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Letter sent via email

Dermot Nolan  
Chief Executive  
Ofgem  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU



Dear Dermot

### Ensuring confidence in RIIO-2 Business Plans

Thank you for your letter in relation to ensuring confidence in RIIO-2 business plans. My response has been delayed due to two important reasons, firstly, ensuring I speak from the experience of making our July submission, and secondly, awaiting the receipt of our internal audit report relative to the matters to which you are seeking assurance.


Our December business plan submission is being prepared to ensure that we can meet our ambition and vision to be a company that sets the standards all of our customers will love, and others will aspire to. As I have previously communicated to you, I fully appreciate that we have a journey to go on before we achieve this, but our RIIO-2 business plan is a clear commitment to our vision and the framework by which we will get there. The board have been, and continue to be, fully involved in the development of our vision and business plan.

In response to your three specific questions, I can confirm that:

1. A lot of work is going into ensuring that the information in our plan is accurate and robust and that it achieves the right balance of being in the interests of both existing and future customers.

In relation to financeability, our plan looks to ensure that both debt and equity holders continue to be able to support the business today and for future generations, and to drive the ambitious customer outcomes we are proposing. We have taken steps to position Cadent as a financially resilient network company and we look to the RIIO-2 financial framework to support us in delivering great outcomes for current and future customers.

2. We have a robust assurance programme and governance framework in place to ensure that our plan is accurate, ambitious, deliverable and in the interest of existing and future customers. This has been built on Ofgem's Data Assurance Guidelines and best practice observed in other sectors. We have taken a risk-based approach to developing our assurance plan, built on the internationally recognised three lines of defence model. This includes the use of independent third parties in the process.



Assurance reports and updates are being provided to the board or relevant board sub committees for review. This will enable the board to develop its assurance statement, which will accompany the December submission of our plan.

3. Our board understands that they are ultimately responsible for our business plan. They have steered the development of our ambition and vision and have been involved throughout the development of our business plan and this level of involvement will continue. To date, our board has: challenged our emerging thinking through workshops, dedicated reviews of key topics and board discussions; reviewed and challenged the costs and outputs set out in our plan; reviewed and commented on successive drafts and attended meetings with our Customer Engagement Group.

The Board have mandated a robust governance structure be put in place to ensure that there is board oversight of any emerging issues in relation to the plan.

As mentioned above, our board will review the business plan and provide an assurance statement to accompany the submission of the final plan in December.

I share your view that assurance and process transparency around the business plans is an important issue - from the plans that are submitted through to how they are assessed and ultimately delivered.

The RIIO-2 process incorporates new enhanced engagement processes including the interactions with both Ofgem's independent RIIO-2 Challenge Group and our own independent Customer Engagement Group. This has created considerable additional pressures on the timetable for developing and producing draft business plans and in ensuring that review, feedback and further engagement is undertaken and properly reflected in subsequent iterations of plan developments. Both I and our board are taking our responsibilities in this regard very seriously and are fully inputting into these processes. In this regard we have made some suggestions to your RIIO-2 team to help improve the process and ensure the best possible final plan can be submitted in December.

One area we would also welcome more clarity on is how Ofgem intend to carry out their cost and quality assessment on the December plans and to ensure everyone has a full understanding of the requirements that we are being assessed against. We have provided some feedback on the recent cost assessment consultation and how Ofgem could take this work forward as well as providing some feedback on the business plan data tables which are yet to be finalised. We hope you find these comments useful.

If there is anything further we can do to support the process, or you need from me, please let me know.

Yours sincerely



**Steve Hurrell**  
Interim Chief Executive Officer