

## Representation - Draft Modification Report 0550

### Project Nexus: Incentivising Central Project Delivery

Responses invited by: **10 March 2016**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

<b>Representative:</b>	Mark Jones
<b>Organisation:</b>	SSE Supply
<b>Date of Representation:</b>	10 March 2016
<b>Support or oppose implementation?</b>	Qualified Support
<b>Relevant Objective:</b>	f) None

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

We support the intent of the modification. This modification clearly sets out to incentivise the Transporters to meet their obligations to ensure that Project Nexus is delivered to the current plan for go live on 1<sup>st</sup> October 2016. SSE is fully committed to this go live date and is aware that there will be serious consequences to the Industry as a whole of a further delay to Project Nexus implementation and, therefore, supports any incentive that increases the probability of this date being met.

However, we have concerns that the mechanism in this modification of a monthly incentive payment could result in an incorrect decision being made for Nexus go live and that the decision could be clouded by this incentive. Any fallout from a too early implementation, which results in major problems, is likely to fall on customers and Shippers with customers potentially being unable to switch Supplier and gas being misallocated between Shippers.

Furthermore, if a decision to delay Project Nexus is made, especially if it is very close to the deadline, it could result in an implementation very soon after to avoid incentive payments. It is our view that if a late decision is made to delay the project that, due to the non-effective days falling on different days of the week for any subsequent go live date, the level of detailed re-planning required around these days is likely to lead to a delay in the region of a number of months. An incentive such as this could rush through a go live decision and a knee-jerk re-plan in order to avoid as much of the incentive payment as possible which would be detrimental to the Industry. .

We agree with the sentiment of the modification and feel that the principles could be applied to future projects. However, another key factor of an incentive such as this should be that it should be put in place at the start of a project and not near the end of a project. We also see issues as to the burden of proof required which would have to be overcome in order to trigger any incentive payments.

It is in the best interests of the Industry to get Project Nexus implemented and for all parties including Shippers, Transporters and Xoserve to all work together to get it implemented. A modification such as this could be very divisive in this co-operation and could create perverse incentives which could lead to incorrect decisions being made which could, ultimately, impact customers and lead to increased overall costs within the Industry for Project Nexus. The modification could change the risk profile for project management in a negative way.

The incentive payments should also be reflective of the costs incurred by parties for any delay, but they appear to have been chosen as arbitrary figures rather than being based on sound financial analysis and reasoning of the ongoing costs that would be faced by parties due to a further delay to this project.

There are issues on a mid month implementation of Project Nexus and we feel it would be detrimental and increase settlement risk to split a month over 2 settlement arrangements. This would increase invoicing complexity for that month. It is already proving challenging for Xoserve to define the transitional arrangements for some invoices for the first month after cutting over from the pre to the post Nexus arrangements.

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

The modification could be implemented as soon as possible after a direction by the Authority

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

None identified.

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

Yes.

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

No.

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