

Assurance Framework

July 2015

Contents

1. Executive Summary	2
2. Key Assurance Requirements and Risks	4
3. Underpinning Assurance Principles	5
4. Key Components of the Assurance Framework	6
5. Assurance Hierarchy	7
6. High-Level Assurance Plan	8
7. Supporting Information for each Component	9
8. Guidance on Assurance Methods	14
Appendices – Supporting information	
Guidance on Draft Letters of Assurance	16
Key Assumptions	17



Executive Summary

Retail Market Opening Assurance Framework

Deloitte has developed an Assurance Framework collaboratively with Open Water Markets Limited (OWML) and stakeholders, which will culminate in delivery of the required assurance to enable the Secretary of State to confidently confirm the opening of the non household retail market in England as planned.

During the development of the Assurance Framework, a range of stakeholders (groups, individuals and organisations) with interests in the implementation of the retail market were engaged who provided valuable input, requirements and feedback on the draft Assurance Framework.

Assurance explained

Assurance activity builds and provides confidence over delivery responsibilities across the range of stakeholders involved as set out in the Integrated Market Opening Plan. Assurance activity is different from the actual delivery of the implementation programme such as completion of market trials or testing of data integrity. Assurance activity is performed to provide confidence that the various delivery components have been checked appropriately and are fit for purpose.

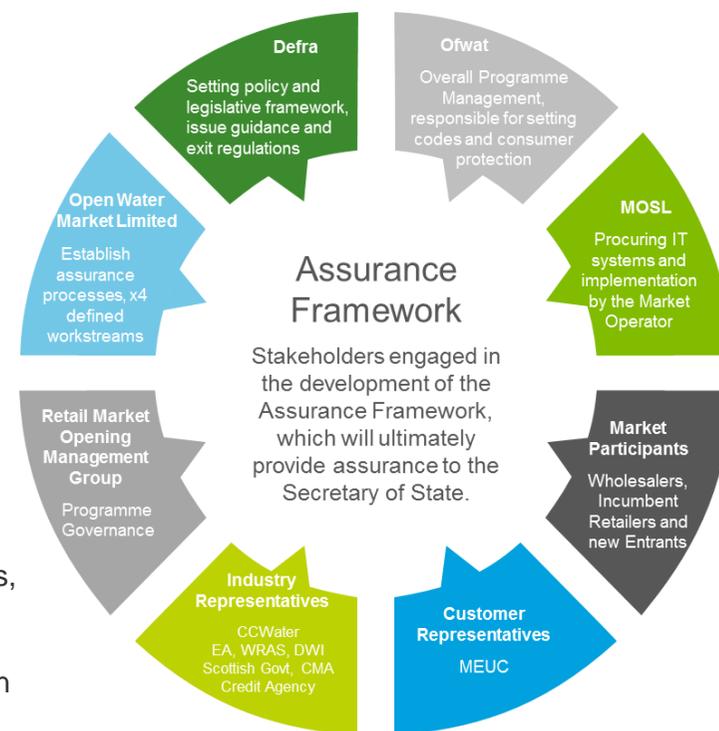
Assurance activity will vary depending on the nature and impact of the decision being made and who will be making that decision. The different stakeholders, assurance requirements and guidance to assurance methods are documented as part of this Assurance Framework.

Objective of the Assurance Framework

The objective of the Assurance Framework is to define appropriate high-level assurance components, indicating assurance activities to be undertaken to provide confidence to all parties in relation to the implementation of the non-household retail water and sewerage market in England. The Assurance Framework should not merely be seen to confirm whether appropriate mechanics of the market are in place but rather to support the delivery of Defra's success criteria and UK government policy.

In the development of the Assurance Framework, we had particular regard to the success criteria articulated by Defra for the retail market opening programme:

- All non-household customers in a position to negotiate better targeted more efficient and more cost effective services.
- Outcomes are cost-beneficial for the majority of customers.
- The new competitive markets are fair, transparent and efficient.
- The market delivers a seamless customer experience in England and Scotland.
- Reform incentivises innovation by both existing and new market participants.
- Reforms to upstream markets in England drive sustainable and efficient use of water, encouraging innovation and choice in alternative water resources and sewerage services.



Executive Summary (continued)

Retail Market Opening Assurance Framework

Overview of the Assurance Framework

The Assurance Framework sets out assurance requirements at a high level supported by further detailed assurance requirements such that decision makers can confidently make the required decisions in the lead up to market opening and ultimately support the decision to be taken by the Secretary of State. Refer to page 6 for the components and pages 9 to 13 for the assurance requirements.

