

By email



Making a positive difference
for energy consumers

Gas transporter licence holders,
gas shipper licence holders,
Xoserve

Date: 15 April 2016

Dear Colleague

Open letter: Cooperation with revised Project Nexus Governance Arrangements

As you may be aware, my colleague Rob Salter-Church, wrote to the industry on 15th March 2016 explaining that Ofgem was stepping in to take an overall sponsorship role for Project Nexus.¹ His letter also set our view on the risks of this project for consumers' experience of the energy market and the priority accorded by Ofgem for this project.

I am writing today to set out the new governance arrangements we are establishing to oversee the implementation of the project and to invite you to nominate representatives from your organisation to participate in the new boards. Attached as an annex to this letter is a pack of information explaining these arrangements. I would be grateful if you could respond to my office, copying in Rob Salter-Church (rob.salter-church@ofgem.gov.uk), by 22nd April 2016.

We are stepping in to improve the overall management of the project for the industry as a whole. I am relying on your help and support to enable us to oversee the implementation of the programme so it delivers for consumers.

By Ofgem stepping in to provide an overall sponsorship and management function, I am confident it will make it easier for your organisation to interface with Project Nexus. However, given the priority we accord to the successful implementation of Project Nexus, I am expecting the full co-operation of every market participant. I am looking to you to ensure your organisation has made all of its internal preparations so they are ready on any agreed implementation date. This includes continuing now to make progress in testing those aspects of the new IT solution which are available for testing. Project Nexus is a large and expensive programme and it is in everybody's interests to ensure it is delivered as quickly as possible at an acceptable level of risk to consumers.

Overview of new governance arrangements

At the Project Nexus Steering Group (PNSG) on the 11th April, we set out our proposal for changes to the governance of Project Nexus. These changes are designed to improve the governance of the programme to provide more efficient mechanisms to engage the right people, and facilitate quicker consultation and decision making. We have taken on board

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www.gasgovernance.co.uk/sites/default/files/Ofgem%20Open%20Letter%20on%20Project%20Nexus%20and%20Ofgem%20sponsorship.pdf

the feedback from the PNSG and made a number of changes to accommodate the suggestions made at the meeting.

The principle behind these new governance arrangements is to ensure companies are engaged from the highest level to working contacts, to encourage full commitment to delivering the project. To this end, I would therefore request your organisation's support for each of the governance groups that will be chaired by Ofgem, namely:

- Project Nexus Sponsors Forum (PNSF);
- Project Nexus Steering Group (PNSG); and
- Project Nexus Delivery Group (PNDG)

Project Nexus Sponsors Forum (PNSF)

The purpose of the PNSF is to:

- Ensure that executive sponsors in Xoserve and market participants are engaged and understand what is expected of their respective organisations; and
- Provide a forum for senior executives to be updated with overall delivery status and potential risk to consumers;

We expect all senior executives who hold the responsibility for Nexus delivery within their respective organisations to attend or send a representative. The date and invitations to the first meeting will be issued shortly.

Project Nexus Steering Group (PNSG)

The current PNSG will be reconfigured. The purpose of the revised PNSG is to:

- Provide input on the impacts of decisions and preferred outcomes in order that the chair may make an informed decision on overall timeline, scope, Go/No-Go decision and gate progression; and
- Approve a documented Go/No-Go framework and criteria

The PNSG attendee structure will follow a constituency-based representation model consisting of individuals, ideally with responsibility for Project Nexus delivery within their organisation or at the least a detailed understanding of the project and associated issues. This model will ensure that there is a workable group size and we are seeking continuity in the attendees so the chair can be informed to make decisions quickly and effectively.

Ofgem will also chair a "broadcast summary teleconference" held after each PNSG for all market participants to attend to ensure good communication of outcomes. Further detail regarding this and invitations will be communicated to your organisation in advance of the first revised PNSG meeting which will be held on Monday 9th May.

We are therefore seeking nominations for individuals to represent each constituent part of the gas market. The constituency based representation model and the role of the representative is outlined below. Each market participant has been assigned to a constituency, the details of which can be found in Appendix 1.

Constituency based representation model:

- Shippers
 - 6 Largest Suppliers – 2 representatives
 - I&C - 2 representatives
 - Challengers - 2 representatives
- GTs
 - Gas Distributors – 1 representative
 - iGTs – 1 representative

The role of the representative:

The representative(s) will be responsible for raising other constituent members' issues at the PNSG. To ensure fair representation they will be required to:

- Review issues raised by constituents prior to their submission;
- Ensure issues are properly documented prior to submission; and
- Ensure they understand issues sufficiently to explain them to the meeting

Nominating your constituent representative(s)

It is anticipated that the nominated representation will adhere to the following guidelines:

- There will be a named representative(s) per constituency who is expected to attend all meetings;
- There will be a named alternate(s) per constituency who will be able to attend a meeting when the named representative is occasionally unable to;
- All organisations will be fairly represented; and
- If an organisation feels that it is not being appropriately represented, then in the first instance we expect issues to be addressed with their representative. If they are unable to resolve the issue, then this could be escalated to Ofgem.

