, have been developing their systems and processes in good faith to the system solution that the Transporters have been contracted to deliver under the UNC. As should be expected with less than eight months before the deployment of the new central system functionality moving to a phased implementation will require Corona Energy to develop and maintain interim processes that align with our new system build, new processes that will have to be tested. As these interim processes will be manually intensive there is a likelihood of error by the Transporter's Agent, the consequences of which will fall on the shipper. In addition there will be costs incurred by us in undertaking a second phase of system delivery in late 2017.

In short this proposal will result in shippers incurring costs and additional risk as a result of the failure of the Transporters to achieve their own revised deadlines, increasing costs for customers. We believe that these costs should properly fall upon the shareholders of the organisation who have failed to deliver and that a mechanism is developed to ensure that customers are kept neutral to these costs.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

We have not reviewed the legal text, but we note that there is no formal provision for the manual workarounds within the drafting and no timeline for Xoserve to deliver such interim processes, or any services levels for them to work to. We contrast this with the level of detail set out in another urgent modification, 0548, which set out explicit goals for all shippers to achieve.

Are there any errors or omissions in this Modification that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

At the Project Nexus UNC workshop held on 29 January 2016, the Transporters' Agent agreed to undertake a manual workaround (using the legacy CMS system) to provide an interim solution for retrospective asset updates. Though the BRDs for this process are in the process of being updated, there is no detail on service levels that the Transporters will be obliged to achieve. Failure to include such information within the UNC contract means that shippers have no guarantee that retrospective asset updates will be progressed in a timely fashion.

Please provide below any additional analysis or information to support your representation

No additional information provided.