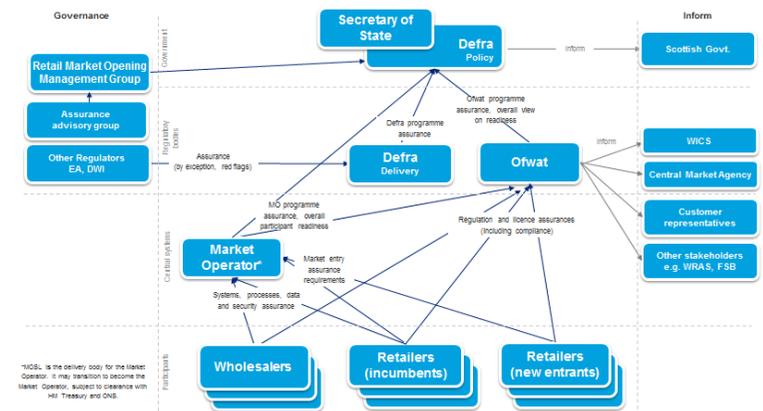
The Assurance Framework has been developed to mirror the delivery requirements and obligations on all parties as set out in the Integrated Market Opening Plan. The underlying principle is that the party responsible for delivery of the specific market opening programme requirement will also provide assurance over its delivery. This assurance will be provided by each party's board or equivalent via letters of assurance based on reliable and relevant supporting evidence. Guidance on draft letters of assurance are provided as an Appendix to the Assurance Framework.

Guidance has been provided on assurance methods, ranging from self assessment to independent assurance. While the selection of assurance method lies with the party providing the assurance, it should be appropriate for the subject matter and consider risk, criticality and impact, where independent assurance would be required in higher risk and impact areas such as settlement calculations/ algorithms and data readiness. The party providing the assurance needs to be able to justify its decision on selection of the assurance method. Refer to page 14 for the guidance on assurance methods.

As part of the Assurance Framework, an assurance hierarchy has been defined, which illustrates which group/ entity is responsible for providing assurance and to whom the assurance is being provided. It is recognised that the audience for the assurance may be wider than the direct recipient, and is therefore expected that there will be transparency of assurance statements within the Retail Market Opening Programme. The assurance hierarchy is illustrated on page 7.

A high-level plan of assurance activity is also set out within the Assurance Framework and included on page 8. Post Go Live assurance is not currently in the scope of this Assurance Framework, but will need to be considered, planned and agreed ahead of market 'Go Live'.

Assurance Framework – Assurance Hierarchy



Assurance Framework – High-Level Assurance Plan

Assurance Responsible Party	2015							2016				2017			
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Key milestones (Integrated Market Opening Plan, 4 March 2015)				● Letter of Assurance (MOSL)											
Defra				● Letter of Assurance (MOSL)											
Ofwat				● Letter of Assurance (MOSL)											
MOSL				● Letter of Assurance (MOSL)											
Market Operator (assuming transitional responsibility from MOSL, Q2 2016)															
Participants	Wholesalers														
	Incumbent retailers														
	New entrants														

Assurance Activity Legend:
 Assurance Milestone: Blue square
 Programme Milestone: Yellow circle
 Letter of Assurance: Green triangle

Assurance Components Legend:
 1 - Market Design
 2 - Programme Assurance & Risk Management
 3 - Governance Effectiveness & Engagement
 4 - Market Readiness

Key Assurance Requirements and Risks

Based on our previous experience from the Scottish Water Market, other market competition programmes and from meeting with a range of stakeholders, we have gathered a set of requirements which we have fed into the development of the Assurance Framework. This is not intended to be an exhaustive list, but to illustrate the type of assurance stakeholders are looking for going forwards prior to 'Go Live' in April 2017.

High-level Assurance Requirements

The Assurance Framework should include the following attributes:

- Over which areas assurance is to be provided.
- Who is providing assurance to whom.
- When assurance is to be provided.
- Assurance based on reliable and relevant supporting evidence.

The Assurance Framework should provide confidence that:

- Success criteria for implementation will be delivered.
- Clear and transparent collective governance and decision making processes are in place to allow timely and effective decision making for the market opening programme.
- Enduring governance arrangements have been established.
- An integrated and coordinated plan enables continued momentum and delivery focus from all parties.
- There is transparent and rigorous change control across the Programme and the regulatory framework.
- There is a detailed technical specification for the Market Operator (MO) and that the systems procured and operating model are adopted to meet these requirements.
- The data requirement is properly defined and that participants' data will be properly handled by the MO.
- Participant data is ready, complete, and in the required format for the MO.
- Settlement can be performed accurately in the specified timescales.
- Switching will be a smooth process and the market will work as soon as it is started.
- Statutory and licence obligations have been and will be properly discharged.
- The retail market is able to interact with other market regimes from the customer and also retailer perspective, including the Scottish market.

Key Risks

- **Uncertainty and continuing changes** to the governance structure, decision making framework and roles and responsibilities leading up to April 2017, has the potential to create delays, lose delivery momentum and impact the success of market opening on 1 April 2017.
- The number and **range of organisations/ groups** involved in the market opening implementation, working independently of and parallel to one another, all with delivery responsibilities, creates **interdependencies** and poses a risk to the success of the market opening if not fully coordinated and **integrated**.
- Failure to **coordinate with the Scottish arrangements** may result in incompatibilities between the English and Scottish markets and affect the seamless customer experience.
- Failure to **effectively engage and communicate** with all stakeholder groups, including participants, customers and the wider industry groups, has the potential for varying levels of awareness and understanding resulting in a sub-optimal or dysfunctional market.
- Lack of a **level playing field**, resulting in preferential treatment, discrimination, hidden cross-subsidies and lack of transparency over costs, may deter new entrants and effective competition.
- An **insufficient gross retail margin** may deter new entrants and effective competition.