It remains the responsibility of individual shipper and gas transporter communities to nominate and decide their representative(s) for each group. Constituencies can decide to be represented by a member of a trade association; however in such a case the person must represent every member of their constituency even if not every organisation is a member of the trade association. The names of these representatives will need to be submitted by 22nd April 2016 in advance of the first revised PNSG.

Project Nexus Delivery Group

The purpose of the PNDG is to:

- Oversee regular progress, readiness and issue reporting from the PMO to wider stakeholders;
- Act as a first point of escalation for cross industry issue resolution;
- Consider all changes with a potential cross programme impact for decision; and
- Consider and inform the chair to make a decision upon actions to mitigate risk(s) to the implementation date.

Representatives from all market participants will be invited to attend this meeting - these will be named individuals who are managing the delivery projects or programmes within their organisations on a day-to-day basis. An organisation may nominate a designated representative from their constituency if they do not wish to attend the PNSG. Such representation must be notified in advance.

With the expectation of a high number of attendees, strict guidelines will be adhered to so that we can run the meeting as efficiently as possible:

- There will be a named individual per market participant (or a representative from their constituency if desired) who is expected to attend the meetings to ensure continuity of participants;
- There will be a named alternate per market participant who will be able to attend a meeting when the named representative is occasionally unable to;
- Issues market participants wish to discuss should be submitted in advance of the meeting, these will be allocated a specific time slot within the agenda;

- Timing within the meeting will be rigorously adhered to; and
- The PNDG pack will be clear, informative and issued in sufficient time to allow an individual to make a decision regarding the necessity of their attendance at the PNDG meeting.

The first PNDG will be held on the 3rd May. We request that you provide the name of the individual attending from your organisation, or constituency representative as necessary by the 22nd April 2016. Once received, invitations will be issued in due course.

Next Steps – establishing the revised arrangements and your support

The new governance and reporting structure will be implemented in the upcoming weeks. To ensure a smooth transition to this and productive initial meetings we kindly request the following actions from yourself and your organisation by 22nd April 2016:

- A submission of your named constituency representative(s) for the PNSG;
- A submission of your named organisation representative for the PNDG;
- A confirmation, in writing, that your organisation will work with the outlined governance arrangements and accept the outcome of such discussions and/or recommendations that the governance groups may make in accordance with their ToR's.

Please direct any queries you may have on this letter to Jon Dixon at Jonathan.Dixon@ofgem.gov.uk

Yours sincerely,

Dermot Nolan
Chief Executive

APPENDIX 1: Project Nexus Governance – Representation Model

The constituency based representation model and the role of the representative is detailed below:

- Shippers
 - 6 Largest Suppliers – 2 representatives
 - I&C - 2 representatives
 - Challengers - 2 representatives
- GTs
 - Gas Distributors – 1 representative
 - iGTs – 1 representative

Shippers:

Whilst we are focused primarily on those shippers who are actively participating in Project Nexus Markets Trials and system testing, the views of all shippers would be welcome.

- *6 Largest Suppliers*
 - British Gas
 - E.ON
 - EDF
 - Npower
 - Scottish Power
 - SSE
- *I&C*
 - BP Gas Marketing Limited
 - Contract Natural Gas Limited
 - Corona Energy
 - Crown Gas & Power
 - DONG Energy Sales (UK) Ltd
 - ENGIE
 - ENI
 - ExxonMobil Gas Marketing Europe Ltd
 - Gazprom Marketing & Trading Retail Limited
 - Statoil (UK) Limited
 - Total Gas & Power Ltd
 - WINGAS UK Limited
- *Challenger*
 - Barrow Shipping
 - Better Energy Supply LTD
 - Co-Operative Energy Limited
 - Daligas Limited
 - First Utility Limited
 - Flow Energy Ltd
 - Green Energy (UK) Plc
 - Green Star Energy
 - Hudson Energy Supply UK Limited
 - Opus Energy Limited
 - Places for People
 - Plus Shipping Services Limited
 - Regent Gas Limited
 - Smartest Energy
 - Spark Gas Shipping Ltd
 - The Renewable Energy Company Limited
 - Utilita
 - Vayu
 - Winchester Gas Distribution Limited

GTs:

- *GDN*
 - Scotia Gas Metering
 - National Grid (Transmission & Distribution)
 - Northern Gas Networks
 - SGN
 - Wales & West Utilities Ltd
- *iGT*
 - Brookfield Utilities UK
 - Energetics Gas Limited
 - ES Pipelines
 - Fulcrum Pipelines Limited
 - Indigo Pipelines Limited