



Boldon House
Wheatlands Way
Pity Me
County Durham
DH1 5FA

NWG Business Limited

Letter of assurance

Addressee: Ofwat and Market Operator Services Limited

Title: Statement of Assurance from
NWG Business Limited
relating to the implementation of the non-household retail water and
sewerage market

Date: 03 February 2017

Assurance Phase: FINAL

1. Assurance Statement

Company Readiness

The Board of Directors of NWG Business Limited certifies, to the best of its knowledge having made all due inquiries and based on the sources of evidence, that:

- NWG Business Limited has completed, or is on track to complete, its programme to prepare for implementation of the retail market in all material respects and that all interim milestones have either been achieved, or are on track to be achieved, when the market opens;
- NWG Business Limited has successfully completed all market entry requirements including but not limited to obtaining licences, acceding to codes and completing market trialling successfully; and
- The Board of Directors is not aware of any issues, except those identified in Section 4, on the part of NWG Business Limited that would prevent its successful participation in the market, or have any adverse impact on the retail market arrangements.

In making the above statement, the Board of Directors has considered the precise status and associated evidence (section 3) provided including having due regard to the applicable Components of the Assurance Framework (section 2), the risks, issues or slippages identified and the associated action plans (section 4).

2. Components of the Assurance Framework

The components of the Assurance Framework that apply to market participants in this final phase of Assurance are components 2: 'Programme Assurance and Risk Management' and 4: 'Company Readiness'.

Component 1: 'Market Design Assurance' and Component 3: 'Governance and Engagement Effectiveness' apply to programme partners so are not required here.

Component 2: Programme Assurance & Risk Management

All market participants to complete

The Board of Directors certifies that NWG Business Limited has completed, or is on track to complete, its programme to prepare for implementation of the retail market.

In particular that:

- a) NWG Business Limited has achieved, or is on track to achieve, all milestones as set out on its programme plan by the point of market opening and the programme has been completed, or will be completed, in all material aspects;
- b) NWG Business Limited has had effective management and control of its programme, including clear roles and responsibilities, defined authorities, a decision making framework and risk management in place;
- c) NWG Business Limited has had a process and approach for Board approvals and readiness approach in place; and
- d) NWG Business Limited has sufficient resources, policies and procedures in place for market opening.

Component 4: Company Readiness

Regulation, Licences and Compliance

All market participants to complete:

The Board of Directors certifies that NWG Business Limited complies with all relevant regulations and statutory duties and has the required licence to participate within the retail market.

In particular that:

- a) NWG Business Limited holds an Appointment or a Water Supply Licence and/or a Sewerage Licence;
- b) NWG Business Limited has taken action to enable it to participate in the retail market on a level playing field; including but not limited to the following:
 - i. The Board of Directors of NWG Business Limited has, where applicable, fully considered the risks of the approach to separation which we have adopted, including risks of non-compliance with the Competition Act and regulatory requirements;
 - ii. The Board of Directors of NWG Business Limited has established a policy which reflects these level playing field risks, our view of these risks and which we are confident will secure a level playing field for retailers; and
 - iii. The Board of Directors of NWG Business Limited has put in place management and control processes which are adequate for us to be able to ensure compliance with our own policy towards level playing field risks.
- c) NWG Business Limited has the organisational capability to participate in the retail market.

And all retailers to complete:

- d) NWG Business Limited has entered into, or confirms that before the market opens it will enter into, a Wholesale Contract in relation to the Area(s) in which it intends to trade.

Systems, Processes, Data & Security

All market participants to complete

The Board of Directors certifies that NWG Business Limited has the required systems, processes, data and security in place to participate in the retail market.

In particular that:

- a) NWG Business Limited systems and processes are able to interact with Market Operator Services Limited;
- b) NWG Business Limited system security and continuity arrangements are in place;
- c) NWG Business Limited has successfully undertaken the required testing and met all other criteria for certification to be able to participate in the market; and
- d) NWG Business Limited understands its responsibility to maintain complete and accurate data within Market Operator Services Limited systems.

