

Annex 32: RIIO-ED2 submission assurance framework

Details of the process we have been through to ensure that our Business Plan is reviewed, checked and approved before publication. This annex complements the Final Board Statement.

December 2021

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1 Executive Summary

Our RIIO-ED2 submission has been subjected to high levels of review and assurance to ensure that it represents an efficient and accurate plan, founded on quality data and triangulated customer insight. This annex gives further details on the process we have used to assure our submission materials.

2 Our Approach to Assurance

Our stakeholders, including our regulator Ofgem, depend on us providing quality, accurate data as part of our reporting. We strive to be transparent and open about our operations and this starts with the quality of the data we report and publish. For customers to have trust in us, monitor our performance and understand what we are delivering for them, it is critical that we prioritise our data integrity, quality and completeness. Our assurance principles, model and processes are all designed to deliver high quality and complete reports to our regulator and other interested stakeholders.

We have a well-established risk-based approach to assure accuracy and completeness of information provided in all our regulatory submissions. This has therefore been extended and adapted for our ED2 Business Plan, which is fully aligned with Ofgem's Data Assurance Guidance (DAG) for all regulatory submissions¹.

Our approach to assurance has been deployed at two levels; considering both the process we have undertaken to develop our Business Plan to ensure this is suitably robust and the requirements for the submission to Ofgem itself. Work on the latter has then considered both the assurance of individual components of the plan and the overall integrity of the whole submission. Our Board Statement provides more information about our overarching framework, our structure and experience, the Board's involvement with our assurance process and finally, our alignment of pay and reward to the delivery of business plan commitments.

2.1 Our Principles and model

In developing our ED2 Assurance approach, we have developed a bespoke risk assessment approach, based upon the industry-recognised Data Assurance Guidance (DAG) principles, and have then adapted the nature and scope of our assurance activities to the level of risk associated to the data.

For our ED2 Business Plan submission, we have further refined our approach, using a more thorough assessment of the risk associated with the data reported, including that provided within all of the materials we submit supporting the ED2 Business Plan, as well as the activities undertaken to develop these outputs.

Our risk assessment has produced a detailed risk matrix, specific to our approach to developing our ED2 business plan, to ensure the effectiveness of the mitigations included within our ED2 assurance programme. Our risk matrix has enabled us to produce a detailed ED2 Assurance Plan, approved by our Board, which aligns with the DAG principles, and the universally established, 'three lines of defence' best practice approach. The delivery of our ED2 assurance has then been overseen by the Head of Risk, Control and Assurance, independent from the ED2 project team, on behalf of the Board.

¹ https://www.ofgem.gov.uk/system/files/docs/2016/01/dag_guidance_document_v1.3_clean.pdf

Taking a ‘top down’ risk assessment approach, we identified the highest areas of risk, using the following factors set out below. These factors, and associated considerations guided our decision-making on appropriate assurance activities to apply to each output.

Risk Factor	Considerations
Customer/ stakeholder impact	We have placed customers and stakeholders at the heart of our business plan development, iteratively developing our thinking based on customer and stakeholder feedback. As such it is critical that we assess the impact of our proposed commitments and wider plan on the customers and stakeholders we serve. At each stage in the development of our plan we have undertaken ‘triangulation’ to reconcile differing preferences across the diverse spread of customers and stakeholders engaged.
Accuracy & Judgement	Our assurance approach focuses particularly on any areas where internal data sets may be incomplete or dispersed across several internal systems affecting availability or quality of data for reporting. This also covers areas where assumptions or forecasts have been used in absence of data. Assurance in these areas has challenged the basis of opinions, methods used to produce forecasts and ensured they have been reviewed and validated by internal, and if relevant external, experts.
Acceptability	Our business plan development has been led by regional customer and stakeholder engagement, and in doing so has unearthed preferred approaches that may differ to the ‘norm’ across the sector. As such, our assurance has also been calibrated to challenge and ensure the robustness of data to back up any variances from other DNOs or other broadly accepted views.
Regulatory considerations	We understand the need to adapt to changing legal and regulatory requirements as we move into ED2. We have worked closely with our regulator Ofgem, the HSE and Environment Agency over the course of the development of our plan. We have therefore provided sufficient assurance to areas of the ED2 business plan to ensure we are able to meet our changing requirements.
Financeability and value	To allow us to continue to serve our customers, we must consider the financial sustainability of our business. We reviewed our assurance activities in light of the direction of the ED2 financial package shared to date. This includes a focus on commitments or items with higher financial values, where small errors can lead to significant impacts in deliverability and/or financeability.
Deliverability	Our assurance activities were also assessed on the basis of ‘enabling’ making the improvements in performance, stretching targets and ambitious plans set out in our Business Plan. Focus was also applied where new ways of working, restructure or other actions may be needed to deliver our ED2 Business Plan.

