



RETAIL MARKET OPENING PROGRAMME - REVIEW

Produced for Ofwat – 28 May 2015

RETAIL MARKET OPENING PROGRAMME – REVIEW

Introduction

This is the report of the independent baseline review of the Retail Market Opening (Open Water) programme commissioned by Ofwat on 16 April 2015.

Background

The aims of the programme:

The Open Water programme aims to develop the framework necessary to allow retail competition for the supply of water and waste water to non-household customers in England and Wales. It involves the development of a series of market codes (which set out the required behaviours of those doing business in this market), licence documents (which will be issued to those wishing to engage in the market) and systems (which will provide for the linking of customers to suppliers, suppliers to wholesalers and associated payment and other information streams).

The driving force for the programme:

The retail market opening programme is a key reform within the water industry that was developed through the Water for Life White Paper, the Cave Review, and given effect through the Water Act 2014 that received Royal Assent on 14 May 2014. The reform seeks to improve the efficiency of the industry through competition and thereby bring benefits to consumers in terms of price and service standards.

Ministerial commitment to ensuring the market opens in April 2017 was made during the passage of the Act and has been repeated subsequently.

The procurement/delivery status:

The programme contains a number of interdependent work streams involving a number of parties. The key delivery responsibilities have changed on more than one occasion through the life of the programme and revisions to the overall governance have been required.

The most recent of these changes was underway at the time of this review which will see Ofwat assume the Programme Management role.

This is a significant change to the existing arrangements where a corporate structure involving stakeholders outside of Ofwat and Defra had been developed to deliver the program. Open Water Markets Limited (OWML) was created for the purpose of managing the retail market opening, developing the market architecture and central systems, and in due course becoming Market Operator. Under the aegis of OWML the programme has made significant progress in putting in place the necessary framework to ensure market opening in April 2017.

Following concerns raised in late 2014 by HM Treasury it was determined that its constitution would mean that OWML would be designated as a public body. This was unacceptable – it would not be appropriate to have a public body conducting the role of market operator on behalf of a wholly private market. Such a status would present consequential difficulties in particular for its ability to procure the necessary systems. A new set of arrangements therefore had to be developed and was announced by Ofwat in February 2015. Accordingly at the time of the review the development and delivery structure was in the process of change.

The transition from OWML to the new arrangements will see the majority of its work pass to Ofwat, and responsibility for the architecture and system development work, and subsequent market operation, go to an industry based organisation Market Operator Services Limited (MOSL).

The allocation of roles and responsibilities is outlined in a communication from Ofwat to stakeholders. While it was of concern to the Review Team that this document had not been published, it emerged during the course of the Review. A RACI diagram accompanies this publication.

Work is continuing to complete the assurance framework for the programme.

Similarly at the time of the review, discussion was underway on transition planning from OWML to the new arrangements and a Transition Planning Group has been formed. However although, at the time of concluding this report, no firm conclusions had yet been reached, there was emerging agreement in principle on transition of the main tranches of work and associated resources.

MAP3 – which is the third iteration of the code and related documentation and which is considered fundamental to the next stages of design and development work – was issued by OWML on 11 May. A consultative process with industry stakeholders is being planned after which the MAP will be frozen and provide the basis for the system design. While the MAP document issued by the planned date, it lacked a full covering note because of a continuing discussion about payment terms following an intervention by OFWAT. Consideration is being given to an additional appendix covering issues related to Company readiness and associated support.

At the time of the review MOSL was in the process of being constituted – it had only interim appointees in place on its Board and executive team. Processes were underway for identification of permanent post-holders. While industry members had given informal indications of support for MOSL, formal processes for membership and for making financial contributions were being undertaken by MOSL's solicitors. MOSL has expressed confidence that these steps will be complete by mid-July.

In the meantime MOSL was undertaking the preliminary stages for the procurement of a systems designer and development partner with a view to confirming an appointment in September.

The programme objective is to secure the design of the systems to allow testing from 1 April 2016, prior to a 6 month period of shadow operation commencing in October 2016.

Programme Review

There have been no independent reviews of the programme based on Gateway or other similar principles.

The review team was advised that it is Ofwat's intention, as a complement to this present review, to commission an audit of the assurance framework and risk management by its auditors Grant Thornton. The timing and remit of that audit has yet to be confirmed.

