

Sandra Simpson
Stakeholder Engagement Manager
Xoserve Ltd.
31, Homer Road,
Solihull,
West Midlands,
B91 3LT.

Seán Mc Goldrick
Programme Manager,
Transmission Network Service

Sean.J.McGoldrick@NationalGrid.com
Direct tel. +44 (0)1926 655 791
Direct fax +44 (0)1926 653 052

www.nationalgrid.com

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Your Reference: Consultation on Change Programme Delivery Options

Dear Sandra,

We are writing in response to your consultation on the options for the delivery of the industry's Change Programme during, with specific focus on the manifold regulatory, commercial and system implementation constraints presenting themselves during 2015. We have presented our response both as the Transmission System Operator and as a key stakeholder in the Gas Transmission sector. As requested, we have completed the table of questions included in your e-mail of February 7th. This can be found in Appendix 1 of this letter.

Our key concern is that the proposed concurrent implementation of Nexus and European programmes in 2015 appears to present a significant and unprecedented risk of failure with a high potential for major impact to National Grid Gas Transmission, our customers, Distribution sector counterparts and industry stakeholders.

The fundamental risk posed by the current plan for concurrent implementation of Project Nexus and EU 2015 programmes is the direct linkage caused by both programmes seeking to update the Gemini system at the same time. This linkage means that, should one programme fail to successfully implement its new / revised functionality, it will not be possible to implement either programme until the fault is rectified, resulting in the failure to deliver either change in 2015.

Considering the scale of both programmes, we believe that, in a concurrent implementation scenario, failure to implement one of the two programmes is likely to result in delay to the implementation of both programmes by at least 9 – 12 months.

With 2015 rapidly bearing down on us, now is the time to assess all the available options with a view to gaining cross-industry consensus on how change can be prioritised to mitigate the risks associated with the highest level of system change experienced by the industry for more than a decade.

We have, on a number of occasions and at various industry fora, raised a concern regarding the availability of a consolidated, industry-wide Programme Plan. The lack of visibility of this has

resulted in stakeholders from each of the Distribution and Transmission sectors developing their strategic system implementation plans in isolation of each other, leading to key constraints not being identified until late in the planning process. It is our recommendation that discussions and decisions relating to plans for all future development work must be taken in context of the deliverability of industry change as a whole.

In considering our responses to the questions raised in your consultation, we have taken into account the Critical Success Factors (CSFs) for each programme.

Project Nexus has two key CSFs; replacing ageing systems and facilitating the introduction of Smart Metering. In the first case, Xoserve have thus far been successful in providing UK-Link sustaining activities which have seen the lifespan of the UK-Link systems efficiently extended beyond their normal replacement dates. Our understanding is that these sustaining activities can, with a reasonable degree of confidence, be further applied to extend the UK-Link system lifespan out to at least 2017 before any material degradation of service is likely.

The second CSF for Project Nexus, facilitating the introduction of Smart Metering, is largely market driven. It will see the introduction of new and amended functionality which will enable the UK-Link suite of systems to take advantage of greater granularity in terms end-consumers' consumption data to allow Shippers and Suppliers to better refine and execute their Capacity and Commodity strategies. The benefit to these organisations from this ability relies on the roll-out of Smart technology being sufficiently advanced to provide a material change to the current NDM profiling function. At this early stage in the roll out of Smart Meter technology, we feel that the realisable benefits are not likely to be material in nature by 2015 and could be as late as 2018.

EU change, driven by the European Commission's requirement for the implementation of a single internal market in Europe, is regulatory in nature, aimed at securing greater security of supply and reducing barriers to competition across all of the European Union.

The CSF for European change is the timely implementation of EU legislative change into member states' markets. The implementation dates are driven by long standing arrangements between UK and EU legislative bodies and are largely fixed in nature. Specifically, in the case of introducing European change into the relevant statutes, licences and codes in the UK, the Gemini EU programme implementation during 2015 is aimed at meeting the legally required dates set by the EU. We are not aware of any scope for extending the implementation timescales.

