

# Data Assurance Guidance for Electricity and Gas Network Companies

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## Overview:

This document is to be used by all network companies as a guide to the data assurance requirements relating to data submissions they make to Ofgem. It provides guidance on best practice for conducting and reporting Risk Assessment and Data Assurance Activities to ensure complete, accurate and timely data is submitted to Ofgem. It also specifies the format, content, scope, and timing of reporting to Ofgem on Data Assurance Activities and plans.

## Version History

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Version No.	Changes	Purpose	Author	Release Date
1.0		For consultation	Ofgem	17/12/14
1.1	Changes following consideration of consultation responses	Final decisions	Ofgem	03/02/15
1.2	Updates on submission list for ED,ET, GD & GT. Minor typographical errors. Modification of the reporting requirements.	For consultation	Ofgem	16/12/15
1.3	Changes following consideration of consultation responses	Final decisions	Ofgem	29/01/16

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# 1. Introduction

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## Chapter Summary

The principles behind these data assurance requirements, the background and purpose of data assurance, and the document structure.

1.1. The receipt of robust data from network companies is essential to enable the Authority<sup>1</sup> to effectively carry out its role as regulator. It is important for assessing Licensees' price control forecasts, explaining to customers what is being delivered in return for the revenue that Licensees are allowed to earn, and in monitoring performance against the price control settlements. It is therefore imperative that companies take full responsibility for the integrity of the data they collect, analyse and submit to Ofgem.

1.2. Any Licensee that has not employed reasonable measures to ensure its data submissions are accurate, complete, and on time faces the risk that Ofgem may take action against it. The tools available to Ofgem range from warning letters and investigations (which may involve an Ofgem audit) to full licence enforcement action and the imposition of fines. In extreme circumstances, this may involve licence revocation.

1.3. The RIIO framework<sup>2</sup> has introduced new data assurance licence conditions for all network Licensees. These conditions require Licensees to undertake processes and Data Assurance Activities for the purpose of reducing and managing the Risk of any inaccurate or incomplete reporting, or any misreporting, of information to the Authority. The new requirements are set out in the following licence conditions:

- For holders of an Electricity Transmission Licence<sup>3</sup>: Standard Licence Condition B23 (Data assurance requirements)
- For holders of an Electricity Distribution Licence<sup>4</sup>: Standard Licence Condition 45 (Data Assurance requirements)
- For the holders of a Gas Transporter Licence<sup>5</sup>: Standard Special Condition A55 (Data Assurance requirements)

1.4. This Data Assurance Guidance (DAG) is issued pursuant to the relevant conditions listed in paragraph 1.3 above. Licensees are required to comply with

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<sup>1</sup> 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.

<sup>2</sup> RIIO (Revenue=Incentives+Innovation+Outputs) is Ofgem's framework for setting price controls for network companies. The current price control period will last for eight years.

<sup>3</sup> Excluding those holding a licence only for offshore transmission

<sup>4</sup> Excluding independent Distribution Network Operators (iDNOs)

<sup>5</sup> Excluding independent Gas Transporters (iGTs) and site-specific pipeline operators

the provisions of the DAG as if it were a condition of their licence. The DAG consists of:

1. DAG Guidance Document (this document)
2. Network Data Assurance Report (NetDAR) Template
3. Risk Assessment (RA) Template
4. Irregular Submission Assurance Template

1.5. The overarching aim of the DAG is to reduce the Risk to customers and other stakeholders of any inaccurate reporting and misreporting by Licensees, and therefore the Data Assurance Activity should be proportionate to the Risk of the submission. It places the onus firmly on Licensees to ensure the integrity of the Data submitted.

1.6. The Data Submissions (containing quantitative or qualitative Data) to which this DAG applies are listed in Appendix 1a (electricity transmission), Appendix 1b (gas transmission), Appendix 1c (gas distribution), and Appendix 1d (electricity distribution)<sup>6</sup>. Additionally the DAG applies to Irregular Submissions related to, for example, uncertainty mechanisms or other funding mechanisms. Licensees are required to:

- undertake a **Risk Assessment** for each submission following the common Risk Assessment methodology set out in [Chapter 2](#).
- determine **Data Assurance Activities** for each submission. [Chapter 3](#) provides a set of defined Data Assurance Activities from which Licensees should select the most appropriate for each submission based on the results of the Risk Assessment. It is the Licensees' responsibility to apply adequate and proportionate assurance for all submissions.
- report to Ofgem, through an annual NetDAR, and Irregular Submission Assurance Reports, where appropriate, the results of the Risk Assessments as well as the appropriate Data Assurance Activities planned and carried out. The reporting requirements are set out in [Chapter 4 and Chapter 5](#).

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

## Compliance and enforcement

1.8. Ultimate responsibility for Data assurance (and regulatory compliance with any legal provisions requiring the provision of accurate Data) lies with the Boards of the regulated businesses. Ofgem relies on the Data submitted by the regulated companies to be accurate and reliable and therefore takes misreporting very seriously. The DAG has been issued in order to help the regulated companies become and remain compliant. It supports compliance by providing clarity on the regulatory requirements for the regulated network companies on Data assurance. It is important to recognise that compliance is related to, but separate from,

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<sup>6</sup> These appendices can be found within the Risk Assessment Template

enforcement. The DAG can help companies to maintain compliance and to deliver corrective action where appropriate; it can also help deter future non-compliant behaviour. While the DAG has a role to play in compliance, companies should not rely solely on us or the DAG to remain compliant.

1.9. The vision for Ofgem's enforcement work is to "achieve a culture where businesses put energy consumers first and act in line with their obligations"<sup>7</sup>. In addition, our strategic enforcement objectives are:

- to deliver credible deterrence
- to ensure visibility and meaningful consequences for businesses that fail consumers and do not comply, and
- to achieve the greatest positive impact by targeting enforcement resources and powers.

We will therefore take enforcement action, where appropriate, to deliver those objectives.

1.10. Our enforcement function also has a suite of case prioritisation criteria, which are published in our enforcement guidelines<sup>8</sup>. Among these criteria are annual enforcement priorities, which for the year 2014-2015 include "Adopting a low-tolerance approach to all inaccurate, misreported and late data". If enforcement action is ultimately undertaken for non-compliance, then distinct compliance monitoring can also play an important role in ensuring that the company in question complies with agreed upon assurance measures. For more information on regulatory compliance please see our "Open letter on regulatory compliance" dated 28 March 2014<sup>8</sup>.

1.11. Ofgem's receipt of a Licensee's NetDAR should not be taken as tacit approval of any conduct described within the DAG. The contents of any Licensee's NetDAR submitted may, along with other sources of evidence, be used by Ofgem for the purposes of compliance. It may also be used to inform any data submission enforcement investigations.