This review is therefore the first independent review of the programme. It is intended to give support to the programme Senior Responsible Owner (SRO) as well as providing independent assurance to the [Programme Board and Accounting Officer] that it will align with Ofwat's strategy and achieve the Government's objective of timeous market opening.

In line with the terms of reference, the review has considered the extent to which:

- Programme requirements, interdependencies and outcomes are clearly defined and any changes are auditable and managed;
- The right mix of skills and experience are available for the programme;
- Relevant stakeholders understand what the programme is for, how it works, and how it interacts with their work, as required for the success of the programme;
- Targets and timescales within the programme are realistic;
- Risks and opportunities are well understood and managed.

The full remit for the review is set out in Annex A.

Ofwat have asked for this review to be seen as a 'baseline' review, to assess the status of the programme management responsibility on its transition from OWML to Ofwat at the end of May. There will be further reviews at key stages of the programme as it moves towards the April 2017 target date.

In the context of non-household retail market opening, this review will provide assurance to the various parties that share responsibility for delivery of the programme. This assurance will relate to the management and resourcing of the programme, and will complement the assurance being provided on the fitness for purpose of deliverables, and on market readiness through the Assurance Framework, commissioned from Deloitte.

Gateway Review code of conduct

The Review has followed the principles of the Gateway review commonly applied to large programmes and projects within Government. It has followed the structure of a Gateway 0 Review, which is a strategic assessment of the programme. The structure of the Gateway 0 Review is set out at Annex B.

Gateway reviews involve independent practitioners from outside the programme using their experience and expertise to assess progress, and the likelihood of successful programme delivery.

This review has been guided by the following code of conduct which was shared with all interviewees prior to their interview:

- The Review is not an audit. It is a snapshot of the project or programme at a particular point in its development. It is supportive of the project or programme.
- The review team will endeavour to add value by identifying success and good practice at the same time as suggesting possible improvements which will improve the probability of success..
- They will be open, honest and constructive and will encourage all interviewees to be the same.
- The team will respect the integrity and views of all interviewees and the Project Team.
- All interviews and discussions are confidential and information received in them will be strictly non-attributable.
- They will deliver a confidential report to the SRO at the end of a review. It is for the SRO to reflect on and respond to any recommendations.
- It is also for the SRO to consider further circulation of that report.

Conduct of the Review

This Review was carried out from 13 May 2015 to 27 May 2015 at Birmingham and London. The team members and the people interviewed are listed in Appendix C.

The Review Team would like to thank the SRO for his support and encouragement during the Review. They are also particularly grateful to Tom Rogers of Ofwat to whom fell the unenviable task of putting in place the interview programme.

Lastly, they are very grateful to all the interviewees for their willingness to engage and their open and frank approach in the course of the interviews and discussion.

Delivery Confidence

In line with Gateway review practice, the Review Team has given a Delivery Confidence Assessment, based upon the evidence available to it. The definition used for these status assessment are set out in the footnote below¹.

¹ In Gateway Reviews The Delivery Confidence assessment RAG status uses the definitions below.

<u>RAG</u>	<u>Criteria Description</u>
Green	Successful delivery of the project/programme to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly
Amber/Green	Successful delivery appears probable however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery
Amber	Successful delivery appears feasible but significant issues already exist requiring management attention. These appear resolvable at this stage and if addressed promptly, should not present a cost/schedule overrun
Amber/Red	Successful delivery of the project/programme is in doubt with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and whether resolution is feasible
Red	Successful delivery of the project/programme appears to be unachievable. There are major issues on project/programme definition, schedule, budget required quality or benefits delivery, which at this stage do not appear to be manageable or resolvable. The Project/Programme may need re-baselining and/or overall viability re-assessed

The Assessment is AMBER.

The following table provides the basis for the Review Team's classification.