Underpinning Assurance Principles

There are a number of important assurance principles which underpin the process of developing the Assurance Framework and principles for delivery of the Assurance Framework. These have been reviewed and discussed with the main stakeholder groups as part of developing the Assurance Framework.

The objective of the Assurance Framework is to define appropriate assurance requirements which will give confidence to all parties in relation to the implementation of the non-household retail water and sewerage market in England.

Principles guiding the development of the Assurance Framework

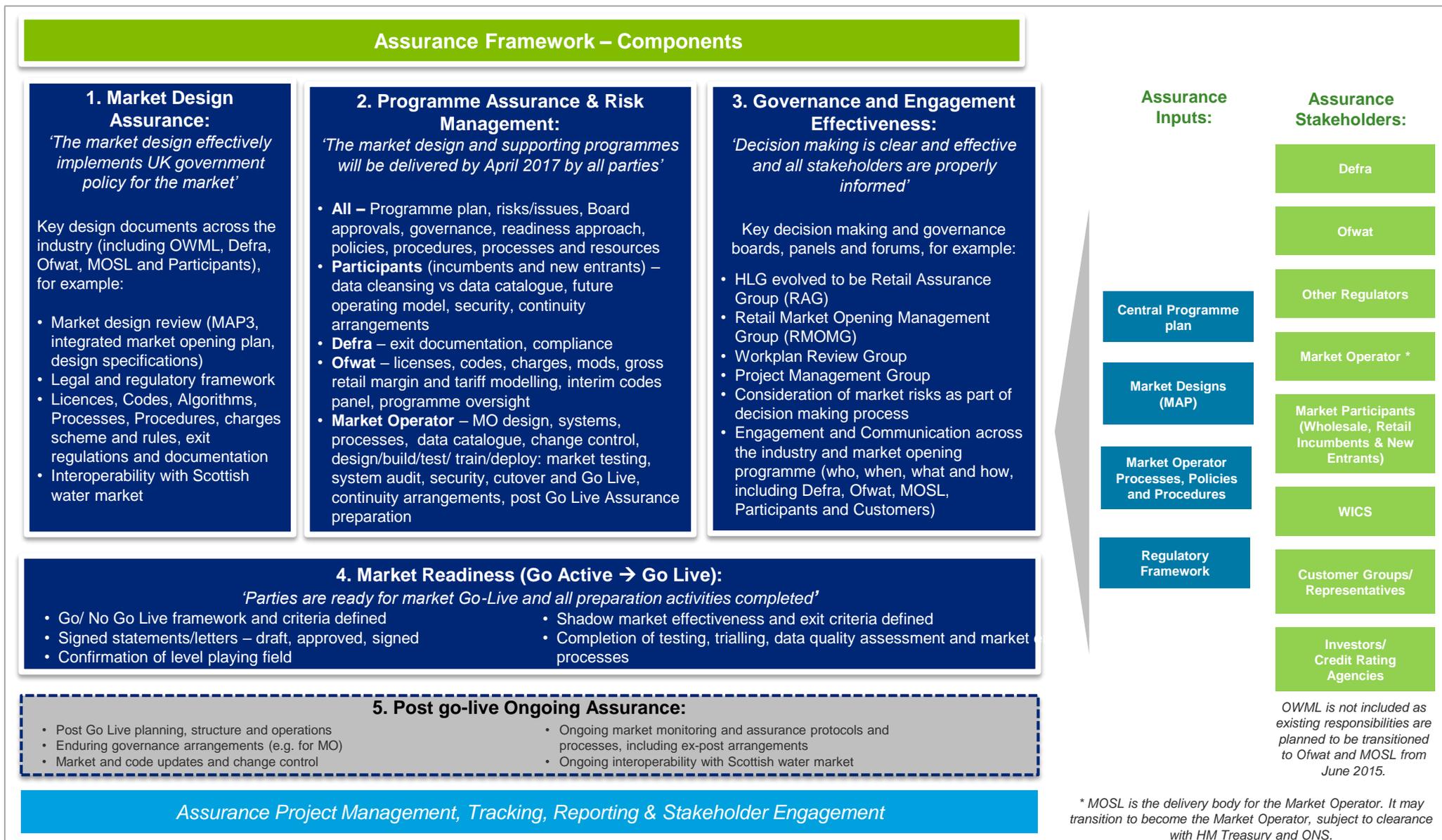
1. The Assurance Framework will build on the the **objectives, principles and success criteria** for retail competition as set out by Defra.
2. The Assurance Framework will be **transparent, concise, pragmatic** and appropriately scoped and sized for market opening for non-household customers in England. Other elements may be added as required in the medium-longer term (e.g. additional market readiness elements in the lead up to the April 2017 'Go Live').
3. The Assurance Framework will mirror delivery requirements and obligations on parties, including participants (wholesalers, incumbent retailers, and new entrants), MOSL, Defra, Ofwat. It will outline the **main assurance activities** and considerations to be taken forward, and **how, by whom and when these should be undertaken** (e.g. self-certification through to independent third party assurance). It will be clear on responsibilities to support accountability and transparency for all stakeholder groups.
4. Assurance activity provides **assurance over key deliverables** rather than being the key deliverables themselves.
5. There will be an **'assurance hierarchy map'** as part of the Assurance Framework, which illustrates the primary recipient being the Secretary of State and which group/ Board is responsible for providing the assurance and identifying the appropriate recipient/ audiences, including the source and type of assurance provided.
6. Assurance will be provided on an **ongoing basis** to confirm the programme is on track and will be delivered, rather than at a point in time or purely at the end of the implementation programme.
7. All key **stakeholders will be engaged** and provided an appropriate opportunity to understand, review and discuss the draft Assurance Framework. This is required in order to develop an Assurance Framework that is fit for purpose and meets the needs of stakeholders as far as is practically possible.

