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# **CHANGE PROGRAMME DELIVERY OPTIONS OVERVIEW OF CONSULTATION RESPONSES**

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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 In accordance with the process and timetable that was agreed at the SSF, Xoserve published:
- (a) A Consultation on Change Programme Delivery Options (“the Consultation”) on 7 February 2014, which defined four Options for the delivery of Project Nexus requirements and EU Reform, set out a framework for their assessment, and invited responses by 21 February 2014; and
  - (b) Its own assessment of the Options on 17 February 2014<sup>1</sup>.
- 1.3 This document is an overview of the responses received, and includes information in respect of:
- (a) The number and identity of respondents;
  - (b) The level of respondents’ support for each of the Options;
  - (c) Respondents’ views on the level of risk associated with each of the Options, as well as the foregone benefits relative to Option 1A; and
  - (d) Key messages included in response narratives.
- 1.4 Some respondents have also made observations about the assessment of Options published by Xoserve on 17 February 2014. Xoserve expects that these matters will be considered at the next meeting of the SSF on 3 March 2014<sup>2</sup> as part of a wider discussion about the Delivery Options.
- 1.5 All responses have been published on the website of the Joint Office of Gas Transporters<sup>3</sup>. Xoserve did not receive any confidential responses.

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<sup>1</sup><http://www.gasgovernance.co.uk/sites/default/files/Change%20Programme%20Delivery%20Options%20Assessment%20FINAL.pdf>

<sup>2</sup> 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 vires and a new title (initially proposed to be the “Change Overview Board”), and that future meetings should be chaired independently by the Joint Office of Gas Transporters.

<sup>3</sup> See <http://www.gasgovernance.co.uk/SSF>

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## 2. Summary of Responses

- 2.1 Xserve has received a total of eight responses to the Consultation. A full list of respondents is provided at Appendix 1.
- 2.2 Two respondents have populated the 'risk scores' matrix ("the matrix") and have provided a supporting narrative. One respondent has populated the matrix only and five respondents have provided a narrative only. Of these five, one considered that it did not have sufficient information to complete the matrix, and another stated that it found it difficult to populate.
- 2.3 Six respondents considered that Option 2B carries a lower delivery risk than any other Option. Whilst the Consultation did not explicitly invite respondents to express a preference for an Option or to comment on Xserve's assessment, two of these six respondents have expressed support for Xserve's assessment and recommendation, and one has not identified any reason to disagree with it.
- 2.4 Two respondents considered that October 2015 should remain the preferred target date for the concurrent delivery of both Project Nexus requirements and EU Reform (Option 1A). Of these two, one respondent did not support delaying Project Nexus delivery beyond October 2015, unless and until Xserve clearly demonstrates and evidences that this cannot be achieved.
- 2.5 For those respondents that have populated the matrix, and based on the 'scores' given against Questions 1-6:
- (a) Option 1A is unanimously considered to carry the highest possible level of risk;
  - (b) Options 1B and 2A are unanimously considered to carry a level of risk that is the same as or a little lower than for Option 1A, noting that respondents have mixed views on the relative level of risk of the two Options;
  - (c) Option 2B is unanimously considered to carry an appreciably lower level of risk than all other Options; and
  - (d) In respect of the foregone benefits of Options 1B, 2A and 2B relative to Option 1A, responses contain only a limited amount of feedback. Those respondents who considered that Option 1A should remain the preferred approach have expressed concerns at the delayed delivery of more robust and equitable gas settlement arrangements (associated with Options 1B and 2B) and the delayed realisation of benefit from investment in Smart Meters.

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### **3. Key Messages**

- 3.1 This section provides a digest of the key messages included in narrative responses.
- 3.2 The large majority of respondents consider that Option 2B carries the lowest implementation risk of all the Options, and that this is attributable to:
- (a) The additional time available for the implementation of Project Nexus requirements (compared to Options 1A and 2A); and
  - (b) The opportunity for the decoupling of Project Nexus from EU Reform (which is not a feature of either Option 1A or 1B).
- 3.3 Some respondents have also identified that Option 2B offers benefits which are not available from two other Options:
- (a) Option 2B delivers the on time implementation of EU legislative and regulatory changes (which is not a feature of either Option 1B or 2A); and
  - (b) Option 2B offers the potential for the phased delivery of Project Nexus requirements (which is not a feature of either Option 1A or 2A).
- 3.4 Whilst the comments above indicate that Option 2B enjoys a strong measure of support by the majority of respondents, a small number of these express a degree of caution about the residual scale and complexity of implementation even with Option 2B, and emphasise the need to ensure the delivery of a stable and robust operating environment going into the post-implementation period.
- 3.5 Most respondents have highlighted the significant probability of delivery failure associated with Option 1A, attributable to the concurrency of two major implementations, the commencement of Smart Meter rollout and DCC Day 1 go live, the competing demands on Gemini, and the lack of contingency in the Project Nexus / new UK LINK delivery plan. However, two respondents have expressed a clear preference to continue to target the concurrent delivery of Project Nexus requirements and EU Reform in October 2015.
- 3.6 Some respondents have commented on the relative merits of sequencing EU Reform delivery ahead of Project Nexus (Option 2B), rather than sequencing Project Nexus delivery ahead of EU Reform (Option 2A). There is support for Option 2B over Option 2A on the grounds that:

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- (a) It offers compliance with the legislative and regulatory timescales for implementing EU Reform into the GB gas market;
  - (b) The lack of contingency in a plan to deliver Project Nexus requirements in October 2015 could have consequent adverse impacts on the subsequent delivery of EU Reform (potentially pushing it beyond April 2016); and
  - (c) In the event that there is uncertainty around regime go live dates, the scheduling of Project Nexus delivery for April 2016 is less likely to give rise to commercial complications than would be the case if delivery were to be scheduled for October 2015, this being start of the Gas Year.

3.7 Other points of interest and concern raised by individual respondents comprise:

- (a) The absence of UNC Modification Proposals to give effect to European Network Codes, and therefore an uncertainty as to whether the impacts of these Codes on the GB gas market are fully understood;
- (b) The impact in Option 2B (and Option 2A) of not aligning the change of Gas Day with the implementation of Project Nexus requirements;
- (c) The impact in Option 2B (and Option 1B) of scheduling Project Nexus delivery for April 2016 on Supplier plans for Smart Meter rollout;
- (d) The ability to relieve pressures on delivery timescales and delayed benefits realisation through the deployment of additional resources;
- (e) In the event that a phased delivery of Project Nexus requirements is taken forward under Option 2B, the need to consider potential transitional arrangements for services at iGT Supply Points, and to ensure early access to the benefits arising from iGT Single Service Provision;
- (f) The implications for Shippers who are not 'implementation ready' of a 'hard cutover' introduction of Project Nexus requirements, suggesting that Xserve and the industry should work together to develop contingency arrangements; and
- (g) A request that Xserve should explore the feasibility of delivering Project Nexus requirements in a manner that removes the dependency on changes to Gemini.

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**Appendix 1 – List of Respondents**

British Gas

Dong Energy

E.ON Energy Solutions

Gazprom Energy

GDF SUEZ Energy International

ICoSS

National Grid Gas Transmission

RWE npower

Note: Scottish Power did not submit a response, but circulated some observations on Xserve's assessment