Delivery Confidence Assessment	AMBER
<p>The Review Team finds that successful delivery of the programme by the target date appears feasible but significant issues already exist requiring urgent management attention.</p> <p>These are primarily concerned with the transition to the new governance structure and the assumption of new responsibilities by Ofwat and MOSL.</p> <p>These issues are considered in greater detail in the following paragraphs.</p> <p>Urgent attention to the detailed issues considered are required if the programme is to be successfully delivered. Beyond that successful delivery will require a resolute focus by all parties on the key deliverables.</p> <p>Replacement of the current driving force to the programme provided by OWML is a significant challenge. Ofwat and MOSL must ensure they provide determined and dynamic leadership to the programme consistently communicated to all stakeholders.</p> <p>It will be necessary to ensure:</p> <ul style="list-style-type: none">• That all parties are fully committed to the target date• That the revised roles and responsibilities are clearly and consistently articulated and understood• Ofwat and MOSL are adequately resourced for the roles they are assuming• Consistent support to companies on their transition to the new market arrangements – this must cover behavioural, organisational, financial, compliance, operational and systems and prepares the ground for the assurance tests• That the design of the central systems will deliver in a timely fashion the processes required by the codes and other market rules• The creation of a robust design authority for the codes and rules• A clear focus on developing the MO to be ready on time for systems testing with industry participants, data upload, shadow operation and go live in 2017	

Findings and recommendations

1: Governance

The governance of this programme must address the challenges of a multi-party programme with complex interdependencies. There is a political context, a new statutory framework, significant commercial issues and competing and differing priorities and viewpoints among stakeholders which need to be addressed and reconciled.

To date the programme has made good progress thanks to the contribution and commitment of Open Water Markets Limited and its key personnel and resources available to it. The importance of this contribution is recognised by all persons interviewed in the course of this review. The Review Team would also like to endorse the importance of this contribution and the momentum that OWML has generated for the programme.

The governance has undergone a number of change since inception in 2013, the most recent of these is underway. These changes have been a cause of concern to many stakeholders and are impacting momentum and clarity of leadership.

The Review Team understands that under the new governance structure Ofwat will assume overall accountability for delivery of the programme, including programme management coordination and engagement, customer engagement and the establishment of an interim codes panel.

Issues:

- Although Ofwat is clear that it is assuming overall accountability for the programme, exactly how the new structure will work in detail and how accountabilities for parts of the programme will be delegated is still being developed.
- In particular, work is continuing to develop and agree a clear and unambiguous RACI diagram. This is intended to improve upon that published by Ofwat on its website on 21 May 2015. The Review Team welcomes this. It has concerns that the present RACI diagram is unduly focussed on corporate entities, rather than those responsible for the delivery of workstream outputs. This approach has led to split accountabilities which is unhelpful and confusing
- Leadership of the programme is now the responsibility of a Retail Market Opening Programme Management Group (RMOPMG) led by Ofwat. Ofwat has identified the SRO, who is now supported by the PM Group. As yet there is a lack of clarity about the scope and

responsibilities of this PM Group, its interfaces with the pre-existing High Level Group (which may itself be subject to change).

- Concerns have been expressed that the process is unduly influenced by the views and interests of the incumbent companies.
- The Review Team has heard evidence that what appear to be robust and detailed programme management arrangements exist within Open Water. However, the existence and functioning of these does not appear to be widely understood among stakeholders outside of those participating directly in those activities.
- The Review Team would expect to see, at this stage, a clearly stated and agreed governance structure identifying named individuals, however this has not been evidenced in any documents made available to the Review Team.
- The Review Team has seen evidence that detailed planning and monitoring exists within the current programme management arrangements, however there was concern that the validity of this was currently influenced by unwillingness of key participants to release relevant programme data in a timely fashion. It may not therefore provide full assurance of programme progress.
- A new assurance framework has been described at a high-level in MAP3 Appendix 5, however there is a continuing need for detailed assurance of the level 1 and 2 plans to ensure that all programme milestones are being met. Changes to the programme management structure over time have led not only to uncertainty, but also a failure to comply with aspects of the terms of reference within the governance structure, such as publication of regular reports. This has given rise, not only to criticism of a lack of transparency, but also an impression of programme drift. Some stakeholders have questioned the commitment to the stated target date for market opening.
- Nevertheless there remains a general belief that while stretching, the date is achievable. There is, however, recognition that there is not much if any contingency in the programme. The programme cannot absorb any further changes to governance or continued uncertainty on roles and responsibilities.
- The new programme management structure appears to be soundly designed with appropriate representation of stakeholder interests. It should be able to fulfil its purpose, but it is for the SRO and other senior officers to ensure that it does.

Recommendations:

- The RMOPMG must create a vibrant and shared vision of the path to successful delivery. The views of new entrants as well as incumbents must be given full opportunity to be heard.

