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Project Management and independent Project Assurance for Major industry projects

The Industrial and Commercial Shippers and Suppliers (ICoSS) group represents the major non-domestic industrial and commercial (I&C) suppliers in the GB energy market, supplying 70% of the gas needs of the non-domestic sector; a number of our members also supply electricity to their customers¹.

The non-domestic gas energy market is the most liquid and dynamic in the UK with the majority of supply provided by non-Big 6 Suppliers. This part of the market has developed in a regulatory environment that is, relatively speaking, less burdensome than the domestic market. We believe that this regulatory framework for a successful competitive energy market should be used as the benchmark for market development as opposed to using the uncompetitive domestic market as the basis for developing change.

As you are aware this is a very sensitive time for the gas/electricity supply industry with consumer confidence in our industry at an all-time low and the domestic market under investigation by the CMA. Therefore it is critical that any major systems replacement programme causes the minimum of disruption for energy consumers and does not lead to any undue consumer detriment in the existing market. More than ever we need any programme that is undertaken at this time to be successful.

We are concerned about the current Project Management and Project Assurance approach proposed under the UK-link replacement programme known as Project Nexus which is currently scheduled to Go Live on 1st October 2015.

¹ *Current Membership: Co-Operative Energy (associate), Corona Energy, Crown Energy, ENI, First Utility (associate), Hudson Energy (associate), Gazprom Energy, GDF Suez Energy UK, Statoil UK, Total Gas & Power, Wingas UK.*

In particular:

- The proposed Go Live date is 1st October which is the start of the Gas Year and aligns with the major renewal date for the non-domestic market and any uncertainty around this date will impact on risk premiums
- The assumption that risk mitigation would be achieved as parties who are not ready would be unable to operate in the market could risk consumers being denied access to competitive products and also risks those affected smaller suppliers exiting from the market thus potentially reducing competition.
- Cutting over to new systems and new market arrangements at the start of the winter is a higher risk strategy than a summer cut over where markets are more stable and less likely to be subject to price shocks
- Slippage in the implementation of the DCC to December 2015 means 2 major industry projects are being delivered in close proximity and during the same winter
- Xoserve have raised concerns over the current Project Plan noting that normally the minimum timescale for implementing SAP is 24 months (current plan is based on 21 months)
- The current Project Plan has no contingency built in and yet already repeated slippage in plan has not resulted in a revision of the Go Live date
- There are no Fall Back arrangements planned other than parties being unable to operate in the market
- There are significant changes with the introduction of a large number of new file formats and changes to existing file formats
- The industry is only just starting to have access to the TO BE processes
- The current plan is based on the conjoined delivery of UKLink and Gemini changes

As noted above the current Project Plan mandates a hard cutover to new industry systems and this is currently scheduled for October 2015; there are no fall-back arrangements planned. The basis for the implementation date has largely been informed by the ability for the central systems themselves to be designed, built and implemented. To date there has been little information coming forward regarding the ability for gas shippers to alter or replace their own systems. Indeed it is difficult for shippers to assess this until the detailed requirements are finalised in September/October of this year. Clearly however it is critical for the orderly continuation of the competitive market that the vast majority of the industry are aligned and able to proceed with business as usual – consumer switching etc.

We therefore recommend that there is an independent Project Assurance assessment undertaken with regards to industry readiness performed by a suitably qualified independent

programme assessor. The output of this assessment should be a confidential report to Ofgem highlighting:

- The ability of each player, including Xoserve iGT's & Shippers, in the gas industry to continue functioning in a normal manner following the implementation of project nexus and;
- Quantify the impacts on the market for both effective competition to function and also to identify any detrimental impacts for consumers (gas and electricity).
- The report should also if necessary suggest a more appropriate implementation date for the programme if there is a risk of significant customer detriment.

We believe this Project Assurance task should be added to the current Project Plan and be scheduled to be undertaken as soon as reasonably practicable and the report should be available to the industry no later than the end of Q4 2014.

We would be very interested to hear views from other industry participants and to engage further with people in order to progress this.

Yours sincerely

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

Gareth Evans
Chair ICoSS

Cc: Rob Church
Rachel Fletcher
Jon Dixon
Members of the Xoserve Change Overview Board