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CHANGE PROGRAMME DELIVERY OPTIONS

XOSERVE OPTIONS ASSESSMENT

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1. Executive Summary

- 1.1 In accordance with the process and timetable that was agreed at the Xoserve Senior Stakeholder Forum held on 4 February 2014, Xoserve published a “Consultation on Change Programme Delivery Options” on 7 February 2014, which defined four Options for implementation targets for EU Reforms and Project Nexus business requirements and set out a framework for their assessment.
- 1.2 This document is Xoserve’s assessment of the Options, and is being provided to the industry (and to Ofgem) to assist respondents in their own assessment of the Options, ahead of an industry discussion at the next Senior Stakeholder Forum on 3 March 2014.
- 1.3 In summary, Xoserve considers that:
- (a) Option 1A carries an exceptionally high level of risk because of the combination of concurrent delivery and tight timescales;
 - (b) Option 1B carries less risk than Option 1A because of the additional time that is available for the development and delivery of Project Nexus / new UK LINK;
 - (c) Option 2A carries less risk than Option 1A because of the sequenced delivery of Project Nexus requirements and EU Reform, but a greater risk than Option 1B because it does not make more time available for the development and delivery of Project Nexus / new UK LINK; and
 - (d) Option 2B carries a lower level of risk than all other Options because of sequenced delivery and more time being made available for the development and delivery of Project Nexus / new UK LINK.
- 1.4 Option 2B mitigates to a greater extent than either Option 1B or Option 2A the very high risk that the adoption of Option 1A leads Xoserve and the industry to a conclusion at some point in the future that the plan cannot be achieved, with a consequential requirement for rework and replanning in distressed circumstances of both Project Nexus / new UK LINK and EU Reform.
- 1.5 Xoserve therefore strongly recommends the early adoption of Option 2B as the baseline plan for the implementation of Project Nexus requirements and EU Reform.
- 1.6 It must also be noted that Option 2B is not without risk, and both Xoserve and the industry will need to give continual attention to managing and mitigating risks so as to keep development and delivery on track.

2. Introduction

- 2.1 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.
- 2.2 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.
- 2.3 In accordance with the process and timetable that was agreed at the SSF, Xoserve published a “Consultation on Change Programme Delivery Options” (“the Consultation”) on 7 February 2014, which defined four Options and set out a framework for their assessment.
- 2.4 This document is Xoserve’s assessment of the options as set out in the Consultation, and is being provided to the industry (and to Ofgem) to assist Consultation respondents in their own assessment of the options. It sets out:
- (a) A summary of the delivery options and the assessment framework (Section 3);
 - (b) A number of contextual observations made by Xoserve in its assessment of options (Section 4);
 - (c) Xoserve’s assessment of the options (Section 5); and
 - (d) The next steps for completion of the assessment and the preparation of a report (Section 6).
- 2.5 References in this document to ‘delivery’ and ‘delivery plans’ should be understood as referring to ‘development and delivery’ and ‘development and delivery plans’ respectively.

3. Delivery Options and Assessment Framework

3.1 The options for assessment as included in the Consultation 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

3.3 Respondents were invited to:

- (a) Populate a proforma table with their view of the risk / feasibility / impact of each delivery option, 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); and
- (b) Provide a rationale to support their view of risk / feasibility / impact.

3.4 Xoserve also provided a schedule of potential considerations that respondents might want to take into account when undertaking their risk assessments.

3.5 The proforma table as completed by Xoserve is set out in Section 5.

4. Assessment Context

- 4.1 Xoserve has made a number of contextual observations that it considers are relevant to its assessment of the Options. These are set out below, and they include some observations previously included in the Consultation (noting that these have been subject to some refinement since the Consultation was published on 7 February 2014).
- 4.2 In order to give effect in central systems to UNC Modifications arising from Project Nexus requirements, it is necessary to develop and deliver a new UK LINK system.
- 4.3 Change to Gemini functionality will be necessary to give effect to elements of the Project Nexus requirements, and this functionality will also be impacted by elements of the EU Reform requirements.
- 4.4 During the winter operations period (from 1 October in any given year to 31 March in the following year), the release of significant new functionality to the Gemini system is prohibited. Therefore, in the event that the delivery of Project Nexus requirements and EU Reforms is sequenced (Options 2A and 2B), Xoserve would plan to implement the first deliverable on 1 October 2015 and the second deliverable in April 2016.
- 4.5 In order to achieve concurrent delivery in October 2015 of both the Project Nexus and EU Reform requirements, 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.
- 4.6 For all Options, the prevailing functional boundary between Gemini and UK LINK would need to be maintained in order to minimise the scale of change.
- 4.7 It is not possible to deliver the Project Nexus requirements and EU Reforms together earlier than 1 October 2015.