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<sup>7</sup> Ofgem, "Open letter on regulatory compliance", 28 March 2014:

<https://www.ofgem.gov.uk/ofgem-publications/86894/openletteronregulatorycompliance28march2014.pdf>

<sup>8</sup> Ofgem may revise its enforcement guidelines from time to time. Licensees are responsible for ensuring they are familiar with the latest guidelines and annual enforcement priorities.

## 2. Risk Assessment

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### Chapter Summary

The Risk Assessment methodology that each Licensee should use to determine, for reporting purposes, each Data submission's overall level of Risk.

### Introduction

2.1. As noted above, Ofgem's approach to Data assurance is one that is based on Risk. There should be a clear link between the materiality of Risk of a submission and the level of Data assurance employed for that 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 combines assessments of the impact and the probability of the Risk. While the Risk score that results from the matrix may be different for each Licensee, Ofgem expects all Licensees to follow a consistent approach.

### The Risk Matrix

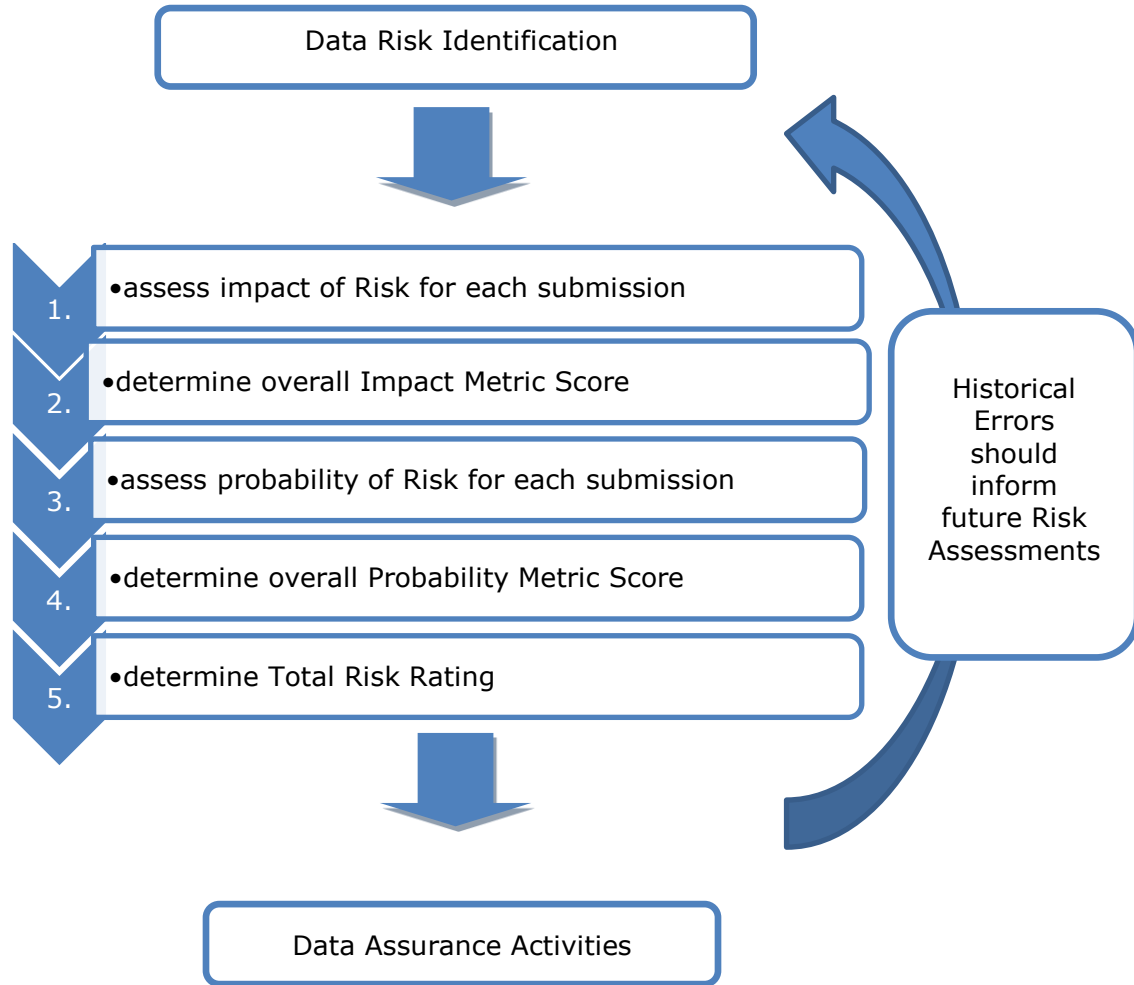
2.3. **Risk**, for the purpose of the DAG, is an estimation of an uncertain future outcome resulting as a consequence of inaccurate or incomplete Data submission and having a negative impact(s) in the defined categories of customers, competition, financial, and or comparative efficiency. A Risk is specified by its probability of occurrence and its impact. Risks relate to the **expectation** that inaccurate or incomplete submissions **may occur**. The overall Risk profile for each submission is determined by assessing both the probability of it containing an Error and the impact this Error could have across key drivers. Therefore, the Risk Matrix comprises two component metrics – the Impact Metric and the Probability Metric. The Total Risk Rating is a combination of both metrics.

2.4. The probability element of Risk is proxied by the Probability Metric and the impact element of Risk is proxied by the Impact Metric. The impact and Probability Metrics are defined as follows:

- **Impact Metric:** a measure to represent the impact of an identified Risk materialising. It relates to the expected impact of inaccurate, incomplete, misreported or late Data on customers, competition, the financial allowance awarded to Licensees and on the comparative efficiency analysis conducted by Ofgem in setting allowances. It is scored by assessing each Data submission against these impact categories.
- **Probability Metric:** a measure to represent the probability of Error occurrence. It is scored through the evaluation of the processes for Data collection, reporting and the related control systems and processes.

2.5. Each Licensee is expected to follow a five-stage process in assessing the overall Risk for each submission, which 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 the 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 assessing the Impact Metric for each submission.

2.7. The list of submissions for each sector is provided in the appropriate appendix: Appendix 1a (electricity transmission), Appendix 1b (gas transmission), Appendix 1c (gas distribution) and Appendix 1d (electricity distribution).



2.8. The Impact Metric has four ratings, 1 to 4, with 4 denoting the highest level of adverse impact and 1 denoting the lowest level of adverse impact that could arise due to the use of inaccurate or incomplete Data.

2.9. To calculate the Impact Metric there are four categories that should be scored on a scale from 1 to 4. The four impact categories are:

- a. Customers
- b. Competition
- c. Financial
- d. Comparative efficiency

2.10. We are of the view that the four existing impact categories provide sufficient scope for Licensees to capture any major impacts they might want to consider. Licensees should design their plan to mitigate all Risks that they feel are relevant to the company and must explain in their NetDAR the reasons for any apparent misalignment between Risk Assessment results and their planned activities.

