

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

21<sup>st</sup> January 2015

Dear Neill,

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

This response is on behalf of SPD, SPMW and SPT.

We welcome the opportunity to comment on the above Consultations. We acknowledge the hard work across all DNOs, TOs and Ofgem during the Trial Data Assurance Guidelines (DAG) period and the progress made on the guidance during that time. This approach has given us the opportunity to implement assurance activities in accordance with the DAG in advance of the Statutory Consultation.

We fully support the content of the combined ENA response on behalf of both DNOs and Scottish TOs. We have also fully participated in the DAG trial and have fed back a considerable number of comments during the trial period. Whilst improvements have been made, we are disappointed that we have to reiterate many of these comments in this and the ENA response.

There are some significant points, as detailed in the ENA response that we think require being resolved prior to 1 April. In addition, we would like to make the following comments in the context of the consultations.

**Points requiring clarity**

**2015 NetDAR**

- It would be helpful if Ofgem could provide clarity on which version of the guidance we should work from when producing the informal submission for 2 March 2015, bearing in mind the corrections and clarifications proposed in our response and the time needed to implement them. Ofgem must recognise that we are already working on the production of these submissions and are making assumptions about requirements due to issues with the drafting of this consultation. Ofgem will need to take this into account in assessing whether we have met the detailed requirements of the DAG.

Ochil House, 10 Technology Avenue, Hamilton International Technology Park, Blantyre, G72 0HT

Telephone: 0141 614 0008

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## **Clarification Letter**

- We note the letter asks for 'additional information' on past submissions but gives no indication if this is purely for information purposes. As this period lies outside the scope of the ED1 and T1 DAG obligations we think this is a key omission from the letter. It is important the Clarification Letter gives clear instructions and comfort to licensees on the completion of the Past Submissions Sections in the 2015 NetDAR, as assurance on these was carried out in the trial period prior to DAG go-live date of 1 April 2015.

## **Feedback on September 2014 Trial NetDAR & 2 March NetDAR**

We welcome the feedback provided on 14 January 2015. Although overall this was positive with regard to our NetDAR, we find it too general to add value for the forthcoming NetDAR on 2 March and anticipate that any feedback post 2 March will be too late to be incorporated in the first formal submissions on 1 April.

## **Material issues with Submission Lists (Appendices 1a and 1d)**

Ofgem have clearly stated it is the intent to have a consistent framework across all sectors, but there are inconsistencies in the treatment of the submissions in the Electricity Submission Lists – Appendices 1a (ET) and 1d (ED). Being licensees for both Distribution and Transmission, these inconsistencies are perhaps more obvious to us than other licensees, and more impactful. Examples of these include:

- A precedent has been set by Ofgem for the treatment of the RRP tables being rolled-up into workbooks - for ED all RRP tables are rolled-up into six workbooks and for ET a Revenue workbook has been created. However remaining RRP tables in ET have been listed individually. This significantly alters the obligation for Transmission licensees, creating an imbalance and also contradicts paragraph 2.31 in the guidance document: "For large data submissions, it may be appropriate to undertake Risk Assessments at the level of individual tables....Licensees should **use their own judgement** to determine whether it is appropriate to Risk assess at table level or at submission level."

Ofgem should list Transmission RRP as workbooks and allow licensees to use their own judgement and take into account the interaction between the various tables in their assessment, as they do for Distribution RRP.

- The RRP tables included in the Transmission appendix are not aligned to the new RIIO-T1 Regulatory Instructions and Guidance (RIGs) document. This means we are required to risk-assess against a superseded list of tables and conduct assurance and report thereon on the new list. We propose the Transmission tables are rolled up into workbooks, aligned to the six categories detailed in the new RIIO-T1 RIGs document (Finance, Totex, Opex, Capex, Network Data and Outputs).
- There are also submissions on the Transmission list that are not on the Distribution list, namely: Section 42, Electricity Act in respect of Directors Remuneration; and SpC 2E for Business Separation Compliance.

We believe there should be consistent treatment of submissions which are similar across

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licences and suggest that either these are removed from the Transmission list or a corresponding entry be made to the Distribution List.

- Both Submission Lists – Appendices 1a (ET) and 1d (ED) contain incorrect submission dates and must be updated to align to the correct ones at the earliest opportunity.
- The Irregular section of the submission lists needs to be updated to show the full list of irregulars which will give clearer direction, aid consistent completion of the NetDAR and prevent submissions falling between the cracks.

Specific points regarding the lists are detailed in the ENA response ‘Detailed points on the Risk Assessment Template’ in Appendix 2.

These inconsistencies need to be explained and addressed in order to have an effective and transparent framework across all sectors.

### **Points on the Guidance Document**

#### **Reporting of Material Errors found**

- Whilst we accept the need for reporting of material errors to Ofgem where these are detected post submission, we do not intend advising of material errors found whilst conducting assurance, unless we believe this error may have impacted a previous submission, as assurance is an iterative process which is designed to identify and correct errors. We don’t think the guidance provides clarity in this respect.
- It would be useful if the guidance document clarified how licensees should notify Ofgem of material errors during the year.

#### **Risk Management Terms**

- In recent changes to the DAG we have seen the inclusion of risk management terms which we believe are beyond the scope of an assurance obligation for regulatory submissions. If Ofgem agree to these changes they must flow through to the NetDAR Template.

#### **Imbalance of coverage (Risk Assessment v Assurance)**

- When considering the DAG as a whole, there is an imbalance in the coverage dedicated to risk assessment (13 pages) as opposed to assurance (5 pages). We believe the DAG has become too heavily focused on risk assessment, when this should only be a guide to direct our assurance efforts. We would like to note there has been little, if no, discussion at the working groups on assurance options. Taken in conjunction with our point on recent feedback, it is difficult to ascertain Ofgem’s views on the adequacy of the assurance we have done, to meet this assurance obligation.

#### **Probability Metric**

- Some of the content in the Control Framework Assessment in Table 2.2 Probability Metric is duplicated across the ‘C1 - Control Activities’ and ‘C3 - Evidence of historical errors with this data’ which causes double counting in the scoring. We propose **removal** of the following:
  - C3, Score 1 – “by subsequent audits”, as validations do not always require an audit
  - C1, Score 2 – “and control points fully evaluated and assessed” and footnote 23, as this refers to an audit evaluation which is covered by column C3.

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- There is a timing issue with one of the questions in the Control Framework Assessment in Table 2.2, as it cannot be answered at the time of the risk assessment. We propose **removal** of the following:
  - C1, Score 2 – last option “regulatory submissions...” and footnote 24 as the risk assessment process is carried out months in advance of each regulatory submission being reviewed and submitted to management.

Whilst it may now not be practical to accommodate the above amendments to the probability metric we would like these to be considered as part of the 2016 DAG update.

### **Response to Licence Modification SLC B23**

We are generally satisfied with this condition but note some differences in the definitions to those in the ED1 SLC45 condition. We believe the transmission condition should align to SLC45 as it has already been agreed as part of the licence consultation process for ED1.

Please contact Susan Bradshaw should you have any queries.

Yours sincerely,



**Scott Mathieson**

Director of Regulation & Commercial

Ochil House, 10 Technology Avenue, Hamilton International Technology Park, Blantyre, G72 0HT

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