



Making a positive difference
for energy consumers

To holders of an Electricity
Transmission Licence, a Gas
Transporter Licence and other
interested parties

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Date: 17 December 2014

Statutory Consultation on Data Assurance Guidance and proposed licence changes for Electricity and Gas Transmission Licensees and for Gas Distribution Licensees

Introduction

This consultation seeks views on proposed new data assurance requirements for electricity transmission, gas transmission, and gas distribution licensees (i.e. network companies or companies)¹. The requirements are set out in the Data Assurance Guidance (DAG) including associated reporting templates. Annex A to this letter contains a list of the licensees to which these requirements will apply.

We are also seeking views on proposed modifications to the electricity transmission and gas transporter (transmission and distribution) licences, to enable us to require the companies to provide Network Data Assurance Reports (NetDAR) to the Authority² on the annual cycle set out in the DAG.

Background

The receipt of robust data from network companies is essential to enable the Authority to effectively carry out its role as regulator. It is important for explaining to customers what is being delivered in return for the revenue that companies are allowed to earn, assessing the companies' price control forecasts and in monitoring performance against the price control settlement. It is therefore imperative that companies take responsibility for the integrity of the data they collect, analyse and submit to us.

For these reasons we are introducing new requirements for network companies in relation to data assurance. The licences for gas and electricity transmission companies and for gas distribution companies contain conditions in relation to data assurance requirements³. These conditions are due to come into effect on the **1st April 2015** and will, along with the equivalent condition for electricity distribution⁴, be referred to as the "DAG Licence Condition(s)" throughout the remainder of this document.

¹ Excluding Offshore Transmission Owners (OFTOs) and independent Gas Distribution Operators (iGDNs).

² The terms the "Authority", "Ofgem", "we" and "us" are used interchangeably in this document. The Authority refers to the Gas and Electricity Markets Authority. Ofgem is the Office of the Gas and Electricity Markets Authority.

³ Electricity Transmission Licence : Standard Licence Condition B23 (Data assurance requirements)

Gas Transporter Licence : Standard Special Condition A55 (Data Assurance requirements)

⁴ Electricity Distribution Licence : Standard Licence Condition 45 (Data Assurance requirements)

Similar requirements are proposed for electricity distribution licensees and are currently being consulted on separately⁵. The remainder of this letter explains the requirements we propose and will apply to all network companies.

Development and Trial of the DAG

We have been working with network companies since 2012 to develop the guidance and requirements contained in the draft DAG and associated reporting template documents. The DAG and its reporting framework have evolved significantly over the course of development and trial. Initial work began with electricity distribution companies in 2012 with transmission and gas distribution companies' formal involvement starting from February 2013.

The schedule of the formal working group meetings held by Ofgem with network companies is shown in Table 1 below.

Table 1: Schedule of DAG Working Group Meetings

Date	Network Company Participants
17/09/2012	Electricity distribution companies
26/11/2012	Electricity distribution companies
11/02/2013	Transmission and gas distribution companies
23/05/2013	Transmission and gas distribution companies
30/07/2013	Electricity distribution companies
08/08/2013	Transmission and gas distribution companies
14/04/2014	Transmission, gas distribution, and electricity distribution companies
12/11/2014	Transmission, gas distribution, and electricity distribution companies

In addition to these formal working group meetings, over the course of development, a number of informal meetings and teleconferences were also held with stakeholders representing individual sectors or companies to discuss various issues. Network companies also submitted a number of trial reports to Ofgem for review and feedback, provided comments, and proposed revisions to the DAG. We fully considered the views of network companies during the development and trial phase and have revised the draft DAG documents where it was considered appropriate to do so.

Data Assurance Proposals

Network companies have a responsibility to ensure that all data they submit to Ofgem is robust and fit for purpose. The purpose of the DAG is to provide assurances to Ofgem that this is the case.

Proper implementation, monitoring and enforcement of the DAG and its related reporting will ensure that Ofgem, energy consumers, and other stakeholders will benefit from improved:

1. **Visibility:** Over the network companies processes, systems, controls and associated risks.
2. **Risk awareness:** The DAG helps companies to be aware of their own risks related to regulatory submissions through the identification and classification of these risks. Furthermore, it allows Ofgem to assess risks associated with inaccurate, incomplete or late submissions.