2.11. The scores must be recorded in the Risk Assessment template (Excel file) under the relevant impact categories (a to d). Each category is to be scored separately.

2.12. To calculate an overall Impact Metric Score for a submission, Licensees should take the highest score of all impact categories.

2.13. In all cases, Licensees should assess impact over the period of the current price control plus any impact on allowance setting for the next price control period (and in respect of Errors, any applicable previous price control periods).

2.14. 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<sup>9</sup>.

2.15. The Impact Metric Score can be used to assess both the potential impact of Risks and actual impact of Errors. The Impact Metric Scoring methodology described here should be used to define the Impact Metric Score of future submissions and to evaluate Error materiality. Material Errors are the Errors with Impact Metric Score of 3 and 4.

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<sup>9</sup> For example: One worst-case scenario might be no data submitted and then used for modelling, resulting in zero modelled costs in this area. However, this may not be realistic as such an error would be obvious from the modelling results. A more realistic worst case will be derived by Licensees using their own experience, expertise, and judgement to determine a more realistic value. Where we have a range of possible impacts: If we illustrate impact severity on a distribution curve, we may consider an impact on the far right tail of the distribution curve (eg >2 standard deviations from the mean) to be unrealistic. The actual "worst case scenario" may be far more severe than the realistic worst case scenario but only arise in unusual or extreme circumstances.

2.16. Licensees should consider historical Errors in assessing the Impact Metric Score for future submissions. For example, if an Error has occurred, the Impact Metric Score for the relevant future submission(s) should be equal to or greater than the actual Impact Metric Score. The revised Impact Metric Score should remain for a minimum of two years following the Error detection. However, in most circumstances we would expect the revision to be permanent.

2.17. While Ofgem expects that the Impact Metric Score for each Data submission may be similar across the Licensees within a sector, we accept that there may be some differences and have therefore not specified an Impact Metric Score for specific Data submissions.

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

	<b>(a) Customers</b>	<b>(b) Competition</b>	<b>(c) Financial</b>	<b>(d) Comparative Efficiency<sup>10</sup></b>
<b>4</b>	Creates a breach in licence conditions that has a major impact on a large number of customers, other network operators, service providers, or shippers <sup>11</sup> or Creates a significant number of legitimate customer complaints either directly or indirectly	High impact on the ability of third parties to compete in the market place	An Error or omission that could potentially give rise to a major financial impact (assessed against a financial value equivalent to $> \pm 5\%$ of Licensee's annual baseline totex allowance <sup>12</sup> )	Comparative efficiency analysis impact from an Error $> 5\%$ of Licensee's annual baseline totex allowance
<b>3</b>	Creates a breach in licence conditions that has a moderate impact on a large number of customers, other network operators, service providers, or shippers or Creates a breach that has a major impact on a small number customers, other network operators, service providers, or shippers or Creates a moderate but high profile number of legitimate customer complaints or dissatisfaction, either directly or indirectly	Moderate impact on the ability of third parties to compete in the market place	An Error or omission that could potentially give rise to a significant financial impact (assessed against a financial value equivalent to $\geq \pm 1\%$ Licensee's annual baseline totex allowance but $\leq \pm 5\%$ )	Comparative efficiency analysis impact from an Error of $\geq 1\%$ and $\leq 5\%$ of Licensee's annual baseline totex allowance
<b>2</b>	Creates a breach that has a moderate service impact on any customers, other network operators, service providers, or shippers (and does not score 3 or 4) or Creates a moderate but low profile level of customer complaints, either directly or indirectly	Low impact on the ability of third parties to compete in the market place	An Error or omission that could potentially give rise to a low financial impact (assessed against a financial value equivalent to $< \pm 1\%$ Licensee's annual baseline totex allowance)	Comparative efficiency analysis impact from an Error of less than $1\%$ of Licensee's annual baseline totex allowance
<b>1</b>	Has no or negligible service impact on all customers, other network operators, service providers, or shippers	Negligible or no impact on the ability of third parties to compete in the market place	No or negligible potential for financial impact on the level of incentives receivable from the Regulator as a result of an Error.	No or negligible comparative efficiency analysis impact from an Error.

<sup>10</sup> Licensees should state the value in £m of the thresholds applied for comparative efficiency assessment.

<sup>11</sup> Includes independent network operators and suppliers.

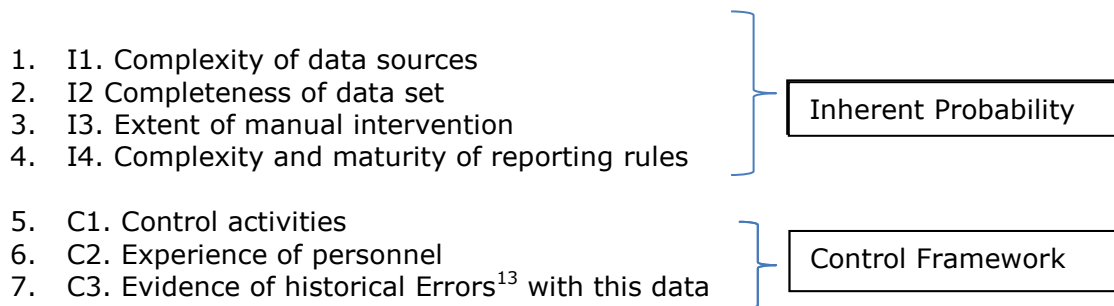
<sup>12</sup> The baseline totex allowance as published in the relevant Final Proposals or Final Determination document should be used for calculation of thresholds.

## Probability Metric: stages 3 and 4

2.18. Table 2.2 sets out the criteria for assessing the Probability Metric for each submission to represent the probability of an Error occurring.

2.19. The Probability Metric has four ratings, from 1 to 4, with 4 denoting the highest probability and 1 denoting the lowest probability of inaccurate, incomplete or late Data submission.

2.20. There are seven categories that should be scored for each Data submission in order to calculate its Probability Metric Score. These are:



2.21. I1 to I4 reflect the inherent (I) probability of Error where no controls other than general system or process controls are used to reduce Risk. C1 to C3 reflect the control (C) framework in place to reduce the probability of Error. Combining these gives the overall probability of Error, taking into account any controls that are in place.

2.22. Categories I1 to I4 (inherent probability) have three ratings 2 to 4, with 4 denoting the highest probability and 2 denoting the lowest probability of inaccurate, incomplete or late Data submission. These are indicators of the probability of Error associated with the systems used, available Data and reporting rules without any controls in place.