Principles for delivering the Assurance Framework

1. Assurance milestones will align to regular updates given to relevant Minister(s) by Defra, as far as is possible, to provide confidence that the programme is on track and to ultimately allow the Secretary of State to make an informed decision on Go Live.
2. Developing and maintaining confidence is an important building block in providing assurance for market Go Live. Given the multi party implementation, **confidence is built up over time** and should not be viewed as a 'one off' activity near the Go Live date. Key milestones will naturally be the focus for assurance activities.
3. The Assurance Framework is intended to support the market in **providing visibility on progress** leading up to the 'Go Live' decision to be taken by the Secretary of State. It should be seen as a constructive and supportive mechanism for all parties to leverage and used in obtaining Board/ Senior Executive Management approval and readiness sign off for the market. It should also be used to aid reporting, tracking and separate risk management processes.
4. **Transparency of plans** to implement organisational, business process, data and systems changes, and assurance plans, will be required by all relevant stakeholder groups for each to gain assurance over the planned activities and milestones leading up to April 2017. The degree of transparency will vary depending on commercial sensitivity and the depth and breadth of the assurance needed.
5. A **risk based approach** will be followed, prioritising the key readiness activities required for an effective and efficient market. An ongoing evaluation of risk will need to take place as part of the overall programme governance and management, which may inform future assurance and implementation plans and activities post May 2015.
6. The Assurance Framework will be owned by the Retail Market Opening Management Group (RMOMG). Any modifications/ changes to the Assurance Framework will be subject to change control and approved by the RMOMG.
7. Assurance provided by parties must be **evidence based**, for example formal management sign off, peer review, internal audit or external independent assurance as appropriate, depending on the criticality and risk level. Any issues or slippages identified will need to be raised with corrective action plans or need for intervention.
8. The Assurance Framework will be in place and operational from June 2015 to April 2017 'Go Live', at which point it will be superseded by enduring operational assurance arrangements.

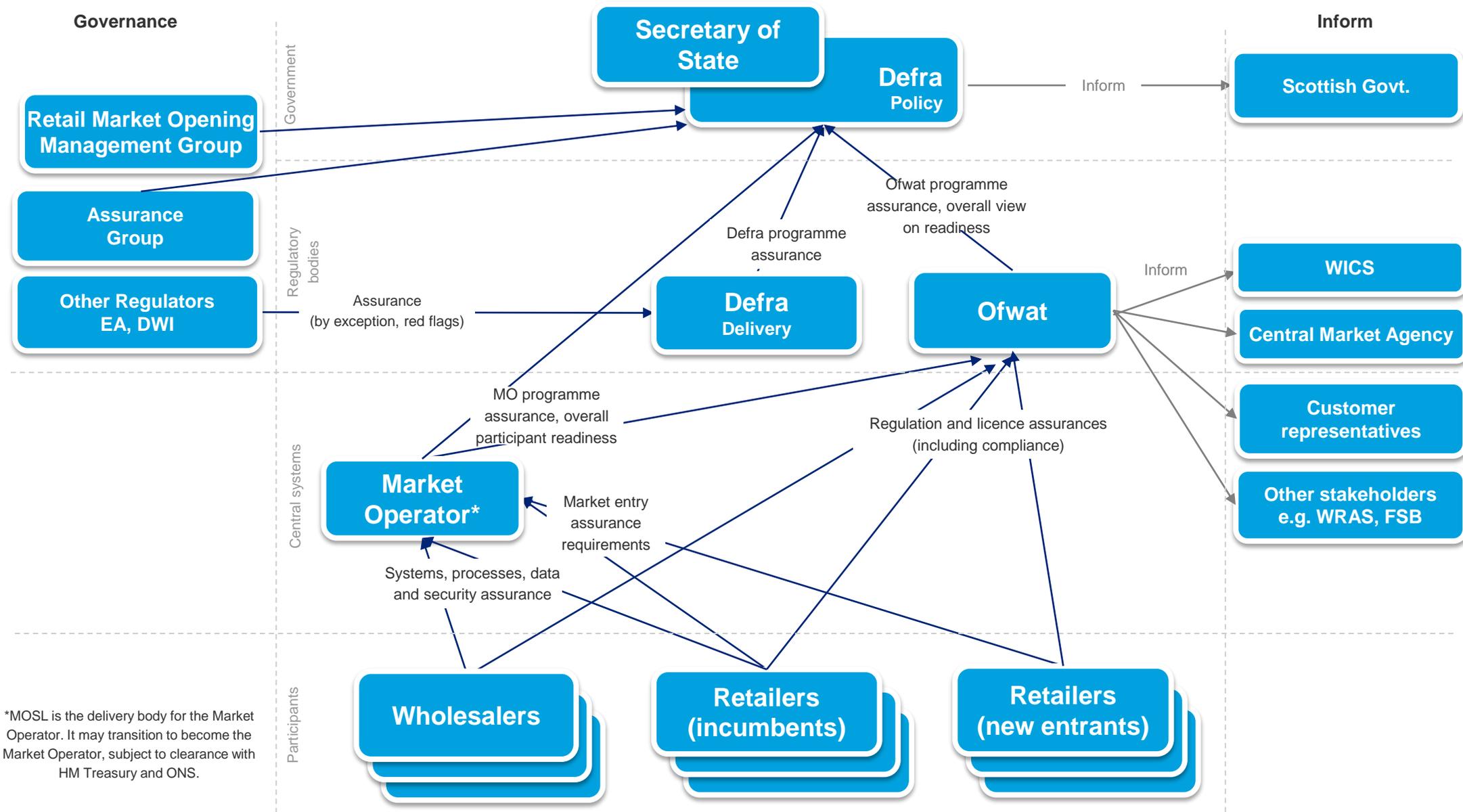
Key Components of the Assurance Framework