⁵ <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-data-assurance-guidance-and-proposed-licence-changes-electricity-and-gas-transmission-companies-and-gas-distribution-companies>

3. **Identification of weaknesses:** The process allows companies to identify any internal weaknesses (*in processes, systems, controls*), while it allows Ofgem to identify relative weaknesses across network companies.
4. **Risk Reduction:** The DAG allows companies to act on any scope for system or process improvements to manage and reduce risks. Furthermore, where necessary, it allows Ofgem to require additional assurance activities and actions proportionate to assessed risks.
5. **Comparability:** The common DAG framework will help promote consistency within companies, between companies, among companies within a network sector, and between sectors.
6. **Enforcement:** Ofgem's powers under the DAG Licence Conditions will allow enforcement action to be taken against network companies that do not have adequate systems and process in place to enable them to comply with the requirement of the DAG.
7. **Data Assurance:** The ultimate goal of the DAG and the DAG reporting process is to verify and provide assurance to Ofgem and other stakeholders that the data submitted by network companies meet the required levels of accuracy and reliability. In the longer term, this should reduce the time and resources that Ofgem needs to spend on checking and validating network companies' submissions.

DAG Documents

The DAG will require network companies to:

1. Carry out risk assessments on the data they submit to Ofgem. The risk assessment should take account of the potential impact of incorrect data submission as well as the probability of occurrence.
2. Plan data assurance activities that are proportionate to the risk of a submission. All submissions require each of the three stages of data assurance. However, higher risk submissions will require higher levels of assurance. The three stages of data assurance are:
 - a. Planning: a methodology statement and submission plan that explains the systems, processes, responsibilities, and timings for a data submission.
 - b. Review: the process of checking, validating, and certifying that data has been correctly collected, computed, compiled and interrogated, to the required level of accuracy and reliability, and in adherence to applicable rules, guidance or policies.
 - c. Sign-off: formal certification that all reasonable steps have been taken to validate and check that all aspects of a data submission (including accompanying narrative or commentary) are correct and meet the required levels of accuracy.
3. Take appropriate actions on the findings of their data assurance activities or where submission errors are identified.
4. Consider ways to improve their systems and process for submitting data to Ofgem and to take appropriate measures to reduce risks.
5. Report on the above to Ofgem.

The DAG consists of the documents listed (1 to 4) below⁶, which in combination comprise the "Data Assurance Guidance" under the relevant DAG Licence Condition:

⁶ All documents can be found on Ofgem's website: <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-data-assurance-guidance-and-proposed-licence-changes-electricity-and-gas-transmission-companies-and-gas-distribution-companies>

1. **DAG Guidance Document** (PDF)

The DAG guidance document sets out:

- the methodology by which licensees should assess their data risks
- the data assurance activities they should employ. All submissions are required to have a level of Planning, Review, and Sign-off.
- the requirements for reporting the outcomes from their past data assurance activities
- the requirements for reporting their plans for assuring their future data submissions.

2. **Network Data Assurance Report (NetDAR) Template** (Word)

The NetDAR Report Template provides:

- the format of the annual data assurance reports that network companies should submit to Ofgem
- additional guidance on the information required in the reports.

3. **Risk Assessment (RA) Template** (Excel)

The Risk Assessment Template sets out:

- the format in which network companies should report the results of their risk assessment
- applies the methodology described in the DAG Guidance Document for combining the impact and probability scores into a total risk score
- contains Appendices (1a, 1b, 1c, 1d) of the DAG that list the submissions that require risk assessment
- provides a means for network companies to report a summary of their data assurance for individual activities and the reasons for their risk scores.

4. **Irregular Submission Assurance Template** (Word)

The Irregular Submission Assurance Template sets out:

- the format of the reports that network companies should submit to Ofgem detailing the risk assessment, data assurance done, and errors identified in relation to submissions that are not submitted at regular intervals. The report is submitted alongside the submission itself
- additional guidance on the information required in the reports.

Proposed licence modifications

The DAG introduces the concept of a DAG Reporting Year, which runs from 1 March in one year to 28 February (or 29 February in a leap year) in the next year. We are proposing that network companies report on their data assurance activities annually on a DAG Reporting Year basis. The RIIO-ED1 draft licence allows for the DAG to specify the reporting time periods. However, at present the DAG Licence Conditions for transmission and gas distribution companies specifies reporting in on a “financial year” (i.e. 1 April to 31 March) basis. Modification of the DAG Licence Conditions for transmission and gas distribution companies is therefore necessary to allow the DAG to specify the time period of DAG Reporting Year. Details of the proposed modifications are contained in the accompanying statutory licence consultation notices:

5. **Statutory consultation Notice on proposal to modify Electricity Transmission Standard Condition B23. Data assurance requirements**⁷ (PDF)
6. **Statutory consultation Notice on proposal to modify Gas Transporter Licence Standard Special Condition A55. Data assurance requirements**⁸ (PDF)

⁷ <http://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-notice-proposal-modify-electricity-transmission-standard-condition-b23-data-assurance-requirements>

⁸ <https://authors.ofgem.gov.uk/publications-and-updates/statutory-consultation-notice-proposal-modify-gas-transporter-license-standard-special-condition-a55-data-assurance-requirements>

Consultation responses

We would like to hear the views of interested parties in relation to any of the issues set out in this document and in the accompanying documents.