- Ofwat should ensure that the names of individuals of the respective groups within the revised governance structure are identified.
- The escalation procedures between the levels of the structure should be clearly set out.
- Ofwat should publish a RACI diagram representing the governance and workstream structure, rather than its present focus on organisations.

2: Transition Planning

- A Transition Planning Group had been formed to address the practical issues involved in transferring the responsibilities of OWML to OFWAT and MOSL. While the planning date remains 31 May, it is clear that a clean and final transfer will not be achieved at that date. Alternative cut off dates of mid-July and September have been discussed. While initial discussions to identify practicable solutions appeared unduly difficult, the Review Team was pleased to hear that there was emerging agreement on the way forward. A phased transition with different arrangements relevant to the different workstreams within OWML would seem to be being developed. The Review Team considers this a sensible approach.
- The Review Team was pleased further to hear that this agreement satisfactorily addressed its particular concern about the continued availability of critical resources (personnel) at present within or contracted to OWML whose contribution remains critical to the successful outcome across its 4 workstreams. Securing the resources necessary to finalise MAP3 document should therefore be achieved.

Issues:

- Lack of a formally agreed transition plan from OWML to OFWAT and MOSL if not achieved in the very near future would be an issue of major significance. This must not be allowed to undermine the momentum of the programme.
- These transition arrangements need to ensure continuity of knowledge and expertise

Recommendations:

- The transition plan needs to be finalised, agreed and communicated as a matter of urgency.
- Critical resources need to be identified and secured with appropriate priority given to securing continuity.

3: Organisational Capabilities

Ofwat is assuming a significant new set of responsibilities for which it does not at present have the relevant capabilities. Its previous engagement with the programme has not involved any of its staff on a full time basis – all have had other

responsibilities. A new SRO has been appointed and is in the process of building his team. However if Ofwat is going to fulfil the programme management and leadership responsibilities successfully, it faces significantly greater demands on its resources.

MOSL is a newly formed organisation operating with interim appointments at a senior level. There is still some uncertainty about the extent of its role. A full business plan is in preparation which will form the basis of the funding request to its members (ie water companies and prospective licensees).

Issues:

- Both Ofwat and MOSL are gearing up and hence not yet ready to assume new responsibilities. This cannot be allowed to deflect progress on the key tasks necessary to deliver the programme.
- Resources available to Ofwat have yet to be identified.
- Dependencies on external resources available to OWML are and will remain critical
- Potential loss of intellectual capability and experience specifically associated with market opening should be recognised.
- Sustainable funding of MOSL is as yet unsecured largely because it is not yet fully constituted. The key appointments are critical to achieving this status.
- As yet there is no visibility of a design/build plan or the cost for MOSL systems until July.
- MOSL has yet fully to recover from the perceptions caused by the attempt to change its constitution that it was unduly influenced by the interests of incumbents.

Recommendations:

- Ofwat should produce a detailed and fully funded resource plan identifying key roles and the people who will fulfil those roles, particular attention being paid to the need to maintain continuity of understanding.
- The present action to identify a MOSL CEO and permanent chair needs to be brought to the earliest possible conclusion.
- MOSL needs to ensure that its credibility with incumbents and new entrants is actively promoted.

4: Risk management

The Review Team has been advised that Ofwat has commissioned an internal audit of programme risk, management, controls and governance, which is intended to be complementary to this review. The Review Team has reached its conclusions without sight of the Terms of Reference or awareness of progress of that audit.

The present risk strategy and risk register maintained by OWML appear to the Review Team as soundly based.

At present there are risk registers associated with workstreams and in different organisations. It is essential that there is a comprehensive programme-wide risk register giving a view of risks across the programme. The Review Team understands that Ofwat will assume responsibility for the programme-wide risk register and its continued development and for monitoring and reporting against it.

Issues:

- There is a risk in the transitioning of the detailed risk register currently maintained by OWML to the new programme management arrangements. The resource necessary to manage this is of critical importance.
- Transition itself is identified as a risk, but there is insufficient understanding of the detailed risks of transition to the lower level planned activities for this to be detailed in the risk register.
- It is necessary to be clear how risks existing within the wider programme and its work streams are identified and escalated to the central programme. Changes in the governance structure could affect this further.
- Programme management arrangements do not currently encompass cost control or financial reporting. Financial or budget risks are not therefore part of the risk register or reporting.
- The current programme dashboard is a helpful development, but consider whether it should contain financial information. It should also note specific milestones in the coming period and issues arising.
- While there is a detailed level 1 and level 2 plan, the Programme Management Group does not appear to consider review critical path milestones. Given the tightness of the timetable it may be helpful to highlight the critical path and be prepared to develop contingencies against them if there are indications that they are at risk of not being met.

