

Neil Guha
Costs and Outputs
Ofgem
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14th January 2015

Dear Neil,

Consultation on Data Assurance Guidelines (DAG)

Thank you for the opportunity to comment on the above consultation.

Our primary concern with the guidance is that the risk assessment methodology is not fit for purpose and the results it produces are counter intuitive to our assessment of the relevant risk, previous precedents and the new Ofgem enforcement guidelines. This is because the Impact Metric is flawed as it underrates the financial impacts of any errors, excludes any errors related to non-financial metrics which do not form part of the benchmarking (e.g. the majority of the outputs in RIIO-GD1) and does not align with enforcement measures taken in relation to previous reporting errors.

The impact of these flaws is that we have in effect have to carry out two risk assessments. One for the purposes of completing the paperwork for the Network Data Assurance Report (NetDAR) and the other to design our actual assurance plans. The latter will always involve a higher level of assurance than the DAG risk assessment methodology would suggest. To compound the inefficiency of such a process we then have to do more work in the NetDAR to explain the differentials in our risk assessment.

In addition it is not possible in any meaningful way to apply the risk assessment methodology to qualitative or forecast reports. We don't see any value is added by attempting to produce such a risk assessment other than for the purpose of completing the NetDAR. Such a risk assessment will have no bearing on the assurance measures that are actually applied to such reports.

When this process commenced one of the key objectives was to carry out a review of the existing mandated assurance arrangements in the current licence conditions. A key component in the new arrangements was Ofgem moving away from mandating such data assurance arrangements in individual licence conditions (which in many cases have developed in ad hoc fashion over several years) and consolidating as appropriate into the DAG. This review has not happened with the result that again the risk assessment becomes meaningless where mandated assurance applies as these will mandate assurance at a higher level than the risk assessment methodology in DAG would suggest.

As stated in our response to the licence modifications the logic for the proposed timing of the submission of the consolidated NetDAR completely escapes us and potentially creates inefficiencies for ourselves and Ofgem.

Further to the email correspondence between Steve Edwards from WWU and Keren Maschler from Ofgem we understand that WWU and NGN will be required to submit separate reports and the DAG will be amended accordingly.

As you are aware these are not new comments or concerns but we believe the end outcome as reflected in the DAG creates a lot of work for little value. If you wish to discuss any aspect of our response please do not hesitate to give me a ring.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S Parker', is positioned below the closing text.

Stephen Parker
Regulation Director

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