

Representation

Draft Modification Report

0491 – Change Implementation Date of Project Nexus to 1st April 2016

Consultation close out date: 01 April 2014
Respond to: enquiries@gasgovernance.co.uk
Organisation: National Grid NTS
Representative: Seán McGoldrick
Date of Representation: 01 April 2014

Do you support or oppose implementation?

We support the implementation of this Modification Proposal.

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

We consider that the risk to successful and timely compliance with EU legislation currently presented by the linked implementation into the Gemini system of both European Capacity Allocation Mechanism (EU CAM) and Project Nexus programmes is of an unprecedented and unacceptable level. The nature of the linked implementation effectively results in the delay to both projects if one or other is delayed and also increases the complexity of the combined project thus increasing the likelihood of incurring delays. In the event that there is a delay to Project Nexus, this will result in all large Transporters being non-compliant with their licence obligations relating to the introduction of EU legislative change.

We consider that the lead-time for the implementation of the Nexus project proposed within Modification Proposal 0491 is such that it will allow the lowest impact de-coupling of the two programmes' implementation plans.

By itself, Project Nexus is one of the largest system change programmes to be implemented by the Gas Industry since the original introduction of the UK Link suite of systems. It incorporates the migration of dozens of heavily-bespoke systems onto a single SAP platform. The challenges associated with the Project Nexus approach are further exacerbated by the amount of time remaining until October 2015 (18 months) which is less than the generally accepted IT-industry efficient and prudent timeframe normally required to deliver a programme of this scale onto a SAP platform (24 months).

Delivery of the EU CAM is mandated by EU regulation, with a clear and unambiguous legal requirement to deliver in 2015. To ensure compliance with this legislation EU CAM is to be delivered on to an established, well understood and stable platform and, if delivered in isolation, currently presents a low risk of failure.

De-coupling the two programmes, with EU CAM going live in October 2015 and Nexus being implemented in April 2016, reduces

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the risk of failure for both programmes, allowing the industry and the UK government to meet the legislative requirements and giving Project Nexus the 24 months timeframe recommended for such projects.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

No

Self Governance Statement:

Do you agree with the Modification Panel's decision that this should not be a self-governance modification?

Yes.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

We agree with the relevant objective impacts specified in the Modification Proposal, in that it significantly mitigates the risk of non-compliance with statutory obligations to comply with EU legislation.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

We have not been provided with any additional cost analysis by the central service provider, Xoserve.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

We are satisfied with the lead-times suggested in this Modification Proposal and believe that they will enable the most efficient rescheduling of the Project Nexus to be carried out.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

Yes

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

There has been a certain amount of industry discussion recently on the subject of whether or not the need to implement EU change in a timely fashion is mandatory. On March 27th, the Department for Energy and Climate Change (DECC) issued the following statement regarding EU CAM, the EU related changes to the current Gas Day and the EU network Code on Balancing Code, which we believe clarifies the situation and confirms the requirement for compliance in October 2015 and for any subsequent EU-specified implementation dates.

“There have been questions about whether GB is legally required to change its downstream gas day. We would like to use this opportunity to

clarify the position. By adopting the definitions of gas day from the [Capacity Allocation Mechanisms in Gas Transmission Systems Code](#) (Art 3(7)) the Balancing Code defines the gas day as "...5:00 to 5:00 UTC the following day for winter time and from 4:00 to 4:00 UTC the following day when daylight saving is applied." The Balancing Code applies to balancing zones, defined as "an entry-exit system to which a specific balancing regime is applicable and which may include distribution systems or part of them" (Art. 3(1), which in GB includes the downstream sector). The Balancing Code therefore requires that the downstream gas day be changed to 05:00 to 05:00 UTC (04:00 to 04:00 UTC when daylight saving is applied). The Balancing Code is directly applicable (this means it automatically has effect in UK law and does not require transposition) and must be complied with from 1st October 2015."

This position was confirmed by the Authority on 28 March 2014 when it issued its decision letter regarding UNC Modification 0461: Changing the UNC Gas Day to Align with the Gas Day in EU Network Codes. In its decision letter, the Authority acknowledged that EU legislative requirements take priority over GB domestic legislation and associated regulations and codes, including the UNC.

The Authority has also exercised its power, defined in Standard Special Condition A11 of Transporters' licences and introduced into the UNC via Modification 0448, to direct Transporters to implement Modification 0461 by the proposed implementation date of 1 October 2015.

We believe that these actions remove any doubt as to the mandatory nature of the requirement to implement European change in a timely fashion.