

Dermot Nolan
Chief Executive
Ofgem
9 Millbank
SW1P 3GE

16th December 2015

ICoSS Letter Regarding Current RED Status of Project Nexus Programme

Dear Dermot

The Industrial and Commercial Shippers and Suppliers (ICoSS) group is the trade body representing non-domestic industrial and commercial (I&C) suppliers in the GB energy market. Members collectively supply three-quarters of the gas needs of the non-domestic sector as well as half of the electricity provided by non-domestic independent suppliers¹.

We are writing regarding the recent announcement by the transporter's agent, Xoserve, that it will be unable to deliver to its own timetable and will not complete aspects of its User Acceptance Testing until either February or March. This short notice announcement has had the unfortunate effect of turning the overall programme plan RED and threatening the revised 1 October 2016 Go Live Date.

As you will recall we wrote to Ofgem in June highlighting growing concerns with the progress of the project and outlining a number of suggestions to help ensure that the revised implementation deadline would be achieved. Some of these suggestions have been acted upon and since June some progress has been made.

ICoSS members, along with other shippers active in the retail market, have successfully completed testing to date and are ready to progress to the next level at the end of January 2016.



All indications from PWC and others are that there is nothing to suggest that shipper users will not be ready to operate in the new market framework from 1 October 2016.

It is therefore most disappointing that just 2 months into the revised 12 month programme Xoserve has had to notify the industry of a minimum 2 month delay in delivering its UAT thus turning the overall plan RED.

We are aware that Xoserve is looking to how best manage the compressed testing timetable and a provisional recommendation to move to a phased testing approach has been made. A phased testing regime transfers risk to shippers and makes planning of testing activities more difficult and of course will require an element of back-loading and regression testing. It is however preferable to delaying testing or to commence testing whilst Xoserve has not completed its own User Acceptance Testing. While it is likely the industry can accommodate this change, phased Testing increases the risk to the overall programme.

Looking more widely at the whole project, it is concerning that Xoserve are unable to deliver critical aspects of the programme to its own timetable and that this significant 2 month delay in a 12 month revised programme has come to light with little warning and only 2 months into the revised programme.

Having committed to the revised Go Live Date any delays to the delivery of any part of the Project Nexus solution will introduce significant costs to shippers and ultimately consumers as project teams continue beyond October and potentially costly workarounds are operated. Going forward, we suggest that the following mitigating actions are undertaken to put the Programme back on track for a 1 October 2016 delivery date and to ensure that industry can successfully deliver this critical programme:

1. Broader oversight and transparency is needed to proactively “manage” Xoserve’s failing programme delivery thus providing assurance that we will not suffer from any further short notice delays.
2. Ofgem to urgently commission an independent “health check” of Xoserve’s readiness which can be provided to the industry to give confidence that the central service provider is doing all it can to deliver the project on time. It is important that this organisation is not contracted to Xoserve in any way.
3. Transporters who are the ultimate deliverers of this project and ultimate owners of Xoserve provide additional resources including subject matter experts, either from external parties or

from within their own organisations to ensure Xoserve have adequate resources to meet its obligations.

4. Ensure that the test environments will be maintained after L3/L4 testing and post go-live to ensure that the industry can continue testing. It is important to note that Xoserve are proposing to not provide a test environment beyond 31 July 2016. A commitment must come from Xoserve that it will continue to provide test environments at its own cost up to and beyond go-live to ensure that the negative impact of the delayed delivery of central system functionality to the industry for testing is minimised
5. The Project Nexus Steering Group and PWC should have far more visibility of program plans (including all relevant plans provided to Xoserve's board), with central program reporting and associated metrics information made available and updated weekly so that issues with the project are identified and resolved as soon as possible.
6. The Xoserve board should be required to report to the Project Nexus Steering Group to demonstrate that these issues are being addressed at the highest level.

Whilst taking the proposed mitigating actions does not guarantee that the Go Live Date will be met as the plan will continue to be high risk we are confident that if the above is actioned, then the industry will have done all it can to ensure that the transporters and their agent are focused on delivery on time.

We are happy to discuss these points further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G. Evans'.

Gareth Evans
Chair ICoSS

CC :

Jonathan Dixon (Ofgem)
Andy Sinclair (PWC)
Chris Murray (Xoserve)
Stephen Parker (Northern Gas Networks)
Steve Edwards (WWU)
Paul Rogers (National Grid Distribution)



Andrew Musgrave (SGN)
Nicola Pitts (National Gas NTS)