Risk Factor	Considerations
Change	Where there continues to be areas of uncertainty or change as we move into ED2 (including new regulatory requirements), we have assigned assurance procedures to better understand the potential impact on our customers, BaU operations and our ambition for commitments in ED2.

Table 1: Risk factors considered in our risk assessment of Business Plan outputs

Our ED2 Business plan is aligned with our corporate approach and based on the universally established ‘three lines of defence’ best practice approach.

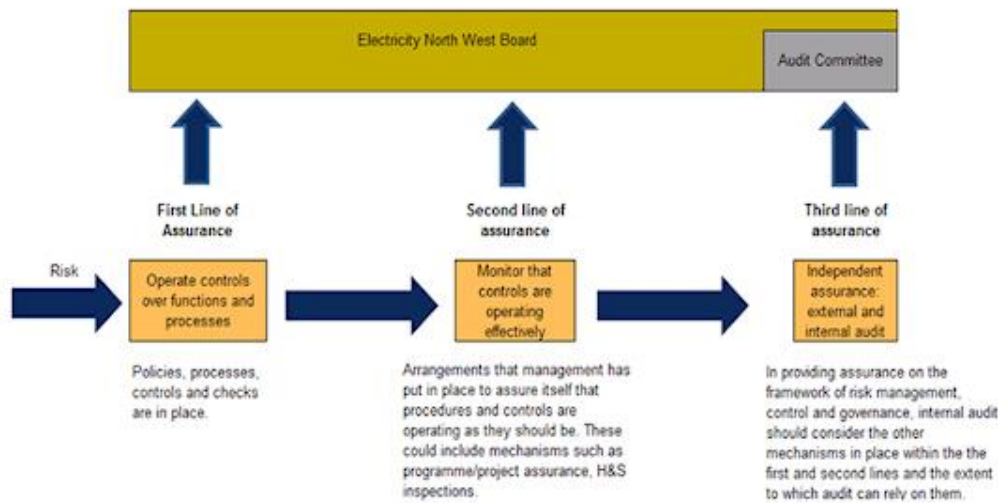


Figure showing the three lines of assurance

First Line of Defence

We have an existing internal Data Assurance Guidance process for all regulatory submissions which was applied to our ED2 Business Plan as part of our First Line of Defence. All components of the Business plan have been peer reviewed to ensure accuracy and compliance.

This included DAG associated guidance to support those undertaking ‘second person’ reviews, ensuring that our approach across all components was consistent, findings were recorded and followed up.

Second Line of Defence

Each component followed the agreed governance structure determined from risk assessments, allocating internal expert or technical assurance where deemed necessary, with both Senior Leader sign off responsibilities, but also Executive Leadership Team accountabilities.

According to our risk-assessment of all Business Plan components, internal subject matter experts were allocated to provide challenge, oversight and ensure broader consistency. Specialists from among the ED2 Team conducted cross-checks on components to identify cross-functional dependencies, inputs and considerations. Other experts from across the business carried out internal expert ‘technical’ reviews on Engineering Justification Papers were relevant.

