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# Supplementary annex 3: Data Assurance Guidance

Version E.0.2

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**Overview:**

This document is to be used by all electricity distribution network operators (DNOs) when preparing the two separate annual reports for submission to Ofgem on data assurance during the DPCR5 trial period. It provides guidance on best practice for conducting and reporting data assurance activities to ensure complete, accurate and timely data is submitted to Ofgem. This document will be amended as the trial progresses in order to arrive at a final version for use when the RIIO\_ED1 licence comes into effect. The trial is expected to run until November 2014.

## Version History

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Version No.	Changes	Purpose	Author	Release Date
<b>Trial versions</b>				
0.3	Revised version 0.2.1 to reflect agreement at working group meeting 08/08/2013.	For first TO/GDN trial submission (looking ahead report 2013/14 to be submitted 31/01/2013)	Neill Guha	08/08/13
E.0.1	Amalgamation of ED 1 <sup>st</sup> working version and T/GD v0.3 informed by w/g meeting discussions and DNO comments of 29/08/13 (received via ENA)	2 <sup>nd</sup> ED trial version, for DNO's November 2013 looking back report submission.	Neill Guha	13/09/13
E.0.2	Only minor changes from version E.0.1: <ul style="list-style-type: none"> <li>• Overview paragraph (on cover page)</li> <li>• Table 4.1 formatting and deleted * note</li> <li>• Appendix 1: added footnote to heading</li> </ul>	For RIIO-ED1 informal licence consultation January 2014.	Neill Guha	

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# 1. Introduction

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## Chapter Summary

This chapter provides the background and purpose of the DPCR5 data assurance trial and the document structure.

1.1. 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 licensees price control forecasts, explaining to customers what is being delivered in return for the revenue that licensees can earn, and monitoring performance against the price control settlement. It is therefore imperative that companies take full responsibility for the integrity of the data they collect, analyse and submit to us as the regulator.

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

1.3. Ofgem has therefore embarked on a trial with the DNOs to inform new data-assurance obligations that are expected to come into effect under RIIO-ED1 licences. Transmission owners (TOs) and gas distribution networks (GDNs) commenced a similar trial in 2013. Learning from the DNO trial to date has informed the TO and GDN trials and vice versa. All three trials are due to end at the same time and the aim is, as far as possible, to achieve commonality between final versions of the DAG. The trials are expected to run until November 2014 with the licence condition (being developed) expected to come into effect on 1<sup>st</sup> April 2015 as part of the overall RIIO-ED1 licences. The overall aim is to develop common approaches to data assurance. While our aim is to develop a common guidance framework for TOs, GDNs, and DNOs, it is expected that within the common framework the detail will be tailored to the individual sectors. We anticipate that the DAG for each sector will include as minimum:

- a risk assessment framework;
- a set of defined data assurance activities; and
- a set of report formats.

1.4. The result of this work is contained in this Data Assurance Guidance (DAG).

1.5. The overarching aim of this data assurance work is to reduce the risk of inaccurate reporting and misreporting to all stakeholders, such as customers, Ofgem and licensees. While this is nothing new, some data submitted by licensees in recent years has been late or contained inaccurate or incomplete data, and therefore Ofgem decided to take a fresh look at the approach to data assurance. This new approach is one that:

- is risk based, where there is a clear link between materiality of the submission and the data assurance activity adopted; and

- places the onus firmly on the licensees to ensure the integrity of data submitted.

1.6. It is important to note that until the new data assurance licence conditions come into effect the DAG will not replace any data assurance provisions contained in the current DPCR5 licences nor will it relieve licensees of any data assurance obligations under the existing conditions. The DAG will only come into effect following a formal licence modification process at which point the existing data assurance conditions will also be amended.

1.7. This guidance document sets out the processes that licensees are expected to follow in 2013 and 2014. It may however be amended as necessary during the remaining year of the trial in 2014, before a final DAG which is suitable for RIIO-ED1 is put in place (by 1 April 2015).

1.8. The data submissions (containing quantitative or qualitative data) for which this DAG applies are listed in [Appendix 1a \(transmission\)](#) and [Appendix 1b \(gas distribution\)](#). TOs and GDNs are required to:

- undertake a risk assessment for each submission following the common risk assessment matrix set out in [Chapter 2](#);
- determine which data assurance activity/activities will apply to each submission. [Chapter 3](#) provides a set of defined data assurance activities from which TOs and GDNs must select the most appropriate for each submission based on the results of the risk assessment; and
- report to Ofgem, through the looking ahead and looking back reports, the results of the risk assessments as well as the risk appropriate data assurance activities carried out and planned. The reporting requirements for the looking ahead and looking back reports are set out in [Chapter 4](#).

1.9. Ofgem intends to use the risk assessments submitted in the trial to determine which submissions require mandatory data assurance activity in RIIO-ED1. It is expected that this will be minimal as it is the risk assessment that should drive the data assurance activity.

1.10. Licensees are encouraged to review their impact assessments within industry groups to ensure consistency of interpretation and scoring during the trial period.

1.11. [Appendix 2](#) sets out definitions of relevant terms used in this document.

## 2. Risk Assessment

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### Chapter Summary

This chapter sets out the risk assessment matrix that each licensee should follow in order to determine for each data submission the overall level of risk associated with inaccurate, incomplete or misreported data or with late submission. This assessment will determine the appropriate risk based data assurance activities to adopt for each data submission.

### Introduction

2.1. As noted above, Ofgem's new approach to data assurance is one that is based on risk, ie that there should be a clear link between the data assurance activities adopted and the materiality of the submission in combination with the robustness of the processes used to populate the submission.

