

PROJECT NEXUS

STAGE 3 CONSULTATION

November 2008

About this consultation

xoserve is planning a major systems investment programme, and wishes to consult on the potential scope of the investment prior to undertaking detailed requirements and design work with a view to achieving solution delivery in 2012 - 2013.

The Project Nexus consultation is concerned with data management arrangements in the gas industry and the scope and nature of xoserve's services, and is being conducted in a number of Stages. This third Stage summarises responses to the Stage 2 Consultation, and solicits views on the results and conclusions of our review of industry topics and on the purpose, deliverables, and approach to the next phase of Project Nexus following completion of the consultation.

All interested parties are encouraged to consider the questions in this document and to submit responses as appropriate.

Responses should be submitted by e-mail to xoserve.projectnexus@xoserve.com and marked for the attention of Martin Baker, or sent to the following postal address:

Martin Baker
Business Planning Manager
xoserve Limited
31 Homer Road
Solihull
West Midlands
B91 3LT

Phone: 0121-623-2692
Fax: 0121-623-2792

To accompany the Stage 3 Consultation, xoserve is hosting an industry event on Wednesday 26th November 2008 at:

Holiday Inn Solihull
61 Homer Road
Solihull
West Midlands
B91 3QD

If you wish to attend this event, please contact Diane Cedra on 0121 623 2342, or send an e-mail to xoserve.projectnexus@xoserve.com.

Responses to the Stage 3 Consultation are required by **16th January 2009**.

An electronic copy of this document is available at www.xoserve.com/nexus_consultation.asp

Legal Notice

Nothing in this document has any contractual or legal force whatsoever and whilst all reasonable efforts have been made to verify the information in this document, no representation or warranty is made as to the accuracy or completeness of the information contained herein. Without prejudice to any of the above, all and any warranties whether express or implied, statutory or otherwise are expressly excluded.

All and any liability of xoserve Limited is excluded to the maximum extent permitted by law. No liability for fraudulent misrepresentation is excluded by the above.

Any and all copyright and all other intellectual property rights in this consultation document belong to xoserve Limited. To the extent that you reproduce the consultation document, you may only do so in full, may not make any modifications or adaptations thereto, and you must reproduce, clearly and prominently, the following copyright statement: “Copyright © xoserve Limited, all rights reserved”.

By responding to this consultation on behalf of an organisation, you warrant that you are authorised by that organisation to do so.

Confidentiality

Unless expressly marked as confidential, any response provided to the consultation may be published either in whole or part or in summary form, as xoserve may determine. Where responses are marked as confidential then any information may be used in a summary form but in such manner as would not identify the respondent.

An Update on Project Nexus

“Welcome to our third consultation document on Project Nexus. The level of engagement to date has been very encouraging, and I am therefore looking forward to your contributions to this third stage.

The work to define the industry’s service requirements will require commitment from all parties. The purpose of the next phase of the project is to build on the contributions during this consultation phase in order to arrive at agreed definitions of the future scope and nature of the agency services provided by xoserve, and to develop the associated business rules to a level of detail that will enable xoserve and industry participants to make systems investment decisions with confidence.

A range of topics has been identified which will need to be progressed in a manner appropriate to the nature of each topic or group of topics. The majority of topics relate to the scope of prevailing xoserve services and for these topics we propose to work closely with the Joint Office of Gas Transporters to coordinate the review and development of these topics in conjunction with industry participants. Other topics relate to services outside xoserve’s current scope and are being considered in existing industry forums; we will continue to participate actively in these forums.

A period of up to 18 months has been allowed for the further definition of requirements of xoserve’s services, thereafter we expect that work will need to progress immediately into system specification and implementation, in order to meet the technical requirements that underpin the investment need.

Project Nexus provides a unique opportunity to shape the services that xoserve provides to meet the future needs of the industry. I look forward to your continuing participation in this third consultation stage to help us establish the important activity that will take place in the next phase.”

Jeff Scott, xoserve CEO

Contents

- 1. Introduction 6
- 2. Responses to Stage 2 Consultation 10
- 3. Review of Topics..... 14
- 4. The Next Phase - Definition 23
- 5. The Next Phase - Approach..... 26
- 6. The Consultation Process..... 33

1. Introduction

This section summarises the previous Consultation Stages, provides information about the responses received, and explains the purpose and structure of this third Stage

1.1 The Initial Consultation

On 29th May 2008, we launched our consultation on Project Nexus. The primary purpose of the consultation is to solicit views from a wide range of industry participants on the long term strategic requirements for xoserve's services, which will in turn inform xoserve's systems investment plans. The conclusions of the consultation will be used to establish a baseline set of requirements for services for up to 10 - 15 years ahead.

In our Initial Consultation, we provided background information on the xoserve business and the reasons for consulting at this time. We then discussed and asked questions about:

- (a) How the industry manages supply point data;
- (b) The scope and nature of xoserve's services; and
- (c) Other considerations.

We received a total of 19 responses to the Initial Consultation from a range of industry participants and their representative organisations:

- Shippers - 11
- Networks - 4
- Independent Gas Transporters - 1
- Meter Operators and Providers - 1
- Others - 2

All non-confidential responses to our Initial Consultation have been published on the xoserve website and are available at www.xoserve.com/nexus_consultation.asp

1.2 The Stage 2 Consultation

On 5th September 2008, we published our Stage 2 Consultation, the purpose of which was twofold:

- (a) To provide the industry with a digest of responses to our Initial Consultation, and to solicit views on its completeness and accuracy; and
- (b) To set out and solicit views on our proposals to review further the topics arising from the responses to our Initial Consultation.

We have received a total of 9 responses to our Stage 2 Consultation from a range of industry participants and their representative organisations:

- Shippers - 6
- Networks - 2
- Meter Asset Managers - 1

All non-confidential responses to our Stage 2 Consultation have been published on the xoserve website and are available at www.xoserve.com/nexus_consultation.asp.

We would like to express our appreciation for the submissions received in response to both our Initial and our Stage 2 Consultations, and the considerable care and attention that respondents have clearly given to considering their responses to the questions that we asked.

