

# RIIO-T2 DATA ASSURANCE

## Irregular Submission Assurance Report

<b>Company</b>	National Grid Plc
<b>Sector</b>	Gas Transmission
<b>Networks</b>	NGGT
<b>Name of Irregular Submission</b>	RIIO-2 Business Plan
<b>Required by<sup>1</sup></b>	A55 Data Assurance Requirements
<b>Required information</b>	Irregular Submission Assurance Report
<b>Submission date</b>	9 December 2019

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## Version History

<b>Version No.</b>	<b>Changes</b>	<b>Purpose</b>	<b>Author</b>	<b>Release Date</b>
1.0	For consultation		Ofgem	17/12/14
1.1	Changed report title to "Irregular Submissions Assurance Report"	Final Decision	Ofgem	03/02/15

**General guidance on completing this report template:**

- Boxes shaded in yellow should be completed.
- Each section and subsection should be completed
- Licensees may add additional subheadings within sections/subsections
- Additional sections should be added as appendices.

## 1 Risk Assessment and Data Assurance Done for Irregular Submission

**Guidance on completing this section:**

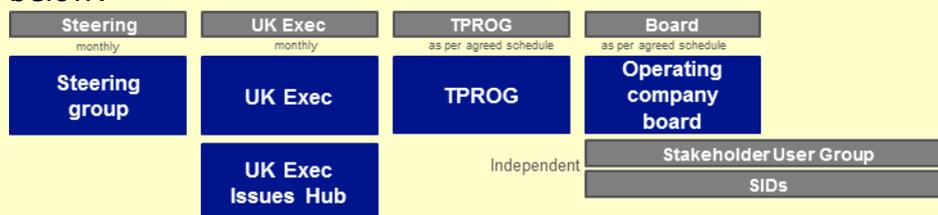
*This is the main body of the document, containing a review of what was done to assure the data. This section must include the risk assessment results (impact score, probability score and total risk rating). It may also include optional further commentary with specific focus on the findings from the assurance activities e.g.:*

- *For high and critical risk submissions, a brief explanation of the main cause of high, critical risks (driver of high impact and/or probability scores).*
- *For high and critical risks, details of data assurance activities, including actions (with purpose, desired outcome, deadlines, completion date, completed or ongoing).*
- *Why the data assurance activities were appropriate and why they have been selected in preference to other available options.*

This document was prepared in accordance with the latest available Irregular Submission Assurance template version no. v1.1, this is in line with Ofgem’s Data Assurance Guidance version 1.3 section 5.1. The content of this report applies to National Grid Gas Transmission (NGGT) as a regulated licensee and is regarding the RIIO-2 Business Plan submission made on 9<sup>th</sup> December 2019.

**Governance**

The organisational control and governance of NGGT remains consistent with our NetDAR submission made to Ofgem on 28<sup>th</sup> February 2019. In addition to the existing governance structure we have established a robust governance structure over the RIIO-2 Business Plan program. This compliments the existing governance structures. The governance structure for the programme is detailed below:



The National Grid Gas Transmission plc Board owns the overall strategy and direction of the Company’s Business Plan. A governance structure exists to feed into the Board on a regular basis. The Transmission Price Review Overview Group (TPROG) is attended by members of the Group Board, UK Executive and RIIO-2 program leadership and steers RIIO-2 preparations. A monthly update from the program is given at the UK Executive meeting which includes the Executive directors of the Transmission Business. The steering group meets

monthly and propose positions on key RIIO-2 issues and is attended by Entity Directors and Senior Leadership of UK Regulation.

The Board has shaped the strategy for the RIIO-2 Business Plan and has engaged in comprehensive challenge and review throughout the development of the Plan.

The strategy for the RIIO-2 Business Plan was initially set out and debated at The National Grid Gas Transmission plc Board meeting in November 2016. Subsequently the strategy and direction of the plan has been discussed on a quarterly basis at Board meetings.

Board deep dive days were held on 10<sup>th</sup> June 2019 and 7<sup>th</sup> November 2019. These days were dedicated to review and challenge of the key aspects of the RIIO-2 Business Plan and in both sessions the assurance approach was scrutinized.

The Board undertook its final review of the work that had been undertaken to provide assurance over the business plan at its meeting on 26<sup>th</sup> November 2019 and unanimously gave its approval of the RIIO-2 Business Plan.

### **Data assurance process**

The process applied to the Business Plan Data Tables (BPDT), BPDT narrative and Network Asset Risks Metrics (NARMs) tables is consistent with the process employed to assure the Regulatory Reporting Pack (RRP), as described in section 1.4 of NGET NetDAR 28 February 2019.