2.2. It is expected that each licensee will follow the approach to risk assessment as set out in this chapter. This comprises a risk assessment matrix that encompasses both impact risk and process risk. While the risk score that results from the matrix will be bespoke to each licensee, Ofgem expects all licensees to follow a consistent approach.

### The risk matrix

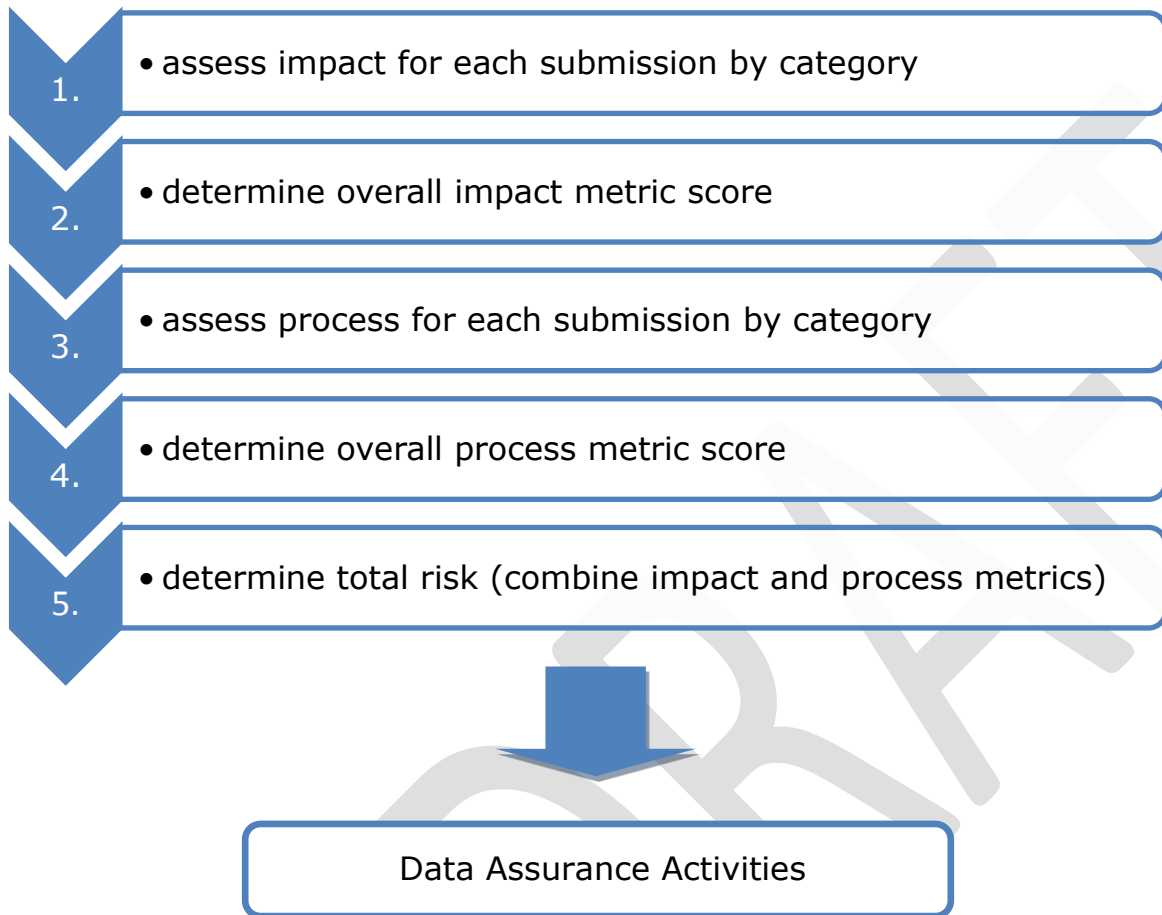
2.3. The overall risk profile for each submission is determined by assessment of both the likelihood of it containing error and the impact this error would have across key drivers, such as revenue, and key stakeholders, such as customers. Therefore, the risk matrix comprises two component metrics – impact metric and process (likelihood) metric. The total risk is a combination of both metrics.

2.4. Impact and process metric are defined as follows:

- **Impact metric:** relates to the effect of inaccurate, incomplete, misreported or late data on customers, competition, the financial allowance awarded to licensees and the comparative efficiency analysis conducted by Ofgem in setting allowances. It is scored by assessing each data submission against these categories.
- **Process metric:** relates to the likelihood of incomplete, inaccurate, misreported or late data, and is scored by assessment of the robustness of the systems and processes used by a licensee in reporting the data and in the control environment in which that reporting operates.

2.5. The five-stage process each licensee is expected to follow to reach an overall risk profile for each submission is summarised below. The details of each stage are provided in the sections that follow. The results of the risk assessment should inform the choice of appropriate data assurance activity for each submission.

**Figure 2.1: Five-stage risk assessment process**



### **Impact metric: stages 1 and 2**

2.6. Table 2.1 sets out the criteria for assessment of the impact of data errors.

2.7. The impact metric has four ratings – 1 to 4 – with 4 denoting the level of highest adverse impact and 1 denoting the lowest adverse impact that would arise as a result of an inaccurate, incomplete or late submission. Licensees are required to assess the likely associated impact of inaccurate, incomplete, or late submission for each submission listed in in [Appendix 1a \(transmission\)](#) and [Appendix 1b \(gas distribution\)](#) and to score the impact from 1 to 4 in accordance with the impacts described in table 2.1. These scores should be recorded in the risk assessment template (Excel file) along with the example impact (a to e) driving the impact score.

2.8. In all cases, licensees should assess significance over the period of the current price control plus any impact on allowance setting for the next price control.