1.3 Stage 3 purpose

The purpose of our Stage 3 Consultation is threefold:

- (a) To provide the industry with a summary of responses to our Stage 2 Consultation;
- (b) To set out and solicit views on the results and conclusions of our review of topics listed in the Stage 2 Consultation; and
- (c) To set out and solicit views on the purpose, deliverables and approach to the next phase of Project Nexus following completion of the consultation.

1.4 Stage 3 structure

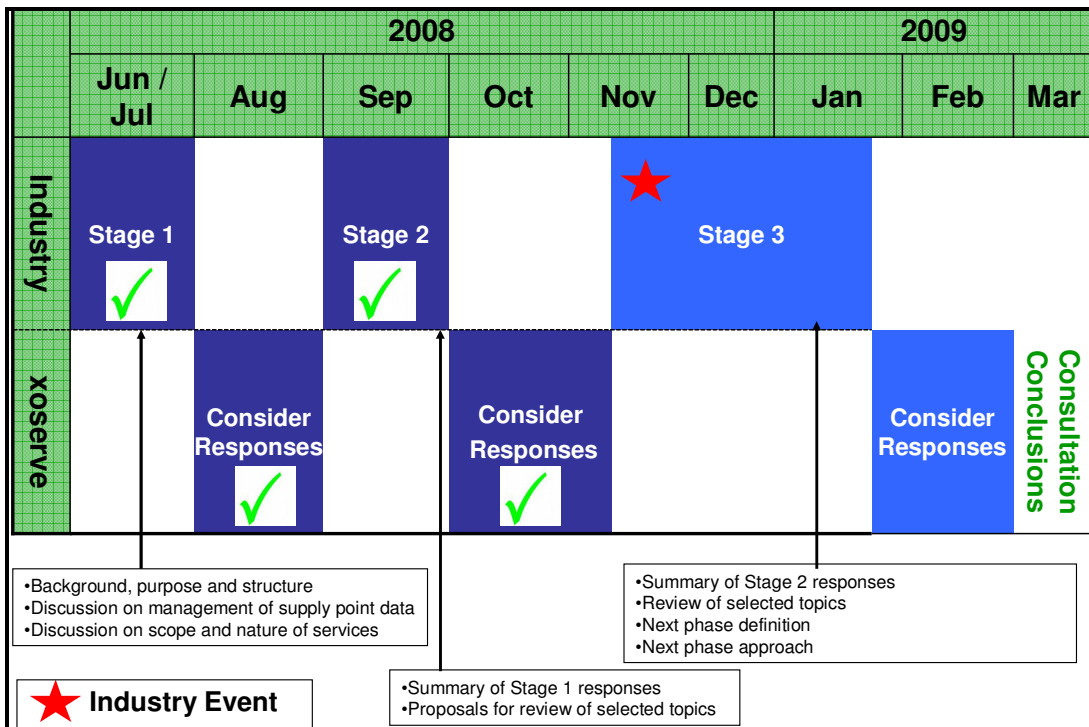
We have set out in this document:

- (a) A summary of responses to the questions in our Stage 2 Consultation about:
 - (i) The completeness and accuracy of the digest of responses to the Initial Consultation (Section 2.3); and

- (ii) The list of topics proposed for further review and the scope of the review (Section 2.5);
- (b) The results and conclusions of our review of the list of topics (Section 3), supplemented by our more detailed comments¹; and;
- (c) Our thoughts on:
 - (i) The purpose and deliverables of the next phase of Project Nexus following completion of the consultation (Section 4); and
 - (ii) The approach to the next phase of Project Nexus (Section 5).

1.5 Consultation structure and timetable

We have reviewed the consultation structure and timetable as previously set out in our Stage 2 Consultation. The diagram below illustrates progress to date and the anticipated remaining consultation Stages and timetable.



¹ Our more detailed comments have been published as a separate document “Stage 3 Consultation Supplement – Review of Topics”, which is available on the xoserve website at www.xoserve.com/nexus_consultation.asp

1.6 Consultation Conclusions

The publication of the Consultation Conclusions will represent the end of the scoping phase of Project Nexus. Subject to responses received to the Stage 3 Consultation, we anticipate that the Consultation Conclusions will comprise:

- (a) A digest of responses to the Stage 3 Consultation;
- (b) In light of these responses, a review of the purpose of and approach to the next phase of Project Nexus as set out in Sections 4 and 5 of this document; and
- (c) A statement of conclusions from the consultation and the implications for the remainder of Project Nexus.

During the period between the publication of this Stage 3 Consultation and the planned publication of the Consultation Conclusions, we will continue to engage with the industry to understand participants' readiness to progress to the next phase of Project Nexus in a timely manner.

2. Responses to Stage 2 Consultation

This section contains a summary of responses to questions in our Stage 2 Consultation about the digest of responses to the Initial Consultation and the topics for further review

2.1 Introduction

The summary of responses to our Stage 2 Consultation set out below in Sections 2.2 to 2.5 is concerned with the views expressed by respondents on matters that influence and inform the long term strategic requirements for xoserve's services. Section 2.6 summarises other matters that were commented on by respondents.

2.2 Questions about the digest of responses to the Initial Consultation

We set out in our Stage 2 Consultation a number of questions about the completeness and accuracy of the digest of responses to the Initial Consultation as follows:

1. Does the digest of responses about managing supply point data fairly reflect all significant matters raised in your response to the Initial Consultation? If not, what matters have been overlooked or misinterpreted?
2. Does the digest of responses about supply point administration and information provision services fairly reflect all significant matters raised in your response to the Initial Consultation? If not, what matters have been overlooked or misinterpreted?
3. Does the digest of responses about services which use energy consumption data fairly reflect all significant matters raised in your response to the Initial Consultation? If not, what matters have been overlooked or misinterpreted?
4. Does the digest of responses about invoicing services fairly reflect all significant matters raised in your response to the Initial Consultation? If not, what matters have been overlooked or misinterpreted?
5. Does the digest of responses about benefits, risks and dependencies fairly reflect all significant matters raised in your response to the Initial Consultation? If not, what matters have been overlooked or misinterpreted?
6. Does the digest of responses about other considerations fairly reflect all significant matters raised in your response to the Initial Consultation? If not, what matters have been overlooked or misinterpreted?