5. Assessment of Options

5.1 This section of the document is in three parts:

- (a) Xoserve's approach to the assessment (paragraphs 5.2 – 5.5);
- (b) The populated option assessment table that sets out Xoserve's view of the risk 'scores' associated with each delivery option (paragraph 5.6); and
- (c) A narrative that sets out the rationale for the risk 'scores' (paragraphs 5.7 – 5.19).

Assessment approach

- 5.2 The assessment that Xoserve has undertaken is concerned with the risks and feasibility of delivery and the impacts on its business change and IT delivery programme, as well as on its ongoing business operations. The wider industry impacts are expected to be identified in responses from Shippers and Networks.
- 5.3 Xoserve has assessed the risks and impacts of each delivery Option, and has scored these in accordance with the guidance given in the Consultation. The results are set out in the table on page 8.
- 5.4 Xoserve has also provided a narrative that sets out its rationale for the scale of risk and impact associated with delivery, and considers the extent to which it might be possible to mitigate these risks under the different delivery Options.
- 5.5 Xoserve understands that the 'default' target Option would be the concurrent delivery of Project Nexus requirements and EU Reforms in October 2015 (Option 1A), noting that this is reflective of timescales set out in the European Network Codes for Balancing and Capacity Allocation, and in Ofgem's July 2012 letter to Gas Distribution Networks regarding the delivery of gas settlement reforms. The narrative therefore considers firstly the risks associated with Option 1A, then considers the risks of Options 1B, 2A and 2B relative to those for Option 1A.

Xoserve Option Assessment

5.6 The table below sets out Xoserve's view of the risk 'scores'.

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	3	4	3
2	What would be the impact of failure to achieve? (Very High impact = 5)	5	4	4	3
3	What would be the likelihood of failure to achieve? (Very High likelihood = 5)	5	3	4	2
4	What would be the feasibility of mitigating the likelihood of failure? (Very Low feasibility = 5)	5	3	5	2
5	What would be the impact to your organisation of mitigating the likelihood of failure? (Very High impact =5)	5	4	5	4
6	What would be the scale of risk / impact to your organisation of delivery? (Very High = 5)	4	3	3	2
TOTAL 1 - 6		29	20	25	16
7	What would be the scale of foregone benefit to your organisation relative to Option 1A? (Very High loss of benefit = 5)		2	1	2

Assessment Narrative

- 5.7 Xoserve considers that the concurrent delivery of both Project Nexus requirements and EU Reform in October 2015 (Option 1A) carries an exceptionally high level of risk, and that opportunities to mitigate this risk are very limited in their nature and their likely effectiveness.
- 5.8 Factors contributing to this exceptionally high level of risk are:
- (a) The minimal contingency in the development and delivery plan for new UK LINK to enable recovery in the event of slippage in the delivery of project milestones, which places at risk the delivered scope and product quality, and puts pressure on an effective change control process in a time constrained environment;
 - (b) The uncertainty of requirements, including the absence of UNC Modification Proposals to give effect to the provisions of European Network Codes and the instability of new UK LINK target functionality in respect of the Change of Registered Shipper process¹, leading to a potential need to reopen and rework process and data models that have been developed and concluded (based on the Project Nexus industry process) during Logical Analysis, and which form the basis for a High Level Design of the new UK LINK;
 - (c) The scale and complexity of the changes that are required to Xoserve's IT systems, including the combination of a new UK LINK technology stack, new application software and new functionality (for gas settlement reform and iGT single service provision), the need to integrate new UK LINK with other applications in the estate, and significant changes to Gemini functionality to reflect EU Reforms;
 - (d) The limited availability of specialist resources with the necessary technical capabilities and / or subject matter expertise, noting the increasing risk to the delivery of contracted services in the event that further resources are diverted from operational or customer facing roles and towards project delivery activities;
 - (e) The need for extensive and accelerated industry engagement at key stages of the systems development lifecycle to ensure on time readiness to implement and operate, including participation in user testing and training, UK LINK Committee review and approval of file formats, and the preparation and provision of quality data;

¹ Change proposals are being considered by the Change of Supplier Expert Group and under UNC Modification 477

- (f) The efficient and effective 'coupled' development of Gemini solutions for both Project Nexus requirements and EU Reform is reliant upon the stability and certainty of business requirements, and failure to achieve correctly developed systems code will have adverse impacts on the development and delivery of both Project Nexus requirements and EU Reform;
- (g) The significant degree of change to business processes at implementation, and the requirement for these to be firmly embedded into the organisation (and the industry) without placing service quality at risk, including consideration of settlement regime transition that may require the development of both UNC Modifications and interim operational arrangements;
- (h) The Project Nexus / new UK LINK delivery plan includes parallel and overlapping development streams, increasing the number and scale of complex interdependencies between project deliverables; and
- (i) Concurrent demand on industry resources to participate in testing and other readiness activities ahead of the DCC Day 1 Go Live and commencement of Smart Meter mass rollout.