Recommendations:

RMOPMG needs to implement a post-transition and programme-wide risk review, taking account of the new governance structure

- To inform an integrated risk management framework, which fully reflects responsibilities assigned within the revised structure
- To include also cost reporting and budgetary control.
- RMOPMG should develop a critical path and monitor progress against it. The programme dashboard should be further developed to include milestones and budgetary information.

5: Communications and Engagement

OWML has led an extensive programme of collaboration and pro-active engagement between stakeholders, including over 45 workshops, bi-weekly informational calls,

numerous working groups. They have made great efforts to engage with prospective new entrants and customer groups.

This consultative approach has been successful and provides the basis for a continued collaborative approach to the challenge of delivery. Moreover, there is evidence companies want this level of engagement (at least) to continue.

Issues:

- Communication appears to exist between individuals and groups intimately involved in the programme and while there is a structured communication plan, this has led to a lack of consistent understanding, particularly at more senior levels.
- The Review Team is concerned about Ofwat's ability in the short term to lead the communication effort. It may have discounted the importance of these activities – particularly direct and consistent engagement with stakeholders - and hence has underestimated the resource requirement (this is compounded by personal circumstances at a senior level within Ofwat's communication team).
- Intentions to publish programme information on a regular basis have not been delivered.
- Existence of a detailed programme including identification of critical path activities does not appear to have been communicated widely.
- Early engagement on the MAP3 consultation has been planned, and it is essential that this is followed through.

Recommendations:

- Ofwat as Programme Director should confirm arrangements for the MAP3 engagement, including leadership.
- RMOPMG should ensure the existence of a communications plan, identifying appropriate activities across all levels of relevant organisations.
- RMOPMG should ensure that (at least) the current level of engagement is sustained until the target date of April 2017.
- Regular programme information requires to be published on a firm timetable.

6: Readiness for the next phase – Delivery of outcomes

As the programme moves beyond the imminent transition phase to the new governance structure, increasing focus will be put on the readiness of market participants. This covers a number of aspects within companies, but is also dependent on some key policy decisions which have still to be taken. These include:

- Licence amendments
- Confirmation that the in-area trading ban will no longer apply
- Timeline on the exit regulations.

The Review Team have heard suggestions that some companies are holding back on making key strategic decisions about how to adapt their businesses to market opening because of these policy gaps.

A draft assurance framework was published as an Appendix to MAP3, which inter alia sets out how market participants will provide assurance of readiness to allow the Secretary of State to be confident that the formal process of market opening can be commenced.

Issues:

- It is essential that MAP3 and the associated codes are completed by the currently planned dates, since system design is dependent upon this.
- Varying states of readiness exist across all participants, in part due to rules still being developed. Key policy decisions including the definition of wholesale versus retail and rules for within-area trading are still subject to consultation
- There is continuing high-level discussion between DEFRA and Ofwat regarding the form that the assurance given to the Secretary of State should take.
- Continued support to companies will be required, on their transition to the new market arrangements, which covers behavioural, organisational, financial, compliance, operational and systems and prepares the ground for the assurance tests.

Recommendations:

- It is for the Secretary of State to determine what form of readiness assurance would meet the Government's needs.
- DEFRA and Ofwat must produce timely policy guidance to inform any remaining rules in areas of their responsibility.
- Attention needs to be paid to, and responsibilities clarified for, delivery of support to companies in all aspects of market preparation. The RMOPMG should decide the organisation(s) most appropriate to provide this support.

Summary of Report Recommendations

The Review Team makes the following recommendations which are prioritised using the definitions below.