2.3 Summary of responses to questions about the completeness and accuracy of the digest of responses to the Initial Consultation

The large majority of respondents concurred that, in most cases, the digest of responses to the Initial Consultation fairly reflected all significant matters that had been raised by respondents.

Individual respondents raised a small number of specific matters, where they felt that the digest of responses had not fully captured or given sufficient emphasis to points made in their responses to the Initial Consultation , including:

- (a) The significant implications for Project Nexus from the rollout of smart metering, particularly on supply point administration services, including a possible role for xoserve in respect of the management of smart metering data;
- (b) The allocation of energy costs across different customer portfolios, and the levying of transportation and energy balancing charges across different supplier portfolios;
- (c) The extent of potential change to the scope of services provided by xoserve, with concern being expressed that respondents' views were more varied than was indicated by the wording of the digest of responses;
- (d) The need for consistency of service regardless of the distribution network to which a customer is attached, specifically including switching services and the formats of the supporting SPA data flows;
- (e) The submission of data updates in order to maximise the accuracy of industry data;
- (f) The potential interdependencies with / implications for gas metering data flows and interfaces between industry participants
- (g) Registration of more than one shipper per legal entity; and
- (h) The identification of 'fuel poor' customers.

2.4 Questions about the topics for further review

We set out in our Stage 2 Consultation a number of questions about the list of topics proposed for further review and the scope of the review.

7. Do you agree that the list of topics for further review is complete? If not, what additional topics might be added, and why? What topics might be removed, and why?
8. In relation to the items included in the list of topics, do you have any additional information or comments over and above those made in your own or others' responses to the Initial Consultation about impacts on the prevailing arrangements for managing supply point data or the scope and nature of xoserve's services?
9. Do you support the proposed scope for the evaluation of topics? If not, what aspects could be added to or removed from the scope, and why?

2.5 Summary of responses to questions about the topics for further review

Respondents broadly supported the list of topics, although some felt that the topic descriptions were too limited for them to be able to provide meaningful comments. Individual respondents suggested an increased emphasis on:

- (a) Analysis of smart metering dependencies, scenarios and potential market models; and
- (b) Amendments and updates to incorrect data.

One respondent suggested that some topics should not be included in the scope of Project Nexus, particularly iGT services, which the respondent saw as a large piece of work requiring its own project.

The majority of respondents agreed with the proposed scope for the evaluation of topics. One respondent proposed that, in addition to considering risks, assumptions and interdependencies, evaluations should also consider the impact on industry participants' exposure to liabilities.

2.6 Additional comments

In addition to providing responses to the questions set out in our Stage 2 Consultation, respondents also commented on:

- (a) Project funding, including the determination of those services that are to be provided under current arrangements and those which are to be provided under User Pays or alternative funding principles;
- (b) The engagement of industry participants in future phases of the project;
- (c) The relationship between requirements gathering activities and UNC governance;
- (d) The importance of strong programme management, including change control and implementation management, and of the deployment to the project of appropriately skilled and experienced resources; and
- (e) The form and nature of the system solution, including flexibility to accommodate future change.

We acknowledge respondents' concerns about these matters, which were also commented upon by many respondents to our Initial Consultation. Sections 4 and 5 of this Stage 3 Consultation document include our thoughts on these matters in so far as they are relevant to developing an understanding of the purpose and approach to the next phase of Project Nexus.

3. Review of Topics

This section contains the results of our review of topics and our conclusions about what these mean for the next phase of Project Nexus, including questions for respondents

3.1 Topics for review

The table below sets out the topics proposed for review as included in our Stage 2 Consultation, and provides a brief description of each topic. Respondents' comments to questions in our Stage 2 Consultation have confirmed that, subject to the points of emphasis noted in Section 2.3, the listed topics fairly reflected all matters raised in responses to our Initial Consultation that have the potential to influence and inform the long term strategic requirements for xoserve's services.

Section	Topic Title	Topic Description
Data Management	Data Hub	The maintenance of a master dataset that is maintained, accessed and referenced by relevant parties.
	Quality Assurance	An industry role to set and monitor standards for the quality of data. An incentive framework on parties around data quality.
	Exchange and Flows of Data	Industry participants' responsibilities to make data available to other industry participants.
SPA	Supplier Switching (Dual Fuel, Bulk Transfer)	Supply point transfer process and timescales, comparison of gas and electricity processes to better facilitate dual fuel site transfers and transfers of groups of supply points (e.g. customer or shipper groups)
	iGT Services	Provision of common services for iGTs on either a similar or reduced scope to those provided for large transporters.
	Market Differentiation	Different processes for different sectors of the market, e.g. domestic and I&C
	Connection & Registration	Review of processes associated with the connection and initial registration of meter points and supply points.
Energy Data	Central Data Store for Smart Metering Data	Provision of a central store of read and asset data, accessed and referenced by relevant parties.
	Increased Reads for Energy Allocation, Balancing and Transportation Charging	Currently a mixture of daily actual and estimated volumes and allocated energy reconciled over a period are used for energy allocation and balancing and transportation invoicing. The availability of additional read data presents an opportunity to increase the proportion based on daily actual energy.

Section	Topic Title	Topic Description
	Reconciliation	Different proportions of the market subject to reconciliation and different reconciliation methods.
	AQ Management	Purpose, calculation and maintenance of annual quantities.
	Volume Capture	The utilisation of metered volumes derived by a party other than the transporter's agent.
Invoicing	Invoicing Rules	Changing the nature, timing and frequency of invoices.
	Treatment of Retrospective Updates	Where data is found to be incorrect, updates processed and appropriate adjustments made to consequential impacts, e.g. transportation charging.

3.2 Scope of review

We proposed that our review of topics should take the form of a high level qualitative evaluation of each topic in order to:

- (a) Provide additional information to help confirm a broad set of requirements; and
- (b) Assist with the definition of the scope of the future phases of Project Nexus.

