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CONSULTATION ON CHANGE PROGRAMME DELIVERY OPTIONS

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1. Introduction

- 1.1 At the Xoserve Senior Stakeholder Forum ("the SSF") held on 4 February 2014, it was agreed that a report was required of the options available for managing the change confluence that is currently impacting Xoserve and the industry, and is expected to continue to do so during the ongoing delivery of multiple and significant gas market reforms.
- 1.2 It was recognised that the principal focus of the options report should be to assess the most appropriate implementation targets for EU Reforms and Project Nexus business requirements, within the context of the broader change programme, with a view to informing a recommendation to Ofgem.
- 1.3 This document provides a framework for capturing quantitative and qualitative responses that will inform the report and its recommendations. It sets out:
 - (a) The context and scope of the expected change confluence (Section 2);
 - (b) A definition of each of the options (Section 3);
 - (c) Questions for consideration by respondents, with guidance notes (Section 4); and
 - (d) The process and timetable for the submission of responses and the preparation of a report (Section 5).
- 1.4 The SSF has agreed to hold a further meeting on 3 March 2014 to consider the report and to make its recommendation to Ofgem¹. Xoserve understands that Ofgem will regard the recommendation as representing the considered position of the industry on this matter.
- 1.5 Responses should be sent to box.xoserve.CR.Comms@xoserve.com by 5pm on Friday 21 February 2014. Unless requested otherwise, responses will be published on the website of the Joint Office of Gas Transporters.
- 1.6 Any questions of clarification about this document and its contents should be sent to box.xoserve.CR.Comms@xoserve.com. Xoserve will share questions and responses with all recipients of this document, and will publish these, together with this document, on the website of the Joint Office of Gas Transporters.

¹ The SSF has also agreed that at this meeting it should consider an amendment to its Terms of Reference with a view to giving it a clearer vire and a new title, and that future meetings should be chaired independently by the Joint Office of Gas Transporters.

2. Context and Scope

- 2.1 UNC Modification Proposals that deliver Project Nexus business requirements in respect of gas settlement reform and iGT Single Service Provision stipulate an implementation date of 1 October 2015. This date reflects the views of stakeholders as expressed at previous meetings of the SSF, and meets the aspired timescales for the introduction of gas settlement reforms as set out in the July 2012 letter from Ofgem to the Gas Distribution Networks. Xoserve's delivery vehicle for Project Nexus requirements is the UK LINK Programme and the replacement of the legacy UK LINK system.
- 2.2 European gas market reforms ("EU Reforms") are defined in a series of European Network Codes ("EU Codes"). The EU Codes in respect of the Capacity Allocation Mechanism ("CAM") and Balancing include effective implementation dates of 1 November 2015 and 1 October 2015 respectively. The CAM Code includes a requirement for the gas Day to run from 0500 to 0500. UNC Modification Proposals are required to be raised, and changes will be required to the functionality of the Gemini system in order to give effect to the requirements of the EU Codes.
- 2.3 In conjunction with DCC Day 1 Go Live, the 'mass rollout' of Smart Meters is assumed to commence in autumn 2015, and systems changes are required to bring the operation of Smart Meter processes into effect, including the implementation of the Smart Energy Code which will require industry participants to interact with the Data Communications Company and its Service Providers. As both the legacy and replacement UK LINK systems are planned to have the capability to operate in both the Smart and non-Smart Meter markets, Xoserve's initial view is that its Change Programme has a low dependency upon a successful DCC Day 1 Go Live to an autumn 2015 timescale, although uncertainties around or variations to this timescale could have impacts, e.g., associated with industry trialling and testing. Risks for others may be different and respondents may wish to highlight their anticipated dependencies around the Smart Programme.
- 2.4 Based on existing requirements and those anticipated following the Project Nexus consultation, Xoserve has prepared process and data models during the Logical Analysis phase of the UK Link Programme and is currently conducting high level design. Variations to those requirements (including the potential conclusions from UNC Modification Proposal 477, 'faster switching') would require the Logical Analysis work to be revisited and introduce additional risk to the Change Programme.
- 2.5 Based on the analysis that it has carried out to date, Xoserve considers that:

