



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

5 June 2019

Dear Dermot

### Ensuring confidence in RIIO-2 Business Plans

Thank you for your letter dated 4 June. You requested confirmation in writing on three matters.

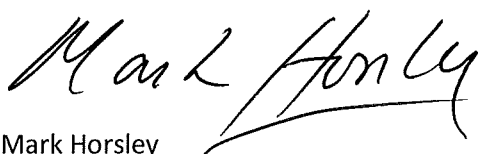
- 1) I can confirm the NGN RIIO-2 business plan will be accurate, financeable, robust and represent good value for money for customers.
- 2) The quality assurance processes we have in place are:
  - a. Preparation and review of 5 drafts of the plan before the final submission in December 2019 each of which will be data checked within our GD2 team. As the business plan largely contains forecast data we will seek to present this data alongside historic performance and provide explanations of variations from historical trends.
  - b. Each of these 5 drafts will be reviewed and checked independently from the GD2 team by the NGN Board Price Review sub-committee.
  - c. Each of these 5 drafts will be shared and reviewed by our independent Customer Engagement Group. (Draft v0.1 is currently with the CEG for review and comment).
  - d. The final version of the plan will be subject to a full review and check by our Internal Audit function and comply with the provisions of standard special licence condition A55 on data assurance in so far as this applies to forecast data submissions.
  - e. We will also use external agencies to review selective areas of the plan including our financial modelling and financeability assessments, the level of confidence in our expenditure forecasts and an assessment of the customer value delivered by our proposals.

- 3) The NGN Board are fully aware of their responsibility with regard to the RIIO-2 plan. The arrangements we have in place to ensure Board level oversight are:
- a. A monthly Board sub-committee containing 3 Board Directors (including one Sufficiently Independent Director) and representatives from all our shareholders, oversees the plan preparation and approve the key strategic decisions.
  - b. As explained earlier this Board sub-committee will review and comment on each draft of the business plan.
  - c. Our second Sufficiently Independent Director attends the Customer Engagement Group on a quarterly basis to hear the direct feedback on the business plan. I also attend this group on a similar basis.
  - d. Regular updates on the business plan preparation are provided at the full NGN Board meetings and drafts of the plan will be made available to all Board members.
  - e. The final version of the plan will be subject to full Board approval.

To provide an accurate, unambiguous, complete and concise business plan is not just dependent upon ourselves but also that your team provide business plan guidance, business plan data templates and a financial model that meet the same criteria. I understand these are still very much work in progress at this time and may not be finalised until much later this year. It is important that these are quality assured and finalised as soon as possible to meet your and our expectations.

I hope these comments will be of assistance and please contact me should you require any further information.

Yours sincerely

A handwritten signature in black ink that reads "Mark Horsley". The signature is written in a cursive style with a long, sweeping underline.

Mark Horsley  
Chief Executive Officer