

0573(Urgent):

Project Nexus – deferral of implementation of elements of Retrospective Adjustment arrangements

01	Modification
02	Workgroup Report
03	Draft Modification Report
04	Final Modification Report

This Modification Proposal identifies requirements relating to the deferral of implementation of elements of the Retrospective Adjustment arrangements to be implemented under UNC Modification 0434 – Project Nexus Retrospective Adjustment.



The Panel recommends implementation.



High Impact: Large Transporters and Shipper Users.

Contents		 Any questions?
1 Summary	3	Contact: Code Administrator
2 Why Change?	4	 enquiries@gasgovernance.co.uk
3 Solution	5	
4 Relevant Objectives	5	
5 Implementation	6	 0121 288 2107
6 Impacts	7	Proposer: Chris Warner
7 Legal Text	7	 chris.warner@nationalgrid.com
8 Consultation Responses	7	
9 Panel Discussions	15	
10 Recommendation	16	 07778 150668
About this document:		Transporter: National Grid Distribution
This Final Modification Report was considered by the Panel on 18 February 2016.		Systems Provider: Xoserve
The Panel determined by majority vote that this modification should be implemented.		 commercial.enquiries@xoserve.com
The Authority will consider the Panel's recommendation and decide whether or not this change should be made.		
Modification timetable:		
Ofgem Decision on Urgency by	09 February 2016	
Consultation commences	09 February 2016	
Consultation Close-out for representations	16 February 2016	
Final Modification Report presented to Panel	17 February 2016	
UNC Modification Panel recommendation	18 February 2016	
Ofgem Decision by	26 February 2016	

1 Summary

Is this a Self-Governance Modification?

Self-Governance procedures are not requested as this Modification is expected to have a material impact on existing gas consumers. This is because its effect would be to delay the implementation of improved system capability to allow Shipper Users to retrospectively adjust relevant Transportation and Energy Balancing invoices through the entering of revised Meter Information and relevant Supply Point and address data to the Supply Point Register.

Is this a Fast Track Self-Governance Modification?

Fast track procedures are not requested because it is not a housekeeping matter for the reasons described above.

Why Change?

UNC Modifications 0432 'Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation Reform', 0434 'Project Nexus – Retrospective Adjustment' and 0440 'Project Nexus – Single Service Provision' are planned to be implemented on the Project Nexus Implementation Date, being 1st October 2016.

The Transporter Agency (Xoserve), endorsed by the Project Assurance Manager (PwC), has indicated that certain parts of Modification 0434 - the Retrospective Asset, Address and Supply Point (RAASP) central systems solution – would potentially require a further 12 months to implement. It has also been noted that releasing the RAASP resources would substantially aid the essential Core delivery.

The Project Nexus Steering Group (PNSG) unanimously determined that development of RAASP should cease. The UNC Project Nexus Workgroup subsequently determined that the RAASP-related requirements of Modification 0434 should be deferred for 12 months.

Urgent procedures are sought to provide absolute clarity to the industry at the earliest possible opportunity on the content of the Project Nexus regime to be implemented as part of the UK Link replacement programme on 1st October 2016.

Solution

It is proposed that the scope of Modification 0434 is split with the RAASP elements to become a later deliverable to be implemented 12 months from the Project Nexus Implementation Date. This would enable the Meter Reading component of Modification 0434 together with the 'core' Project Nexus Modifications (0432 and 0440) to remain scheduled for a 1st October 2016 delivery.

Modification of the UNC is required to establish a new implementation timescale being 12 months following the Project Nexus Implementation Date for the retrospective update to Meter Information and Meter Point/Supply Point and address data (RAASP) components of UNC Modification 0434. Retrospective adjustment arrangements concerned with Meter Readings are not included in the above scope and will be implemented as scheduled on the Project Nexus Implementation Date.

Relevant Objectives

This Modification is required in order to maintain the current implementation timescales in respect of the 'core' arrangements for the 'Project Nexus' regime (as identified principally within UNC Modifications 0432 and 0440) and scheduled for implementation on 1st October 2016.

The Modification can consequently be expected to better facilitate Relevant Objective f) Promotion of efficiency in the implementation and administration of the Code.

