



RIIO-T1/GD1/ED1 DATA ASSURANCE

Irregular Submission Assurance Report

Company	SGN
Sector	Gas Distribution
Networks	Southern Gas Networks
	Scotland Gas Networks
Name of Irregular Submission	RIIO – GD2 Business Plan Submission
Required by¹	GD2 Business Plan Submission
Required information	GD1 and GD2 Information
Submission date	9 th December 2019

Contents

1	Risk Assessment and Data Assurance Done for Irregular Submission.....	3
2	Errors Identified in Previous Related Submission.....	6

¹ State licence condition or provide other explanation (e.g. in response to request from Ofgem...)

Version History

Version No.	Changes	Purpose	Author	Release Date
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 report is compiled on behalf of SGN and has been completed in accordance with DAG Guidance Document v1.3 which was issued by Ofgem on 29th January 2016.

When carrying out the impact assessment we have assumed a 10% error rate when assessing both financial and comparative efficiency impacts against our forecast annual baseline TOTEX allowance. This is in line with how we assess all of our regulatory submissions as part of our annual NetDAR return.

We have a total of 76 submissions, per network, which we have carried out risk assessments on consisting of individual Business Plan Data Templates (BPDT), NARMS templates, CBAs, EJPS and the Business Plan and Appendices.

Our overall assessment of these submissions has resulted in 5 High, 24 Medium and 47 Low Risk. Regardless of the risk scores, all submissions have received either an internal expert review or senior manager review, and final approval by a Director.

Extensive validations and checks were carried out on all information contained within our submission, with the overall final sign off by our Board. Although the data contained in the BPDTs is in a different format to what we normally report in our Annual RRP submission, all historic information has been reconciled to these submissions. The assurance process we have undertaken for each individual submission was: -

- 2nd Person Review
- Internal Expert Review, and/or
- Senior Manager Sign Off
- Director Sign Off

The review meetings took place during the months of October and November. All data was reviewed, validated and reconciliations completed during these meetings. These meetings involved individuals who had completed the submission, the 2nd person reviewer and also the internal expert.

The sign off meetings took place during the month of November. These sessions involved extensive discussions with senior managers and Directors, and involved the Director of Southern & Scotland Operations, Network Director, Chief Financial Office (CFO) and Chief Executive Officer (CEO), with final sign off with our Board, which took place on November 21st.

To add a further level of assurance on our submissions, we requested assistance from PwC, Ove Arup and Partners and Gartner. Their scope of work is summarised below:

PwC were engaged to perform in relation to data templates (BPDT) and the financeability calculations in our. In performing the assessment services over the data tables, their procedures included: -

- Performed a risk assessment of the data tables to determine the level of assurance required on each data table,
- Held interviews with staff members responsible for preparing and reviewing the data tables,
- Walked through, understood and assessed the processes undertaken to prepare each data point,
- Performed a tie through of data reported to supporting listing and, on a sample basis, tested items to appropriate supporting evidence,
- Reperformed calculations, comparing their result against ours and investigated any differences identified,
- Understanding any assumptions used when preparing each data table, and considered the appropriateness of these assumptions (for instance, against current / prior performance, publically available information or industry standards),
- Assessed the methodologies to consider whether forecasts are made on sound assumptions and have been consistently applied,
- Assessed whether Ofgem reporting requirements and guidance had been adhered to and appropriately applied; and
- In doing so, they considered whether there were any opportunities for improvement and with regards to processes and controls adopted for the preparation of the data points,
- Reviewed historic financing arrangements and financial resilience,
- Reviewed financing strategy for GD2 including identifying any associated risks,
- Assessed whether financial ratio calculations were consistent with the ratings guidance,
- Assessed the proposed qualitative ratings assessment against current rating agency methodology,
- Checked that scenarios had been incorporated into the final model appropriately.

PwC were also engaged to review our Environmental Action Plan and Stakeholder Engagement Strategy.

Ove Arup and Partners were engaged to conduct an impartial and independent review of the final versions of the Opex, Capex and Repex Business Plan Appendices:

- Emergency Services; Repair; Work Management and Business Support; Distribution Integrity & Governors; Transmission Integrity; Connections; Asset Maintenance; E&I; Repex; Network Growth; SIU's; Fleet and Property;

- Plus, the Innovation and Energy Futures Appendices including comparison against Ofgem's assurance requirements (excluding financeability).

The objectives of Gartner's engagement were to determine the efficiency of the proposed delivery of IT services and planned investment within SGN, specifically:

- The cost efficiency of the delivery of IT services in scope and the implications of the future investment levels.
- The appropriateness of the current planned investment in IT for the capital programme over the coming regulatory period.

This included the following:

- Collection of SGN spending, resource and workload data
- Validation of the collected data against the Gartner consensus models to define a final dataset to be used for comparison purposes
- Selection of Peer Groups
- Analysis of the data and other pertinent information with SMEs
- Collection of pertinent documentation supporting the SGN IT technology forecasts and investment plans for RIIO
- Review the technology roadmaps and or technology plans against industry specific and general Gartner Hype Cycles and forecasted innovations
- Analyse SGN's plans and investment levels using suitable peer organisations/ projects.

PwC, Ove Arup and Partners, and Gartner presented their findings to the Board during November.

Supporting documentation

i.

All external assurance reports form part of our overall GD2 Business Plan Submission.

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?*

No material errors were identified within our previous Business Plan Submissions on July and October 2019, or any of our Annual RRP submissions, which all of the historic data has been taken from. PwC also undertook an assurance review of our October submissions, no material errors were identified.

Supporting documentation

ii.	
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