2.9. Licensees should interpret the impact assessment as being the associated impact of inaccurate, incomplete and/or late submissions and the misreporting of data and not the impact associated with poor performance that the data might reveal. In doing so licensees should assume a realistic worst case scenario.

2.10. While Ofgem expects that the impact metric score for each data submission should be similar across the licensees within a sector (unlike the process metric), we believe they may not always be identical and therefore we have not predetermined an impact score for each data submission.

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**Table 2.1: Impact Metric: assessment of impact caused by inaccurate, incomplete or late submission during the current and any future price control period**

	<b>Customers</b>	<b>Competition</b>	<b>Financial</b>	<b>Comparative Efficiency</b>	<b>Business Continuity</b>
<b>4</b>	Creates a breach in licence conditions that has a major service impact on all public network customers or a major impact on all ICPs or a major impact on all IDNOs	High impact on the ability of third parties to compete in the market place	An error or omission gives rise to a major financial impact ( >±5% of price control revenue per annum)	Error will impact on comparative efficiency analysis and the error itself was ±£1m per annum	High impact on whether a DNO can continue to perform its core licensed functions
<b>3</b>	Creates a breach in licence conditions that has a moderate impact on all customers or a major service impact on a small number of public network customers or a moderate impact on all ICPs or a moderate impact on all IDNOs	Moderate impact on the ability of third parties to compete in the market place	An error or omission gives rise to a significant financial impact (>±1% of price control revenue but less than ±5%)	Error will impact on comparative efficiency analysis and the error itself was ±£200k-£1m per annum	Moderate impact on whether a DNO can continue to perform its core licensed functions
<b>2</b>	Has a moderate service impact on some public network customers or a moderate impact on some ICPs or a moderate impact on some IDNOs	Low impact on the ability of third parties to compete in the market place	An error or omission gives rise to a low financial impact (<±1% of price control revenue)	Error will impact on comparative efficiency analysis and the error itself was up to ±£200k per annum	Low impact on whether a DNO can continue to perform its core licensed functions
<b>1</b>	Has no service impact on public network customers or ICPs or IDNOs	Has no impact on the ability of third parties to compete in the market place	No financial impact on the level of incentives receivable from the Regulator	Information provided in this return is not used for comparative analysis to set future allowances	No impact on DNO's ability to perform its core licensed functions.

## Process metric: stages 3 and 4

2.11. Table 2.2, sets out the criteria for assessing process metric.

2.12. The process metric has three ratings – high, medium and low risk. There are seven categories that should be scored for each data submission, as follows:

1. Complexity of data sources
2. Completeness of data set
3. Extent of manual intervention
4. Complexity and maturity of reporting rules
5. Control framework
6. Experience of personnel
7. Evidence of historical errors with this data.

2.13. Differentiation is made between:

- categories 1 to 4 (reporting assessment), being indicators of the likelihood of error associated with the systems used, available data and reporting rules; and
- categories 5 to 7 (control assessment), being indicators of the level of confidence in the control environment (ie confidence in the business's ability to either prevent or detect any error).

2.14. Unlike in the case of the impact metric, Ofgem might expect to see greater variation in the process metric scores between licensees as each will have different systems and processes for submitting their data.

2.15. The control framework should be assessed at the same data level as the risk assessment has been undertaken.

**Table 2.2: Process Metric**

	Reporting Assessment				Control Assessment		
	1.Complexity of data sources	2.Completeness of data set	3.Extent of manual intervention	4.Complexity & maturity of reporting rules	5.Control framework <sup>1</sup>	6.Experience of personnel	7.Evidence of historical errors with this data <sup>2</sup>
<b>High</b>	Two or more data collection systems, with data collation and reporting routines that have not been fully automated.	Data not routinely captured by DNO to populate this report. Reporting for a significant number of elements of the submission is based on extrapolation of sample data rather than full data set.	More than 60% <sup>3</sup> of the data is manually collated <sup>4</sup> and reported.	The rule set is incomplete <b>or</b> the rules require significant interpretation, judgement or assumptions <b>or</b> the first issue of rules have been completed within the last 12 months.	There are inadequate validation / preventative controls <b>or</b> controls have been in place for less than 12 months <b>or</b> systems and processes not documented and control points not assessed (ie any such material lacks substantial coverage) <b>or</b> Regulatory submissions not subject to effective review or supervision processes.	This submission being collated by employees with no prior experience of doing so <b>and</b> no method statement available to explain prior year approach to completing this report.	Material errors identified by Ofgem or audit processes for this report, or table level as appropriate, within the last two years; and the issues identified have not been addressed <b>or</b> no audit undertaken on this submission in the last five years.

<sup>1</sup> The control framework should be assessed at the RRP level and not at the table level.

<sup>2</sup> Evidence of historical areas should be assessed at the table level and not at the RRP level.

<sup>3</sup> This refers to 60% of cells.

<sup>4</sup> Manual intervention defined as where there is a manual process to change the data structure of format, e.g. summation, division into detailed elements etc. Where data is being passed between functions within the entity without changes to its complexity, dimensions, reference period or such like this is not considered manual intervention. This does not cover initial input of data into the numerical or financial system.