We would like to see Xoserve explore other options for the introduction of Nexus-driven settlement functionality which remove the dependency between Gemini and Nexus programmes, including the possibility of decoupling these from the rest of the Nexus roll-out.

We look forward to discussing these points with you and our industry stakeholders at the workshop in March and hope that a pragmatic, risk-minimised approach can be agreed to take both Nexus and European programmes forward.

Sincerely

Seán Mc Goldrick

Appendix 1 - Consultation response

As requested, we have provided our view on the scores for the questions relating to the 4 options presented in your consultation letter.

Question		Option			
		1A Concurrent 1/10/15	1B Concurrent Later	2A Nexus Then EU	2B EU Then Nexus
1	What is the scale of dependency to achieving successful delivery? (Very High dependency = 5)	5	5	5	5
2	What would be the impact of failure to achieve? (Very High impact = 5)	5	5	5	5
3	What would be the likelihood of failure to achieve? (Very High likelihood = 5)	5	5	5	2
4	What would be the feasibility of mitigating the likelihood of failure? (Low feasibility = 5)	5	5	5	2
5	What would be the impact to your organisation of mitigating the likelihood of failure? (Very High impact =5)	5	5	5	2
6	What would be the scale of risk / impact to your organisation of delivery? (Very High = 5)	5	5	5	2
7	What would be the scale of foregone benefit to your organisation relative to Option 1A? (Very High loss of benefit = 5)		N/A	N/A	N/A

The following pages include our rationale for the score of each of the options on each question.

Question 1 – What is the scale of dependency to achieving successful delivery?

Question		Option			
		1A Concurrent 1/10/15	1B Concurrent Later	2A Nexus Then EU	2B EU Then Nexus
1	What is the scale of dependency to achieving successful delivery? (Very High dependency = 5)	5	5	5	4

Option 1A: Concurrent 01/10/15

The key issue with this option is the direct linkage of both EU and Nexus programmes in terms of implementing separate changes to the Gemini System concurrently, such that should either one fail to implement its proposed Gemini changes successfully, it would delay the implementation of the other whilst the issue was resolved. Considering the scale of both change programmes, we feel that a minimum delay of 9 - 12 months is likely in the event of failure to successfully deliver both programmes concurrently in 2015.

Option 1B: Concurrent Later

Delaying a concurrent implementation will not reduce the dependency and risk associated with the direct linkage of the two programmes.

Option 2A: Nexus then EU

Decoupling the two programmes implementations and prioritising Nexus over EU will still mean that the EU programme relies on the successful delivery of Nexus in order for it to subsequently implement the EU changes. Unless the Nexus implementation can be implemented during 2014, thereby allowing the implementation of the necessary EU change in 2015, this option is unlikely to materially reduce the risk presented by the dependency between the two programmes.

Option 2B: EU then Nexus

Decoupling the two programmes implementations will still mean that the Nexus programme relies on the successful completion of EU change in order for it to be able to subsequently implement its Gemini changes. Although the peak in EU change implementation is scheduled for 2015, there is still a significant, if smaller, amount of EU change scheduled during 2016. Implementing Nexus concurrently with the 2016 EU implementation will be subject to similar, if somewhat reduced, constraints as EU 2015.

Question 2: What would be the impact of failure to achieve?

Question		Option			
		1A Concurrent 1/10/15	1B Concurrent Later	2A Nexus Then EU	2B EU Then Nexus
2	What would be the impact of failure to achieve? (Very High impact = 5)	5	5	5	5

Option 1A: Concurrent 01/10/15

In the event that we are unable to implement the required EU changes into Gemini in 2015, the likely impacts to NGGT and its stakeholders are:

- non-compliance with licence requirements,
- delay to the roll-out of the internal market energy market in Europe,
- censure from ACER and
- commercial impacts to NGGT and Transmission Shippers and Suppliers operating on the international market with the associated risk of 3rd party claims and infraction procedures.