### **Data and Narrative Accountabilities**

We have identified appropriate business data providers and signatories for each table in the BPDT and NARMs tables; this is recorded in the Table of Accountabilities which identifies all parties responsible for data in the BPDT and NARMs tables. A separate list exists for Narrative sign off. By discharging each of their responsibilities at the relevant stage of the business assurance sign off process the signatories review work helps to ensure the final data submitted to Ofgem is accurate and robust. Each signatory signs the relevant section of the Assurance Template to evidence this, an Assurance Template exists for all BPDT and NARMs tables.

The main roles are as follows. They are the minimum requirement for assurance purposes and apply to all BPDT and NARMs tables:

- Data Provider – has in-depth knowledge of the data and is responsible for providing the data set to the Level 1 signatory and providing evidence of the checks performed in support of this.
- Level 1 signatory – is considered an 'expert' in understanding the data and is responsible for identifying and performing accuracy checks on the data set and for providing evidence to support this and any conclusions made, including identifying errors or anomalies. This role provides data accuracy comfort to the Level 2 signatory.
- Level 2 Senior Manager Signatory – is responsible for ensuring the data is consistent with expectations and can be explained in year and across periods. This role reviews the evidence in place to support data accuracy checks and conclusions.

The Regulation Finance team ensures that all data tables are completed and performs a risk-based data assurance review on all tables, see later section for further explanation.

For each of the assurance roles above an Assurance Template is completed to evidence the checks carried out. A SharePoint site is used by all for document management.

### **Data Assurance Activities**

The Planning, Review and Sign Off activities described in Table 3.1 of the Data Assurance Guidance (DAG) v1.3 issued by Ofgem translate into the following activities for NGGT:

#### Planning

Methodology Statement and Submission Plan – A methodology statement has been created for each BPDT to detail how data has been gathered and used to populate the table, this document also highlights risks and controls in the table completion process. The Regulation Finance team sets the timelines for the completion of BPDT and puts in place key milestone and progress meetings to ensure on time delivery. Our RIIO-2 Project Management Office team have given extra focus to the planning and project management of this process.

#### Review

As described earlier in this section, our internal processes consist of layers of review and checking which when combined provide a strong level of assurance and confidence that the data being reported is accurate and ready for submission.

Our internal activities align to those described in DAG as follows:

- *Internal Expert Review* – this is carried out by our 'Level 1 signatory' role
- *Second Person Review* – this is carried out by our 'Independent Review' role
- *Internal Data Audit* – this activity is carried out by the Regulator Reporting Team (RRT), Corporate Audit, Controls and Compliance or entity second line assurance. A risk-based approach to reviewing BPDT is implemented to identify what work is done over each table, this is explained later in the section 'our approach to risk-based data assurance.'
- *Internal Submission Process Audit* – such reviews can be carried out by Corporate Audit, Regulatory Reporting Team and/or business assurance functions. Reviews are conducted under agreed terms of reference and report on the adequacy of the control framework for the process under review.
- *External Data Audit & External Submission Process Audit* – these activities are delivered by an externally appointed firm of specialist consultants with the appropriate expertise.

#### Sign Off

- *Senior manager sign off* – this activity is performed by the 'Level 2 senior manager signatory' role
- *Director sign off* – this activity is performed by the relevant senior leaders within Regulation and the business.
- *CEO sign off* – this activity is performed by the UK Regulation Director for the whole BDPT pack.

- *Board sign off* – the NGG board perform a sign off of the overall plan.

#### Additional Assurance Activities undertaken

- *Internal Underlying Activity Audit* – Corporate Audit perform a series of audits across the UK business each year and business assurance functions also provide confirmation that underlying business processes and controls are operating as intended

#### **Our Approach to Risk Based Data Assurance**

In line with DAG, the RRT has performed a data risk assessment over the BPDT, NARMs tables and narrative. The results are used to create a risk-based approach to the assurance over the tables. Tables and narrative are categorised as having a critical, high, medium or low risk, based on the risk level an appropriate level of assurance is performed.

As a minimum, all BPDT must be signed by the signatories as stated in the Table of Accountabilities, this provides a solid level of assurance and confidence and is supported by business evidence retained in an Assurance Template for each table. This is supplemented by the following activities dependent on the risk level for the table:

- Critical and high-risk tables are checked for data completeness and accuracy with business evidence required to support the data. For critical risk tables, this review is performed by an external party. For high risk tables this review is performed by corporate audit, controls and compliance, entity assurance or the RRT.
- Medium tables are checked to source data on a sample basis
- Low risk tables are checked for reasonableness in terms of expected or anomalous data trends and business explanation sought where required, this work is done on a sample basis.