And all market participants to complete, excluding new entrants

- e) NWG Business Limited data cleansing and acquisition as set out in the data catalogue has been fully and accurately completed;
- f) NWG Business Limited understands any residual risks to successful market opening which may result from data inaccuracy and has in place a plan to address and mitigate these risks;
- g) NWG Business Limited data held on Market Operator Services Limited systems meets the requirements of Ofwat's company readiness license condition and is "sufficiently accurate to enable the effective functioning of the competitive market and... in a form capable of being transferred to any central systems and/or any market operator to be established in the competitive market"; and
- h) NWG Business Limited has put in place and implemented a data quality improvement plan.

Market Entry

All Market Participants to complete

The Board of Directors certifies that NWG Business Limited has completed all market entry requirements as set out within the market code.

In particular that:

- a) NWG Business Limited has applied to be admitted to trading by completing and delivering an accurate Trading Application to Market Operator Services Limited;
- b) NWG Business Limited has completed the Market Entry Assurance process;
- c) NWG Business Limited has become, or will become, a member of Market Operator Services Limited; and
- d) NWG Business Limited has entered or will enter into a Framework Agreement to be admitted as a party to the Market Arrangements Code.

3. Sources of Assurance Evidence

The Board of Directors hereby provides the sources of the evidence on which it has made its statement of assurance in relation to NWG Business Limited deliverables.

Assurance item	Scope of assurance	Description of assurance	Nature ¹ / Source / Date
COMPONENT 2 – PROGRAMME ASSURANCE & RISK MANAGEMENT			
Statement (All market participants to complete)	NWG Business Limited has completed, or is on track to complete, its programme to prepare for implementation of the retail market.	We have a strong Project Management Office (PMO) function who regularly update our plans and present them to the relevant governing bodies. [REDACTED] interim and final letters.	External, independent assurance [REDACTED] - Assurance Review for the final letter - January 2017
a.	NWG Business Limited has achieved, or is on track to achieve, all milestones as set out on its programme plan by the point of market opening and the programme has been completed, or will be complete, in all material aspects.	We have a strong Project Management Office (PMO) function who regularly update our plans and present them to the relevant governing bodies. [REDACTED] interim and final letters.	External, independent assurance [REDACTED] - Assurance Review for the final letter - January 2017
b.	NWG Business Limited has had effective management and control of its programme, including clear roles and responsibilities, defined authorities, a decision making framework and risk management in place.	[REDACTED] specifically around governance. Their recommendations were implemented resulting in a clear governance structure for both programmes involving Leadership Teams, Programme Boards and brought together at the Steering Group level.	External, independent assurance [REDACTED] - Governance (Market Reform) - February 2015

¹ The Nature of assurance should be categorised as one of:

- External, independent assurance or expert analysis – in this case – please specify what sort of external assurance you have used, who provided it and the date it was received (e.g. Assurance Report on progress against plans, Ernst & Young, 01.02.17)
- Internal Expert or peer review
- Internal process or internal data audit
- Management review;
- In-team peer review
- Self-assessment

Assurance item	Scope of assurance	Description of assurance	Nature ¹ / Source / Date
c.	<p>NWG Business Limited has had a process and approach for Board approvals and readiness approach in place.</p>	<p>Our strong governance includes a Project Board reporting in to the Market Reform Steering Group. A comprehensive assurance exercise has been led by iNEDs, sitting as an Assurance sub-group of the Audit Committee.</p> <p>[REDACTED] interim and final letters.</p>	<p>External, independent assurance [REDACTED] - Assurance Review for the final letter - January 2017</p>
d.	<p>NWG Business Limited has sufficient resources, policies and procedures in place for market opening.</p>	<p>[REDACTED] interim and final letters.</p>	<p>External, independent assurance [REDACTED] - Assurance Review for the final letter - January 2017</p>

Assurance item	Scope of assurance	Description of assurance	Nature ² / Source / Date
COMPONENT 4 – COMPANY READINESS			
Regulation, Licences and Compliance			
Statement (All market participants to complete)	NWG Business Limited complies with all relevant regulations and statutory duties and has the required licence to participate within the retail market.	MEAC was formally granted in mid-September 2016. A large part of the assessment process included a Business Solution Assessment (BSA). [REDACTED]	External, independent assurance [REDACTED] July 2016
a.	NWG Business Limited holds an Appointment or a Water Supply Licence and/or a Sewerage Licence.	Licence in place	Other (please specify) Licence granted
b.	NWG Business Limited has taken action to enable it to participate in the retail market on a level playing field. This includes but is not limited to addressing sub-points i.), ii). and iii.) for which a description of assurance should be entered in the three rows that follow. Any additional points can be summarised in this row.		Select