The direct linkage risk presented by concurrent implementation of both programmes will mean the failure to achieve either will result in delay and increased implementation costs for both Nexus and EU programmes.

We consider the risk associated with this level of dependency to be unacceptably high from both from European and Nexus perspectives.

Option 1B: Concurrent Later

In considering this question, we have assumed that “later” means 2016 at the earliest. Failure to meet the 2015 implementation timetable for the roll-out of European change, whether successful or not, will automatically result in the Transmission sector impacts described in Option 1A. Failure to achieve a successful concurrent implementation at a later date will result in increased cost and delay to both European and Nexus programmes.

Option 2A: Nexus then EU

Failure to successfully deliver Nexus during 2015 will significantly add to both Transmission sector specific impacts and also result in increased cost and delay to both European and Nexus programmes.

Option 2B: EU then Nexus

In the event that we are unable to implement the required EU changes into Gemini in 2015, the likely impacts to NGGT and its stakeholders are:

- non-compliance with licence requirements,
- delay to the roll-out of the internal market energy market in Europe,
- censure from ACER and
- commercial impacts to NGGT and Transmission Shippers and Suppliers operating on the international market with the associated risk of 3rd party claims and infraction procedures.

Question 3: What would be the likelihood of failure to achieve?

Question		Option			
		1A Concurrent 1/10/15	1B Concurrent Later	2A Nexus Then EU	2B EU Then Nexus
3	What would be the likelihood of failure to achieve? (Very High likelihood = 5)	5	5	5	2

Option 1A: Concurrent 01/10/15

Both EU and Nexus programmes seek to introduce significant amounts of change to the industry. Taken in isolation, either one of the two programmes planned for 2015 is larger in size and complexity than any other implementation carried out by Xoserve since its inception in 2005 and would carry a corresponding amount of risk with it. In particular, the Nexus programme, which seeks not only to replace the functionality for a significant percentage of Xoserve's estate, but to do so at the same time as carrying out a major hardware replacement exercise for the UK-Link suite, and on a completely different operating platform (SAP) from that currently used, carries a significant risk of failure.

Endeavouring to carry out two such strategic implementations concurrently increases the level of risk exponentially, with the addition of constraints relating to human and technical resource.

This scenario is greatly exacerbated by virtue of the fact that both programmes seek to implement significant changes to the same system (Gemini) at the same time. The size and nature these changes are such that, should one fail, it will not be possible to implement the other in isolation during 2015.

Taking these factors into account, it is our view that any plan to roll out both programmes concurrently carries an exceptionally high risk of failure for both Nexus and EU.

Option 1B: Concurrent Later

Delay to the delivery of EU change will mean failure to achieve its critical success factor. This option, therefore, guarantees failure for EU code development and implementation.

Option 2A: Nexus then EU

See our response to 1A for our view of the likelihood of failure of the Nexus Programme.

Any delay beyond October 2015 to the implementation of the necessary EU 2015 change will be deemed a failure.

Option 2B: EU then Nexus

This option offers the best chance of delivering one of the change programmes with the impact to the other being minimised (i.e. delay to Nexus). It should be noted, however, that there are further EU-driven changes planned for 2016, and so it will be necessary to also assess the capability to deliver a delayed Nexus programme against this.

Question 4: What is the feasibility of mitigating the likelihood of failure?

Question		Option			
		1A Concurrent 1/10/15	1B Concurrent Later	2A Nexus Then EU	2B EU Then Nexus
4	What would be the feasibility of mitigating the likelihood of failure? (Low feasibility = 5)	5	5	5	2

Option 1A: Concurrent 01/10/15

Reducing the scope of Nexus to be implemented in 2015 and phasing the implementation of its component parts over an extended period of time, with due care to avoiding the recreation of the direct linkage, may help in mitigating the likelihood of failure. We are not aware that this option has been analysed by Xoserve and its service providers and so are unable to accurately quantify the feasibility of this option, but the complexity of the systems and processes involved in this change suggest that the feasibility is low.

