

# 03/16 Open Water programme update

4 March 2016

## Assurance Framework – work on track at conclusion of phase 1

Phase 1 of the Open Water Assurance Framework<sup>1</sup> has now been completed with Defra submitting its letter of assurance to the Secretary of State on 19 February. Having seen the evidence provided from all parties involved in the Open Water programme, Environment Secretary Elizabeth Truss said:

*“There is just over one year to go until all businesses, charities and public sector bodies are able to choose their supplier of water and sewerage services, a choice we know they are keen to have. I am pleased to see that we are on track to open the new market in April 2017.*

*I would like to take this opportunity to thank the water industry for all their work to support the implementation of this market and for their continued positive engagement with the Open Water programme.”*

### Summary of progress

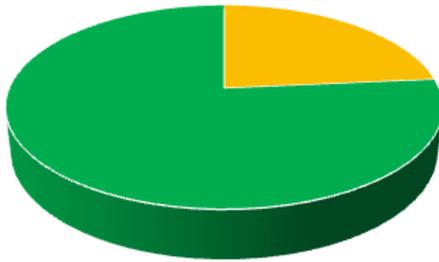
There is still much work to be done in the run up to April 2017, but this first phase of the Open Water Assurance process allows us to draw confidence from the evidence provided that the required plans, resources and risk management are in place across the industry, as we report on below, and across the Open Water programme.

Based on the evidence submitted at this planning stage, Defra, Ofwat and MOSL have reached a view on each participant’s readiness in the form of a red/amber/green (RAG) rating. A market readiness RAG rating was then assessed for each company by combining individual readiness with market participant type (wholesaler, incumbent retailer, etc.), weighted according to the impact of each participant type on overall market readiness:

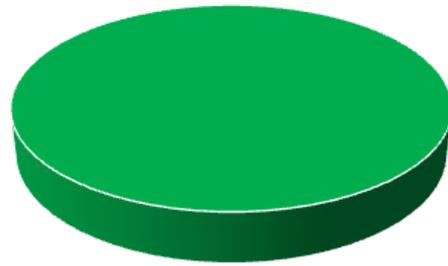
- Large incumbent wholesalers and integrated incumbent wholesalers and retailers were grouped together as companies whose readiness at this phase has a high impact on overall market readiness;
- Small wholesalers, New Appointments and Variations (NAVs) and companies operating wholly or mainly in Wales were grouped together as companies whose readiness at this phase has a low impact on overall market readiness.

The first two charts below summarise the company readiness RAG ratings that Defra included in its own letter of Assurance. The third gives an overall view of our judgement of market readiness based on the requirements of the planning stage assurance letters and the evidence received from participants:

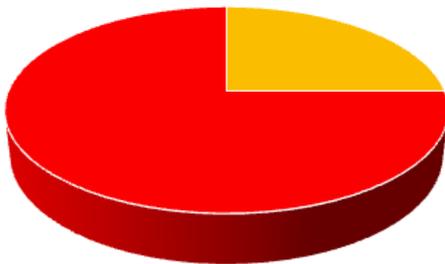
### 1. Company readiness ratings - wholesalers and incumbent retailers



### 3. Overall market readiness at planning phase



### 2. Company readiness ratings - small companies



In assessing small company readiness, red ratings reflect a mix of self-identified issues affecting readiness and incomplete information on readiness. Further work will be undertaken to support these companies in their preparations for market opening. However, at this planning phase the impact their stage of readiness has on the market overall is low, and therefore assessed as green.

This assessment of company readiness is based on the letters of assurance participants submitted for this first phase of the programme Assurance Framework and the evidence they contain relating to having the required plans, resources and risk management in place. It is distinct from other strands of assurance activity taking place across the programme such as the Market Entry Assurance process run by MOSL, and the performance dashboards that MOSL issues regularly which provide a snapshot of progress against its own plan of work.<sup>ii</sup>

The second phase of the assurance framework will focus on the progress that participants have made against the milestone plans set out in the first phase of the framework.

#### Next steps

The Assurance team will be reviewing phase 1 over March and April and we will keep you updated on the outcome of this review. If you have any feedback, or any further queries, please drop us a line at: [AssuranceLetters@ofwat.gsi.gov.uk](mailto:AssuranceLetters@ofwat.gsi.gov.uk).

#### Background notes

<sup>i</sup> Letters of assurance from all parties involved in the Open Water programme were submitted in February 2016 in line with the Assurance Framework published on the [Open Water website](#).

<sup>ii</sup> In its latest update, MOSL outlined a number of short-term challenges it has identified and the steps it has taken to address them. We note MOSL's announcement and welcome the reiteration of its confidence to deliver its programme. Such issues are outside the scope of this first phase of the assurance framework.