We proposed further that the scope of the initial evaluation of each topic would comprise a consideration of:

- (a) The key impacts on:
 - (i) Arrangements for managing supply point data;
 - (ii) The scope and nature of xoserve's services; and
 - (iii) Interfaces with industry participants and industry processes;
- (b) The key features of the topics that:
 - (i) Influence costs;
 - (ii) Drive the requirement for investment expenditure;
 - (iii) Impact post delivery running costs; and
 - (iv) Influence the benefits case;
- (c) The principal risks, assumptions and interdependencies associated with the topics; and
- (d) The key dependencies on contractual, regulatory and legislative change.

Respondents' comments to questions in our Stage 2 Consultation have confirmed that, subject to the points of emphasis set out in Section 2.5, the proposed scope of the review was appropriate to fulfil the review's objectives.

3.3 Review results

We have set out in the following sections the results from our review of topics. We have carried out this review with reference to respondents' comments to both our Initial Consultation and our Stage 2 Consultation, but have not sought further input from industry participants. The questions in this Stage 3 Consultation document are designed to obtain such further input and to assist in the formulation of consultation conclusions.

The majority of topics fall within the prevailing scope of agency services. The proposals in these areas differ from "as is" services but are either modifications or enhancements to existing services rather than completely new services. Review results for these topics are set out in Section 3.5.

The topics that have been identified as being outside of the prevailing scope of agency services are concerned with Data Management, including a Central Data Store for Smart Metering Data, and iGT Services. Review results for these topics are set out in Section 3.6.

The categorisation of topics is summarised in the following table.

Category	Topic	Industry Framework
Within prevailing scope of agency services	<ul style="list-style-type: none"> • Supplier Switching (Dual Fuel, Bulk Transfer) • Market Differentiation • Connection & Registration • Increased Reads for Energy Allocation, Balancing and Transportation Charging • Reconciliation • AQ Management • Volume Capture • Invoicing Rules • Treatment of Retrospective Updates 	Uniform Network Code
Outside prevailing scope of agency services	• iGT Services	iGT Uniform Network Code and potentially iGT / GT licence
	• Data Management	No formal framework at present

Notes to table

- (a) We have used the term 'Data Management' to refer to a number of connected review topics, namely:
 - (i) Data Hub;
 - (ii) Quality Assurance;
 - (iii) Exchange and Flows of Data; and
 - (iv) Central Data Store for Smart Metering Data.

- (b) 'Industry Framework' identifies the primary commercial frameworks that contain the business rules that we consider would require further development if the topic is to be more fully defined. This is not intended to be an exhaustive list of all potentially impacted frameworks, and we recognise in particular that there may be impacts on regulatory Licences held by industry participants.

- (c) For those topics which might be further developed under Uniform Network Code ("UNC") Governance, we have set out in Appendix 1 schedules of recent or current UNC Modification Proposals and UNC Review Groups that have considered or are considering changes to business rules related to the review topics.

3.4 Review of topics detail

Detailed observations from our review of topics have been published as a separate document "Stage 3 Consultation Supplement – Review of Topics", which is available on the xoserve website at www.xoserve.com/nexus_consultation.asp. The document contains a commentary on each topic set out in Section 3.1 that is aligned to the items included in the scope of the initial evaluation as set out in Section 3.2.

We are making these observations available in order to share with the industry some initial rather than conclusive views on the various topics, and to provide a starting point for further discussions that we anticipate would take place during the next phase of Project Nexus.

3.5 Topics within prevailing scope of agency services

The observations set out below address in turn each component of the scope of the review as presented in Section 3.2.

We have observed from our review of topics that fall within the prevailing scope of agency services, and from respondents' comments to both our Initial Consultation and our Stage 2 Consultation, that:

- (a) Arrangements for managing supply point data are potentially significantly impacted by the Increased Reads for Energy Allocation, Balancing and Transportation Charging, Reconciliation and Volume Capture topics. In these cases the nature, frequency and quantity of the data received by xoserve could significantly change. The consideration of these topics should be kept under review as the thinking on Data Management topics evolves;
- (b) The topic that appears to have the greatest potential to impact the scope of xoserve services is the change in responsibility that is implied by Volume Capture, where the volume calculation activity could be undertaken by another party;
- (c) All topics would change the nature of services in some way, but those with the greatest potential impact are Market Differentiation, Increased Reads for Energy Allocation, Balancing and Transportation Charging and Supplier Switching;
- (d) The review identified that many of the topics have the potential to impact interfaces with industry parties and processes, both in terms of data received by xoserve and data provided by xoserve. This is such an all embracing issue that it merits cross-topic discussion to identify principles before conducting further and more detailed topic specific discussion. Many respondents expressed a desire to retain existing interfaces alongside any new interfaces which would be likely to add to the overall cost;
- (e) All topics were identified as potentially realising benefits for industry participants, although in many cases the expected beneficiaries were not identified. The magnitude of benefits, the timescales over which they could be realised, and the extent to which they relate to either identifiable cost reductions or less quantifiable risk reductions were not always clear. Further discussion of all topics is required so that the benefits case and identity of beneficiaries can be more fully assessed;
- (f) The volume of data and process complexity are the key factors influencing both investment and ongoing costs. The Increased Reads for Energy Allocation, Balancing and Transportation Charging topic has the potential to create the largest increase in data and processing capacity and the Supplier Switching and Market Differentiation topics to create the greatest functional change. The benefits case in these areas would need to be closely examined;

-
- (g) The extent and range of the changes suggested by the topics is significant and the risk associated with making this level of change would be high. Many of the topics impact multiple industry parties, and the risk can only be mitigated with a strong commitment to reach agreement on the nature of process change and the implementation of the necessary system changes to a common and agreed timescale;
 - (h) There are key interdependencies that would need to be carefully managed to ensure that conflicts between topics are avoided. These are between:
 - (i) The topics within the prevailing scope and the Data Management topics. In order to make progress on the former topics it will be necessary to agree a set of industry assumptions which can be reviewed as new clarity is achieved in the Data Management topics; and
 - (ii) The topics within the prevailing scope, e.g. AQ Management and Increased Reads for Energy Allocation, Balancing and Transportation Charging; and
 - (i) Whilst all topics that are within the prevailing scope of agency services fall under UNC governance, Market Differentiation and Connection & Registration could also impact Licence conditions depending on the outcome of the topic. As Volume Capture could represent a reduction in scope of agency services, it is unclear what the future governance arrangements would be for the de-scoped activities. Many of the topics could be impacted by smart metering developments.