Option 1B: Concurrent Later

See response to 1A, above. In addition to this, the guaranteed failure caused by delaying the implementation of the necessary European functionality into Gemini during 2015 will mean that this option cannot succeed.

Option 2A: Nexus then EU

See Option 1B, above for the impact of delaying EU change beyond 2015.

Option 2B: EU then Nexus

As long as the linkage between the two programmes can be broken, this offers the best feasibility of mitigating the likelihood of failure. It is anticipated, however, that there may be some additional costs associated with delaying the Nexus implementation and ensuring that the current constraint doesn't repeat itself between a delayed Nexus and the planned EU implementation in 2016.

Question 5: What would be the impact to your organisation of mitigating the likelihood of failure?

Question		Option			
		1A Concurrent 1/10/15	1B Concurrent Later	2A Nexus Then EU	2B EU Then Nexus
5	What would be the impact to your organisation of mitigating the likelihood of failure? (Very High impact =5)	5	5	5	2

Option 1A: Concurrent 01/10/15

The most effective way to mitigate the likelihood of failure of a concurrent implementation is to remove the linkage between Nexus and EU programmes. This is likely to result in the need for significant re-working of systems analyses, design, etc and is likely to cause delay to those plans already in place, itself therefore likely to reduce the effectiveness of the mitigating action considering the time-bound nature of the European change for 2015.

Option 1B: Concurrent 01/10/15

This option will see the delivery of European change deferred beyond 2015 which will, effectively, result in a failure. As such, there is no mitigating action available.

Option 2A: Nexus then EU

This option will see the delivery of European change deferred beyond 2015 which will, effectively, result in a failure. As such, there is no mitigating action available.

Option 2B: EU then Nexus

This option requires no additional mitigating action to deliver on our EU obligations for 2015. The deferral of Nexus to a later date runs the risk of creating a similar constraint with the EU implementation in 2016. Analysis of both EU 2016 and deferred Nexus implementation strategies would be needed to assess the impact of this.

Question 6: What would be the scale of risk / impact to your organisation of delivery?

Question		Option			
		1A Concurrent 1/10/15	1B Concurrent Later	2A Nexus Then EU	2B EU Then Nexus
6	What would be the scale of risk / impact to your organisation of delivery? (Very High = 5)	5	5	5	2

Option 1A: Concurrent 01/10/15

This option presents the greatest risk as it incorporates the linkage between Nexus and EU 2015 programmes. Failure to mitigate this risk could see both programmes failing to deliver on time with commercial, reputational and regulatory consequences.

Option 1B: Concurrent later

This option will result in the failure to achieve the EU programme of change within its required timescales. From a European perspective, therefore, this is no longer a risk, but an issue.

Option 2A: Nexus then EU

This option will result in the failure to achieve the EU programme of change within its required timescales. From a European perspective, therefore, this is no longer a risk, but an issue.

Option 2B: EU then Nexus

This option presents the lowest risk to the delivery of the EU programme in 2015. Deferment of the Nexus programme to a later date is likely to have the impact of increasing costs associated with Nexus.

Question 7: What would be the scale of foregone benefit to your organisation relative to Option 1A?

Question		Option			
		1A Concurrent 1/10/15	1B Concurrent Later	2A Nexus Then EU	2B EU Then Nexus
7	What would be the scale of foregone benefit to your organisation relative to Option 1A? (Very High loss of benefit = 5)		N/A	N/A	N/A

National Grid Gas Transmission will realise no direct benefit from the introduction of the European Programme. Indirectly, timely delivery of European Change will mean that we will have complied with our licence obligations relating to EU legislation.

Other than the refreshing of ageing systems, we will realise neither direct nor indirect benefit from the Project Nexus implementation.