2.23. Categories C1 to C3 (control assessment) have three ratings 0 to 2, with 0 denoting the weakest control and 2 denoting the strongest control. These are indicators of the level of confidence in the control environment (ie confidence in the business's ability to prevent Errors or decrease the probability of Errors occurring). Each of these categories is scored either 0, 1, or 2 representing low, medium, and high controls.

2.24. The rules for calculating an overall Probability Metric Score for any submission are as follows:

- Select the maximum of inherent probability category score.

<sup>13</sup> Material Errors, ie those scored 3 and 4 on the Impact Metric Scoring system (Table 2.1)

- Calculate the arithmetic average rounded to nearest whole number of scores in the control environment assessment.
- Subtract the average control score from the maximum inherent score.
- If both the inherent probability and control framework assessment are scored 2 the Probability Metric Score to be used is 1 (instead of 0, as 2-2=0).

$$\text{Overall Probability Score} = \text{Maximum [1, Maximum (Inherent Score) minus Average (Control Score)]}$$

2.25. The rules are based on the principle that (all other factors being constant) high Inherent probability or a weak control framework should result in a higher Risk score, while low inherent probability or strong control framework should result in a lower Risk score.

2.26. The overall Probability Metric Score ranges from 1 to 4.

2.27. We might expect to see greater variation between Licensees in the Probability Metric Scoring than we would expect for Impact Metric Scores. This is because each Licensee will have different reporting systems, processes, and control environments for submitting Data.

**Table 2.2: Probability Metric**

Reporting Assessment, Inherent Probability					Control Framework Assessment			
I Score	I1. Complexity of Data sources <sup>14</sup>	I2. Completeness of Data set	I3. Extent of manual intervention	I4. Complexity & maturity of reporting rules	C1. Control activities <sup>15</sup>	C2. Experience of personnel	C3. Evidence of historical Errors with this Data <sup>16</sup>	C Score
<b>4</b>	Two numerical systems  <b>or</b> two financial systems  <b>or</b> more than two Data systems used to populate submission.	Data not routinely captured by Licensee 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 <sup>17</sup> .	More than 60% <sup>18</sup> of the Data is manually collated <sup>19</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 for this report, or table level as appropriate, within the last two years; and the issues identified have not been eliminated  <b>or</b> no audit <sup>20</sup> undertaken on this submission in the last five years.	<b>0</b>

<sup>14</sup> For multiple-module systems, each individual module is considered to be a separate system for these purposes.

<sup>15</sup> Licensees should use their judgement to determine whether it is appropriate to assess control framework at the RRP level or at the table level.

<sup>16</sup> Evidence of historical **erroreerrors** should be assessed at the table level and not at the overall submission level.

<sup>17</sup> For example where a population asset count is inferred by sampling the number of assets in a particular region.

<sup>18</sup> This refers to 60% of input cells.

Reporting Assessment, Inherent Probability					Control Framework Assessment			
I Score	I1. Complexity of Data sources <sup>14</sup>	I2. Completeness of Data set	I3. Extent of manual intervention	I4. Complexity & maturity of reporting rules	C1. Control activities <sup>15</sup>	C2. Experience of personnel	C3. Evidence of historical Errors with this Data <sup>16</sup>	C Score
3	One numerical and one financial Data system used to populate submission.	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  <b>or</b> no audits undertaken on this Data within the last two years, but audit has been undertaken within the last five years.	1

<sup>19</sup> Manual intervention defined as where there is a manual process to change the data structure or format, eg 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.

<sup>20</sup> Internal or external data audit

Reporting Assessment, Inherent Probability					Control Framework Assessment			
I Score	I1. Complexity of Data sources <sup>14</sup>	I2. Completeness of Data set	I3. Extent of manual intervention	I4. Complexity & maturity of reporting rules	C1. Control activities <sup>15</sup>	C2. Experience of personnel	C3. Evidence of historical Errors with this Data <sup>16</sup>	C Score
2	Single Data system used to populate submission.	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>21</sup>  <b>and</b>  controls have been in place for more than two years  <b>and</b>  systems and processes fully documented <sup>22</sup> and control points fully evaluated and assessed <sup>23</sup>  <b>and</b>  regulatory submissions subject to comprehensive and effective review and supervision processes. <sup>24</sup>	This submission being collated by employees with prior experience of completing this submission – with method statements for prior years in place	Audit has been undertaken on this submission within the last two years and no Material Errors were identified  <b>and either</b>  there were no previously identified Errors in submissions.  <b>or</b>  Audit confirmed that any previously identified issues have been properly addressed.	2

<sup>21</sup> This requires the control framework to have some visibility with management. This control framework should contain a mix of controls that enable Licensees both to prevent errors from occurring and to detect, prior to submission to Ofgem, any errors that do occur.

<sup>22</sup> This is technical and business process documentation that is updated on a regular basis.

<sup>23</sup> This requires that some type of audit process (independent or self-audit) has taken place.

<sup>24</sup> Documented systems and processes must require returns to have been reviewed and the strengths and weaknesses identified before being submitted to management.

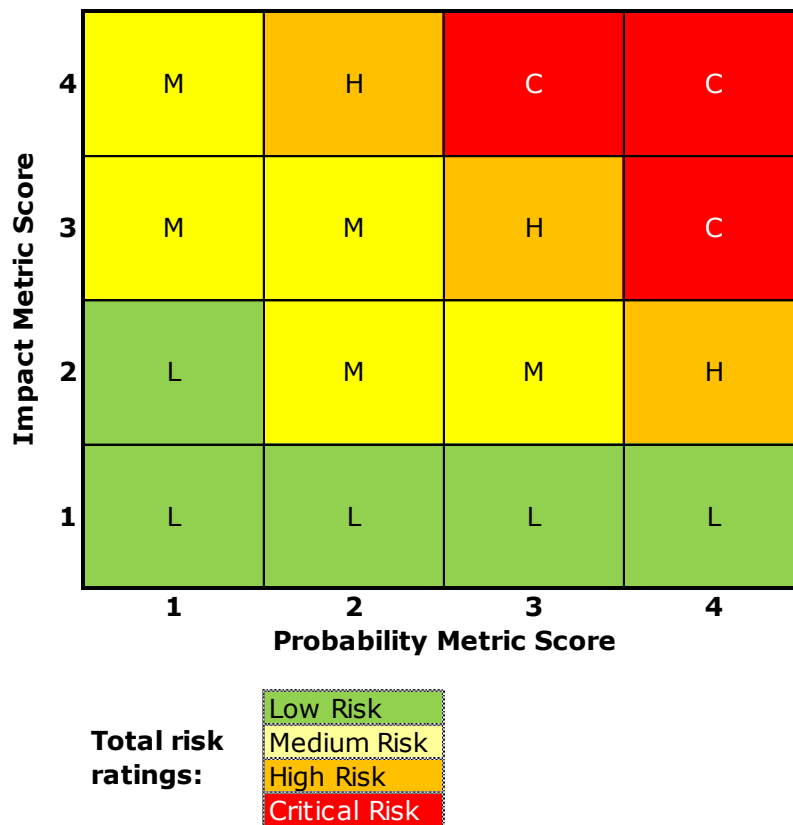


## Total Risk Score: stage 5

2.28. Impact and Probability Metric Scores should be combined to arrive at a total Risk score in accordance with the impact-probability matrix below (figure 2.2).

