

Assurance Letters: FAQ for phase three

How do I know if I need to submit a letter of assurance for phase three?

Whether you need to provide a letter of assurance depends on the participant's legal status and how it will operate in the new market:

1. If you operate under an **Instrument of Appointment**, you are expected to submit a letter of assurance at **all three phases** of assurance.

You have a choice about whether to submit separate letters from your wholesale and retail arms or a joint letter. It would be appreciated if you could let us know your intentions so we know roughly how many letters to expect.

2. If you will be operating in the new market under a **new Water Supply and Sewerage Licence** (i.e. you are a new entrant retailer or an 'associate licensee'), for the first time in the assurance framework you are required to submit **the final assurance letter** for phase three.

Which parts of the letter do I need to fill in?

All participants completing a letter of assurance at this final stage are required to fill in all relevant sections of the letter, including the table in section 3.

You must use the pro-forma letter provided. Please note, not all sections of the pro-forma letter apply to all participants; the pro-forma highlights where there are differences. In the table in section 3, it is acceptable to indicate 'not applicable' next to the statements that do not apply to your company.

What supporting material do I need to attach?

It depends on the phase of the assurance process. Phase one asked for a programme plan and summary of milestones. These are then used to track progress through phases two and three.

For your phase three letter, you are asked to submit a final summary of progress against the milestones and plans shared in the earlier phases of assurance. This can take the format you wish; a simple table format such as the example below is perfectly acceptable. It is not necessary to attach more detailed plans, risk registers, etc.

Component / Activity	Milestone Date	Comments / progress

What if my company has not completed its programme by the time we have to submit the third assurance letter?

We recognise that it might not be possible to have completed all your milestones by February, and that work will continue until market opening in April. Phase three therefore requires participants to confirm that they are on track to complete their programmes to prepare for implementation of the retail market and that all the interim milestones identified in their planning phase letter either have been achieved, or are on track to be achieved when the market opens. We have amended the original statements in the letter to reflect this.

How can my company say it has signed a Wholesale Contract and / or a Framework Agreement by February 2017?

Ofwat's consultations on the Wholesale Retail and Market Arrangements Codes close on 16 December. Ofwat is working with market participants to establish the most appropriate signing arrangements and will confirm these in its responses to the consultations. Until Ofwat have considered the responses to the consultation, we cannot give a definitive date for this. Recognising that agreements might not have been signed by February, we have amended the wording in the final letter accordingly.

Am I obliged to seek external assurance?

No. It is for your Board to decide what form of assurance is proportionate in each case. The Assurance Framework identifies 6 appropriate forms of assurance:

- External, independent assurance or expert analysis
- Internal expert or peer review
- Internal process or internal data audit
- Management review
- In-team peer review
- Self assessment

If you do seek external assurance, we ask you specify what sort of external assurance it is, from whom, date received etc. *e.g. 'Assurance Report on progress to plans, Ernst & Young, 01.09.16.'*

Why have you made changes to the parts of the letter that new entrants are required to complete?

We are asking new entrants to confirm four statements that they had not initially been directed to complete in the section relating to systems, processes and security in Component 4, 'company readiness', which are found on Page 5. The activities covered by these four

statements had to be demonstrated as part of Market Entry Assurance so should not pose new entrants any problems. It is still the case that new entrants are not asked to complete the other four statements in this section, which relate primarily to data.

This is driven by the need to ensure consistency with the approach taken in the rest of the letter and is based on feedback to the programme from market participants.

I have applied but not yet been granted a WSSL / I am planning to apply for a WSSL. Will I need to submit a letter of assurance?

New entrants are asked to submit a letter of assurance for the first time at phase three, but will need to have a WSSL in order to be able to confirm the statements for which assurance is required. Prospective new entrants may receive market entry assurance certification, and subsequently a WSSL, beyond the date that submission of the third letter of assurance is required (3 February 2017).

Whether a new entrant is able to submit a letter for the deadline of 3 February 2017 will therefore depend on when they receive their WSSL. We will provide further advice as to whether a 'cut-off' date will be necessary, and will work with new entrants to ensure they understand what is required of them and can adopt a proportionate approach to providing assurance.

Will I find out how the programme partners rated my readiness?

No, but as with phase one we will publish an anonymised summary progress report as per the published Assurance Framework, and provide updates through the Work-plan Review Group following each phase.

What if I have further questions?

If you have any questions about this process, please feel free to contact your MOSL portfolio manager, drop us a line at AssuranceLetters@ofwat.gsi.gov.uk or get in touch with one of the project team. Details of the main contacts per partner organisation are included below:

MOSL: Steve Lyon steve.lyon@mosl.co.uk 07734 450907	Ofwat: Amanda Rooney Amanda.Rooney@ofwat.gsi.gov.uk 0121 644 7724	Defra: Jess Keedy Jess.Keedy@defra.gsi.gov.uk 020 802 63350
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Please note information sent to AssuranceLetters@ofwat.gsi.gov.uk will be shared across the three programme partners unless participants expressly state otherwise, together with a clear statement about which parts might not be shared and the reasons why this should be the case.