Our own internal Audit, Control and Risk team were closely involved in the development of our assurance framework and provided ongoing advice and challenge to our assurance approach.

Third line of Defence

From the outset, we have worked with external consultants to challenge our approach and provide advice and recommendations to mitigate risks identified. External assurance has been applied to our engagement approach, leading to the introduction of additional bespoke engagement phases, our technical submission data including our Business Plan Data Tables, Engineering Justification Papers and NARMs tables, in addition to non-technical components of our Business Plan. We have also called on external consultants to provide assurance for financeability analysis.

Additional external experts have been deployed on specialist areas, including elements of our financeability considerations, to review both our approach to considering areas and the detail of the specifics as appropriate.

Finally, our internal Risk, Control and Assurance team have undertaken a number of audits on elements of our first and second line of defence activities to verify and ensure these were effective. The Head of Risk, Control and Assurance has provided regular updates to the Board and the Audit Committee on our approach to assurance and the progress made, whilst our Audit Committee, on behalf of the Board, has provided ongoing oversight and assurance on the wider control and governance approach taken.

We established our Customer Engagement Group in May 2019 and have since have responded to our CEGs independent challenge and scrutiny of our approach, assumptions and plans. Although not considered a formal part of our assurance process, the CEG has ensured our Business Plan provides a true representation of customer and stakeholder views in our region and reflects value for money both for current and future customers. They have also reviewed a large proportion of our plans, focusing specifically on areas assessed as 'high risk', to provide additional assurance on our approach.

3 Data Assurance Guidelines

We have embedded industry best practice into our assurance processes to ensure complete, accurate and timely data is reported to our regulator and published for our stakeholders.

Ofgem's Data Assurance Guidelines require us to undertake a risk assessment for all submissions using a common methodology, to determine appropriate data assurance activities based on the results of the risk assessment, and to report our data to Ofgem.

The risk assessment is driven by both an impact metric, on customers, competition, finance and comparative efficiency and a probability metric (for error). The DAG principles also include guidance on the nature and scope of the assurance activities, based on the risk factor.

4 Assurance process

Our assurance process used a combination of both internal and external reviews and validation. As per the DAG best practice, all of our data assurance activities were informed by the results of the risk assessment conducted specifically for the ED2 Business Plan development. All aspects of our submission were allocated either as 'Low', 'Medium/High', or 'Critical' risk and as such the level of review allocated was adapted as appropriate. This identified a minimum set of assurance

requirements, which could be supplemented depending on the submission element being considered (eg adding an 'External Expert Review' role).

Detail on the assurance options we have used, and their function are set out in Appendix A to this document.

4.1 Internal Reviews

Internal assurance activities included production of a methodology for each supporting document, noting aspects such as data source, complexity of analysis or interpretation, documentation of any embedded assumptions etc. Internal reviews then consisted of a 'second person' reviewer, selected based on either auditing knowledge and/ or familiarity with the topic subject. For those classed as a 'Medium/High' risk, internal expert reviews were completed with individuals identified as Subject Matter Experts in the relevant field.

Supporting each of the reviews allocated, specific guidance was produced for each reviewer, depending on the level of review they were undertaking, and the specific ED2 content they were reviewing. For example, second person reviews included checks on data, consistency and compliance, however internal expert reviews focused more on challenging to thinking, assumptions and broader strategic alignment.

In addition, all signatories to submission materials were required to take and pass e-learning modules in line with their responsibilities.

Depending on the nature of the risk assessment, a series of sign offs have been applied to each output, including each individual Business Plan Data Table, Engineering Justification Paper, Cost Benefit Analysis and supporting Annex.