Implementation

This Modification is essential to the implementation of the UK Link Replacement programme (which incorporates the changes required for 'Project Nexus'). In the absence of this Modification Xoserve has advised that Project Nexus cannot be implemented on 1st October 2016. This position has been endorsed by PwC and recognised by the PNSG.

This Modification needs to be implemented and to be effective from 1st October 2016.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This Modification Proposal impacts the industry programme for replacement of UK-Link systems.

2 Why Change?

UNC Modifications 0432 'Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation Reform', 0434 'Project Nexus – Retrospective Adjustment' and 0440 'Project Nexus – Single Service Provision' have been approved by Ofgem and are planned for implementation effective from the Project Nexus Implementation Date (PNID), being 1st October 2016.

UNC Modification 0434 identifies the enduring arrangements concerned with reform of reconciliation invoice adjustments.

The Transporter's Agency (Xoserve) has advised that it is not possible to implement the full central systems (SAP) functionality associated with Modification 0434 by the PNID. This view was endorsed by the Project Nexus Assurance Manager (PwC). In particular, it was indicated that Retrospective Asset, Address and Supply Point (RAASP) functionality would potentially require a further 12 months of development/implementation activity. Xoserve also noted that, in the event that RAASP was not required to be delivered for the PNID, the resources that would otherwise be engaged in it could be redeployed into delivery of the Core SAP, de-risking somewhat that critical part of the overall project.

This position was endorsed by Project Nexus Steering Group (PNSG) members at a meeting held on 8th January 2016 with a unanimous vote being taken in favour of deferring the delivery of the central system RAASP functionality to a future date.

At a meeting of the UNC Project Nexus Workgroup held on 29th January 2016 it was agreed that the components of UNC Modification 0434 associated with RAASP cannot be implemented in their current form using alternative systems or manual based measures. Therefore it was determined that implementation of the RAASP component of the Modification should be deferred. Notwithstanding the above it will be noted that contingency arrangements based on existing automated Meter Information updates and manual consumption adjustments have been identified and agreed as workable within the Project Nexus Workgroup.

Justification for Urgency

Urgent procedures are sought to enable this Modification to be approved well in advance of the Project Nexus Implementation Date thereby providing industry absolute certainty on the build requirement for supporting systems and processes necessary to implement Modifications 0432, 0440 and the Meter Reading (non-RAASP) elements of Modification 0434.

3 Solution

Modification of the UNC is required to defer implementation of the RAASP elements of the arrangements identified within UNC Modification 0434 for a period of 12 months from the Project Nexus Implementation Date.

Deferral is limited to those retrospective invoice adjustments associated with:

1. Retrospective updates to Supply Meter Point/Supply Point and address data
2. Retrospective updates to Meter Information

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	Not applicable
Proposed charge(s) for application of User Pays charges to Shippers.	Not applicable
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Not applicable

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	None

e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

It is recognised that this proposal defers some of the benefits associated with Modification 0434 ‘Project Nexus – Retrospective Adjustment’, however it is noted that such benefits were unable to be clearly identified at that time, as Ofgem’s decision letter stated:

“...suggests that there will be a benefit of £2m per year from the implementation of UNC434. However, it is not clear how much of this is attributed to the direct benefits arising from a more efficient process for correcting data and how much to the indirect results of that data being corrected.”

Hence it is similarly difficult to quantify the net effect of the deferral proposed here. The Proposer has identified several benefits of the proposed approach which, together further relevant objective f) because they ensure that Code requirements are implemented efficiently:

- It is clear that this Modification mitigates a significant delivery risk to the essential Core central system.
- That providing a clear 12 months to complete the development and implementation of the central RAASP system functionality should mitigate any subsequent risk to the success of those activities.
- Increase industry confidence of timely implementation of the Core elements of the central systems due on 1st October 2016.

5 Implementation

Notwithstanding that this modification would not be effective prior to the Project Nexus Implementation Date, an early decision date by the Authority would provide certainty to the industry as the expected delivery of systems on 1st October 2016. This modification is essential to the implementation of the UK Link Replacement programme (which incorporates the changes required for ‘Project Nexus’) as it would mitigate a significant programme delivery risk.