3.6 Topics outside prevailing scope of agency services

The observations set out below address in turn each topic that is outside the prevailing scope of agency services as presented in the table in Section 3.3.

We have observed from our review of topics that fall outside the prevailing scope of agency services, and from respondents' comments to both our Initial Consultation and our Stage 2 Consultation, that:

- (a) In respect of iGT Services:
 - (i) The key dependency is on governance and funding arrangements. We are aware that the CSEP Governance Review Group is being facilitated by Ofgem to enable GTs, iGTs and Shippers to discuss these issues. We are already providing input to this group and are encouraged by progress being made.

Once the key dependencies are understood it will be possible to explore the topic in greater detail; and

- (ii) The topic has the potential to create significant benefit for the industry by introducing consistent and streamlined processes across all supply points. Reducing the variety of interfaces in the industry is key to realising these benefits. This topic would significantly change the arrangements for managing supply point data and the scope of xoserve's services. The impact on costs is unclear at this stage but the incremental element would be very much determined by the extent to which iGT supply points are treated in the same way as large GT supply points; and

(b) In respect of Data Management:

- (i) Issues such as a single central master data set and a greater level of data quality assurance in the industry would have material impacts on the arrangements for managing supply point data, the scope and nature of xoserve's services and interfaces with industry participants. Respondents felt that there is potential for significant benefit for the industry and our review concurs with that view. However, there is insufficient clarity at the present time to realistically quantify benefits or costs. The topic could require significant contractual, regulatory and potentially legislative change which inherently contains a high level of risk; and
- (ii) Further clarity is required on possible operating models before conclusions can be drawn on whether and how the topic should be progressed to a greater level of detail.

3.7 Review conclusions

We have considered the results of our review of topics as set out in Sections 3.3 to 3.6, and have concluded that these inform the definition of the next phase of Project Nexus in a number of ways, namely that:

- (a) Those services that by their nature are "agency services", i.e. that are most efficiently provided as centrally managed, common services to a community of users, should be considered;
- (b) Where changes to the prevailing scope or nature of services are being considered, it is important to understand and agree at an early stage:

- (i) The responsibilities of industry participants to provide those services; and
 - (ii) The principles that determine the identity of the industry participants that will fund investment in the development of services;
- (c) All topics listed in Section 3.1 remain in scope for further consideration in the next phase of Project Nexus; and
- (d) The scale of potential change to supply point data management arrangements and to the scope and nature of xoserve's services and the potential benefits to be gained from these changes indicate the merits of the industry investing effort in undertaking further work to understand change options, leading to definition of business rules.

3.8 Funding

We have made reference in Section 3.7 to the importance of establishing funding principles at an early stage. In our Initial Consultation, we provided the following synopsis of prevailing funding principles and highlighted relevant developments in this area:

- (a) There is a direct relationship between the scope of services and the scale of investment required; and
- (b) Chapter 8 of the GDPCR Final Proposals sets out the principles that:
 - (i) Gas Transporters have been funded through price control reviews for the replacement of xoserve's systems on a like-for-like basis; and
 - (ii) Parties who are beneficiaries of an investment are expected to bear the cost of that investment.

Section 5 includes our initial thoughts on where and how the establishment of funding principles might be included in the next phase activities.

Questions about the review of topics

1. *Do you agree with our categorisation of review topics and our thoughts on the impacted industry frameworks as set out in Section 3.3?*
2. *Do you agree with our review results as set out in Sections 3.5 and 3.6? Do you think that our evaluation has underestimated or misrepresented the impact of potential changes on either the industry's data management arrangements or the scope and nature of xoserve's services?*

- 3. Do you support our conclusions as set out in Section 3.7 about what the outcome of the review of topics means for the definition of the next phase of Project Nexus?***
- 4. Do you have any further views or thoughts about any of the topics that we have reviewed that might have a bearing on our review results and conclusions, and that should be taken into account in determining the activities to be included in the next phase of Project Nexus?***

4. The Next Phase - Definition

This section contains xoserve's thoughts on the purpose of and deliverables from the next phase of Project Nexus, including questions for respondents

4.1 Introduction

We set out in the Initial Consultation our proposed consultation structure, recognising the need to keep the structure under review and responsive to feedback received as the consultation progresses through its Stages.

Our proposed structure included as part of the Stage 3 Consultation a discussion on the approach to Project Nexus following completion of the consultation. In order to better inform and give context to our thoughts on the approach, we have set out in this section our thinking on the purpose of and deliverables from the next phase of Project Nexus. These thoughts have been informed by the responses to our Initial Consultation and our Stage 2 Consultation, as well as our conclusions from the review of topics as set out in Section 3.

4.2 Purpose

We stated in our Initial Consultation that the purpose of the consultation phase of Project Nexus is to develop an understanding of the long term strategic requirements for xoserve's services, and that the conclusions of the consultation will be used to establish a baseline set of requirements for up to 10 – 15 years ahead, and in turn to inform xoserve's system investment plans. The consultation is proving to be helpful in so far as it informs the scope of topics to be considered in defining the long term strategic requirements for xoserve's services, however further work is clearly required to provide sufficient definition around business rules to enable new requirements to be incorporated in investment decisions.

The areas that we consider would require the development of industry agreed definitions are:

- (a) The future scope of agency services;
- (b) The future nature of agency services;
- (c) The business rules associated with the future scope and nature of agency services;
and
- (d) The beneficiaries of agency services.

We also consider that, where changes to the prevailing scope or nature of services are being considered, it is important to understand and agree at an early stage:

- (i) The responsibilities of industry participants to provide those services; and
- (ii) The principles that determine the identity of the industry participants that will fund investments in the development of services.

We would therefore propose that the primary purposes of the next phase of Project Nexus are:

- (a) To build on the outcome of the scoping phase by taking forward the consultation conclusions so as to arrive at industry agreed definitions of the future scope and nature of agency services; and
- (b) To develop associated business requirements, including the necessary clarification of business rules, to a level of detail that will enable xoserve and industry participants to make systems investment decisions with confidence.