We have defined four main components within the Assurance Framework, with a focus on April 2017 market Go Live, and a further component for post Go Live ongoing assurance. A range of different companies, entities and stakeholders will be involved in some or all of the components. The following sections provide an 'assurance hierarchy', an assurance plan and further details on each component and guidance on the assurance methods in support of the framework.



Assurance Framework – Assurance Hierarchy

As part of the Assurance Framework, an assurance hierarchy has been defined, which illustrates which group/ entity is responsible for providing assurance and which group/ entity will be the recipient/ audience of the assurance. This hierarchy will be supported by letters of assurance to be prepared by the main bodies. The assurance outcomes will be made visible to a wider audience via the central programme and the letter milestones are included in the high-level assurance plan.

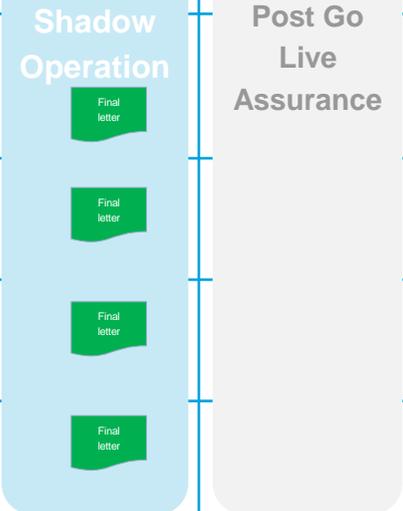


*MOSL is the delivery body for the Market Operator. It may transition to become the Market Operator, subject to clearance with HM Treasury and ONS.

Assurance Framework – High-Level Assurance Plan

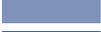
As part of the Assurance Framework, an indicative assurance plan has been set out below, which illustrates when assurances should be provided by each responsible group/ entity. Where appropriate the assurance plan is aligned to the Integrated Marketing Opening plan.

Assurance Responsible Party		2015							2016				2017						
		May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Q1	Q2	Q3	Q4	Q1	Q2	Q3			
Key milestones (Integrated Market Opening Plan, 4 March 2015)					●	IT systems build start (MOSL)	●	Draft licence consultation (Defra)			▲	Market testing start (MOSL & Participants)	●	MO board elected	▲	Go Active	▲	Go Live	
Defra						Exit process docs Charging guidance		Governance Effectiveness		Draft licence Prog Assurance		Planning letter		Go/No go framework & criteria Shadow operation readiness		Interim letter		Final SoS letter	
Ofwat			Algorithms & formulae				Charging rules Codes	Governance Effectiveness		Engagement Effectiveness Prog Assurance		Planning letter		Market readiness Codes, licences, statutory objectives		Interim letter		Final letter	
MOSL						Prog Assurance MOSL delivery				Prog Assurance MOSL delivery – systems build & data		Planning letter							
Market Operator (assuming transitional responsibility from MOSL, Q2 2016)													Prog Assurance MOSL delivery - test		Interim letter				
Participants		Wholesalers										Prog Assurance		Market readiness		Interim letter		Final letter	
		Incumbent retailers											Prog Assurance		Market readiness		Interim letter		Final letter
		New entrants													Market readiness				Final letter



Assurance Activity  Programme Milestone 
 Assurance Milestone  Letter of Assurance 

Assurance Components:

- 1 – Market Design 
- 2 – Programme Assurance & Risk Management 
- 3 – Governance Effectiveness & Engagement 
- 4 – Market Readiness 

Assurance Framework – Market Design Assurance

Component 1: The below details the likely assurance scope and remit for this component of the Assurance Framework and provides supporting information on who should undertake the assurance and the recipient(s). The planned timescale is included in the separate overall assurance plan.

