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The Joint Office, relevant Gas
Transporters and other interested
Parties (by email)

Direct Dial: 020 7901 7034
Email: Rob.church@ofgem.gov.uk

Date: 27 August 2014

Dear colleague

UNC513: UK Link Programme (Project Nexus) – independent project assurance for Users

We have agreed to the request of National Grid that its Uniform Network Code (UNC) modification proposal, reference UNC513, follow urgent procedures. This means that the proposal may proceed according to the expedited timetable recommended by the UNC Panel, as follows:

Process	Date
Modification issued for consultation	27 August 2014
Consultation closes	3 September 2014
Draft Final Modification Report issued to the UNC Panel	4 September 2014
Panel provide recommendation and submit FMR to the Authority	5 September 2013
Authority decision requested by	12 September 2014
Proposed implementation date	12 September 2014

For the avoidance of doubt, we have made no assessment of the merits of UNC513 and the granting of urgent status is without prejudice to any subsequent decision in respect of this modification proposal.

Background

On 21 February 2014 the Authority directed the implementation of UNC432¹ and UNC434². These were two of a suite of UNC modification proposals related to Project Nexus that also includes UNC440³, UNC467⁴ and UNC473⁵. Nexus aims to ensure that the systems operated by Xoserve that underpin the competitive gas market meet the current and anticipated business requirements of market participants. The Nexus modifications are due to be implemented with effect 1 October 2015.

It is important that all UNC parties are prepared for the cut over to the new systems. Initiatives such as the UK Link industry engagement forum⁶ provide a degree of visibility on Xoserve's state of readiness. Xoserve has appointed a third party to assist it with project

¹ UNC432: 'Project Nexus - Gas Demand Estimation, Allocation, Settlement and Reconciliation reform'

² UNC434: 'Project Nexus - Retrospective Adjustment'

³ UNC440: 'Project Nexus - iGT Single Service Provision'

⁴ UNC467: 'Project Nexus - iGT Single Service Provision; data preparation'

⁵ UNC473: 'Project Nexus - Allocation of Unidentified Gas'

⁶ www.gasgovernance.co.uk/uklif

assurance of its own preparatory activities. Through discussions at the Change Overview Board⁷ and elsewhere, a need has been identified to provide such project assurance on a more holistic basis.

UNC513 seeks to facilitate the appointment of an agent who will perform a project assurance role, submitting a report on shipper readiness for Nexus no later than 1 December 2014. December is considered to be a suitable checkpoint on the status of Nexus as Xoserve will have completed its detailed design work, which will better inform the next steps in the project and whether current milestones remain appropriate.

UNC Panel view

At a specially convened⁸ meeting of the UNC Panel, members voted unanimously⁹ to recommend that the UNC513 should follow urgent procedures.

Authority decision on urgency

We think there is a need to determine whether all UNC parties are making suitable preparations for the scheduled cutover to Nexus systems. It is arguable that such project assurance should have been a feature of Nexus from the outset. There now appears to be consensus on the need for such a role and the sooner it can be put in place, the more time industry will have to take rectifying action to address issues and avoid jeopardising the success and timeliness of Nexus as a whole.

Given the reliance that shippers have on UK Link systems, failure to adequately prepare could seriously hinder their ability to operate upon cutover to Nexus. However, any delay to the scheduled 1 October 2015 implementation date would have significant cost implications for all parties. At this stage we do not necessarily consider that UNC513 is the most appropriate means of providing project assurance for Nexus, in particular:

- it refers only to a one-off report rather than an enduring role that we think may be required for the remainder of the project;
- primarily, assurance is needed for industry to enable them to manage their preparations and not for the Authority;
- the options for funding are finely balanced.

However, we are satisfied that the issue UNC513 seeks to address meets the criteria for urgency set out in our published guidance¹⁰. Specifically, assurance that all parties are adequately prepared for the cutover to Nexus is "*an imminent issue or a current issue that if not urgently addressed may cause a significant commercial impact on parties, consumers or other stakeholder(s)*".

Yours sincerely,

Rob Church
Associate Partner, Smart Metering and Smarter Markets

⁷ www.gasgovernance.co.uk/cob

⁸ In accordance with paragraph 10.1.1(b) of the UNC modification rules, before making our decision on whether the proposal should follow the urgent procedures, we may request the UNC Modification Panel to provide its view. The modification rules can be found at:

www.gasgovernance.co.uk/sites/default/files/Modification%20Rules_13.pdf

⁹ See: <http://www.gasgovernance.co.uk/sites/default/files/Minutes%20Panel%20260814%20v1.0.pdf>

¹⁰ Ofgem's Guidance is published on our website:

www.ofgem.gov.uk/Licensing/IndCodes/Governance/Documents1/Ofgem%20Guidance%20on%20Code%20Modification%20Urgency%20Criteria.pdf