We adopt a comprehensive approach to planning, review and sign off activities.

NGGT considers its approach to governance, completion and assurance of the BPDT, BPDT narrative and NARMs tables provides consistent and robust coverage across the planning, review and sign off data assurance activities stipulated by Ofgem.

#### **Factors Affecting the Scope and Quality of Risk Assessments**

Forecast data – forecasts are based on a set of assumptions. Outturn values could be different to the forecasts provided in the tables/reports given both external factors and performance differences to underlying assumptions.

#### **Risk assessment**

Our risk assessment has been completed using the Ofgem risk assessment template v1.3 which is included in the attachment section. Please refer to Summary\_Table\_3.4 for further details on the risk assessment by table and assurance approach.

#### Details on risk assessments for critical risk tables

We have included a brief explanation of the main cause of risk level below:

- 1.02\_BP\_Financial\_Requirements: More granular data required for T2 forecast than has been previously provided as part of the RRP process and complex modelling required to create this dataset. Furthermore the RIGs requirement is complex to implement, particularly for the scale and range of debt products we have in place. This table will influence cost of debt decisions discussions.
- 3.04\_Unit\_Costs: There are new requirements in this table which have required new methodology hence a new model has been created to populate this table. The calculations feeding into this table are assumption driven and manually intensive.
- NARMs tables: New requirement (monetary reporting and Asset Health intervention types) to replace NOMs. Changed from 5 tables in T1 to 40+ tables in T2.
- Licence Model (LiMo): New model and will influence allowance decisions.

#### Details on risk assessments for high risk tables

We have included a brief explanation of the main cause of risk level below:

- 1.01\_BPFM\_Inputs: Forecasts are required for T2, these have not been provided previously. The data required is more granular than produced before (Pension, Non Totex, Excluded Services, Statutory Deprecation forecasts)
- 1.02b\_Debt: More granular data required for T2 forecast, complex modelling is required to create this dataset and the RIGs requirement is unclear. This dataset will influence cost of debt allowances.
- 1.02c\_Interest: Similar to RFPR R8a Debt / R7a Financing Inputs, the same risk rating has been applied.
- 1.03\_BP\_Tax\_Inputs: Forecasts are required for T2 which have not been provided previously as part of RRP. A new model has been created to populate this table. The calculations feeding into this table are assumption driven and manually intensive.
- 2.01\_Acc\_Costs/2.02\_Cash\_Contr\_Costs/2.04\_Direct\_Opex\_CV: Forecasts are required for T2, these have not been provided previously, otherwise the table is similar to T1 3.1 Opex Summary.
- 2.15\_RPEs: New table – populated for the first time for Oct BP; complex modelling, heavily assumption driven.
- 3.01\_Project\_Listing\_1/3.02\_Project\_Listing\_2: Similar to T1 4.2 Project Listing. 3.02 requires more granular data akin to DNO project reporting in T2, this is not currently available in existing systems.
- 3.03\_Asset\_Health and 3.03a\_Asset\_Health\_Projects: More granular data required for T2 forecast than has been previously provided as part of RRP and complex modelling required to create this dataset. This data will be used to assess Unit Cost Allowance.
- 3.06a\_TO\_Cyber\_Security\_OT: This is a new T2 requirement, data not readily available from systems, heavily assumptions driven and manually intensive to populate data into the granular level required.
- 6.01\_Bus\_Carbon\_Footprint: More granular data required compared with T1 and the table require forecast data. New model has been created to produce this data, which is assumptions driven and manually intensive.
- 6.03\_EAP: New T2 requirement. New model has been created to produce this data, which is assumptions driven and manually intensive.

- 6.04\_Bespoke\_Uncertain: New T2 requirement, assumptions driven on allocations derived from other capex tables. No established controls / process in place as this is new for Dec BP.
- RIGs Narrative: Narrative context for T2 BP is about our T2 strategy / forecast, not performance to date like in RRP. New approach to T2 forecast hence high Inherent Probability scores.

### **Data Assurance Plan**

Our assurance plan is set out by table using the Ofgem risk assessment template v1.3 and is included in the attachment section. Please refer to Summary\_Table\_3.4 for further details on the assurance work by table and assurance approach.

For High and Critical risks, the assurance activities to reduce or mitigate the risk level are as follows:

For all BPDT as a minimum we perform the following:

- *Internal Expert Review* – this is carried out by our 'Level 1 signatory' role
- *Senior manager sign off* – this activity is performed by the 'Level 2 senior manager signatory' role
- *Director sign off* – this activity is performed by the relevant senior leaders within Regulation and the business.
- *CEO sign off* – this activity is performed by the UK Regulation Director for the whole BDPT pack.
- *Board sign off* – the NGG board perform a sign off of the overall plan.