	Reporting Assessment				Control Assessment		
	1.Complexity of data sources	2.Completeness of data set	3.Extent of manual intervention	4.Complexity & maturity of reporting rules	5.Control framework <sup>1</sup>	6.Experience of personnel	7.Evidence of historical errors with this data <sup>2</sup>
<b>Medium</b>	Single data collection system with data collation and reporting routines that have not been fully automated.	Data routinely captured by DNO to populate this report but for less than 2 years  <b>or</b> some elements of reporting based on extrapolation of sample data rather than full data set.	More than 0% but less than 60% of the data is manually collated and reported.	The rule set is complete and has not changed for at least 12 months but the rules require some interpretation, judgement or assumptions.	There are adequate validation / preventative controls  <b>and</b> controls have been in place for more than 12 months but less than 2 years  <b>and</b> systems and processes substantially documented and control points assessed  <b>and</b> regulatory submissions subject to effective review or supervision processes.	This submission being collated by employees with no prior experience of completing this submission but using method statements for prior submissions to support them  <b>or</b> this submission being collated by employees with prior experience of completing this submission – with no method statements for prior years available.	Material errors for this submission have been identified within the last two years for which all issues have been remediated but not yet validated by subsequent audits  <b>or</b> no audits undertaken on this data within the last two years, but audit has been undertaken within the last 5.

	Reporting Assessment				Control Assessment		
	1.Complexity of data sources	2.Completeness of data set	3.Extent of manual intervention	4.Complexity & maturity of reporting rules	5.Control framework <sup>1</sup>	6.Experience of personnel	7.Evidence of historical errors with this data <sup>2</sup>
<b>Low</b>	Data collation and reporting processes that have been fully automated.	Complete data set routinely captured to populate this report for 2 years or more	Data collation and reporting are fully automated.	The rule set is complete; the rules require no interpretation, judgement or assumptions; the rules have been in place for more than 12 months.	There are extensive validation / preventative controls. <sup>5</sup> and controls have been in place for more than two years and systems and processes fully documented <sup>6</sup> and control points fully evaluated and assessed <sup>7</sup> and regulatory submissions subject to comprehensive and effective review and supervision processes. <sup>8</sup>	This submission being collated by employees with prior experience of completing this submission – with method statements for prior years in place or collation is fully automated.	Audit has been undertaken on this submission within the last two years and no material errors were identified  And either  there were no previously identified issues.  Or  Audit confirmed that any previously identified issues have been properly addressed.

<sup>5</sup> This requires the control framework to have some visibility with management. This control framework should contain a mix of controls that enable licencees both to prevent errors from occurring and to detect, prior to submission to Ofgem, any errors that do occur.

<sup>6</sup> This is technical and business process documentation that is updated on a regular basis.

<sup>7</sup> This requires that some type of audit process (independent or self audit) has taken place.

<sup>8</sup> Returns must have been reviewed and the strengths and weaknesses identified before being submitted to management.

2.16. The rules for generating an overall process risk score are detailed in Table 2.3 below. The rules are based on the principle that greater importance should be accorded to columns 5 to 7 in the table in driving the overall assessment (while still providing the opportunity for columns 1 to 4 to affect that assessment).

**Table 2.3: Rules for generating overall process score**

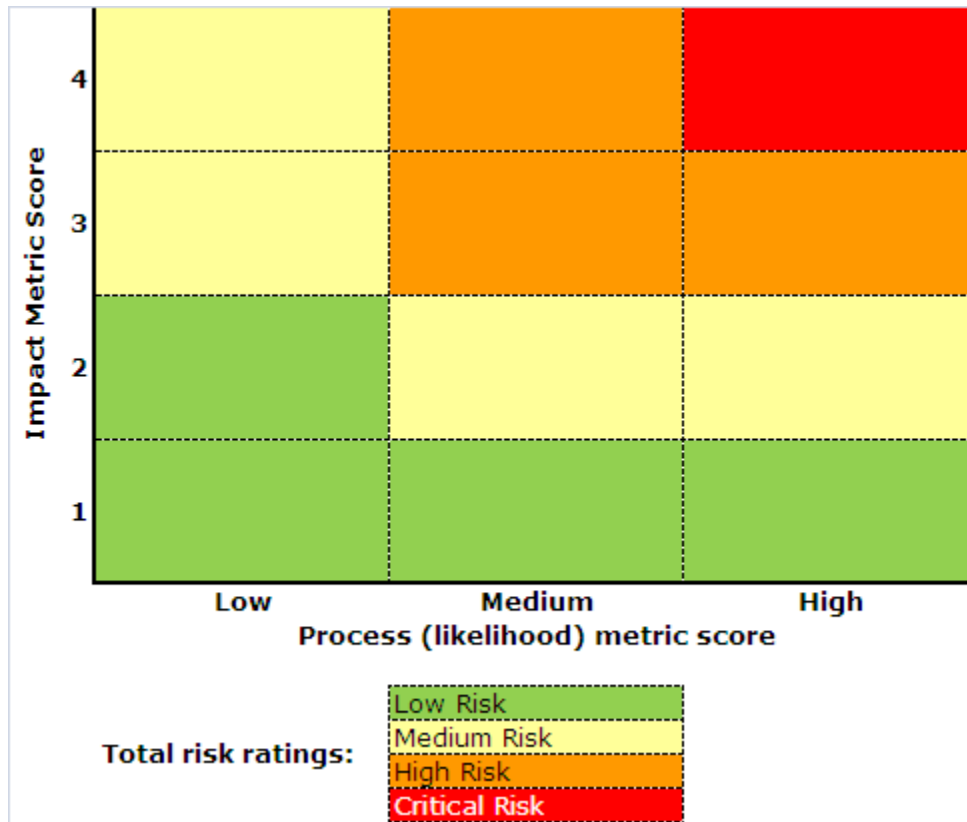
High	Low	Medium
<p><b>Either</b> One or more 'highs' in columns 5 to 7, irrespective of the scores in columns 1 to 4</p> <p><b>or</b></p> <p>Two or more 'highs' in columns 1 to 4.</p>	<p>Two 'lows' in columns 5 to 7</p> <p><b>and</b></p> <p>Three or more 'lows' in columns 1 to 4.</p> <p><b>and</b></p> <p>Must contain no 'high' assessments</p>	<p>Everything else.</p>
<p><b>Note:</b> In the event of there being three or more 'highs' in columns 1 to 4 (suggesting an overall rating of 'high') combined with two 'lows' in columns 5 to 7 and two 'lows' in columns 1 to 4 (suggesting an overall rating of 'low'), the overall rating will be 'high'.</p>		

### Total risk score: stage 5

2.17. Impact and process scores should be combined to arrive at total risk score in accordance with the impact-process matrix below.