² The Nature of assurance should be categorised as one of:

- External, independent assurance or expert analysis – in this case – please specify what sort of external assurance you have used, who provided it and the date it was received (e.g. Assurance Report on progress against plans, Ernst & Young, 01.02.17)
- Internal Expert or peer review
- Internal process or internal data audit
- Management review;
- In-team peer review
- Self-assessment

Assurance item	Scope of assurance	Description of assurance	Nature ² / Source / Date
COMPONENT 4 – COMPANY READINESS			
i.	The Board of Directors of NWG Business Limited has, where applicable, fully considered the risks of the approach to separation which we have adopted, including the risks of non-compliance with the Competition Act and regulatory requirements.	<p>██████████ with regard to separation and regulatory requirements.</p> <p>The recommendations of this report were fully implemented.</p>	External, independent assurance ██████████ - Market Reform Programme - Programme Overview Document June 2014
ii.	The Board of Directors of NWG Business Limited has established a policy which reflects these level playing field risks, our view of these risks and which we are confident will secure a level playing field for retailers.	<p>██████████ interim and final letters.</p>	External, independent assurance ██████████ - Assurance Review for the final letter - January 2017
iii.	The Board of Directors of NWG Business Limited has put in place management and control processes which are adequate for us to be able to ensure compliance with our own policy towards level playing field risks.	<p>██████████ interim and final letters.</p>	External, independent assurance ██████████ - Assurance Review for the final letter - January 2017
c.	NWG Business Limited has the organisational capability and readiness to participate in the retail market.	<p>██████████ interim and final letters.</p>	External, independent assurance ██████████ - Assurance Review for the final letter - January 2017
d. (All retailers to complete)	NWG Business Limited has entered into, or confirms that before the market opens it will enter into, a Wholesale Contract in relation to the Area(s) in which it intends to trade.	<p>██████████ interim and final letters.</p>	External, independent assurance ██████████ - Assurance Review for the final letter - January 2017

Assurance item	Scope of assurance	Description of assurance	Nature ² / Source / Date
COMPONENT 4 – COMPANY READINESS			
Systems, Processes, Data & Security			
Statement (All market participants to complete)	NWG Business Limited has the required systems, processes, data and security in place to participate in the retail market.	A Business Solution Assessment (BSA) was completed as part of our Market Entry Assurance Certification. [REDACTED]	External, independent assurance [REDACTED] - BSA External Assessment - July 2016
a.	NWG Business Limited systems and processes are able to interact with Market Operator Services Limited.	A Business Solution Assessment (BSA) was completed as part of our Market Entry Assurance Certification. [REDACTED]	External, independent assurance [REDACTED] - BSA External Assessment - July 2016
b.	NWG Business Limited system security and continuity arrangements are in place.	A Business Solution Assessment (BSA) was completed as part of our Market Entry Assurance Certification. [REDACTED]	External, independent assurance [REDACTED] - BSA External Assessment - July 2016
c.	NWG Business Limited has successfully undertaken the required testing and met all other criteria for certification to be able to participate in the market.	MEAC was formally granted in mid-September 2016.	Select
d.	NWG Business Limited understands its responsibility to maintain complete and accurate data within Market Operator Services Limited systems.	[REDACTED] interim and final letters.	External, independent assurance [REDACTED] - Assurance Review for the final letter - January 2017