6 Impacts

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This modification is essential to implementation of the UK Link Replacement programme (which incorporates the changes required for 'Project Nexus').

Pre Project Nexus Implementation

This modification is not required to be implemented for an effective date in advance of the Project Nexus Implementation Date.

Post Project Nexus Implementation

Implementation of this modification is not proposed to occur following the Project Nexus Implementation Date.

7 Legal Text

Text Commentary

The following legal text has the effect of varying the provisions be implemented under Modification 0434 such that no retrospective data updates can be submitted to the Transporter until 1st October.

Text

TRANSITION DOCUMENT – PART IIC

Insert new paragraph 23 to read as follows:

22 Not Used

23 Retrospective Data Updates

23.1 A User may not submit a Retrospective Data Update in accordance with TPD Section M4.3 on a Day prior to 1 October 2017.

8 Consultation Responses

Of the 14 representations received 10 supported implementation, 1 offered qualified support and 3 were not in support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
British Gas	Support	f) - positive	<ul style="list-style-type: none">Supports Project Nexus Steering Group (PNSG) decision to defer delivery of the Retrospective Asset, Address and Supply Point (RAASP) functionality in order to protect Project Nexus (PN) 'core' functionality delivery.Believes RAASP deferral releases resources to

			<p>concentrate on other areas that are currently running behind the project plan.</p> <ul style="list-style-type: none"> • Notes that the interim solution will require additional (Transporter and Shipper) resourcing, thereby increasing overall project delivery costs. • Following PN delivery, expects Xoserve to communicate its ongoing actions towards delivery of the enduring RAASP solution. • Questions whether the proposed RAASP workaround solution will prevent inaccurate data entering the UK Link system. Whilst not ideal, this is seen as an acceptable level of risk at this time. • In acknowledging that deferral extends the overall delivery timescales and increases implementation costs, believes these costs are outweighed by the benefits associated with timely delivery of 'core' PN functionality. • In addition to RAASP there are other requirements that Xoserve have identified they are unable to deliver for 1 October 2016. These requirements, together with RAASP will need to receive priority attention at the appropriate time, to ensure that all of the requirements identified within the Business Requirements Documentation are delivered.
Corona Energy	Oppose	f) - negative	<ul style="list-style-type: none"> • Expressed concerns in its response to Modification 0548, regarding the revised implementation date for the Project Nexus solution of 1 October 2016, believing that it was built upon untested assumptions and so was not a robust target. The consequence of an unverified timeline would be to add additional costs to the industry as the pressure to meet this arbitrary deadline results in last minute reductions to the scope and the delivery of a sub-optimal solution. • Is of the opinion that this modification is a direct consequence of the previous decision on Modification 0548. • Remains strongly opposed to any form of last minute change to aspects of the PN baseline, as approved by Ofgem in February 2014. • Does not believe that the proposed reduction in scope ensures delivery of the PN 'core' functionality. • Points out that any adjustment in the delivery scope results in additional cost and risk to the programme. • Reducing risk for central systems increases risk for Shipper both in terms of their system build and market operations, as it proposes reliance on a manual process. • Is concerned that this modification potentially sets an unwelcome precedent for further reductions in scope, should it be approved. • Points out that PwC has stated that Unique Sites service is also potentially at risk, and that Xoserve is also experiencing problems with other aspects of "Core" functionality, such as RGMA. • Is of the view that should the project continue on the