2.18. There are four levels of total risk: low, medium, high and critical. The assessed total risk rating should determine the appropriate data assurance activities to be applied to a submission. It is the licensee's responsibility to demonstrate to Ofgem the robustness and suitability of its data assurance plan and risk reduction measures. See sections '3 Data Assurance Activities' and '4 Reporting Requirements' below.

**Figure 1: Impact-Process Risk Matrix**



### Table-based assessment

2.19. We will periodically review where it is appropriate to undertake table-based risk assessments and where assessment at the submission level is sufficient. Where the assessment is deemed appropriate at the table level it may be necessary to also assess the riskiness of the overall submission as it will not always be possible or appropriate to combine the results of individual table score into an overarching submission score. Even where a table-based assessment is undertaken, 'Control framework' and 'Evidence of historical errors with this data' categories should be assessed at RRP level.

2.20. For RIGs data submissions the default assessment level, for the purpose of this trial, is at table level. However, it may become apparent that it is appropriate to group certain tables together or to break individual tables into subcomponents for risk assessment purposes.

2.21. Non RIGs submissions will be assessed on a submission basis unless specified otherwise in appendix 1.

## 3. Data Assurance Activities

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### Chapter Summary

This chapter sets out a range of data assurance activities from which licensees are expected to choose. It stipulates the approach each licensee should take when selecting appropriate data assurance activities and provides a comprehensive definition of each activity. It also outlines the minimum level of assurance that Ofgem requires for each submission.

### Introduction

3.1. The purpose of this chapter is to provide guidance on the data assurance activities that should be used by a licensee to provide Ofgem with confidence in the reliability of its submissions.

3.2. Each data assurance activity is defined in terms of **who** should undertake the activity, **when** (i.e. under what circumstances) and **what** this involves. Subject to paragraph 3.5 below, all data assurance activities must be conducted before data submissions are made to Ofgem, and not after. This means for example that if a licensee has stated that a particular data submission will be subject to an internal data audit then that internal data audit must be complete before the data is submitted to Ofgem.

### Selection of data assurance activities

3.3. For all submissions the appropriate data assurance activities are determined by the results of the risk assessment. All data submissions (including those rated as low risk) require planning, review, and sign-off.

3.4. It is recognised that throughout the year licensees may carry out additional assurance activities that are not directly related to a given submission. An understanding of these additional activities can provide increased confidence in the accuracy of the data provided by the licensee. Examples of such activities are provided in table 3.2. Licensees are required to report to Ofgem through the looking ahead or looking back reports whether additional assurance activities have been planned or undertaken. Licensees are encouraged to report any such audits and their findings to Ofgem and are required to provide an associated underlying activity audit report to Ofgem should Ofgem request one.



**Table 3.1: Data assurance activity options**

	When applies	Who is responsible	What: content/coverage
<b>Planning</b>			
Methodology Statement and Submission Plan	All submissions	Person(s) compiling submission/ core team managing the return.	Explains process to produce the submission and should include details of: systems, responsibilities, timings, additional methodologies to complete any calculations required etc.  Details the plan to complete the submission, including details of timetable, responsibilities, sign-off and governance meetings as relevant.
<b>Review</b>			
Second Person Review	All submissions	Person with reasonable understanding of requirements.  Not status related.  Separate from person who completed the submission/table.	Must check the submission in detail and any associated commentary. Confirm adherence to and adequacy of the methodology statement. Confirm accuracy of data through checking inputs, including any management assumptions and reviewing evidence to support entries/statements.
Internal Expert Review	As identified through risk assessment.	A regulatory specialist or someone who understands the return in detail (and may have been directly involved in its preparation).	Responsible for ensuring that returns are complete and accurate and in accordance with any guidance issued by Ofgem.  The expert reviewer satisfies him/herself that the return has been completed in full and the key control activities have been performed and any unusual findings investigated and resolved.

	<b>When applies</b>	<b>Who is responsible</b>	<b>What: content/coverage</b>
Internal Data Audit	As identified through risk assessment.	An independent internal assurance provider, e.g. a Group Internal Audit Function or Assurance Function (or equivalent) or a subject matter expert not directly involved in the return.	<p>Programme agreed by Audit, Governance or Planning Committee, or equivalent.</p> <p>Responsible for providing evidence of verification of data.</p> <p>Done through a sampling approach.</p> <p>Intends to determine the level of confidence that can be placed on the entire return through testing a sample of the data.</p> <p>Reported/documentated through formal governance channels.</p>
Internal Submission Process Audit	As identified through risk assessment.	An independent internal assurance provider, e.g. a Group Internal Audit Function or Assurance Function (or equivalent).	<p>Programme agreed by Audit, Governance or Planning Committee, or equivalent.</p> <p>Not responsible for ensuring that returns are complete and accurate but to provide an independent challenge to the process to produce the submission.</p> <p>Review of the adequacy and effectiveness of the internal control systems to ensure returns are timely, complete and accurate.</p> <p>Formal report produced.</p> <p>Control gaps/areas for improvement identified and actions logged.</p>