2.29. There are four levels of Total Risk: low, medium, high and critical. The assessed Total Risk Rating should be used by Licensees to inform their choice of 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 2.2: Impact-Probability Risk Matrix**



## Table-based assessment

2.30. For large Data submissions, it may be appropriate to undertake Risk Assessments at the level of individual tables that comprise the submission. Licensees should use their judgement to determine whether it is appropriate to Risk assess at table level or at submission level. Regardless of the chosen assessment level, if a submission is broken down at table level in Appendix 1 (a, b, c, or d) then the Licensee must provide scores for each individual table as part of its annual NetDAR submission.

## Forecast Data

2.31. Where a submission contains forecast Data, then the forecast Data is subject to the same requirements for Planning, Review and sign-off. When assessing the probability of incorrect or inaccurate Data submission, Licensees should consider the systems and processes behind any historical input Data utilised in arriving at forecast views. Unless there is a clear rationale against it, we would generally expect the Probability Metric Score for forecast Data to be as a minimum the same as the score for historical input Data. The Impact Metric Score for forecast Data should be assessed according to the Impact Metric criteria (Table 2.1). In many cases, forecast Data is more critical than historical Data, for example, where the Data is used to set allowances, and in these circumstances we might expect the Impact Metric Score to be higher than the score for historical input Data.

## Qualitative submissions

2.32. Some qualitative (eg opinion based) Data submissions are within the scope of the DAG. Licensees must use reasonable endeavours to assess qualitative submissions against the Risk scoring criteria set out in Chapter 2. As with quantitative submissions, Licensees must ensure that their planned activities for qualitative submissions are appropriate to the total level of Risk of the submission<sup>25</sup>. The Risk Assessment is simply one tool that Licensees can use to demonstrate the appropriateness of their planned activities. However, where the Risk Assessment is insufficient to demonstrate appropriateness, then Licensees should provide additional evidence, justification, and/or assessment criteria in their NetDAR to demonstrate the appropriateness of their planned assurance activities.

2.33. Three types of qualitative submissions fall within the scope of the DAG:

1. Purely qualitative narrative reports (not driven by quantitative Data).
2. A submission that is simply reporting Data contained in a RIGs table or other quantitative submission – this type of submission should be Risk assessed using the source Data Probability Metric Scoring.
3. A submission that interprets or explains Data contained in a RIGs table or other quantitative submission (eg RIGs narrative) – the Probability Metric Score should reflect the processes and systems for transferring and validating the accuracy of the data transfer from the quantitative systems to the qualitative report. The probability of Errors in the underlying Data is assumed to be zero in these cases.

2.34. Where a quantitative submission's Data is used to inform qualitative submissions, then an assessment of the impact of inaccurate, incomplete or late submission of those dependent qualitative submissions should also be factored into the quantitative submission's Impact Metric Score.

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<sup>25</sup> For example, if the result of the Risk Assessment is high Total Risk Rating, whereas intuitively the Total Risk Rating for the submission should be low, then Licensees should plan assurance activities proportionate to a low-Risk submission and should explain in their report why this was appropriate.

## Changes in regulatory regime

- | ~~2.34~~**2.35**. When assessing the Risk of future submissions where the submission reporting requirements or the regulatory regime might change (eg when moving into RIIO-T2/GD2/ED2) then, unless otherwise instructed by Ofgem, Licensees should carry out their Risk Assessments based on the assumption that the reporting requirements and regulatory requirements in force at the time of submission will not change.
  
- | ~~2.35~~**2.36**. Licensees should consider whether it is appropriate to employ any additional assurance or measures to mitigate the Risk of potential changes and should provide explanation of them in their NetDAR.

## 3. Data Assurance Activities

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### Chapter Summary

Guidance on the Data Assurance Activities that should be used by a Licensee to provide confidence to Ofgem and other stakeholders that its Data submissions (past and future) are reliable.

### Introduction

3.1. Each Data Assurance Activity is defined in terms of **who** should undertake the activity, **when** (ie under what circumstances) and **what** this involves. Subject to paragraph ~~03.4~~ 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

3.2. For all submissions, the Data Assurance Activities are informed by the results of the Risk Assessment. All Data submissions (including those rated as low Risk) require a degree of Planning, Review, and Sign-off.

3.3. In determining the Data Assurance Activities appropriate to any submission, Licensees may consider other relevant factors in addition to the results of the Risk Assessment. However, they must explain any apparent misalignment between Risk scores and planned or undertaken assurance activities in their NetDAR. This is of particular importance for any submissions assessed as high or critical Risk.

### Additional assurance activities

3.4. It is recognised that throughout the year, Licensees may carry out additional assurance activities. 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 any such audits and summary of their findings that relate to high or critical Risk submissions. They are also 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.
Internal Data Audit	As identified through Risk Assessment.	An Independent Internal Assurance Provider, eg a Group Internal Audit Function or Assurance Function (or equivalent) or a subject matter expert not directly involved in the return.	Programme agreed by Audit, Governance or Planning Committee, or equivalent.  Responsible for providing evidence of verification of Data.  Done through a sampling approach.  Intends to determine the level of confidence that can be placed on the entire return through testing a sample of the Data.  Reported/documentated through formal governance channels.

	When applies	Who is responsible	What: content/coverage
Internal Submission Process Audit	As identified through Risk Assessment.	An Independent Internal Assurance Provider, eg 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>
External Data Audit	<p>As identified through Risk Assessment.</p> <p>Useful where specialist knowledge required. Essential for financial accounts.</p>	Audit carried out by a third party outside the company or group. Independent registered audit organisations or independent experts with or without formal audit qualifications, where appropriate.	<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	As identified through Risk Assessment.	Audit carried out by a third party outside the company or group. Independent registered audit organisations or independent experts with or 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>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>

	When applies	Who is responsible	What: content/coverage
<b>Sign-off</b>			
Senior Manager Sign-off	All submissions	Accountable senior manager.	<p>This review must be done in line with the minimum review criteria as established by each Licensee.</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>
Director Sign-off	As identified through Risk Assessment.	A Director of a business function 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 Licensee 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 with or 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 for Regular Submissions

### Chapter Summary

Details of the Data assurance reporting requirements relating to Licensees regular submissions.