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- (a) Change to Gemini functionality will be necessary to give effect to elements of the Project Nexus requirements, and that this functionality will also be impacted by elements of the EU Reform requirements;
 - (b) In order to meet an October 2015 implementation for both the Project Nexus and EU Reform requirements:
 - (i) The prevailing functional boundary between Gemini and UK LINK would need to be maintained (so as to minimise the scale of change); and
 - (ii) Changes to Gemini that are driven by Project Nexus requirements and EU Reforms would need to be developed and delivered as a single package in order to manage the configuration of system code (noting that this would also be the case if a single implementation were to take place to any other timescale); and
 - (c) It is not possible to deliver both the Project Nexus requirements and EU Reforms earlier than 1 October 2015.
- 2.6 The options for consideration that are defined in Section 3 are concerned with the management of the confluence of Project Nexus requirements and EU Reforms, although stakeholders are also invited to consider the impacts of other industry reforms (such as those outlined in paragraphs 2.3 and 2.4 above) in their responses.
- 2.7 Delivery will require multiple interdependent stakeholders to coordinate changes and test processes, data, systems and interfaces for readiness; benefits realisation will be dependent on successful delivery with data quality of an appropriate standard.

3. Options Definition

- 3.1 The options set out below reflect discussions at the SSF. They are concerned with the scope, timing and sequencing of change delivery. They are not concerned with delivery methodologies, although it is recognised that both Xoserve and industry participants may have options available to them as to how they deliver against an agreed change scope, timescale and sequence.
- 3.2 The options have been selected so as to enable industry participants to compare and contrast materially different delivery scenarios, and to consider the feasibility and differential risks and impacts of each option.
- 3.3 The inclusion of an option in this paper does not imply that Xoserve supports or favours any one or more of these options.
- 3.4 The options for assessment are set out in the table below:

Primary Option		Sub Option	
1	Concurrent delivery of all Project Nexus requirements and European gas market reform	1A	Deliver for 1 Oct 2015
		1B	Deliver later than 1 Oct 2015
2	Sequenced delivery of Project Nexus requirements and European gas market reform, assuming that: <ul style="list-style-type: none"> The earliest date for delivery of any requirements is 1 October 2015; and There is a sufficient time period between the delivery of requirements to allow development to take place on stable systems code 	2A	Two part delivery: <ul style="list-style-type: none"> Project Nexus, followed by EU Reform
		2B	Two part delivery: <ul style="list-style-type: none"> EU Reform, followed by Project Nexus

Note: In the event that Option 2B is recommended for implementation, Xoserve would welcome views from respondents on the merits of conducting a further assessment that would consider the feasibility of bringing forward the delivery of some elements of the Project Nexus requirements.

4. Questions for Consideration

- 4.1 Respondents are invited to consider the questions that are set out in the table on the following page, and to provide responses that:
- (a) Populate the response table with their view of the risk / feasibility / impact score of each delivery option;
 - and
 - (b) Provide a rationale to support their view of risk / feasibility / impact on benefits.
- 4.2 The table invites responses in the form of a score of 1 to 5 (where, generally, a score of 1 = Insignificant, 2 = Low, 3 = Medium, 4 = High and 5 = Very High).
- 4.3 In addition to the 'risk score', respondents should also provide a rationale to support their view of risk in the form of a supporting narrative.
- 4.4 When considering risks, respondents should provide answers for their own businesses only, rather than from the perspective of the whole industry or a particular market sector.
- 4.5 Respondents are invited to consider both the delivery of change and the implications for 'business as usual' of having delivered change – some potential considerations are set out following the response table.

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	4	4	3
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	4	4	2
4	What would be the feasibility of mitigating the likelihood of failure? (Low feasibility = 5)	5	4	5	2
5	What would be the impact to your organisation of mitigating the likelihood of failure? (Very High impact =5)	5	5	5	5
6	What would be the scale of risk / impact to your organisation of delivery? (Very High = 5)	5	3	5	3
	Total	30	27	28	20
7	What would be the scale of foregone benefit to your organisation relative to Option 1A? (Very High loss of benefit = 5)		3	1	3

Assessment Context

5.6. 1. Dependency

Npower's response to this question is based on the assumption that the scale of dependency relates specifically to Project Nexus and the EU reform changes. We have not taken into account dependencies on any other industry changes that may be due for implementation in October 2015.

npower considers that delivering two major changes such as these increases the level of risk of failure as well as the probability of that happening.

