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To UNC Modification Panel Members and attendees at the Panel meeting of 11 March 2014

13 March 2014

Dear Colleague

Following the UNC Panel meeting on Tuesday 11 March 2014 to discuss the urgent status of UNC Modification Proposal 491 ("Mod 491"), I have received feedback that a number of the attendees were surprised that the Xoserve representative stated that 21 March 2014 was not a critical date for a decision on the Modification and would appreciate clarification regarding the target decision dates. I would like to apologise if anything Xoserve has said through the industry discussions to date has introduced this confusion. The purpose of this letter is to clarify why Xoserve advised Tuesday's Panel that the proposed timetable for Mod 491 could, with the Panel's agreement, be less aggressive.

For the avoidance of doubt, I should emphasise that Xoserve continues strongly to recommend that, if the desire is to de-risk each deliverable, the EU Reforms and Nexus Modifications target go live dates are separated and that the earlier such a decision could be taken the better.

Mod 491 was raised following discussions at the 3 March 2014 Change Overview Board ("COB") regarding the target go live date for the Nexus UNC Mods.

An extract from the Joint Office's letter of 7 March 2014 to Ofgem following the COB is reproduced below:

*"Xoserve explained that there are decision points with different drivers and implications. The most immediate implication is that in the absence of agreement otherwise, Xoserve will contract with its providers in late March 2014 on the basis of the 01 October 2015 implementation and will continue to work with industry on that basis. A decision after the end of March to re-phase could potentially have commercial implications for Xoserve and would be expected to impact the broader industry, on the basis that they would have geared up accordingly – the later any decision the more significant the likely implications.*

*It was also noted that a key consideration might be the point at which, having embarked on the delivery with a common 2015 target, the EU and Nexus elements could be separated such that the statutory EU requirements could be met. In the absence of more detailed analysis and design, this date cannot be definitively identified, although Xoserve suggested it will probably be during Q2 2014. An important consideration is that if Nexus and EU are separated at a later date having first endeavoured to deliver both for October 2015, there is a risk that the re-planned delivery for Nexus may be later than April 2016 – it would depend on circumstances that prevailed at the time of the decision."*

The proposed March decision date in the draft Mod 491 was presumably driven by the first paragraph of the extract above. However, the Xoserve representative's intervention at Panel was to highlight that the March date relates to Xoserve's commercial arrangements and that, whilst an early decision would be preferable, there is a later date, during design work, that a decision may still be taken to change the Nexus go live date to April 2016, whilst preserving the EU reform 2015 target. As such, targeting mid-May for a decision strikes a reasonable balance between giving time for appropriate consideration of the Modification Proposal, whilst retaining a decision date that, although not 'drop-dead', would allow time for the design approach to be reviewed.

As Mod 491 went directly to a swiftly convened Panel, there was no opportunity for the Proposer to discuss the matter, including the proposed timetable and decision date, with Xoserve prior to the Panel meeting. Clearly in hindsight, as the revised date ultimately affected the need for urgent status, it would have been better had this matter been raised ahead of or at the start of the Panel meeting. However the potential consequence of the revised decision date resulting in no need for Urgent status had not been recognised upfront, for which I apologise.

Yours sincerely

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Head of Industry Engagement