4.3 Deliverables

The next phase deliverables should be those outputs that are necessary to achieve clarity in those areas that require industry agreed definitions. We have set out in the table below our thoughts on the phase deliverables that are relevant to each area.

Area requiring definition	Phase deliverables
The future scope and nature of agency services, and associated business rules	<ul style="list-style-type: none"> • Definition of prevailing scope and nature of agency services • Additions and amendments to the prevailing scope and nature of services • Business rules in respect of additions and amendments to prevailing services • Priorities for introducing new services or changes to prevailing services
Industry participants' commercial and regulatory responsibilities	<ul style="list-style-type: none"> • Definition of prevailing responsibilities • Changes to prevailing responsibilities
The principles that determine the identity of the industry participants that will fund investment in development of services	<ul style="list-style-type: none"> • Definition of prevailing funding principles • Changes to prevailing funding principles • Application of these principles to identify funding arrangements for system investment
The beneficiaries of agency services	<ul style="list-style-type: none"> • Definition of service beneficiaries

Questions about the definition of the next phase of Project Nexus

- 5. *Do you agree with the proposed purpose and deliverables for the next phase of Project Nexus?***
- 6. *Do you have any further information or observations about any matters raised in our review results and conclusions as set out in Sections 3.3 to 3.7 that might have a bearing on the proposed purpose and deliverables?***

5. The Next Phase - Approach

5.1 Introduction

Consideration of the approach to the next phase of Project Nexus is concerned with finding the most efficient and effective means of achieving timely, quality outputs for each of the next phase deliverables set out in Section 4.3.

We recognise that a large number of respondents to both our Initial Consultation and our Stage 2 Consultation commented on aspects of Project Nexus such as governance, funding and xoserve's engagement of the industry beyond the consultation phase. We have sought to address these matters in so far as they are relevant to the approach to the next phase of Project Nexus.

5.2 Investment decisions

In parallel with the next phase activities described below, we will continue to carry out assessments of the technical drivers that are concerned with sustained delivery of our services on reliable and supported system platforms. These assessments form an important input to our systems investment decisions and their timing.

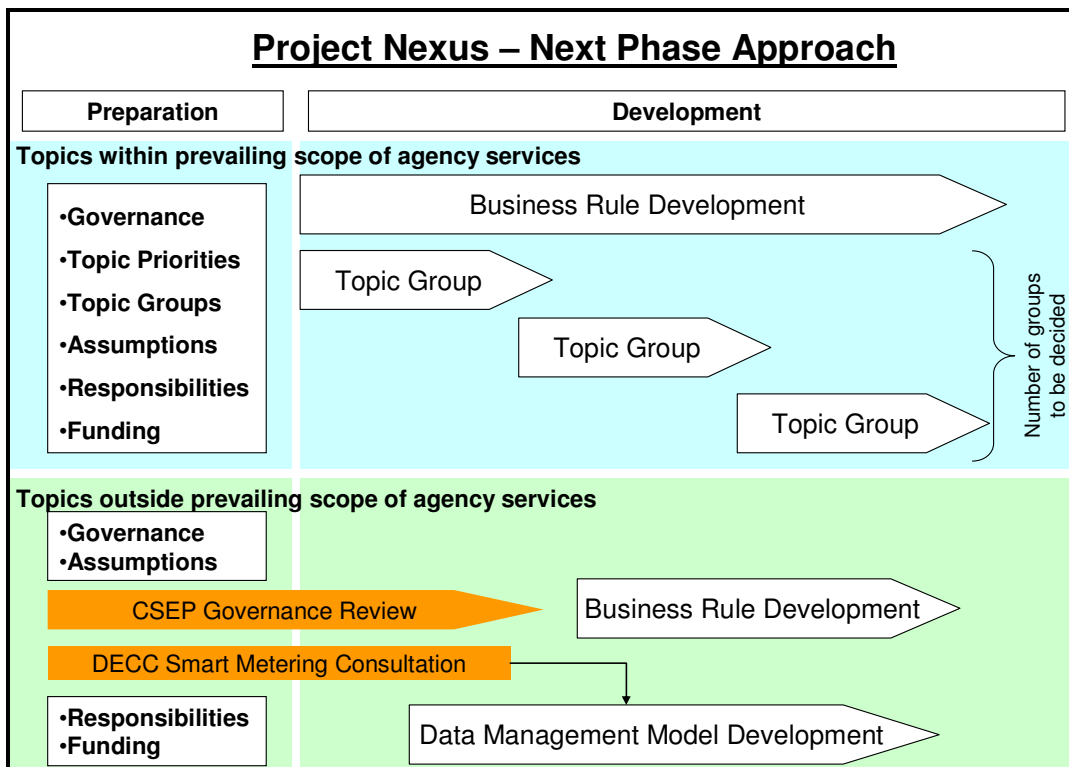
Given the dynamics of the environment in which we operate, there may be a point at which it will be necessary for us to initiate investment because of technical drivers, even if some of the topics have not reached a definitive conclusion. We would then have to consider how further functionality might be brought into the scope of subsequent incremental investment as and when there is sufficient clarity. We would also point out that higher levels of new requirements identified after initial investment planning would increase the risk that costs may be greater than they might otherwise have been.

5.3 Approach outline

The categorisation of review topics set out in Section 3.3 differentiates between the topics that:

- (a) Fall within the prevailing scope of agency services; and
- (b) Fall outside the prevailing scope of agency services.

We are proposing an approach that reflects this differentiation, as illustrated below.



5.4 Approach for topics within prevailing scope of agency services

Preparation

Prior to undertaking business rule development, there is a requirement to carry out a range of preparation activities. Some of these should ideally be completed ahead of starting business rule development, namely:

- (i) The prioritisation and grouping of topics;
- (ii) Defining assumptions that support business rule development; and
- (iii) Establishing governance arrangements for business rule development.