			<p>current course it will not deliver the benefits to the market that the Regulator hopes to achieve, with potentially long term repercussions for the functioning of the market.</p> <ul style="list-style-type: none"> • Remains of the view that the PN timeline should be re-evaluated immediately in order to determine a robust delivery date for all aspects of the programme, whereby customers can realise potential benefits as soon as possible. • Believes that costs associated with delays will be dwarfed in the event that sub-optimal implementation is imposed on the industry. • Is of the opinion that the modification is incomplete and does not address several 'key' areas of concern and therefore should not be rushed into implementation, as further modifications would possibly then be needed. • Concerned that a phased implementation will incur additional costs, especially those related to a manually intensive workaround process and a second phase of system delivery in late 2017. • Believes that Shippers will incur more costs and be exposed to more risk due to the failure of the Transporters to achieve their own revised deadlines, ultimately increasing the cost to the customer. • Suggests that these additional costs should be borne by the shareholders of the organisation who have failed to deliver, and that customers should be kept 'neutral' to these additional costs. • Highlights that in the legal text there appears to be no formal provision for the manual workarounds, and no indication of a timeline for Xoserve to deliver the interim processes. • In recognising that the BRD's (relating to retrospective asset updates) are being updated, is concerned that the modification does not include any details around service levels that Transporters would be obliged to achieve – Shippers have no guarantee that retrospective asset updates will be processed in a timely manner.
EDF Energy	Support	f) - positive	<ul style="list-style-type: none"> • Given Xoserve's admission that it would be unable to deliver this functionality, deferral of RAASP would positively impact and focus attention on the delivery of remaining core UK Link deliverables. • Deferral of RAASP elements would also enable the industry to fully review the Retrospective Asset processes and associated file formats in time for implementation in October 2017. • Early implementation of the modification would enable them to better understand the parameters that they are working within. • Envisages being able to support an interim manual process until an enduring RAASP solution is put in place. • Believes that legal text provides a clear cut-off date for the change.

			<ul style="list-style-type: none"> • There is no mention in the modification of the interim RAASP process and how this will work.
E.ON	Qualified Support (with comments)	f) - negative	<ul style="list-style-type: none"> • Are keen to ensure that as much of Project Nexus as possible is delivered without further delay and reluctantly support the principle of delaying the delivery of RAASP. • At industry meetings, it was recognised that updates to assets would have to be processed to a system acceptable date rather than the true date, which has to be after the last “significant event” and that financial adjustments would be managed via CMS requests, but this would be for a maximum period of 12 months, and that after this date, Xoserve would either have the capability to deliver a system solution or would take on the manual workarounds necessary to deliver the requirements of the BRD until a system solution was available. • The implementation date set out in the modification must be the last amendment to these requirements. • Shippers have invested heavily in programmes to deliver the full requirements and delaying delivery has already incurred significant sunk costs. • Have previously provided indications of delayed costs to PwC for the delays to the programme. This further delay means they will have to support manual workarounds for an additional year after core Nexus is delivered and provide additional programme support to deliver the delayed functionality when Xoserve are ready, which they need appropriate notice to resource. • These delays result in customers facing additional cost burdens – from maintaining cumbersome and manually intensive processes to update industry data because of the failure of the programme to deliver one of the key requirements the industry asked for from a new system. • Due to the urgent timescales are unable to provide a specific assessment of additional costs in time for inclusion within this representation. • Believes that the legal text is deficient on the grounds that it does not address how asset amendments are processed until the revised implementation date. • Considers a lack of transition rules between the Project Nexus Implementation Date (PNID) and 01 October 2017 is a major concern. • Understands the need for clarity on what is in scope of 1st October 2016 delivery, however would like to understand what is or isn't being delivered as a consequence of this change. As they do not have clarity on the rules that are being applied to correctly reflect asset amendments to the correct party from the correct date.
Flow Energy	Support	f) - positive	<ul style="list-style-type: none"> • Is of the view that ensuring delivery of the primary aspects of Project Nexus (PN) warrants their support of this modification and works towards safeguarding against other PN implementation issues. • An early decision on the modification would provide