The following assurance activities were performed in addition to this.

### Critical risk tables

The following tables are assessed as critical risk tables:

- 1.02\_BP\_Financial\_Requirements
- 3.04\_Unit\_Costs
- NARMs tables
- Licence Model (LiMo)

Assurance work over these tables is as follows:

- For all critical risk business plan data tables an external expert consultancy has reviewed the table performing agreed upon procedures including review of quality of assurance checks performed, agreeing on a sample basis the table data back to source data and review of assumptions and manual adjustments.
- Corporate audit have performed an Internal Underlying Activity Audit on the monetized risk process as a whole giving further comfort in relation to 3.03\_Asset\_Health, 3.03a\_Asset\_Health\_Projects, NARMs tables
- For NARMs tables we have performed an independent expert review (Second person review) over the tables. Due to the complexity of these tables and specialist knowledge required to understand the tables we did not commission and external review of these tables.
- For LiMo Ofgem have performed an external review of the model with any issues updated in the final model. The inputs to the table are the BPDT which have undergone assurance processes detailed in this document.

Rationale: We have performed a detailed assessment of each table and have created the above assurance response to ensure an appropriate level of risk mitigation through assurance has taken place.

Results: Any significant findings have been responded to and mitigated prior to submission.

#### High risk tables

The following tables are assessed as high risk tables:

- 1.01\_BPFM\_Inputs
- 1.02b\_Debt
- 1.02c\_Interest
- 1.03\_BP\_Tax\_Inputs
- 2.01\_Acc\_Costs
- 2.02\_Cash\_Contr\_Costs
- 2.04\_Direct\_Opex\_CV
- 2.15\_RPEs
- 3.01\_Project\_Listing\_1
- 3.02\_Project\_Listing\_2
- 3.03\_Asset\_Health
- 3.03a\_Asset\_Health\_Projects
- 3.06a\_TO\_Cyber\_Security\_OT
- 6.01\_Bus\_Carbon\_Footprint
- 6.03\_EAP
- 6.04\_Bespoke\_Uncertain
- RIGs Narrative

Assurance work over these tables is as follows:

- For high risk business plan data tables Risk, Controls and Compliance team have completed an internal data audit over the table. This included a review of quality of assurance checks performed, agreeing on a sample basis the table data back to source data and review of assumptions and manual adjustments. The exception to this is for 6.02\_Innovation and 6.04\_Bespoke\_Uncertain this review was performed by the Regulatory Reporting Team.
- Corporate audit have performed an Internal Underlying Activity Audit on the monetized risk process as a whole giving further comfort in relation to 3.03\_Asset\_Health, 3.03a\_Asset\_Health\_Projects
- Corporate Audit have performed internal data and process audits over draft tables 2.02\_Cash\_Contr\_Costs, 3.01\_Project\_Listing\_1, 3.03\_Asset\_Health, 3.04\_Unit\_Costs and provided guidance to teams on improvements in process and completion and reviewed the draft table for 6.01\_Bus\_Carbon\_Footprint
- The RIGs Narrative has been reviewed by topic owners and checks performed between figures in the BPDT and narrative.

Rationale: We have performed a detailed assessment of each table and have created the above assurance response to ensure an appropriate level of risk mitigation through assurance has taken place.

Results: Any significant findings have been responded to and mitigated prior to submission.

i.	<p>Please include details of written documentation of assurance (audit reports, sign off documents) if any.</p> <ul style="list-style-type: none"> <li>• Table of Accountabilities – this details the level 1 and level 2 sign off responsibilities for each table.</li> <li>• Assurance Template – this is the template which captures details of level 1 and level 2 reviews. This evidence is retained on our SharePoint site.</li> <li>• Risk assessment file – please find attached our risk assessment in line with the Ofgem template v1.3.</li> <li>• NGG NetDAR 28Feb19 – please refer to our most recent NetDAR for details of entity wide controls, governance and processes which are relevant to this submission.</li> </ul>
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## 2 Errors Identified in Previous Related Submission

### **Guidance on completing this section:**

*Include an explanation of any material errors identified up until the submission date of the annex (not only in the previous 12 months period but any time in the past). Please include the following:*

- *Which submission the error relates to.*
- *Statement on incomplete, inaccurate or late submissions.*
- *Error description.*
- *Error identification date.*
- *Error impact score and description of realised impact of the error.*
- *Was the error corrected? When?*
- *What assurance activity will be undertaken to prevent future occurrence?*

Not applicable

### **Supporting documentation**

ii.	Not applicable
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