Responses should be received by **21 January 2015** and should be sent in writing to:

Neill Guha,
Costs and Outputs
Ofgem,
9 Millbank,
London,
SW1P 3GE

Email: DAG@ofgem.gov.uk

Please note that as different licence provisions apply, we are running a separate consultation alongside this one, on proposals to introduce the same requirements for electricity distribution companies. With the exception of the proposed licence modifications (which will apply to only electricity transmission and gas transporter licence holders), the proposals for electricity distribution companies are identical to the ones described above. We are also proposing that the same DAG documentation (i.e. the DAG Guidance Document, the NetDAR Template, the RA Template and the Irregular Submission Assurance Template) will apply across gas and electricity transmission and gas and electricity distribution. Therefore, these accompanying documents are identical for both consultations.

The **Consultation on Data Assurance Guidance for Electricity Distribution Companies** can be found here: <https://www.ofgem.gov.uk/publications-and-updates/consultation-data-assurance-guidance-electricity-distribution-companies>

All responses will be published on our website (www.ofgem.gov.uk) unless they are marked as confidential. We prefer to receive responses in an electronic form so they can be easily published online.

If the Authority decides to make the proposed licence modifications, they will take effect not less than 56 days after the decision is published.

Yours faithfully,



Paul Branston,
Associate Partner, Costs and Outputs
Smarter Grids and Governance

Annex A: Licensees to which DAG requirements will apply

Electricity Transmission

Company Group	Licensee	Company number	Licence Type
National Grid plc	National Grid Electricity Transmission Plc	2366977	Electricity Transmission
SSE plc	Scottish Hydro Electric Transmission Plc	SC213461	Electricity Transmission
Scottish Power Ltd	SP Transmission Plc	SC189126	Electricity Transmission

Gas Transporter Distribution Network operators (DNs) and Retained DN

Company Group	Licensee	Company number	Licence Type
National Grid plc	National Grid Gas Plc	2006000	Gas Transporter
Cheung Kong Group	Northern Gas Networks Limited	5167070	Gas Transporter
	Wales & West Utilities Limited	5046791	Gas Transporter
Scotia Gas Networks Limited	Scotland Gas Networks Plc	SC264065	Gas Transporter
	Southern Gas Networks Plc	5167021	Gas Transporter

National Transmission System (NTS) operator

Company Group	Licensee	Company number	Licence Type
National Grid plc	National Grid Gas Plc	2006000	Gas Transporter

Electricity Distribution⁹

Company Group	Licensee	Company number	Licence Type
Electricity North West Limited	Electricity North West Limited	2366949	Electricity Distribution
Northern Powergrid	Northern Powergrid (Northeast) Limited	2906593	Electricity Distribution
	Northern Powergrid (Yorkshire) Plc	4112320	Electricity Distribution
SSE plc	Scottish Hydro Electric Power Distribution Plc	SC213460	Electricity Distribution
	Southern Electric Power Distribution Plc	4094290	Electricity Distribution
Scottish Power Ltd	SP Distribution Plc	SC189125	Electricity Distribution
	SP Manweb Plc	2366937	Electricity Distribution
UK Power Networks	Eastern Power Networks Plc	2366906	Electricity Distribution
	London Power Networks Plc	3929195	Electricity Distribution
	South Eastern Power Networks Plc	3043097	Electricity Distribution
Western Power Distribution	Western Power Distribution (East Midlands) Plc	2366923	Electricity Distribution
	Western Power Distribution (South Wales) Plc	2366985	Electricity Distribution
	Western Power Distribution (South West) Plc	2366894	Electricity Distribution
	Western Power Distribution (West Midlands) Plc	3600574	Electricity Distribution

⁹ Subject to separate consultation: <https://www.ofgem.gov.uk/publications-and-updates/consultation-data-assurance-guidance-electricity-distribution-companies>