Option 1A carries the highest level of risk because of the lack of built in contingency. Room for delays or failures should be built into any robust project plan particularly for changes on the scale of Nexus.

Option 1B also carries a high level of risk but moving the delivery date should provide room for contingency which would reduce the level of risk and probability to some extent.

It is our opinion that separating the two programmes will reduce both risk level and probability considerably. However, since the extent of the EU changes is not yet fully documented we are assuming that the scale of change for Nexus is the greater and as such opting to deliver Nexus first without a built in contingency could have significant impacts on the EU changes in the event of failure.

5.6.2. Impact of failure

Npower considers the impact of failure to deliver Nexus, regardless of which Option to be very high therefore we have scored all scenarios equally.

5.6.3 Likelihood of failure to achieve

The risk of failure to achieve the deliverables is increased by concurrent delivery. The level of risk is also increased by the lack of contingency for Project Nexus. We have graded the risk levels according to these two factors.

5.6.4 Feasibility of mitigation

Given that there is no built in contingency for Nexus if it were to be delivered for October 2015 there is little or no room for mitigation, unless the mitigation is to delay Nexus, therefore we have awarded higher risk scores to options 1A and 2A.

Delivering two presumably large scale changes together, albeit that we don't yet understand the full extent of system changes required for EU reform, increases the need for mitigation and, at the same time reduces the available resource and project space to develop and implement mitigation therefore we have awarded the lowest score to Option 2B . This gives time to build in contingency for Nexus and de-couples the two programmes of work.

5.6.5 Impact of mitigating the likelihood of failure

The EU changes have a minimal impact on shippers but the opposite is true for Project Nexus therefore the impact of mitigating failure is very high in all scenarios.

5.6.6 Scale of Risk/ Impacts to your organisation

Npower believes that Project Nexus will bring significant benefits to both our customers and the industry. However given the scale of changes due for implementation for October 2015, including the DCC go live, we consider those options that propose to deliver Nexus at the same time, without built in contingency, pose the greater risk to our organisation.

5.6.7 Scale of foregone benefit to your organisation

The EU Reforms do not provide specific direct benefits for shippers and their customers so we have awarded risk scores with Project Nexus only in mind.

Potential considerations:

Delivery Schedule	Risk impact of meeting stated deadlines and objectives on schedule, taking into account the wider portfolio of change
Cost of delivery	Project costs (i.e. deployment costs) and cost impacts on enduring RTB of the different implementation options
Benefits	Benefits to be realised through implementation of option
Delivery Effort	Ability to meet the resourcing needs of all the industry change that is in scope of this analysis - E.g. Development, Testing & Data cleanse and migration, and the risk to any existing business operations
Parallel Development	Risk of impact to dependent industry change portfolio if there is a slip in delivery timelines
Stability & Compatibility	Risk to enduring business/operational stability across RTB systems, process and staff
People Readiness	Risk associated to impacts of getting staff and stakeholders trained and ready to operate in the new solution
System End of Life	If there is a risk of any dependent IT systems/applications reaching end of life within the proposed option timeframe
System Outage	The risk level of time spent offline during migration and cutover prior to Go Live
Market Impact	Integrity of overall solution, if only a subset of the full functionality is operational
Stakeholder Impact	Impact of deployment option on downstream stakeholders operational business and reputational impact if issues are encountered during implementation
Regulatory Impact	Impact of deployment option on ability to deliver regulatory obligations

5. Process and Timetable

5.1 The process and timetable set out below were discussed and agreed at the SSF on 4 February 2014:

- (a) Xoserve to send an options definition document to the industry with instructions for providing responses – 7 February 2014;
- (b) Xoserve to share its options assessment with the industry and Ofgem – 17 February 2014
- (c) Industry participants to submit their assessments to Xoserve – 21 February 2014;
- (d) Xoserve to compile all assessments and send a report to the industry and to Ofgem – 27 February 2014; and
- (e) The SSF meeting to consider the report and make its recommendation to Ofgem – 3 March 2014.

5.2 Responses should be sent to box.xoserve.CR.Comms@xoserve.com by 5pm on Friday 21 February 2014. Unless requested otherwise, responses will be published on the website of the Joint Office of Gas Transporters.

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