Report Ref:	Recommendation	Critical/Essential/Recommended
1	The RMOPMG must create a vibrant and shared vision of the path to successful delivery. The views of new entrants as well as incumbents must be given full opportunity to be heard.	Critical
2	Ofwat should ensure that the names of individuals of the respective groups within the revised governance structure are identified.	Critical
3	The escalation procedures between the levels of the structure should be clearly set out.	Critical
4	Ofwat should publish a RACI diagram representing the governance and workstream structure, rather than its present focus on organisations	Critical
5	The transition plan needs to be finalised, agreed and communicated as a matter of urgency (by Ofwat)	Critical
6	Critical resources need to be identified and secured with appropriate priority given to securing continuity (by Ofwat and MOSL)	Critical
7	Ofwat should produce a detailed and fully funded resource plan identifying key roles and the people who will fulfil those roles, particular attention being paid to the need to maintain continuity of understanding.	Critical
8	The present action to identify a MOSL CEO and permanent chair needs to be brought to the earliest possible conclusion.	Essential
9	MOSL needs to ensure that its credibility with incumbents and new entrants is actively promoted.	Essential
10	RMOPMG needs to implement a post-transition and programme-wide risk review, taking account of the new governance structure <ul style="list-style-type: none"> • To inform an integrated risk management framework, which fully reflects responsibilities assigned within the revised structure 	Critical

	<ul style="list-style-type: none"> To include also cost reporting and budgetary control. 	
11	<p>RMOPMG should develop a critical path and monitor progress against it.</p> <p>The programme dashboard should be further developed to include milestones and budgetary information.</p>	Essential
12	Ofwat as Programme Director should confirm arrangements for the MAP3 engagement, including leadership.	Critical
13	RMOPMG should ensure the existence of a communications plan, identifying appropriate activities across all levels of relevant organisations.	Essential
14	RMOPMG should ensure that (at least) the current level of engagement is sustained until the target date of April 2017.	Essential
15	Regular programme information requires to be published on a firm timetable (by Ofwat).	Essential
16	It is for the Secretary of State to determine what form of readiness assurance would meet the Government's needs.	Essential
17	DEFRA and Ofwat must produce timely policy guidance to inform any remaining rules in areas of their responsibility.	Essential
18	Attention needs to be paid to, and responsibilities clarified for, delivery of support to companies in all aspects of market preparation. The RMOPMG should decide the organisation(s) most appropriate to provide this support.	Essential

Critical (Do Now) – To increase the likelihood of a successful outcome it is of the greatest importance that the programme/project should take action immediately

Essential (Do By) – To increase the likelihood of a successful outcome the programme/project should take action in the near future or by the identified date.

Recommended – The programme/project should benefit from the uptake of this recommendation.

Subsequent Reviews

The next Review is expected at Q1 2016 (prior to the move to testing of the system); then Q3 2016 (prior to the shadow operation); then post Go-Live.

APPENDIX A

Terms of Reference for the Review provided to the Review Team

Retail Market Opening Programme

Programme Review Terms of Reference

Background

The retail market opening programme is a key market reform that was developed through the Water for Life White Paper, the Cave Review, and given effect through the Water Act 2014 that received Royal Assent on 14 May 2014.

A corporate structure involving stakeholders outside of Ofwat and Defra was developed to deliver the program. Open Water Markets Limited (OWML) intended to manage the delivery of non-household retail market opening, develop the market architecture and central systems, and become Market Operator.

A risk arose that OWML would be designated as a public body, so the development and delivery structure is in the process of change. The transition from OWML to the new arrangements will see some of its work go into Ofwat, and much of the architecture and system development work go to an industry based organisation Market Operator Services Limited (MOSL).

Purpose

This programme involves independent practitioners from outside the programme using their experience and expertise to assess progress, and the likelihood of successful programme delivery. It is intended to give support to the programme Senior Responsible Owner (SRO) as well as providing independent assurance to the Programme Board and Accounting Officer ensuring continued alignment with Ofwat's strategy. In particular by helping to ensure that:

- Programme requirements, interdependencies and outcomes are clearly defined and any changes are auditable and managed;
- The right mix of skills and experience are available for the programme;
- Relevant stakeholders understand what the programme is for, how it works, and how it interacts with their work, as required for the success of the programme;
- Targets and timescales within the programme are realistic;
- Risks and opportunities are well understood and managed.

This initial review is intended as a 'baseline' review, to ensure that the programme on its transition from OWML to Ofwat at the end of May is set up and operating in the way best calculated to deliver a good quality solution in line with the April 2017 target date. There will be further reviews at key stages of the programme, which will be more focussed on incremental improvements to the programme.