Responsible Owner	Assurance Scope and Remit	Assurance Recipient (aligned to the Hierarchy)	Assurance Audience
Defra Delivery	Alignment between the regulatory framework of the retail competition market to the wider, legislative, regulatory and policy framework (resilience, innovation, customer focused industry, affordability, sustainability)	Defra Policy/ Secretary of State	Participants, Ofwat, Market Operator, Wider Industry Representatives
	Market design review (documents such as MAP, integrated market opening plan and design specifications)		Participants, Ofwat, Market Operator, Wider Industry Representatives
	Interoperability with the Scottish water market from a customer and retailer perspective		Secretary of State
	Retail exit regulations and exits framework		Participants
	Charging and policy guidance		Participants
	Appeals process against decisions taken by Ofwat on statutory codes and any licence modifications/ updates		Participants
Ofwat	Water Supply and Sewerage Licensing (WSSL) regime	Defra Policy	Participants
	Charging rules (having regard for guidance received from Defra)		Participants
	New market and regulatory framework serves the interests of customers		Defra, Wider Industry
Ofwat [depending on where responsibilities transition from OWML]*	Alignment of codes (Wholesale-Retail Code, Market Arrangements Code and draft wholesale contracts) to the intended regulatory framework	Defra Policy	Participants, Market Operator, Wider Industry Representatives
	Accuracy, validity and completeness of algorithms and formulae within codes		Participants, Market Operator, Wider Industry Representatives
Market Operator	The Market Operator business model is aligned to meet obligations under the codes and is fit for purpose	Ofwat and Defra Policy	Participants, Customers

* Ofwat has accountability for approval of the codes and in doing so will need to obtain assurance from the relevant delivery party.

Assurance Framework – Programme Assurance and Risk Management

Component 2: The below details the likely assurance scope and remit for this component of the Assurance Framework and provides supporting information on who should undertake the assurance and the recipient(s). The planned timescale is included in the separate overall assurance plan.

Responsible Owner	Assurance Scope and Remit	Assurance Recipient (aligned to the Hierarchy)	Assurance Audience
Defra Delivery	<p>Overall programme management:</p> <ul style="list-style-type: none"> Effective management and control of the programme in accordance with Cabinet Office controls, including clear roles and responsibilities, defined authorities, Board approvals process, decision making framework in place and risk management. Processes and approach for Board approvals and readiness approach in place. Programme plan, risks/issues management, policies, procedures, processes, operating model and sufficient resources are in place. 	Defra Policy/ Secretary of State	Participants, Market Operator, Ofwat, Customers, Wider Industry Representatives
	The extent to which exit regulations and processes are ready for market opening.		Ofwat, Participants
Ofwat	<p>Overall programme management:</p> <ul style="list-style-type: none"> Effective management and control of the programme in accordance with Cabinet Office controls, including clear roles and responsibilities, defined authorities, Board approvals process, decision making framework in place and risk management. Processes and approach for Board approvals and readiness approach in place. Programme plan, risks/issues management, policies, procedures, processes, operating model and sufficient resources are in place. 	Defra Policy	Participants, Market Operator, Customers, Wider Industry Representatives
	Established licences and regulatory requirements, including a defined applications process and management of transition for existing water supply licence holders.		Participants
	Gross retail margin and tariff modelling.		Participants
Ofwat [depending on where responsibilities transition from OWML]*	The extent to which the codes, CSDs and charges are fit for purpose, robust and ready for market opening.	Defra Policy	Participants, Ofwat, Defra
	Defined and effective code governance, including the interim codes panel and code change control procedures.		Participants, Market Operator, Wider Industry Representatives

* Ofwat has accountability for approval of the codes and in doing so will need to obtain assurance from the relevant delivery party.

Assurance Framework – Programme Assurance and Risk Management (continued)

Component 2: The below details the likely assurance scope and remit for this component of the Assurance Framework and provides supporting information on who should undertake the assurance and the recipient(s). The planned timescale is included in the separate overall assurance plan.

Responsible Owner	Assurance Scope and Remit	Assurance Recipient (aligned to the Hierarchy)	Assurance Audience*
Market Operator	<p>Overall programme implementation delivery and management:</p> <ul style="list-style-type: none"> Effective management and control of the programme, including clear roles and responsibilities, defined authorities, Board approvals process, decision making framework in place and risk management. Processes and approach for Board approvals and readiness approach in place. Programme plan, risks/issues management, policies, procedures, processes, operating model and sufficient resources are in place. 	Ofwat and Defra Policy	Participants, Customers, Wider Industry Representatives
Market Operator	Market Operator systems, processes and operating model are structured to reflect the codes and obligations.	Ofwat and Defra Policy	Participants, Wider Industry Representatives
	Market data has been completely and accurately migrated.		
	Market Operator business design and implementation delivery, including governance, organisation, policies and procedures, processes, resources and financing.		
	Calculation of settlements in a timely, accurate and fair manner.		
	Security of systems, including data transitioned to the Market Operator will be handled appropriately.		
	Operational and IT continuity arrangements.		
Participants	<p>Overall programme management:</p> <ul style="list-style-type: none"> Effective management and control of the programme, including clear roles and responsibilities, defined authorities, Board approvals process, decision making framework in place and risk management. Processes and approach for Board approvals and readiness approach in place. Programme plan, risks/issues management, policies, procedures, processes, operating model and sufficient resources are in place. 	Market Operator and Ofwat	Defra, Customers, Wider Industry Representatives
	Ability of systems and processes to interact with the Market Operator.	Market Operator	N/a
	Compliance with regulations and licences, including preparations to achieve a level playing field.	Ofwat	N/a
	Data cleansing and acquisition as set out in the Data Catalogue.	Market Operator	N/a
	Security of systems and continuity arrangements.	Market Operator	N/a