### Annual reporting

4.1. Licensees are required to provide one report to Ofgem each year. This report must contain two main sections, the first relating to past submissions, and the second relating to future submissions. These are defined as follows:

- **Past Submissions Section** (Section 1): details the assurance work done on submissions made in the Past Year, the review of the Past Year Risk scoring, and the Errors identified up to the report submission date.
- **Future Submissions Section** (Section 2): explains the Licensee's Risk scoring, Total Risk Rating, and Data assurance plans for the Future Year's submissions. It may also provide a longer-term outlook of a Licensee's Data assurance plans.

4.2. Where a Licensee is part of a larger ownership group comprising a number of regulated network companies, then one report should be submitted<sup>26</sup> per sector (ie electricity transmission, gas transmission, electricity distribution, gas distribution). Differences in processes between network companies in the same group should be factored into Risk Assessments and, where material, these differences should be addressed in the reports.

4.3. Within the "Future Submission" section the Licensees are required to report to Ofgem only the Conditions / tables for which their overall risk rating has changed since the previous year's submission. In addition, Licensees are required to report to Ofgem any Conditions/tables where the overall risk rating remains high or critical but there has been movement in the risk scoring to determine this. Tables the Licensees are not required to report against should be left blank and comment that the risk table has not changed from the previous year.

4.2.4.4. Where the Risk Assessment guidance changes between NetDAR submissions, then Licensees are not required to update their Past Year scores to apply the latest version of the guidance (ie the Past Year scores of the NetDAR in Table 4.1 should be identical to the Future Year scores reported in the previous year's NetDAR). Licensees should explain in their NetDAR when scores have changed purely as a result of a change in the Risk Assessment guidance.

<sup>26</sup> Although both part of the Cheung Kong Group, Northern Gas Networks Limited and Wales and West Utilities Limited are required to submit separate reports.

4.3.4.5. For the annual NetDAR to be submitted in 2015 only, Licensees are required to submit by 1st April. For the 2015/2016 reporting year and in all subsequent years the NetDAR must be submitted by 28 February (or 29 February in a leap year). The annual reporting requirements are summarised in Table 4.1 below.

**Table 4.1: Summary of annual NetDAR requirements**

Calendar year	Submission date	Subject period		Risk Assessment Scope	
		Past Year	Future Year	Past	Future
2015	1 April	1 March 2014 to 28 February 2015	1 March 2015 to 29 February 2016	All regular submissions within scope for September 2014 Trial NetDAR	Any submissions listed in Appendix 1 <sup>27</sup> and expected to be submitted during the relevant subject period. Plus any Irregular Submissions expected but not listed in Appendix 1.
2016 and all subsequent years	28 February (29 February in a leap year)	1 March of the preceding calendar year to 28 February (or 29 February in a leap year) of the current calendar year	1 March of the current calendar year to 28 February (or 29 February in a leap year) of the next calendar year	Any submissions listed in Appendix 1 <sup>27,28</sup> and submitted during the relevant subject period. Plus any Irregular Submissions submitted but not listed in Appendix 1.	As above

## Report formats

4.4.4.6. The required report should consist of a succinct narrative document. It should adhere to the specified format and must provide any required information as set out in the current version of the NetDAR template. References to supporting documentation should be included where appropriate but such documentation need not be appended to the report.

4.5.4.7. The reports should, as much as possible, function as standalone documents. They should therefore give a reviewer a good understanding of the Licensee's Risk management strategies, its Risk appetite, and the strengths and weaknesses of its Data assurance and Risk reduction plans. It should provide the reviewer with as much confidence as possible that the Licensee is proportionate in

<sup>27</sup> Appendix 1a, 1b, 1c, or 1d depending on sector.

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reducing Risk to tolerable levels within a reasonable timeframe and/or applies appropriate Data assurance to manage the Risks.

**4.6.4.8.** For submissions with critical and high Risk ratings **that the Licensee is required to report on in accordance with paragraph 4.3**, detailed Data Assurance Activity explanation is required. The detailed explanation should include:

- a description of actions taken;
- the specific aims/outcomes of the actions;
- the expected and actual completion date;
- an indication of whether the action is completed or ongoing.

**Where Licensees are not required to report a submission under paragraph 4.3, no explanation is required.**

**4.7.4.9.** The aims of the actions should be related to mitigating Risks through reducing the impact or the probability of the Risks. Examples of actions are changes in processes and systems such as IT system development, implementation (new reporting software), new record keeping solutions, or process automation.

**4.8.4.10.** When Licensees submit the reports, they are required to submit results of their Risk Assessment and assurance activity plan in the current version of the Risk Assessment (Excel) template.

**Table 4.2: Report templates**

Template	Format	Current version
Network Data Assurance Report Template	Word	1.1
Risk Assessment Template	Excel	1.32

**4.9.4.11.** In addition, when compiling their NetDAR, Licensees are encouraged to compile and submit an issues log to record any observations, suggestions, and/or problems encountered.

## Error reporting

**4.10.4.12.** Licensees must take all reasonable steps to ensure the quality of their Data. Quality Data will in all material respects be accurate, complete and fairly presented. Licensees are required to notify Ofgem of the possibility of any significant revisions to improve Data quality. This notification must be issued to Ofgem as soon as it becomes evident to the Licensee that a reasonable likelihood exists of Material Errors in any of its past submissions.

**4.11.4.13.** Additionally, Material Errors detected up to the NetDAR submission date must be reported in the NetDAR. Material Errors are those that score 3 and 4 on the Impact Metric Scoring system (Table 2.1) if individually assessed. While Licensees are already required to report Material Errors to Ofgem as soon as they

become aware of them, the NetDAR must also contain details of Material Errors in the following circumstances:

- a. the Error has not been picked up by the Licensee's control systems or procedures and has been detected post submission of Data
- b. the Error was detected by the control systems or procedures prior to submission but a similar Error may not have been picked up in past submission(s).

## Additional instances of a submission

~~4.12~~4.14. In some circumstances, a Licensee may be required to submit more than one instance of the same submission within a particular DAG Reporting Year than is normally required annually under a licence condition. This may occur, for example, as a result of a submission date change derogation, due to changes in reporting frequency, or because Ofgem has required a resubmission.

~~4.13~~4.15. Each instance of the submission may not necessarily score the same on the Risk Assessment or may not be subject to the same assurance activities. In such circumstances, each instance of the submission should be treated as a separate submission for reporting purposes.

4.16. If more than one instance of a submission is required in a normal reporting year (eg monthly submissions) then, provided the associated Risk and assurance undertaken are unchanged between submissions, all instances may be reported as if they were a single submission.

## 5. Reporting Requirements for Irregular Submissions

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### Chapter Summary

Details of the Data assurance reporting requirements relating to Licensees Irregular Submissions.