	<b>When applies</b>	<b>Who is responsible</b>	<b>What: content/coverage</b>
External Data Audit	<p>As identified through risk assessment.</p> <p>Useful where specialist knowledge required. Essential for financial accounts.</p>	<p>Audit carried out by a third party outside the company or group. Independent registered audit organisations and independent experts without formal audit qualifications, where appropriate.</p>	<p>Programme agreed by Audit, Governance or Planning Committee, or equivalent.</p> <p>Responsible for providing evidence of verification of data.</p> <p>Done through a sampling approach.</p> <p>Intends to determine the level of confidence that can be placed on the entire return through testing a sample of the data.</p> <p>Formal report produced.</p>
External Submission Process Audit	<p>As identified through risk assessment.</p>	<p>Audit carried out by a third party outside the company or group. Independent registered audit organisations and independent experts without formal audit qualifications, where appropriate.</p>	<p>Programme agreed by Audit, Governance or Planning Committee, or equivalent.</p> <p>Not responsible for ensuring that returns are complete and accurate but to provide an independent challenge to the process to produce the submission.</p> <p>Review of the adequacy and effectiveness of the internal control systems to ensure returns are timely, complete and accurate.</p> <p>Formal report produced.</p> <p>Control gaps/areas for improvement identified and actions logged.</p>
<b>Sign-off</b>			
Senior manager sign-off	<p>All submissions</p>	<p>Accountable senior manager.</p>	<p>This review must be done in line with the minimum review criteria as established by each GDN.</p> <p>Detailed review of table and the narrative.</p> <p>Complete and sign a record of evidence attesting to confidence in the accuracy of the submission.</p>

	When applies	Who is responsible	What: content/coverage
Director Sign-off	As identified through risk assessment.	A Director of a business function within the GDN for example Director of Operations or Financial Director.	<p>Must complete a final review prior to submission to Ofgem.</p> <p>This review must be done in line with the minimum review criteria as established by each GDN and include a challenge of the senior manager sign-off.</p> <p>Must complete and sign a record of evidence attesting to accuracy of the submission.</p> <p>Drives an overall confidence assessment for the submission.</p>
CEO Sign-off	As identified through risk assessment.	Chief Executive Officer	<p>High level oversight.</p> <p>Final layer of challenge to adequacy of submission in terms of completeness and accuracy.</p> <p>Must complete and sign a record of evidence attesting to accuracy of the submission.</p>
Board Sign-off	As identified through risk assessment.	Licensee Board	<p>High level oversight.</p> <p>Board reviews summary of submission and assurance activities followed, as presented by a relevant Director.</p> <p>Detailed review of tables and assurance processes formally delegated to Director who approves with delegated authority on behalf of the Board.</p> <p>Approval of submission must be minuted to enable completion of a record of evidence attesting to accuracy, to be delegated to the CEO or other director identified by the board.</p>

**Table 3.2: Additional assurance activities undertaken by licensee**

	<b>When applies</b>	<b>Who is responsible</b>	<b>What: content/coverage</b>
Internal Underlying Activity Audit	As identified through risk assessment and any other relevant management information in the business.	An independent internal assurance provider, eg a Group Internal Audit Function or Assurance Function.	<p>Programme agreed by Audit, Governance or Planning Committee, or equivalent.</p> <p>Not responsible for ensuring that returns are complete and accurate but to provide an independent challenge to the process to produce the submission.</p> <p>A review of operational processes that feed the systems that generate the return. For example, inspection processes that drive health index classifications, connection quotation processes that drive GS performance, etc.</p> <p>Can be done during the year as opposed to directly before submission.</p> <p>Formal report produced.</p> <p>Control gaps/areas for improvement identified and actions logged.</p>
External Underlying Activity Audit	As identified through risk assessment and any other relevant management information in the business.	Audit carried out by a third party outside the company or group. Independent registered audit organisations and independent experts without formal audit qualifications, where appropriate.	<p>Programme agreed by Audit, Governance or Planning Committee, or equivalent.</p> <p>Not responsible for ensuring that returns are complete and accurate but to provide an independent challenge to the process to produce the submission.</p> <p>A review of operational processes that feed the systems that generate the return. For example, inspection processes that drive health index classifications, connection quotation processes that drive GS performance, etc.</p> <p>Can be done during the year as opposed to directly before submission.</p> <p>Formal report produced.</p> <p>Control gaps/areas for improvement identified and actions logged.</p>

## 4. Reporting Requirements

### Chapter Summary

This chapter provides detail of the reporting requirements that each licensee is expected to adhere to during the trial, namely the format and submission date for the looking ahead and looking back reports.

### Introduction

4.1. Licensees are expected to provide two reports to Ofgem each year – a looking ahead report and a looking back report, defined as follows:

- **looking ahead report:** this report is due in on 31 March each year (year t-1) and includes plans for the year t. It may also give a brief update on any changes to the plan for year t-1 where relevant.
- **looking back report:** this report is due in on 31 October each year. For the same year t as used in the definition of the looking ahead report, the looking back report will be submitted covering year t in year t+1.

4.2. Where a licensee is part of a larger ownership group comprising a number of regulated network companies then one looking ahead and one looking back report should be submitted per sector (i.e. electricity transmission, gas transmission, electricity distribution, gas distribution). Differences in processes between networks companies in the same group should be factored into risk assessments and where material these differences should be addressed in the reports.