<p><u>Low risk</u></p> <ul style="list-style-type: none">• Submission plan/methodology• Second person review• SLT sign-off	<p><u>Medium/High risk</u></p> <ul style="list-style-type: none">• Submission plan/methodology• Second person review• Internal expert review• SLT sign-off	<p><u>Critical risk</u></p> <ul style="list-style-type: none">• Submission plan/methodology• Second person review• Internal expert review• SLT sign-off• Director sign-off
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4.2 External validation

Where supporting materials were categorised as either Medium/High or Critical risk we also assessed the requirement for external, independent validation. This is an additional assurance function above that ordinarily employed for annual reporting returns. As a consequence, we commissioned industry specialists WSP to undertake both technical and non-technical reviews on the key Business Plan Data Tables, all Engineering Justification Papers and associated Cost Benefit Analyses.

In addition to our externally-commissioned assurance checks, our ED2 Business Plan has also been scrutinised by our independent Audit Committee and S&C Electric were appointed as external advisors to the Audit Committee to support its role in overseeing the ED2 assurance. As part of their work, they have completed two reviews of our Business Plan Narrative against Ofgem's Business Plan Guidance;

identified areas of best practice; and undertaken a review of our DSO Transition Plan to ensure it addressed the updated Business Plan guidance plus feedback received from Ofgem and the Challenge Group. The individuals who completed the work on behalf of S&C Electric are both former members of the Ofgem senior team involved in ED1, giving us the highest quality insight into regulatory requirements.

Appendix B gives further details of a sample of some of the individual reviews we have commissioned in the course of our ED2 plan development.

Whilst not a formal part of our assurance approach, we also liaised regularly and in detail on several supporting documents with our Customer Engagement Group (CEG). Our CEG have were introduced to outline thinking on each of our supporting strategies through 2020, and were involved in the development at each stage, through to final review of key strategies in June 2021. The CEG provided independent challenge and scrutiny on our supporting strategies and our main Business Plan document, and our Final Business Plan reflects our response to their challenges.

Appendix A – assurance roles

Assurance	Application	Responsibility	Context, scope
Second Person review	All areas / submissions	Person with reasonable understanding of requirements. Not status related. Separate from person who has compiled the material.	<p>To review the underpinning assumptions, relevant documentation and associated guidance for completeness, accuracy (where appropriate) and thoroughness of approach.</p> <p>For thought process / ENWL positions: review approach taken and to consider whether it appears 'reasonable'; review associated risks and approach taken to mitigate these; to review supporting documentation and evidence and identify any potential weaknesses.</p> <p>For submissions: confirm adherence to and adequacy of methodology statement; confirm accuracy through checking data inputs; and review supporting evidence.</p>
Internal Expert Review	As identified through Risk Assessment	A specialist who understands the area in detail (and may have been involved in its preparation).	Responsible for ensuring logic for underlying assumptions is robust and consistent or that submissions have been completed in accordance with the relevant regulatory guidance; identifying any areas of concern for further work.
Internal Data Audit	As identified through Risk Assessment	An independent assurance function (could be second level (e.g. Reg Assurance) or third level (RCA)) not involved in preparing the material.	<p>To review the data for completeness and correctness; noting that forecasts are intrinsically uncertain but are the same values are used consistently, formulae working as intended, completed in accordance with the relevant Ofgem guidance and the ENWL methodology statement.</p> <p>Formal report produced identifying gaps/areas for improvement and actions logged.</p>
Internal Underlying Activity Audit	As identified through Risk Assessment	An independent assurance function (could be second level (e.g. Reg Assurance) or third level (RCA)) not involved in preparing the material.	<p>To review the process used to capture data relevant to the submission or underlying assumption to assure management that ENWL's current performance is correctly captured and understood, particularly relevant for areas where limited data is available or has not previously been subject to regulatory reporting standards for accuracy.</p> <p>Formal report produced identifying gaps/areas for improvement and actions logged.</p>
Internal Approach Audit	As identified through Risk Assessment	An independent assurance function (could be second level (e.g. Reg Assurance) or third level (RCA)) not involved in preparing the material.	<p>To review the approach being taken to calculate/model the required inputs to the submission or to the assumptions for key decisions.</p> <p>Questions to consider: is the approach logical? in line with recognised practice? using recognised inputs? Is the argument defensible? are there any risks with the approach being followed? if so, are these properly understood by those relying on the outputs?</p> <p>Formal report produced identifying gaps/areas for improvement and actions logged.</p>