5.1. An Irregular Submission is one that is submitted by a Licensee, but not listed on Appendix 1 (a, b, c, or d) as a regular submission. The following types of Irregular Submission fall within the scope of the DAG:

- a) main submissions related to uncertainty mechanisms, price control reopeners, derogation applications, RIIO business plans
- b) any submissions made by Licensees in support of claims under any other funding or incentive mechanism
- c) submissions made in response to a formal data request issued by Ofgem if stated by Ofgem that it falls within the scope of the DAG.

5.2. Licensees are expected to provide Irregular Submissions to Ofgem. When doing so, Licensees are required to undertake a Risk Assessment and to identify appropriate Data assurance in accordance with the same guidance as applies to regular submissions.

5.3. Where, at the time of preparing its NetDAR, a Licensee has a reasonable expectation that an Irregular Submission will be made in the succeeding DAG Reporting Year, it must include details of the Irregular Submission in the future submissions section of its annual NetDAR (detailed in Chapter 4)<sup>28</sup>.

5.4. Any Irregular Submissions made in the preceding DAG Reporting Year must be included in the past submissions section of the annual NetDAR.

5.5. If the Licensee did not include details of the Irregular Submission in the future submissions section of its NetDAR, it is required to submit an Irregular Submission Assurance Report at the same time as it makes the Irregular Submission. This report should detail the assurance work done in relation to the Irregular Submission.

5.6. Some Irregular Submissions that Licensees should be reporting in their NetDAR are listed in Appendix 1 (a, b, c, or d). This list is not exhaustive and Licensees are required to treat any additional submissions that fall within the definition in paragraph 5.1 and are not included in Appendix 1 as an Irregular Submission and to comply with the applicable guidance.

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<sup>28</sup> Licensees should enter the details of Irregular Submissions on the relevant sector submission sheet (eg 'ET\_Submissions' for electricity transmission) of the Risk Assessment template. These details will then auto populate the 'Scoring' and 'NetDAR\_Report\_Table\_3.3' tabs.

Data Assurance Guidance: ~~Version 1.2~~ **Version 1.3**

5.7. Licensees should use the current version of the Irregular Submission Assurance Template to prepare an Irregular Submission Assurance Report.

<b>Template</b>	<b>Format</b>	<b>Current version</b>
Irregular Submission Assurance Template	Word	1.1

# Appendix 1: Data (submissions) to which the Risk Assessment applies

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The Appendices 1a, 1b, 1c, and 1d are contained within the Risk Assessment Template. The appendices apply on a sector basis as follows:

- 1a. Electricity Transmission
- 1b. Gas Transmission
- 1c. Gas Distribution
- 1d. Electricity Distribution

## Appendix 2: Definitions

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Please note that the plural form of the below defined terms are also as defined.

- **Accountable Senior Manager:** an individual at a sufficiently high level in the organisation so that his or her primary focus is on long-term strategic objectives of the organisation rather than short-term project or contractual ones. There must also be a direct line of responsibility from the individual to the specific business area to which a Data submission relates.
- **Action:** is an individual element of the Data Assurance Activity plan. It has a pre-defined aims, measurable outcomes and expected or actual completion timeframes. Its progress is reported in the NetDAR.
- **Audit:** An investigative examination of data or of the processes and systems involved in the collection, computation, compilation and/or interrogation of data, with the specific purpose of verifying the accuracy or reliability of the data or the adequacy of the processes and systems used to ensure data accuracy or reliability. An audit will result in the production of a formal report detailing its scope, methodology, findings, and recommendations.

Further clarification:

DAG-related Audit can be either Review of the submission process or the Data contained in a submission. DAG-related Audits can be performed by either independent internal or independent external resources. DAG related audits may be voluntary or mandatory.

- **Audit, Governance or Planning Committee or equivalent:** Committee or business unit with its primary focus on long-term strategic objectives of the organisation and duly authorised to set out and Sign-off on overall organisational audit programmes, having appropriately assessed and balanced all internal and external Risks and priorities.
- **Board:** means the board of directors of the Licensee.
- **Board Sign-off:** The formal certification from the Board of the Licensee that all reasonable steps have been taken to ensure and verify that the submission meets the level of accuracy or reliability as specified under the relevant licence condition(s).
- **Chief Executive Officer (CEO):** the most senior accountable officer of the Licensee, includes any person occupying the position of chief executive officer, regardless of title.
- **Control Framework Assessment:** an assessment of the level of reliability of the relevant control systems and procedures used to prevent and/or detect Data Errors prior to use of the Data for the purpose of strategic decision making and prior to submission of the Data to Ofgem.
- **DAG Licence Condition:** means Standard Licence Condition B23 for electricity transmission Licensees, Special Standard Condition A55 for gas transmission and gas distribution Licensees, and Standard Licence Condition 45 for electricity distribution Licensees.



- **DAG Reporting Year:** Unless otherwise stated the DAG Reporting Year refers to submissions made in a continuous twelve-month period commencing 1 March in any year and ending on 28 February (or 29 February in a leap year) of the next calendar year.

Example: 2015/16 DAG Reporting Year refers to submissions made in the period 1 March 2015 to 29 February 2016 inclusive. Reference to 2016 DAG Reporting Year refers to the same period.

- **Data:** As defined in the DAG Licence Condition: "means the information submitted to the Authority under this licence in respect of which the Licensee must carry out a Risk Assessment as specified in the DAG."
- **Data Assurance Activity:** As defined in the ET, GT and GD DAG Licence Condition: "means, in respect of Data, the activity undertaken by the Licensee (or a person nominated by the Authority, as the case may be) to address the Risks identified in the Risk Assessment." In respect to this definition "activity" means the activities undertaken by or on behalf of the Licensee in order to verify or provide assurance that Data meets the required level of accuracy and reliability.

As defined in the EDDAG Licence Condition "means, in respect of Data, an activity undertaken by or on behalf of the Licensee in order to verify or provide assurance that Data meets the required level of accuracy and reliability."

- **Data Audit:** An audit focused on verifying the accuracy or reliability of Data. The audit must be conducted by person(s) with sufficient levels of expertise and knowledge to enable them to correctly attest to the accuracy or reliability (or otherwise) of the Data.
- **Data Error, Error:** An inaccuracy in a Data submission that negatively affects the quality and reliability of future and/or past regulatory submissions. While Risk relates to possible future inaccurate or incomplete submissions, Error relates to actual occurrences of inaccurate or incomplete submissions. For Risk Assessment, only a limited number of potential impacts are considered and the magnitudes of these impacts in the event of actual occurrence are often uncertain. Errors can be detected or undetected. The actual impact of an Error may only become apparent post detection and may not be the same as the assumed impact used in a Risk Assessment prior to any Error detection. Risk Assessment usually assumes no undetected historical Errors.
- **Data Submission:** a submission to the Authority (listed in Appendix 1a, 1b, 1c, or 1d) in respect of which the Licensee must carry out a Risk Assessment.
- **Director:** A Director of a business function, for example Director of Operations or Financial Director.
- **Financial System:** an IT system, or an individual module of a multiple-module system, used for the purpose of collection, computation, compilation and/or interrogation of financial data.
- **Future Year:** For 2015 only: the DAG Reporting Year 1 March 2015 to 29 February 2016. For 2016 onwards: the DAG Reporting Year commencing the 1 March after the relevant scheduled NetDAR submission date.