Assurance item	Scope of assurance	Description of assurance	Nature ² / Source / Date
COMPONENT 4 – COMPANY READINESS			
<p>e. (All market participants excluding new entrants to complete)</p>	<p>NWG Business Limited data cleansing and acquisition as set out in the data catalogue has been fully and accurately completed.</p>	<p>Regular "flash reports" to the Programme Board. [REDACTED] interim and final letters.</p>	<p>External, independent assurance [REDACTED] - Assurance Review for the final letter - January 2017</p>
<p>f. (All market participants excluding new entrants to complete)</p>	<p>NWG Business Limited understands any residual risks to successful market opening which may result from data inaccuracy and has in place a plan to address and mitigate these risks.</p>	<p>Risks, assumptions, issues and dependencies (RAID) logs are reviewed regularly and major risks (with mitigation actions) are raised at the Programme Board meetings.</p>	<p>External, independent assurance [REDACTED] - Assurance Review for the final letter - January 2017</p>
<p>g. (All market participants excluding new entrants to complete)</p>	<p>NWG Business Limited data held on Market Operator Services Limited systems meets the requirements of Ofwat's company readiness license condition and is "sufficiently accurate to enable the functioning of the competitive market and... in a form capable of being transferred to any central systems and/or any market operator to be established in the competitive market.</p>	<p>Regular "flash reports" to the Programme Board. [REDACTED] interim and final letters.</p>	<p>External, independent assurance [REDACTED] - Assurance Review for the final letter - January 2017</p>
<p>h. (All market participants excluding new entrants to complete)</p>	<p>NWG Business Limited has put in place and implemented a data quality improvement plan.</p>	<p>Regular "flash reports" to the Programme Board. [REDACTED] interim and final letters.</p>	<p>External, independent assurance [REDACTED] - Assurance Review for the final letter - January 2017</p>

Assurance item	Scope of assurance	Description of assurance	Nature ² / Source / Date
COMPONENT 4 – COMPANY READINESS			
Market Entry			
Statement (All market participants to complete)	NWG Business Limited has completed all market entry requirements as set out within the market code.	MEAC was formally granted in mid-September 2016.	Select
a.	NWG Business Limited has applied to be admitted to trading by completing and delivering an accurate Trading Application to Market Operator Services Limited.	Trading application granted	Select
b.	NWG Business Limited has completed the Market Entry Assurance process.	MEAC was formally granted in mid-September 2016. A Business Solution Assessment (BSA) was completed as part of our Market Entry Assurance Certification.	External, independent assurance [REDACTED]
c.	NWG Business Limited has become, or will become, a member of Market Operator Services Limited.		Select
d.	NWG Business Limited has or will enter into a Framework Agreement to be admitted as a party to the Market Arrangements Code.		Select

4. *Risks, Issues or Slippages and associated action plans*

**I. Matters to note concerning NWG Business Limited 's
achievement of company readiness**

- a) The Board of Directors has not identified any matters which have had or are expected to have a significant impact on the achievement of company readiness for retail market implementation.

- OR -

- b) The Board of Directors has identified the following matters which have had or are expected to have a significant impact on NWG Business Limited 's achievement of company readiness for retail market implementation and has set out associated action plans for mitigation/ recovery.

II. Any other matters to be noted concerning the overall programme

- a) There are no matters which the Board of Directors wishes to highlight which have had or are expected to have a significant impact on the implementation of the retail market as set out in the overall programme.

- OR -

- b) The Board of Directors wishes to highlight the following matters which have had or are expected to have a significant impact on the implementation of the retail market as set out in the overall programme.

CMOS release 2.3 is a significant update to the market codes which could give rise to unforeseen or consequential issues that impact settlement or the broader functioning of CMOS and the market. Companies only have a three week window in which to test CMOS 2.3 in a test environment and then probably only two full months' settlement cycles in a live environment to assess any impacts in production.

We are also currently running with a large number of "work arounds" due to the delays in CMOS 2.3 and this is having an impact on efficiency that we had not anticipated.

These concerns should be balanced against the low probability of a direct significant impact on market opening as we have contingency plans in place to mitigate their impact.

5. Authorisation

Signed on behalf of the Board of Directors 

Name Andrew Hunter - Chairman NWGL

Job Title **Chairman**

Date 03 February 2017

Signed on behalf of the Audit Committee 

Name 

Job Title 

Date 03 February 2017

Signed on behalf of the Executive Team 

Name Lucy Darch - Managing Director NWG Business

Job Title **Chief Executive Officer**

Date 03 February 2017