

Holders of an Electricity
Transmission Licence

Holders of an Electricity
Distribution Licence

Holders of a Gas Transporter
Licence

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Data Assurance Guidance (DAG) – Clarification on Implementation for Year One (2015)

1. Introduction

The Data Assurance Guidance (DAG) imposes requirements on network companies relating to data submissions they make to Ofgem, this includes a requirement to submit an annual Network Data Assurance Report (NetDAR). This is in addition to the general obligation imposed on licensees to ensure that the data they submit to Ofgem is robust and the duty to ensure that they have suitable systems and processes in place to enable them to fulfil this duty. For the purposes of meeting its obligations under the DAG, the NetDAR reports should only be reflecting these existing systems and processes. The DAG risk assessment framework simply provides a tool for licensees to explain to Ofgem and other stakeholders why their systems and processes are appropriate and, where there are deficiencies in these, it provides us with explanation of why licensees have selected the initiatives or actions to reduce risks.

The purpose of this letter is to provide clarification on some of the enduring issues raised by network companies during the DAG trial, and to clarify the approach that Ofgem will take in its review of the first NetDAR reports to be submitted by licensees under the DAG Licence Conditions. This letter provides clarification in relation to:

1. Timetable for 2015 reporting
2. Past Submissions section of NetDAR report for 2015
3. Forecast data
4. Individual feedback to licensees
5. Benchmarking of risk scores
6. Annual report.

Any assurance given by this clarification letter is made without prejudice to the two DAG consultations¹ currently issued and may be subject to change should any significant changes to the proposals be required following receipt of consultation responses.

¹ Statutory Consultation on Data Assurance Guidance and proposed licence changes for Electricity and Gas Transmission Companies and for Gas Distribution Companies: <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>
Consultation on Data Assurance Guidance for Electricity Distribution Companies: <https://www.ofgem.gov.uk/publications-and-updates/consultation-data-assurance-guidance-electricity-distribution-companies>

2. Timetable for the 2015 report

The NetDAR is required to be submitted by **28² February** each year. This date was chosen to provide sufficient time for Ofgem to review the NetDAR and for licensees to consider any necessary changes ahead of their main annual regulatory submissions in July. However, **for the first year only (2015)**, as the DAG Licence Conditions will not be in effect by the normal 28 February submission date, we request that licensees make an informal submission in line with the planned annual reporting cycle by 2 March 2015³. A formal submission will be required on 1 April 2015, in accordance with the DAG. The informal and formal submissions may be identical, unless a significant issue has arisen in the intervening period that warrants a revision.

To reiterate, both the 2 March 2015 and 1 April 2015 submissions should look forward until 29 February 2016 and look back to 1 March 2014, as per table 4.1 of the DAG Guidance Document.

3. Past Submissions Section of 2015 NetDAR

We expect **full compliance** with the DAG from 1 April 2015. With respect to the looking back element of the NetDAR report to be submitted on 1 April 2015, we do not expect licensees to provide a risk assessment scoring for any submissions that were not within the trial scope. However, licensees should provide an update on the activities identified in the trial NetDAR and should provide additional commentary to cover the assurance related to those or any other submissions made in the year commencing 1 March 2014. The additional commentary need not necessarily be on a submission by submission basis, but may be an overall view of their assurance activities and findings for the year. Licensees must also report any material errors found in the previous year for all submissions.

We accept that there might be a significant workload involved in carrying out the risk assessments and planning the assurance activities for the full list of submissions (for the Future Submissions section). While we expect licensees to use their best endeavours to risk assess all these submissions, we would like to assure you that our reviews of licensees' NetDAR reports for the first 'live' year (i.e. 2015) will focus less on the detail of the individual submissions' risk scoring and plan details, and more on the overall systems and processes that lie behind the full set of data submissions.

In carrying out our reviews, we will consider any data issues that we are aware of and have come to light in the past. We will focus on whether the information contained in the reports align with what we know, and whether licensees at an organisational level are taking appropriate actions to address identified issues.

4. Forecast Data

Forecast data submitted to Ofgem should be based on evidence and sound logic and methodologies. Licensees should consider the systems and processes behind any historical input data utilised in arriving at their forecast views. In many cases, forecast data is more critical than historical data, for example, where the data is used to set allowances. We do realise, however, that there is no "correct" forecast data and that the DAG is not concerned with how good licensees are at forecasting. Ofgem as an organisation is concerned with forecasting accuracy. However, of the main drivers of forecasting accuracy, logic and methodologies are of concern to those assessing the specific submissions. The only driver the DAG is concerned with is the evidence (input data), and in ensuring it is accurate and suitable for purpose. Companies should use their best endeavours to risk assess forecast data. If companies are unable to fully risk assess any particular submission then they must explain the reasons for this, the approach they have taken to assessing the risk of the

² 29 February in a leap year

³ As 28 February 2015 is a Saturday.

submission, and provide additional rationale to demonstrate that their planned assurance activities are appropriate.

5. Individual feedback

We intend to carryout high level reviews of the (March 2015) informal submissions prior to formal submission on 1 April 2015. We will only provide feedback to licensees at this stage if significant omissions or inconsistencies are apparent and where we feel these should be addressed in the formal submission. We will provide more detailed feedback to licensees and/or ask questions relating to the NetDAR reports following receipt of the formal reports.

6. Benchmarking risk scores

We intend to use the data submitted by licensees to compare within and across companies to help us identify any apparent inconsistencies in scoring and, consequently, any areas where we would expect the NetDAR reports to provide explanation. The results of this exercise may be used to prompt discussion with individual licensees and we may share some of the results with individual licensees to help them identify areas for improvement. At present, we do not intend to publish the results of this exercise.

7. Annual report

For the time being, we do not plan to comment as a matter of course in our annual reports on companies' NetDAR reports. However, we acknowledge that this information could strengthen consumers' or other stakeholders' confidence in the processes that are taking place within the regulatory framework. Therefore, we reserve the right to publish the findings of our NetDAR reviews if we uncover significant issues and/or companies are not taking appropriate steps to address issues within reasonable timeframes.

If you have any further queries please contact Keren Maschler by using the contact details given at the top of this letter.

Yours faithfully,

Paul Branston

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