- **Impact Metric Score:** a measure to represent the impact of an identified Risk materialising. It relates to the expected impact of inaccurate, incomplete, misreported or late Data on customers, competition, the financial allowance awarded to Licensees and on the comparative efficiency analysis conducted by Ofgem in setting allowances. It is scored by assessing each Data submission against these impact categories.
- **Independent:** with the exception of "Independent Internal Assurance Provider" means an individual or organisation without a vested interest in the performance of the Licensee.

This means that:

- its remuneration is not determined by reference to the financial performance of the Licensee or a related undertaking, and
  - in respect of an organisation: it is not a unit within the Licensee (eg Internal Audit), it is not a related undertaking<sup>29</sup>, or
  - in respect of an individual: he or she is not an employee of the Licensee or of a related undertaking; he or she does not hold any shares in the Licensee or a related undertaking.
- **Independent Internal Assurance Provider:** means an officer or business unit of the Licensee or a related undertaking with sufficient levels of expertise and knowledge to enable it to conduct a thorough audit. An Independent Internal Assurance Provider will have had no involvement in the collection, computation, compilation and/or interrogation of the Data, or in the case of process assurance will have had no involvement in the design or implementation of the associated systems or processes.
  - **Internal Audit:** as defined by DAG Licence Condition: means the Licensee's function of assuring that its Risk management, governance and internal control processes are operating effectively.
  - **Irregular Submission:** An Irregular Submission is one that is submitted by a Licensee, but not at regular intervals (eg monthly, quarterly, annually). The following types of Irregular Submission fall within the scope of the DAG:
    - a) main submissions related to uncertainty mechanisms, price control reopeners, RIIO business plans,
    - b) any submissions made by Licensees in support of claims under any other funding mechanism,
    - c) submissions made in response to a formal Data request issued by Ofgem if stated by Ofgem that it falls within the scope of the DAG.
  - **Irregular Submission Assurance Report:** A report submitted at the same time as ~~an~~ Irregular Submission that details the assurance carried out for the submission and Data Errors found. An Irregular Submission Assurance Report is only required for submission in circumstances where the Irregular Submission was not included in the Past Submissions Section of the Licensees most recent NetDAR.

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<sup>29</sup> "related undertaking" in relation to the Licensee, means any undertaking in which the Licensee has a participating interest within the meaning of section 421A of the Financial Services and Markets Act 2000

- **Licensee:** means any holder of an electricity transmission licence, a gas transporter licence, or an electricity distribution licence (excluding independent Distribution Network Operators (iDNOs), independent Gas Distribution Networks (iGDNs), and Offshore Transmission Owners (OFTOs)). The relevant Licensees are listed in Appendix 3.
- **Material Error:** an Error (or combination of Errors) that would lead to a submission or part of a submission failing to meet the level of accuracy or reliability as specified under or pursuant to a relevant licence condition(s). For DAG purposes a Material Error is one with an Impact Metric Score of 3 or 4.
- **NetDAR (Network Data Assurance Report):** Report submitted annually by Licensees to comply with reporting requirements under the DAG Licence Condition.
- **Numerical System:** an IT system, or an individual module of a multiple-module system, used for the purpose of collection, computation, compilation and/or interrogation of non-financial Data.
- **Past Year:** For 2015 only: the DAG Reporting Year 1 March 2014 to 28 February 2015. For 2016 onwards: the DAG Reporting Year ending on the relevant scheduled NetDAR submission date (28<sup>th</sup> February or 29<sup>th</sup> February in a leap year).
- **Planning:** A methodology statement and submission plan that explains the systems, processes, responsibilities, and timings for a Data submission.
- **Probability Metric Score:** a measure to represent the probability of Error occurrence. It is scored through evaluation of the processes for Data collection, reporting and the related control systems and processes.
- **Process Audit:** An audit focused on verifying the adequacy of processes and systems. The audit must be conducted by person(s) with sufficient levels of expertise and knowledge to enable them to correctly attest to the adequacy (or otherwise) of the processes and systems, to identify weaknesses, and to recommend improvements.
- **Reporting Assessment:** an assessment of the level of accuracy and reliability of the relevant systems and procedures used in the collection, computation, compilation and interrogation of Data.
- **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.
- **Risk:** An estimation of an uncertain future outcome resulting as a consequence of inaccurate or incomplete Data submission and having a negative impact in the defined categories of customers, competition, financial, and or comparative efficiency. A Risk is specified by its probability of occurrence and its impact. Risks relate to the **expectation** that inaccurate or incomplete submissions **may occur**.

- **Risk Assessment:** is the identification of Risks, their Impact and Probability Metrics and the Total Risk Rating. As defined in the DAG Licence Condition: “means 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 under this licence.”
- **Risk Assessment Template:** an excel spreadsheet that contains the submissions lists per Sector and a summary table designed to capture the results of a licensee’s Risk assessment and assurance activities for Past and Future Years.
- **Sector:** means either electricity transmission (ET), gas transmission (GT), gas distribution (GD), or electricity distribution (ED). Where the term “transmission” without specifying electricity or gas is used then it refers to both electricity transmission and gas transmission.
- **Senior Manager Sign-off:** The formal certification from an accountable senior manager that (to the best of his or her knowledge and having taken all reasonable steps to confirm and verify) the submission meets the level of accuracy or reliability as specified under the relevant licence condition(s). For submissions not falling under the sole remit of a single accountable senior manager, each relevant accountable senior manager is required to Sign-off before the submission may be considered to have Sign-off at this level.
- **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.
- **Total Risk Rating/Total Risk Score:** an assessment combining the impact and likelihood of inaccurate, incomplete or late Data submission. A classification of Risk into Critical, High, Medium and Low categories. It represents the significance of the Risk.
- **Underlying Activity Audit:** An audit, not necessarily directly related to a single submission, that focuses on upstream operational processes or activities that underpin Data submission(s).

## Appendix 3: Relevant Licensees

### Electricity Distribution

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

### 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)

Company Group	Licensee	Company number	Licence Type
National Grid plc	National Grid Gas Plc	2006000	Gas Transporter
Cheung Kong Group <sup>30</sup>	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

<sup>30</sup> Although both part of the Cheung Kong Group, Northern Gas Networks Limited and Wales and West Utilities Limited are required to submit separate reports.