Other preparation activities are concerned with the early establishment of some principles, recognising that these will need to be tested and potentially modified in response to business rule development outcomes. These principles are concerned with:

- (i) Defining the responsibilities of industry participants in relation to the provision of services; and

- (ii) Identifying the industry participants that will fund investment in the development of services, and determining the mechanisms associated with such funding.

Development

The development of business rules would be:

- (a) Phased in accordance with the agreed prioritisation and grouping of topics; and
- (b) Progressed through meetings that are:
 - (i) Organised and conducted in a manner consistent with the UNC; and
 - (ii) Administered by the Joint Office of Gas Transporters.

The role of xoserve

We would focus on contributing to the preparation and development activities that allow us to add most value to the industry. We consider that in practice we would:

- (a) Facilitate, co-ordinate and manage a programme of work covering both the preparation and development activities around the in-scope topics;
- (b) Provide information and insight to the industry on the form and nature of interdependency and connectivity between topics; and
- (c) Provide advice and support to industry participants' preparation and development discussions.

5.5 Approach for topics outside the prevailing scope of agency services

Preparation

These topics fall outside the scope of prevailing agency services and are being considered in existing industry forums. We envisage that the most appropriate approach to the development of these topics is to continue to utilise these existing frameworks, specifically the CSEPs Governance Review Group, being facilitated by Ofgem, and the Smart Metering Market Model Definition and Evaluation Project, under the auspices of DECC. We recognise that the scope of the latter project does not encompass all aspects of supply point data management and we make a suggestion below regarding how this might be addressed. We would expect the following to be addressed within these existing forums:

-
- (i) Defining assumptions that support development;
 - (ii) Establishing governance arrangements for development;
 - (iii) Defining the responsibilities of industry participants in relation to the provision of services; and
 - (iv) Identifying the industry participants that will fund investment in the development of services, and determining the mechanisms associated with such funding.

Development

- (a) In respect of iGT Services, the CSEP Governance Review Group is being facilitated by Ofgem to enable GTs, iGTs and Shippers to discuss possible alternative arrangements for the provision to Shippers of supply point administration and other services in respect of supply points on iGT Networks. The development of rules around agency services relating to this topic is dependent on the conclusions of the CSEP Governance Review Group and any subsequent regulatory consultation. Thereafter, subject to the conclusions of the Review Group, business rule development arrangements might be similar to those for topics that are within the prevailing scope of agency services but additionally, as required:
 - (i) Engaging iGT organisation representatives;
 - (ii) Progressing business rules through both UNC and iGT UNC governance; and
 - (iii) Involving all relevant Code Administrators.
- (b) In respect of Data Management:
 - (i) The Smart Metering: Market Model Definition and Evaluation Project (“the Market Model Project”) is being facilitated by the Department of Energy and Climate Change (“DECC”) to enable a broad range of industry participants to consider options for the rollout of Smart Meters to domestic premises in the UK. Some of the options being defined and evaluated by the Market Model Project include a centralised approach to the management of smart metering data, echoing comments made by many respondents to our Initial Consultation;
 - (ii) As consideration of alternative data management arrangements is not confined to the potential impacts of the rollout of smart metering, we would

propose that a separate piece of work is undertaken to develop a greater understanding of the potential impacts of alternative operating models on supply point data management arrangements and thereby on the scope of xoserve's services; and

- (iii) It will be necessary to consider the impact of DECC's conclusions on the alternative data management models as and when these are defined.

The role of xoserve

We will focus on contributing to the activities that allow us to add most value to the industry. We consider that in practice we would:

- (a) Within the CSEP Governance Review Group, continue to provide advice and support to industry participants' preparation and development discussions; and
- (b) With respect to data management, recognising that the DECC work does not cover all aspects, organise and facilitate a number of data management workshops to further develop a common understanding of the potential scope and benefit of the central data management topics. These could include within their agenda consideration of how management of smart metering data might impact supply point data management arrangements, with a view to better scoping how this topic might progress.

5.6 Approach impacts and benefits

The proposed approach would enable topics that are within and outside of the prevailing scope of agency services to be managed and progressed as separate pieces of work each with their own distinct approach. It would also allow topics that have little or no dependency on the outcome of other industry consultations or discussions to be progressed more rapidly.

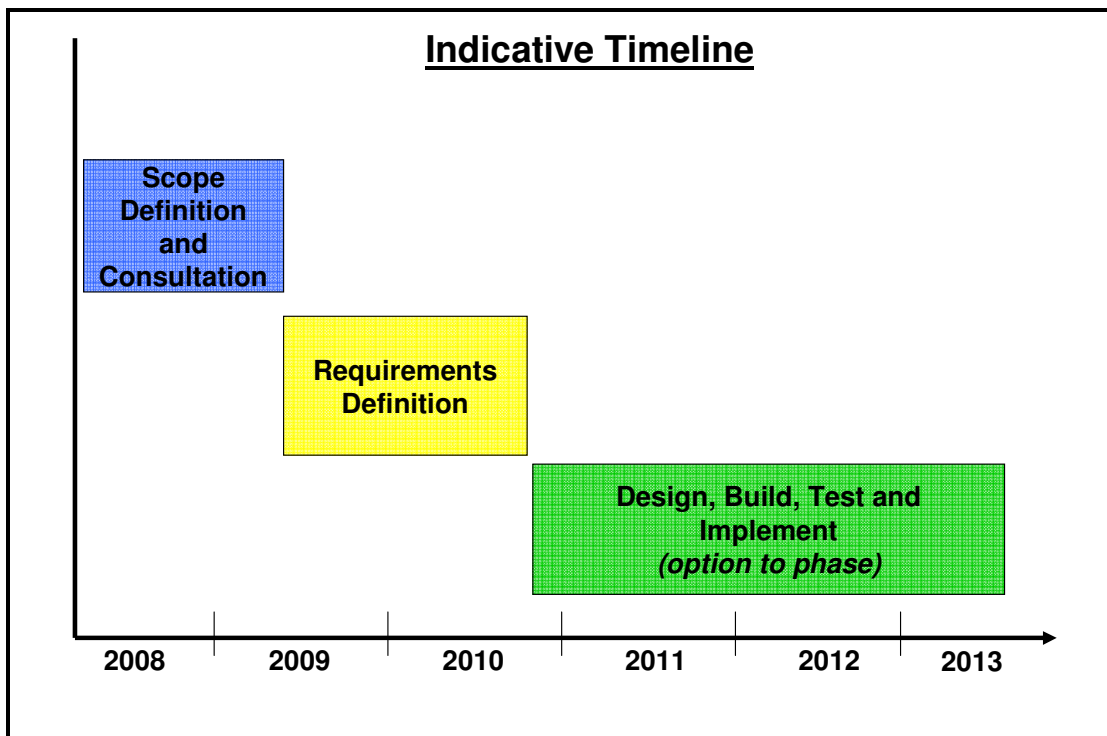
The approach would maximise the utilisation of existing industry governance frameworks and code administration processes, in order to increase the likelihood of timely and efficient progress through the next phase. We believe that if clarity is to be established around the full range of identified topics in the necessary timescales, the proposed approach would require all participants to commit a level of suitably skilled and knowledgeable resources to both preparation activities and the development of business rules and data management models.