5.9 Xoserve considers that the opportunities for effective mitigation of these risks within the constraints of Option 1A are severely limited:

- (a) The scope, scale and complexity of concurrent delivery against a plan with only minimal contingency places very high levels of demand on the business and, without placing contracted service quality at risk, affords no latitude to invest 'spare' manpower in the development and execution of risk mitigation strategies;
- (b) The already aggressive timescales for delivery of Project Nexus / new UK LINK mean that the deployment of additional resources will have little or no impact on the pace of progress, and could indeed present a greater risk from having too many resources working in the same area at the same time; and
- (c) Xoserve has considered a mitigating approach (suggested at the SSF) in which a 'coupled' code development stream is progressed alongside two separate streams for Project Nexus requirements and EU Reform respectively. In the event that there was a later decision to reduce the scope of October 2015 delivery to Project Nexus only or EU Reform only, then the one relevant code development stream would be taken forward and the other two set aside. It is Xoserve's view that this approach would add even greater risk and complexity, and would not deliver the required

systems code in readiness for an October 2015 implementation as diverting effort to the two separate streams would inevitably cause delivery of the 'coupled' stream to be delayed.

- 5.10 Whilst Option 1B affords Xoserve and the industry more time to undertake project activities and thereby partially reduce the risk of failure to deliver, it does not offer any significant mitigation of many of the principal risks of Option 1A, particularly the scale and complexity of the changes that are required to Xoserve's IT systems, the need for extensive industry engagement at key stages of the systems development lifecycle, the 'coupled' development of Gemini solutions for both Project Nexus requirements and EU Reform, and the significant degree of change to business processes at implementation.
- 5.11 It is also acknowledged that Option 1B delivers neither Project Nexus requirements nor EU Reform in line with regulatory expectations for implementation timescales.
- 5.12 Turning to the sequenced delivery approach of Options 2A and 2B, it is apparent that the individual risk profiles of Project Nexus requirements delivery and EU Reform delivery are different in character:
- (a) Project Nexus delivery requires the design, build and implementation of a new UK LINK technology stack, the development of application software to deliver a combination of the continuation of prevailing functionality and the introduction of new requirements as set out in the Project Nexus UNC Modifications, integration with other applications, access to specialist resources with limited availability, extensive industry engagement and a significant degree of change to business processes at implementation; and
 - (b) EU Reform delivery requires the development of Gemini functionality on established infrastructure, repeating a methodology and process that Xoserve has completed successfully on previous occasions².
- 5.13 The concurrent delivery approach of Options 1A and 1B creates risk contagion, in that the significantly greater risk associated with Project Nexus requirements delivery undermines EU Reform delivery that has a lower risk profile when standing alone. The sequenced delivery approach of Options 2A and 2B offers mitigation of the potential for risk contagion, noting that Option 2A achieves this to a lesser extent than Option 2B.
- 5.14 Option 2A schedules the delivery of Project Nexus requirements for October 2015, and therefore many of the risks associated with Option 1A remain, including the minimal

² Xoserve has delivered three phases of NTS Exit Reform solutions and other annual releases in the last five years.

contingency in the delivery plan for new UK LINK, the scale and complexity of the changes that are required to Xoserve's IT systems to develop the new UK LINK and integrate with other applications, the limited availability of specialist resources, the need for extensive industry engagement and the significant degree of change to business processes at implementation.

5.15 Option 2B schedules the delivery of EU Reform requirements for October 2015, delivering the lower risk Gemini based functional change first and allowing more time to address the particular challenges associated with the new UK LINK for delivery in April 2016.

5.16 In summary, Xoserve considers that:

- (a) Option 1A carries an exceptionally high level of risk because of the combination of concurrent delivery and tight timescales;
- (b) Option 1B carries less risk than Option 1A because of the additional time that is available for the development and delivery of Project Nexus / new UK LINK;
- (c) Option 2A carries less risk than Option 1A because of the sequenced delivery of Project Nexus requirements and EU Reform, but a greater risk than Option 1B because it does not make more time available for the development and delivery of Project Nexus / new UK LINK; and
- (d) Option 2B carries a lower level of risk than all other Options because of sequenced delivery and more time being made available for the development and delivery of Project Nexus / new UK LINK.

5.17 Option 2B mitigates to a greater extent than either Option 1B or Option 2A the very high risk that the adoption of Option 1A leads Xoserve and the industry to a conclusion at some point in the future that the plan cannot be achieved, with a consequential requirement for rework and replanning in distressed circumstances of both Project Nexus / new UK LINK and EU Reform.

5.18 Xoserve therefore strongly recommends the early adoption of Option 2B as the baseline plan for the implementation of Project Nexus requirements and EU Reform.

5.19 It must also be noted that Option 2B is not without risk, and both Xoserve and the industry will need to give continual attention to managing and mitigating risks so as to keep development and delivery on track.

6. Next Steps

- 6.1 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 [COMPLETE];
 - (b) Xoserve to share its options assessment with the industry and Ofgem – 17 February 2014 [COMPLETE]
 - (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.
- 6.2 Industry participants should send responses 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.
- 6.3 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.