Internal Consistency Check	As identified through Risk Assessment	A specialist who understands the area in detail (and may have been involved in its preparation).	To review the submission (or key elements of it) as a whole and to identify any potential inconsistencies / errors. To ensure core values remain consistent throughout and assumptions are applied on a consistent basis between sections/tables.
External Expert Review	As identified through Risk Assessment	An external specialist who understands the area in detail (and may have been involved in its preparation).	Responsible for ensuring logic for underlying assumptions is robust and consistent or that submissions have been completed in accordance with the relevant regulatory guidance; identifying any areas of concern for further work.
External Data Audit	As identified through Risk Assessment	Review carried out by an external party; may be an audit organisation or independent expert	To review the data for completeness and correctness; noting that forecasts are intrinsically uncertain but are the same values are used consistently, formulae working as intended, completed in accordance with the relevant Ofgem guidance and the ENWL methodology statement. Formal report produced identifying gaps/areas for improvement and actions logged. Undertaken when there is time for work to be completed and ENWL to act upon feedback.
External Underlying Activity Audit	As identified through Risk Assessment	An independent assurance function (could be second level (e.g. Reg Assurance) or third level (RCA)) not involved in preparing the material.	To review the process used to capture data relevant to the submission or underlying assumption to assure management that ENWL's current performance is correctly captured and understood, particularly relevant for areas where limited data is available or has not previous been subject to regulatory reporting standards for accuracy. Formal report produced identifying gaps/areas for improvement and actions logged. Undertaken when there is time for work to be completed and ENWL to act upon feedback.
External Expert Opinion	As identified through Risk Assessment	An external specialist who understands the area in detail (and is recognised as being an expert in the relevant field).	To provide an expert opinion on one or more aspects that informed ENWL's position, based on expert knowledge acquired as a result of role or experience.

External Approach Audit	As identified through Risk Assessment	Review carried out by an external party; may be an audit organisation or independent expert	<p>To review the approach being taken to calculate/model the required inputs to the submission or to the assumptions for key decisions.</p> <p>Questions to consider: is the approach logical? in line with recognised practice? using recognised inputs? Is the argument defensible? are there any risks with the approach being followed? if so, are these properly understood by those relying on the outputs?</p> <p>Formal report produced identifying gaps/areas for improvement and actions logged.</p> <p>Undertaken when there is time for work to be completed and ENWL to act upon feedback.</p>
Sign-off			
Senior Manager Sign-off	All areas / submissions	Workstream lead.	<p>Minimum requirement that the Workstream lead signs off on any work completed within their workstream to confirm that the work is in accordance with the objectives of the Workstream.</p> <p>Sign off to be documented and to confirm that agreed assurance activities have been completed.</p>
Director Sign-off - Assumptions	Underpinning Assumptions as identified through Risk Assessment	Relevant Director sign-off, typically CFO or Regulation & Comms Director	<p>Director has reviewed the assumptions and satisfied their self that the approach is appropriate in light of the relevant identified risks.</p> <p>Sign-off to be documented and to identify any further assurance work that may be required.</p>
Director Sign-off - Submission	Submissions as identified through Risk Assessment	Relevant Director sign-off	<p>Must complete a final review prior to submission to Ofgem, CEG or Board. Review to include a challenge of Senior Manager sign-off.</p> <p>To consider any particular risks or concerns associated with the sign-off; how these have been addressed in the documentation; and to confirm confidence in the submission.</p> <p>Sign off to be documented and to confirm that agreed assurance activities have been completed.</p>
RSG Sign-off - Assumptions	Underpinning Assumptions as identified through Risk Assessment	Regulatory Steering Group sign-off For the purposes of this activity, this should be interpreted as the participating ELT members (CEO, CFO, R&C Director and E&T Director) signing off collectively	<p>RSG has reviewed the assumptions and satisfied themselves that the approach is appropriate in light of the relevant identified risks.</p> <p>Sign-off to be documented and to identify any further assurance work that may be required.</p>