Given the timescales associated with the programme, the programme delivery will continue through the review, and it is important that the review is conducted in a way that does not add general delay or distraction from programme delivery.

In the context of non-household retail market opening, this review will provide assurance to the various parties that share responsibility for delivery of the

programme. This assurance will relate to the management and resourcing of the programme, and will complement the assurance being provided on the fitness for purpose of deliverables, and on market readiness through the Assurance Framework, commissioned from Deloitte.

This review also complements a planned internal audit review of programme risk management, controls and governance, to be conducted by Ofwat's internal auditors Grant Thornton.

Timing

We will have three reviews linked to key milestones ahead of non-household retail market competition 'going live' in April 2017, and one afterwards.

1. A baseline review in [April/May] ahead of transition of work from OWML by the end of May, looking at aspects of a strategic assessment, business justification and the delivery strategy.
2. A second review, expected in [Q1 2016] following the consultation on the full suite of market documents to look at the readiness of the physical and contractual infrastructure.
3. A third review, expected in [Q3 2016] ahead of the 'go active' authorisation examining the market readiness for service.
4. A fourth review, expected in [Q2 2017] for an ex-post operational review and benefits assessment after go live.

Scope and methods

This review will cover the management of the programme designed to deliver non-household retail market opening in England, i.e. the programme management that has been undertaken by OWML where the delivery is transitioning into Ofwat by the end of May. It covers the interaction between this programme and those responsible for delivering various elements of it, including Ofwat, Defra, MOSL, and the water companies. It does not cover the management of the work being undertaken within the various bodies responsible for delivery, beyond their interaction with the programme.

The review team will attend a kick-off meeting with the SRO before beginning the review.

The review team's assessment of programme health will be based on:

1. a desk-based assessment utilising the existing reports, documentation and materials from Ofwat, Defra, OWML, MOSL and companies;
2. a series of semi-structured interviews with key programme staff and stakeholders.

APPENDIX B

Purposes of OGC Gateway™ Review 0: Strategic assessment

- Review the outcomes and objectives for the programme (and the way they fit together) and confirm that they make the necessary contribution to overall strategy of the organisation and its senior management.
- Ensure that the programme is supported by key stakeholders.
- Confirm that the programme's potential to succeed has been considered in the wider context of the organisation's delivery plans and change programmes, and any interdependencies with other programmes or projects in the organisation's portfolio and, where relevant, those of other organisations.
- Review the arrangements for leading, managing and monitoring the programme as a whole and the links to individual parts of it (e.g. to any existing projects in the programme's portfolio).
- Review the arrangements for identifying and managing the main programme risks (and the individual project risks), including external risks such as changing business priorities.
- Check that provision for financial and other resources has been made for the programme (initially identified at programme initiation and committed later) and that plans for the work to be done through to the next stage are realistic, properly resourced with sufficient people of appropriate experience, and authorised.
- After the initial Review, check progress against plans and the expected achievement of outcomes.
- Check that there is engagement with the market as appropriate on the feasibility of achieving the required outcome.
- Where relevant, check that the programme takes account of joining up with other programmes, internal and external.

APPENDIX C

Review Team and Interviewees

Review Team:

Review Team Leader:	Adam Green Managing Director, Construction Services Carillion
Review Team Members:	Bob Irvine Deputy Director, Government Scottish
	Jon Carlton, Director, Carlton Solutions Limited Guille

List of Interviewees:

Name	Organisation/Role
Adam Cooper	SRO, Ofwat
Andrew Beaver	Director, Ofwat
Steve Mogford	CEO, United Utilities (and MOSL)
Anthony Ferrar	CEO, Surrey and East Sussex Water
Martin Baggs	CEO, Thames Water
Tom Rogers	Principal Analyst, Ofwat
Michelle Ashford	Managing Consultant PA Consulting (for OWML)
Cathryn Ross	CEO, Ofwat
Gabrielle Edwards	Deputy Director, DEFRA
Alan Sutherland	CEO, OWML (and WICS)
Deryck Hall and Phil Marshall	CCWater
Heidi Mottram	CEO Northumbrian Water (and OWML and MOSL Board)
Peter Bucks	Chairman, OWML (and Independent Director, MOSL)
Johanna Dow	CEO, Business Stream