We also consider that this approach could deliver significant benefits for the industry by obtaining early agreement on change priorities, and achieving the development of business rules and data

management models to a level of detail that would enable xoserve and industry participants to make systems investment decisions with confidence in the required timescale.

5.7 Next phase timing and duration

We set out in our Initial Consultation an indicative timeline, which included a period of approximately twelve months following completion of the “Scope Definition and Consultation” phase for “Requirements Definition” activities. The review results and conclusions set out in Section 3 point to a high number of topics with potentially complex interdependencies. To accommodate this complexity, we are allowing for the next phase activities to extend for up to a further six months, by which time we expect to have to make some initial investment decisions as outlined in Section 5.2. This is reflected in the revised indicative timeline shown below.



We stated in our Initial Consultation that the option of a phased implementation should not be discounted. The observations from our review of topics suggest an increased likelihood of a phased implementation, driven by varying delivery priorities for industry agreed definitions and associated business rules.

Questions about the next phase approach

- 7. *To what extent do you think that the proposed approach as set out in Sections 5.3 to 5.5, offers the most efficient and effective means of achieving the next phase purpose and deliverables as set out in Section 4? What alternative approaches might be considered and why?***
- 8. *Do you think that we have correctly identified the main impacts and benefits of the proposed approach as set out in Section 5.6? If not, what do you think are the further impacts and benefits?***
- 9. *Do you think that a period of approximately eighteen months is sufficient to complete the next phase activities as set out in Sections 5.3 to 5.5? What do you think are the highest priority topics that should be addressed within the available window?***
- 10. *What constraints, if any, might prevent the industry from progressing to the next phase without significant delay after the publication of the Consultation Conclusions?***

6. The Consultation Process

This section explains the administrative arrangements for responding to the consultation

6.1 When and how to respond

Responses to Stage 3 of the consultation are required by **16th January 2009**.

Responses should be submitted by e-mail to xoserve.projectnexus@xoserve.com and marked for the attention of Martin Baker, or sent to the following postal address:

Martin Baker
Business Planning Manager
xoserve Limited
31 Homer Road
Solihull
West Midlands
B91 3LT

Phone: 0121-623-2692
Fax: 0121-623-2792

Please note that you should mark any relevant elements of your response as confidential if you do not wish these to be made publicly available. Please refer to the confidentiality statement on page 3 for full information on the treatment of confidential responses.

Please state whether you are responding as an individual or on behalf of an organisation. If you are responding on behalf of a representative or membership organisation:

- (a) Please make clear who your organisation represents and, where applicable, how the views of your members were canvassed and assembled; and
- (b) Please ensure that you have the authority to represent that organisation.

6.2 Industry event

To accompany the Stage 3 Consultation, xoserve is hosting an industry event on Wednesday 26th November 2008 at:

Holiday Inn Solihull
61 Homer Road
Solihull
West Midlands
B91 3QD

If you wish to attend this event, please contact Diane Cedra on 0121 623 2342, or send an e-mail to xoserve.projectnexus@xoserve.com.

6.3 Help with queries

If you have questions about issues raised in this document, they can be addressed to

Martin Baker
Business Planning Manager
xoserve Limited
31 Homer Road
Solihull
West Midlands
B91 3LT

Phone: 0121-623-2692
Fax: 0121-623-2792
E-mail: xoserve.projectnexus@xoserve.com

6.4 Consultation Code of Practice

xoserve is seeking to apply the principles of the Consultation Code of Practice to this consultation. If you wish to comment on the way this consultation has been conducted, please contact

Chris Smith
xoserve Limited
31 Homer Road
Solihull
West Midlands
B91 3LT

Phone: 0121-623-2690
Fax: 0121-623-2792
E-mail: chris.j.smith@xoserve.com

Appendix 1 – UNC Modification Proposals and Review Group topics

Effective as at 24th October 2008

Category	Ref	Title
Modification	232	Allocation of Unidentified Gas via the Distribution Networks charges
	229	Mechanism for correct apportionment of unidentified gas
	228	Correct apportionment of NDM (“Non Daily Metered”) Error – Energy
	227	Implementation of an industry AMR database to facilitate the change of supply process
	226	Additional data requirements for the administration of CSEP Supply Points
	224	Facilitating the use of AMR in the Daily Metered Elective Regime
	211	RbD (“Reconciliation by Difference”) Audit Governance Arrangements
	209	Rolling AQ (“Annual Quantity”)
	204	Amendment to the calculation of WCF (“Weather Correction Factor”)
	202	Improvement to More Frequent Readings Provisions to allow benefits of AMR (“Automated Meter Reading”)
	194	Framework for correct apportionment of NDM (“Non Daily Metered”) Error – Energy
	192	Introduction of DNO (“Distribution Network Operator”) obligations to facilitate resolution of unresolved USRVs (“User Suppressed Reconciliation Values”)

Category	Ref	Title
Review	208	Information relating to Unallocated Energy
	178	Reclassification of SSP (“Smaller Supply Point”)to Domestic only
	175	Encouraging Participation in the elective Daily Metered Regime
	157	Review of iGT (“independent Gas Transporter”)Settlement and Reconciliation Arrangements