Assurance Framework – Governance and Engagement Effectiveness

Component 3: The below details the likely assurance scope and remit for this component of the Assurance Framework and provides supporting information on who should undertake the assurance and the recipient(s). The planned timescale is included in the separate overall assurance plan.

Responsible Owner	Assurance Scope and Remit	Assurance Recipient (aligned to the Hierarchy)	Assurance Audience
Ofwat	Coordinated programme management: <ul style="list-style-type: none"> • Effective governance and decision making framework, which considers risk management, during the implementation of the market. • Effective governance and monitoring against critical milestones. • Clarified and updated roles and responsibilities. 	Defra Policy	Market Operator Ofwat
Ofwat [depending on where responsibilities transition from OWML]*	Engagement and communication across the industry and market opening programme (who, when, what and how, including Defra, Market Operator, Participants and Customers).	Defra Policy	Participants, Wider Industry Representatives
	Participants have understood the codes and are seeking to follow/ implement them as intended.		

* Ofwat has accountability for engagement and communication and in doing so will need to obtain assurance from the relevant delivery party.

Assurance Framework – Market Readiness (Go Active → Go Live)

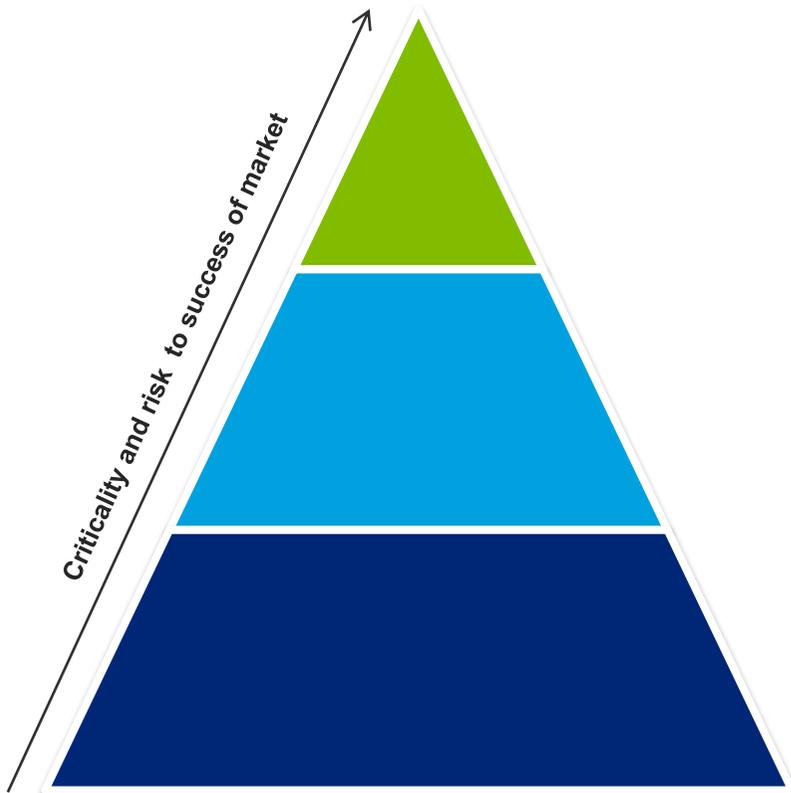
Component 4: The below details the likely assurance scope and remit for this component of the Assurance Framework and provides supporting information on who should undertake the assurance and the recipient(s). The planned timescale is included in the separate overall assurance plan.

Responsible Owner	Assurance Scope and Remit	Assurance Recipient (aligned to the Hierarchy)	Assurance Audience
Defra Delivery	Readiness for the retail market opening based on an overview of all activity and assurance provided.	Defra Policy/ Secretary of State	Participants, Wider Industry Representatives
	Delivery programme assurance, including: <ul style="list-style-type: none"> Exit regulations and documentation. Confirmation of organisation and capability establishment and readiness. 		
Ofwat	Delivery programme assurance, including: <ul style="list-style-type: none"> Codes and licences. Confirmation of organisation and capability establishment and readiness. 	Defra Policy	Participants, Wider Industry Representatives
	Overall view on readiness for market opening.		
Market Operator	Delivery programme assurance, including: <ul style="list-style-type: none"> Market Operator systems, processes and post Go Live operating model. Completion of testing, trialling, data validity. Confirmation of organisation and capability establishment and readiness. 	Ofwat, and Defra Policy	Participants, Wider Industry Representatives
	Overall view on readiness of Wholesalers, Incumbent Retailers and new entrants systems, processes, security and data.		
Wholesalers and Incumbent Retailers	Delivery programme assurance, including: <ul style="list-style-type: none"> Regulatory and licence assurance, including confirmation of and actions taken to achieve a level playing field. Contractual obligations, including sign up to wholesale supply agreements, procured credit cover etc. Confirmation of organisation and capability establishment and readiness. 	Ofwat	Participants, Wider Industry Representatives
New entrants	Delivery programme assurance, including: <ul style="list-style-type: none"> Regulatory and licence assurance. Confirmation of organisation and capability establishment and readiness. Contractual obligations, including sign up to wholesale supply agreements, procured credit cover etc., where applicable. 	Ofwat	Participants, Wider Industry Representatives
Wholesalers, Incumbent Retailers and new entrants	Systems, processes, security, continuity arrangements and data assurance readiness.	Market Operator	Participants, Wider Industry Representatives