4.3. Table 4.1 provides guidance on the data that each report should refer to, by calendar year.

**Table 4.1: Data referred to in reports**

	Report submitted in calendar year			
	2012	2013	2014	2015
Looking ahead report – 31 <sup>st</sup> March	2012/13	2013/14	2014/15	2014/15
Looking back report – 31 <sup>st</sup> October	2011/12	2012/13	2013/14	2014/15

### Report Templates

4.4. For reports Ofgem anticipates that a succinct narrative document should be provided in the format set out in the current version of the pro forma report templates. References to supporting documentation should be submitted where appropriate but such documentation should not be appended to the report. However, the reports should, as much as possible, function as standalone documents, which give a reviewer a good understanding of the strengths and weaknesses of a licensee's data assurance and risk reduction plans, and gives the reviewer as much confidence as possible that the licensee is reducing risk to minimum achievable levels within

reasonable timeframe and/or applying appropriate data assurance activities. Licensees may include further explanation or detail as appendices to their reports should they feel that the pro-forma does not contain an appropriate section and where the licensee feels that the further explanation or detail is required in order to provide the necessary levels of understanding or confidence to a reviewer.

4.5. At the same time as they submit their looking ahead/looking back reports, licensees should also submit results of their risk assessment in the current version of the risk assessment (Excel) template.

**Table 4.2: Report templates**

<b>Template</b>	<b>Format</b>	<b>Current version</b>
Looking ahead report	Word	0.3
Looking back report	Word	0.1 <sup>9</sup>
Risk assessment	Excel	0.4

4.6. In addition, for the trial period, when compiling their trial reports, licensees are encouraged to fill in the issues log template to record any observations, suggestions, and/or issues and to submit this to Ofgem alongside the trial reports.

## Feedback

4.7. During the trial period Ofgem will provide feedback to licensees with its views on the merits of their trial reports and risk assessments with a view to identifying good and bad practice and potential improvements to the DAG and the associated templates.

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<sup>9</sup> The DNOs 2013 looking back report (due November 2013) is to be freeform. A template may be developed subsequently. Version 0.1 template simply contains an indication of the type of information that Ofgem would like to see in the looking back reports based on a review of 2012 looking back reports.

## Appendix 1: Electricity Distribution Submissions<sup>10</sup>

No.	Licence Condition	Summary	Required Information	Level of Inclusion	Mandated Assurance (in DPCR5)	RIGs	Date	Frequency
1	SLC11	Guaranteed Standards Annual Return	Annual GS performance return (to be accompanied by report on conclusions & resulting actions of management responsible for departments audited as part of the annual internal management audit specified in the RIGs)	Full	Process Audit - Processes relating to operation of these standards (but not the return itself) are subject to annual audit - both internal and external		2nd week May	annually
2	SLC11/CEAR Act/CRC8	Complaints Return	Annual Complaints Return	Full	None	Customer Service RIGs	2nd week May	annually
3	SLC15	Competition in Connections Annual Return	Performance against standards for provision of non-contestable connection services	Full (annual return not each quarter)	Provision of these services is reported quarterly - and then a full annual submission is subject to annual internal audit		30-Jun	annually
4	SLC15A	GSoP - connections performance quarterly return	Performance against standards in the Electricity (Connection Standards of Performance) Regulations 2010 and the DG Standards Direction	Full	Licence contains scope for the Connections RIGs to specify scope & conduct of any audit required by the Authority (none yet so specified)	GSoP guidance	31-Jul	annually
5	SLC15A	Connections RIGs tables	Connections Reporting Pack	Selected RIGs tables based on individual DNO risk assessment	Licence contains scope for the Connections RIGs to specify scope & conduct of any audit required by the Authority (none	Cost and Revenue RIGS	31-Jul	annually

<sup>10</sup> This appendix list licence conditions contained in the DPCR5 licences and is for purpose of the trial only. The final appendix for RIIO-ED1 will list applicable licence conditions contained in the RIIO-ED1 licences as well as RIGs tables where applicable.



6	SLC19	Non-discrimination in the provision of non-contestable connection services	Non-discrimination in the provision of non-contestable connection services	Full	yet so specified). <sup>11</sup> Agreed-upon procedures referenced in SLC44 for completion by external auditors relate, amongst other licence conditions, to SLC19			annually
7	SLC30	Availability of resources	Certificate of adequacy of financial resources & facilities	Full	Certificate must be approved by Board resolution, signed by a director pursuant thereto and accompanied by a statement of main factors taken into account + auditor's report		31-Jul	annually
8	SLC44	Regulatory Accounts and Cross Subsidy Report	Regulatory accounts, auditors report and Cross subsidy report/AUPs	Full	Submission is subject to external audit, a report addressed by the auditor to the Authority and completion of AUPs		31-Jul	annually
9	SLC44A	Network Outputs	Network outputs	Selected RIGs tables based on individual DNO risk assessment	Licence contains scope for Authority to appoint an Examiner to determine accuracy & reliability of Specified Information. <sup>11</sup>	Network Outputs and QoS RIGs	30-Sep	annually
10	SLC44B	Losses	Distribution losses	Full	Licence allows for Distribution Losses Reporting RIGs to set out requirements as to scope & conduct of any audit required by the Authority in	Cost and Revenue RIGs	31-Jul	annually

					relation to licensee's collection, recording & reporting of Specified Information. Submission must be accompanied by a letter signed by a director of the licensee confirming data has been provided in accordance with relevant RIGs.			
11	SLC44C	LCNF (RIGs tables)	Low carbon networks funding for RIGs tables	Selected RIGs tables based on individual DNO risk assessment	Licence allows for LCN Fund RIGs to set out requirements as to scope & conduct of any audit required by the Authority in relation to First Tier Funding Mechanism of the LCN Fund. <sup>11</sup>	Cost and Revenue RIGs	31-Jul	annually
12	SLC45	IIS main interruptions and stage return	QoS interruptions	Full	Audit can be undertaken annually by Ofgem-appointed Examiner. Submission must be accompanied by a letter signed by a director of the licensee confirming data has been provided in accordance with the relevant RIGs	Network Outputs and QoS RIGs	30-Apr	annually
13	SLC45	IIS HV disagg	QoS HVB disaggregation data	Full	Audit can be undertaken annually by Ofgem-appointed Examiner. <sup>11</sup>	Network Outputs and QoS RIGs	31-Jul	annually