CEO Sign-off	Overall Plan as submitted to Board and to Ofgem	CEO	<p>High-level oversight of approach taken.</p> <p>Final level of challenge to adequacy of submission in terms of completeness and accuracy.</p> <p>Sign-off to be documented.</p>
Board Sign-off - Assumptions	Underpinning Assumptions as identified through Risk Assessment	Licensee Board (Potential for key elements to be delegated to sub-group of Board, subject to Board agreement & oversight)	<p>Board, or delegated sub-group, has reviewed the assumptions and satisfied themselves that the approach is appropriate considering the relevant identified risks.</p> <p>Sign-off to be documented and to identify any further assurance work that may be required.</p>
Board Sign-off - Submission	Overall Plan as submitted to Ofgem; key elements as agreed by the Board	Licensee Board (Potential for key elements to be delegated to sub-group of Board, subject to Board agreement & oversight)	<p>High-level oversight of approach taken.</p> <p>Board reviews summary of submission and assurance activities followed, as presented by a relevant Director.</p> <p>Detailed review of content and assurance process formally delegated to Director who approves with delegated authority of the Board.</p> <p>Approval of submission and assurance statement for inclusion in submission are minuted.</p>

Appendix B – sample of individually commissioned external assurance reviews

Task	Date	Provider	Scope
Assessment of Business Plan Narrative	April & May 2021	S&C Electric	To review the completeness of the plan against the individual components of Ofgem Business Plan Guidance Report provided using individual RAG status for each requirement.
Review of EJPs	May 2021	WSP	To review our completion of Engineering Justification Papers; <ol style="list-style-type: none"> 1. Ensure that references are accurate across all documents 2. Ensure key data is accurate and consistent 3. Ensure compliance with Ofgem template & Guidance Feedback provided on each element and report provided as an annex to Draft Business Plan (within Technical Justification report).
Review of High Risk BPDT tables	June 2021	WSP	To review completion of specific BPDT tables; <ol style="list-style-type: none"> 1. Ensure that data is validated to original sources 2. Ensure data is internally consistent within relevant tables and across the BPDT as appropriate 3. Ensure compliance with Ofgem template & Guidance Work split into two phases relating to Technical and Non-Technical tables. Feedback provided on each table and summarised in report provided to the internal ED2 team.
Validation of IT costings	June 2021; repeated November 2021	Gartner	Review of detailed costs supporting individual IT proposals, supported by relevant market benchmarking as appropriate.
Cyber assurance review	October 2021	Gartner	To ensure that our plans for enhanced cyber resilience are appropriately validated against current best practice and that we have appropriately applied the detail of the NIS regulations in our assessment. Note: a separate 'clean' team was provided for this review to ensure separation from other work undertaken by Gartner for ENWL
Review of DSO Transition Plan	November 2021	S&C Electric	To review the DSO Transition Plan against: <ol style="list-style-type: none"> 1. Updated Business Plan Guidance 2. Letter from Steve McMahon 3. Challenge Group feedback on Draft BP Report provided using RAG status for each comment.
Review of EJPs, CBAs and High Risk BPDT tables	November 2021	WSP	To review our completion of Engineering Justification Papers, CBAs and high risk BPDT tables; <ol style="list-style-type: none"> 1. Ensure that references are accurate across all documents 2. Ensure key data is accurate

			<ol style="list-style-type: none">3. Ensure compliance with Ofgem template & Guidance4. Ensure that any relevant comments from Draft BP feedback have been appropriately addressed. <p>Feedback provided on each element and report provided as an annex to Final Business Plan (within Technical Justification report).</p>
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