Guidance on Assurance Methods

Assurance activities will vary depending on the nature of the subject being assured and the associated risk. An assessment should be performed (by the assurance owner) to consider risk, criticality and impact on the successful opening of the market to determine the appropriate assurance method to be used. Guidance on the methods of assurance that may be applied are illustrated below. It will be the responsibility of the assurance owner to make an informed decision on the appropriate assurance method. A 'comply or explain' approach should be taken where full compliance is not achieved.

Building confidence through assurance:



Suggested methods of assurance activities:

External, independent audit, assurance or expert analysis

Assurance, audit, testing or analysis carried out by a third party, outside the company or group.

Examples where this is expected to apply include the review of algorithms, Market Operator system and data flows, data cleansing and settlement calculation

Internal Expert or peer review

Performed by an independent regulatory specialist or someone who understands the content detail

Internal process or internal data audit

An independent internal assurance provider, e.g. Group Internal Audit, Compliance and Risk function etc.

Management review

Review and challenge by management

In-team peer review

Review performed by peers within a working team

Self assessment

Evaluation or assessment of progress internally

Appendix

Supporting Information

Guidance on Draft Letters of Assurance

The intention is that each party's board, or equivalent governing body, will provide the required assurance via letters of assurance. As part of the Assurance Framework, draft letters have been developed. These will be owned by the RMOMG and provided to assurance owners to be taken forward.

By completing the letters of assurance, the relevant party/entity is confirming that they have satisfied themselves that the required assurance has been completed fully and accurately and that assurance is supported by valid and reliable evidence.

The letters of assurance are to be completed in accordance with the three assurance milestones reflected in the High-Level Assurance Plan, namely 'Planning', 'Interim' and 'Final'. The letters should be amended depending on the assurance milestone reached. Guidance is provided to support the process and completion of the letters. Each letter contains an assurance statement, sources of assurance evidence, risk and issue management and any other matters to be noted.

The intention is that each assurance owner will use the letters as drafted. If the assurance owner wishes to deviate from the draft letter, there must be a clear rationale for doing so.

The guidance includes the four main assurance components, with the supporting assurance activities to be completed/ validated, namely:

- **Market Design Assurance** – The market design effectively implements UK government policy for the market
- **Programme Assurance and Risk Management** – The market design and supporting programmes will be delivered by April 2017 by all parties
- **Governance and Engagement Effectiveness** – Decision making is clear and effective and all stakeholders are properly informed
- **Market Readiness** – Parties are ready for market Go Live and all preparation activities completed

Where parties/ groups are providing a view on the readiness of other parties/ groups as per the Assurance Hierarchy, the basis of the assessment should be included in the draft letters of assurance. This is set out in an appendix to the draft letters of assurance for the Market Operator, Ofwat and Defra.

The following draft letters of assurance are provided as part of the Assurance Framework:

- Draft Letter of Assurance to be completed by Defra
- Draft Letter of Assurance to be completed by Ofwat
- Draft Letter of Assurance to be completed by the Market Operator
- Draft Letter of Assurance to be completed by participants, including Wholesalers, Incumbent Retailers and New Entrants (where applicable), to be provided to Ofwat and the Market Operator

Key Assumptions

There are a number of important assumptions which supported the development of the Assurance Framework.

Assumptions

- All elements of non-domestic market participants are included (wholesalers, incumbent retailers and new entrants).
- The Boards of incumbent companies retain full accountability for their own preparations for market opening and for working within the constraints of the four separate and binding price controls that have agreed to.
- The Retail Market Opening Management Group (RMOMG) will be owned and managed by Defra, working closely with Ofwat, Open Water and MOSL, to reflect the overall accountability for market policy, decision making and linkage to the overall assurance process.
- The responsibility for implementation of the non-household retail market will transition to Ofwat and MOSL from OWML at the end of May 2015, from which point OWML will cease to exist.
- MOSL is the delivery body for the Market Operator.
- All parties with responsibilities for market implementation will use the Assurance Framework.
- The Secretary of State will rely on independent reports from the Market Operator, Ofwat and advice from the Assurance Advisory Group. This is the basis for the assurance hierarchy.
- The gateway reviews is a separate exercise being defined and owned by Ofwat and therefore sits outside of the Assurance Framework currently.