



All Distribution Network Operators

*Promoting choice and value for
all gas and electricity customers*

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Dear colleague,

DPCR5 data assurance trial

The robustness of network companies' information is at the heart of all the work we carry out as a regulator. It is important for assessing distribution network operators' (DNOs') price control forecasts, explaining to customers what is being delivered in return for the revenue that DNOs can earn, and in monitoring performance against the price control settlement. It is therefore imperative that companies take full responsibility over the integrity of the data they collect, analyse and submit to us as the regulator.

Those DNOs that submit inaccurate, incomplete or late data will be at a high risk of action being taken against them. The tools available to us include warning letters and investigations (which may involve an Ofgem audit) to full licence enforcement action and imposing fines.

Over the past year, we have therefore embarked on a programme of works to review the arrangements contained in the network licences and associated guidance documents to ensure that we get appropriate assurance that accurate, complete and timely data is submitted to us.

The onus is placed firmly on the DNOs to ensure the integrity of data submitted. A variety of data assurance methods are currently employed by the DNOs to achieve this, for example director sign off for specified data returns and the engagement of external firms to carry out Agreed Upon Procedures. The purpose of this review is to rationalise these arrangements, to ensure that we have a consistent, coherent framework where the greatest emphasis is placed on the areas of greatest potential concern.

To this end, we have already begun a trial with the DNOs during DPCR5, the learning of which will inform data assurance guidance in RIIO-ED1. The trial involves reviewing all data submissions to Ofgem, assessing the risk of these submissions (bespoke to each DNO) and identifying appropriate data assurance activities that will address the identified risk. While the trial will not replace the current DPCR5 licence obligations on data assurance, it will inform our approach to data assurance for the eight or nine years of RIIO-ED1.

Should you wish to take the opportunity to influence the RIIO-ED1 approach, there are a number of specific areas where we expect you to engage with us on during the trial. These are:

- Attendance at RIIO-ED1 Data Assurance Working group (DAWG) meetings
- The development of a common DNO approach to data assurance including:

- A risk assessment framework that incorporates both impact risk and process risk
- A common a set of defined data assurance activities
- A common set of report formats.
- The provision of "looking ahead reports" by 31 March 2013, 2014 and 2015. This report should set out what the DNO plans to do in terms of data assurance in the year ahead.
- The provision of "looking back reports" by 31 October 2012, 2013 and 2014. This report should detail the data and data assurance issues uncovered in the previous year and the DNO's action plan on how to tackle these issues.

We appreciate the work that DNOs have already undertaken in this area and are looking forward to building on this work to inform RIIO-ED1.

Yours sincerely,



Hannah Nixon
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