14	SLC45	Non-QoS	Non-QoS occurrences not reported as interruptions	Full	Audit can be undertaken annually by Ofgem-appointed Examiner. <sup>11</sup>	Network Outputs and QoS RIGs	30-Jun	annually
15	SLC45	Monthly telephony return	Speed of telephone response information	Full		Customer Service RIGs		monthly
16	SLC45A	Transmission Connection Point Charges - RIGs	Transmission Connection Charges payable	Selected RIGs tables based on individual DNO risk assessment	Licence allows for Transmission Connection Point Charges RIGs to include or make provision for such matters (including in respect of cost allocation & audit) as Authority considers appropriate for purposes of ensuring consistency, accuracy & reliability of Specified Information. <sup>11</sup>	Cost and Revenue RIGs	31-Jul	annually
17	SLC45A	Transmission Connection Point Charges	Forecast of Transmission Point Exit Charges	Selected RIGs tables based on individual DNO risk assessment		Cost and Revenue RIGs	01-Apr	annually
18	SLC46	Incentive schemes for innovation funding and Distributed Generation	Specified information for DG scheme, RPZ scheme and IFI scheme.	Selected RIGs tables based on individual DNO risk assessment	Audit may be carried out by Ofgem-nominated Examiner. <sup>11</sup>	Cost and Revenue RIGs	31-Jul	annually
19	SLC46	Incentive schemes for innovation funding and Distributed Generation	Specified information for IFI scheme carry-forward.	Full		Cost and Revenue RIGs	31-Jul	annually
20	SLC46A	BCF	Business Carbon Footprint Report	Full		Cost and Revenue RIGs	31-Jul	annually
21	SLC47	Revenue	Template "A" information	Full	Licensee is required	Cost and	31-Jul	annually

		Reporting RIGs	(the detailed return) + auditor's report & letter		to submit, with the information, a report addressed to the Authority by an external auditor regarding completion of AUPs	Revenue RIGs		
22	SLC47	Revenue Reporting RIGs	Template "B" information (the forecast return)	Full		Cost and Revenue RIGs	01-Apr	annually
23	SLC47	Revenue Reporting RIGs	Revised template "B" information	Full		Cost and Revenue RIGs	31-Oct	annually
24	SLC48	Cost Reporting RIGs - actuals	Price control review information (RRP) Cost and Volumes Pack and Financial Issues Pack	Selected RIGs tables based on individual DNO risk assessment	Authority may nominate a reviewer to review any matters in the information in respect of which it requires clarification. <sup>11</sup>	Cost and Revenue RIGs	31-Jul	annually
25	SLC48	Cost Reporting RIGS - forecast	Price control review information (RRP)	Selected RIGs tables based on individual DNO risk assessment	Authority may nominate a reviewer to review any matters in the information in respect of which it requires clarification. <sup>11</sup>	Cost and Revenue RIGs	31-Jul	annually
26	CRC8 (as set out in RIGs)	Customer satisfaction survey information for Broader Customer Measure	Customer satisfaction survey information - details of customers who have contacted DNO to provide to Accent for independent survey	Yes			31 Aug, 30 Nov, 28 Feb, 31 May	quarterly

<sup>11</sup> Submission must be accompanied by a letter signed by a director confirming data has been provided in accordance with relevant RIGs.

# Appendix 2: Definitions

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**Accountable senior manager:**

**Activity audit:** (underlying activity audit)

**Assurance level:**

**Audit:**

**Audit, Governance or Planning Committee or equivalent:**

**Board Sign off** – Sign off by the board of the licensee

**Chief Executive/Chief Executive Officer/CEO:**

**Control assessment:** table 2.2

**Data assurance activity:** the activity undertaken by the DNO or a third party to address the risks identified in the Risk Assessment.

**Data error:**

**Data submissions:** the relevant submissions to the Authority (listed in Appendix 1) under the DPCR5 licence in respect of which the licensee must carry out a Risk Assessment.

**Director:** A director of a business function, for example Director of Operations/Financial Director.

**Financial system:**

**Impact metric:** relates to the effect of inaccurate, incomplete, misreported or late data on customers, competition, the financial allowance awarded to licensees and the comparative efficiency analysis conducted by Ofgem in setting allowances. It is scored by assessing each data submission against these categories.

**Independent:** "Independent" has different meaning in different parts of the ED DAG which is causing confusion. Table 3.2 refers to "independent internal assurance provider" in relation to internal review and "independent experts" in relation to external review. Needs to be clearly defined. Perhaps use different terms for internal and external independence.

**Licensee:**

**Looking ahead report:** this report is due by 31 March each year (year t-1) and includes plans for the year t. It may also give a brief update on any changes to the plan for year t-1 where relevant.

**Looking back report:** this report is due by 31 October each year. For the same year t as used in the definition of the looking ahead report, the looking back report will be submitted covering year t in year t+1.

**Material:** Under evidence of historical errors - "material" needs a workable definition.

**Numerical system:**

**Process audit:**

**Process metric:** relates to the likelihood of incomplete, inaccurate, misreported or late data, and is scored by assessment of the robustness of the systems and processes used by a licensee in reporting the data and in the control environment in which that reporting operates.

**Reporting assessment:** table 2.2

**Review:**

**Risk Assessment:** an assessment of the likelihood and potential impact of any inaccurate or incomplete reporting, or any misreporting, of data by the licensee to the Authority.

**Risk rating:**

**Sector:**

**Senior Manager:** a manager at a suitably senior level who is accountable for the submission.