			<p>certainty for those concerned.</p> <ul style="list-style-type: none"> • Is disappointed that Shippers will continue to see PN implementation costs incurred beyond October 2016 and sees the two tiered approach as introducing both an unwelcome cost layer and administrative / resourcing burden. • Notes that contingency arrangements based on existing automated Meter Information updates and manual consumption adjustments have been identified and agreed as workable. Would welcome early advice and detail as to how Shippers can best utilise these processes to ensure all assets are as accurate as soon as possible.
National Grid Distribution	Support	no view provided	<ul style="list-style-type: none"> • Believes that the measures, outlined in the modification, are fundamental to facilitating the timely implementation of 'core' PN on 01 October 2016. • Is disappointed that continuing RAASP SAP developments to existing timelines is untenable, as it potentially leads to an unacceptable risk to the implementation of the overall UK Link Replacement Programme. • Concurs with the PNSG decision that the RAASP elements of Modification 0434 should be deferred in order to enable focus on delivery of the 'core' PN changes. • Makes reference to the fact that the decision to defer building the SAP system solution for RAASP, changes the programme status from 'Red' to 'Amber'. • Highlights that the proposed workaround solutions appear to have broad support of the industry, based on PN Workgroup discussions. • Points out that Transporters will incur significant (additional) costs as a consequence of the proposed RAASP deferral. • Remains of the view that there is no need for further analysis or information over and above that already provided by PwC and Xoserve, as reported to the PNSG. • Should the modification be approved, expects to submit a formal GT Licence 'consent' request (under Standard Special Condition A11) for approval to realign the timetable to reflect RAASP deferral. • Believes that in the event that Modification is approved, they would also need to also raise a transitional modification to facilitate retrospective invoicing adjustments.
National Grid NTS	Support	f) - positive	<ul style="list-style-type: none"> • In referring to the PNSG endorsed decision to defer implementation of a RAASP system solution, agrees that this increases the likelihood of meeting the 01 October 2016 implementation date for the remaining PN aspects. • Believes that whilst it is important to provide clarity / certainty to industry stakeholders as to what UK Link system functionality will be available from 01 October 2016, it is equally important to point out what will NOT

			<p>be available – early implementation provides contractual certainty for all UNC parties.</p> <ul style="list-style-type: none"> • Expects to incur additional costs associated with RAASP deferral, although these have not been fully assessed.
Northern Gas Networks	Support	f) - positive	<ul style="list-style-type: none"> • Supports the unanimous decision (based on Xoserve / PwC analysis) of the PNSG to defer RAASP developments, especially when this releases valuable resources to aid delivery of 'core' PN elements, the effective delivery of which must take priority. • Agrees implementation of the modification needs to be effective 01 October 2016. • In suggesting that implementation of the modification would not place any additional costs on them, they do recognise that failure to implement PN as a whole, would potentially have a significant industry impact.
RWE npower	Support	f) - positive	<ul style="list-style-type: none"> • Supports deferral of the RAASP elements (de-scoping), recognises that this serves to reduce the risk of non-delivery of the main UK Link programme. Furthermore, believes that this may also assist Xoserve to focus on delivery of all other PN elements. • Supports immediate implementation as this enables Gas Shippers to re-focus their own internal delivery programmes. • In recognising that it will potentially incur additional costs associated with both the administration of an interim (manual) workaround and the subsequent later release of RAASP functionality, remains concerned at a lack of detail around such costs within the modification.
Scotia Gas Networks	Support	f) - positive	<ul style="list-style-type: none"> • Points out that PN programme is the biggest I.T. change for the industry in recent times. • Recognises that Modification 0434 also seeks to incorporate aspects of other industry change elements (e.g. Smart Metering), rather than retrofitting these changes at a later (post PN delivery) date. • Highlights that programmes of change of this magnitude and nature often require re-evaluation of deliverables and timescales – achievable by either adding more resources, extending timelines or amending the project scope (especially removing non-core elements). Suggests that the sooner these considerations are undertaken, the easier it is to assess the impacts and minimise overall project impacts and costs. • Believes that deferral of RAASP helps to maintain the stability of delivering the 'core' PN solution. • Agrees implementation of the modification needs to be effective by 01 October 2016. • Recognises that it will incur additional costs (both internally and from Xoserve) associated with deferral of the implementation date of RAASP functionality.
ScottishPower	Support	f) - positive	<ul style="list-style-type: none"> • Supports the modification whilst being disappointed that there is a need to de-scope retrospective

