

0573:

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



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 Proposer recommends that this modification should be treated as urgent and should proceed as such under a timetable agreed with Ofgem



High Impact: Large Transporters and Shipper Users

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The Proposer recommends that this modification should follow urgent procedures based on the timetable below:		
Ofgem Decision on Urgency by	09 February 2016	
Consultation commences	09 February 2016	
Consultation Close-out for representations	16 February 2016	
Final Modification Report available for 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	None

shippers.	
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

Commentary

The following legal text has the effect of varying the provisions to 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 Recommendation

The Proposer invites the Authority to:

- Agree urgency on the basis that if standard non-urgent procedures were applied there would be insufficient notice provided to the industry in time to implement this modification by 1st October 2016.
- Permit the modification to progress to consultation on the basis that it is fully developed.

This modification requires approval by the end of February 2016 and the recommended that the urgent modification timetable described on page 2 is followed.