			<p>adjustment aspects of the PN solution.</p> <ul style="list-style-type: none"> • Recognises that should RAASP elements not be de-scoped there is a risk to the delivery of all other aspects of PN functionality. • Believes that it is imperative that as much of the remaining PN functionality is delivered for the 01 October 2016 especially bearing in mind the industry has already incurred a 12 month delay. • Believes that it is incumbent on the industry to realise PN benefits for consumer at the earliest opportunity. • Implementation of the modification should be as soon as possible in order to give certainty to Shippers. • Additional costs will be incurred associated with supporting an interim (workaround) and subsequent enduring (RAASP) solution, it is unable at this time to make an estimate of resourcing requirements, especially when smart metering deployment has a potential impact. • Remains concerned that the modification does not accurately recognise the additional cost to Shippers that delaying RAASP introduces. • Points out that in the absence of any credible alternatives to the modification (solution), they had no option but to support Modification 0573 to ensure main PN aspects are delivered for 01 October 2016. • Has concerns around both the management and transparency of the central programme for PN change and fear that the RAASP deferral may be the start of a wider de-scoping of the programme. • Has consistently championed provision of a Project Plan to allow Xoserve to demonstrate their progress across the spectrum and thereby afford Shippers a better opportunity to understand where/when potential constraints could occur (i.e. early warning to enable consideration of mitigating actions) – this has not been forthcoming. • Has previously (with support from other Shippers) requested that Xoserve deploy additional resources in order to reduce the risk of non-delivery, which Xoserve said it was unable to do. Now notes that at a recent PNSG meeting, industry was advised that additional resource had now been secured. • Remains concerned that whilst PwC is in further discussions with the Transporter Agent regarding resourcing levels, this matter is not being clearly communicated to Shippers. • Concerned around limited visibility of data migration / defects issues which gives little confidence that programme milestones will be met.
SSE	Oppose	f) - negative	<ul style="list-style-type: none"> • Recognises that delaying elements of the RAASP functionality is key to de-risking PN delivery, but feels unable to support the modification as written. • Disappointingly, despite having an extra year from the initially planned go live date of 1st October 2015, Xoserve, has stated that it is not possible for it to

			<p>deliver the full functionality of Modification 0434 by 1st October 2016 and requires yet another year to provide this functionality.</p> <ul style="list-style-type: none"> • Firm view that it is better for PN to go live on 01 October 2016 as planned, rather than potentially face further inevitable delays. • Concerned that the modification only focuses on the date of the RAASP functionality without looking at the interim requirements in more detail. • Believes that implementation of this modification would not only place a significant resource burden upon it, but significantly impact on the baselined BRD's. • Is disappointed that the Solutions section of the modification lacks detail behind what Users are expected to do, unlike Modification 0434 previously. • Suggests that whilst industry discussions have centred on Shippers sending in their own adjustments in the absence of RAASP functionality, the modification states that deferral is limited to those retrospective invoice adjustments associated with RAASP, which is wrong. • Requires certainty that any interim arrangements will be implemented prior to RAASP functionality being delayed. • Faces additional costs due to system and process redesigns, alongside having to support manual workarounds for 12 months. • Is concerned that the legal text makes no mention of the interim arrangements. • Points out that the modification does not go into sufficient detail as to which elements of RAASP functionality will be delayed, or to how workarounds will be implemented. • Feels that any interim arrangements should be fully agreed and included within the modification – without such information, the modification as written would not allow Shippers to make any sort of retrospective adjustments linked to the delayed functionality until 01 October 2017. • Acknowledges that the modification moves the project plan from a 'Red' to 'Amber' status. However, this modification should be part of a wider (published) plan evidencing how it assists delivery of 'core' PN functionality. • Concerned that the modification does not clearly specify what functionality will be removed and gives Shippers no comfort as to how issues arising post PN 'core' delivery are to be managed.
Wales & West Utilities	Support	f) - positive	<ul style="list-style-type: none"> • Recognises that the modification brings into effect the PNSG recommendation to delay implementation of RAASP functionality. • Believes the modification mitigates a significant delivery risk to the 'core' central systems whilst providing clarity for Users. • Would welcome immediate implementation to

			<p>maximise notice to industry.</p> <ul style="list-style-type: none"> • Believes that splitting RAASP from delivery of 'core' PN functionality would result in a marginal increase in overall project costs; the extent of these is being assessed by Xoserve. • Remains firmly of the view that any deferral costs would be less than the incremental costs of a 01 October 2016 delivery of RAASP functionality. • Acknowledges that any increase in costs would result in an increase in TOTEX spend, and would therefore impact on its customers.
Winchester Gas Distribution	Oppose	f) - negative	<ul style="list-style-type: none"> • Accepts there is no other alternative but to delay retrospective adjustments to enable 'core' functionality to be delivered. They oppose the modification for two main reasons: <ul style="list-style-type: none"> ○ an apparent lack of commitment that an October 2017 date will be adhered to, and ○ significant concerns relating to Xoserve's proposed interim solution of utilising the consumption adjustment process, which is currently used for LSP's and how they would potentially cope when this is opened up to SSP's. • Will incur additional costs to manually manage its consumption queries, which would otherwise have been an automated process. • Is concerned that should Xoserve be unable to accommodate the manual adjustment requests, Shippers will bear the potentially significant costs of this failure, thereby reducing their ability to align transportation costs with supply. • Believes that Xoserve must be required to carefully monitor the number of adjustments and resolution times to potentially facilitate a better option if problems arise. • Expects a clear commitment that retrospective adjustments will be delivered on time, as any more delays are unacceptable.

Representations are published alongside the Final Modification Report.

9 Panel Discussions

The Panel Chair summarised that this modification seeks to defer implementation of elements of the Retrospective Adjustment arrangements to be implemented under UNC Modification 0434 – Project Nexus Retrospective Adjustment. As Urgent procedures applied, the Chair advised Members that it could not be referred to a Workgroup and that Panel's job was to highlight any particular issues raised in representations that Members believed Ofgem should take into account in deciding on implementation.

Members considered the representations made noting that, of the 14 representations received, 10 supported implementation, 1 offered qualified support and 3 were not in support.

Members considered the representations received and noted that the majority of respondents supported implementation of this modification insofar as it further de-risks delivery of the core Nexus system.

Members noted the concerns raised by some respondents relating to the potential increase in their costs due to having to resource and manage an interim manual (workaround) process prior to a subsequent later delivery of the enduring Retrospective Asset, Address and Supply Point (RAASP) solution in 2017, although it was highlighted that these activities were not currently automated within central systems and that deferral of benefits might be a more appropriate way of thinking about the effect of this proposal.

As noted by several respondents, Members considered whether the proposal was complete, or whether the alternative RAASP arrangements should be included (which it was noted would have the effect of codifying offline processes). Some Members agreed with respondents, believing that absolute clarity of the interim arrangements was necessary to determining whether the RAASP-related obligations of 0434 should be deferred. Others disagreed, feeling that this would delay the certainty that was being sought, especially as this proposal was only intended to defer some of the new obligations set out in Modification 0434. They argued that this was a decision about de-risking the core system delivery and that the interim arrangements discussed at the Project Nexus UNC Workgroup should remain outwith Code. Members noted that there are offline arrangements in development for the interim period.

Members also noted concerns raised by several respondents about the lack of visibility of a detailed project plan that would evince a confident delivery date, and that a piecemeal deferral of 'difficult' sections was not appropriate. Some Members supported these views, whilst others believed that it was inevitable in such a paralleled delivery programme that risks would appear as detailed designs were completed and therefore the evolving mitigation of such risks was a proportionate response.

Some Members observed that, in approving this modification, Ofgem would be agreeing a two-years delay from the original implementation date.

Members considered the relevant objectives, agreeing that implementation would further relevant objective f) *Promotion of efficiency in the implementation and administration of the Code*, but also noted that this proposal defers some of the benefits associated with Modification 0434 'Project Nexus – Retrospective Adjustment'. Furthermore, it was also noted that such benefits were unable to be clearly identified at that time, as stated in the Ofgem decision letter for 0434, and that it remains similarly difficult to quantify the net effect of the deferral proposed here.

Members voted with 9 votes in favour (out of a possible 11) to recommend implementation of Modification 0573.

10 Recommendation

Panel Recommendation

Having considered the Modification Report, the Panel recommends:

- that proposed Modification 0573 should be made.