

Summary Note of Assurance Group meeting held 13 October 2016 at Defra

Present

Richard Macdonald (Chair), Sarah Hendry (Defra), Andy Duff, (Ofwat), Richard Moore (Castle Water), Jon Rathjen (Scottish Government), Colin Skellett (Wessex Water), Jo Dow (Business Stream), Alan Lovell (CC Water), Richard Hudson (YPO), Michael Roberts (Water UK), Nicola Smith (Clear Business Water), Phil Newland (South Staffordshire Water), Jess Keedy (Defra) and Sam Jackson (secretariat, Defra).

Apologies received from Aileen Armstrong (Ofwat), John Reynolds (MOSL and Castle Water) and Holly Yates (Defra).

Context setting

Richard Macdonald welcomed attendees and noted that Defra are shortly providing an assurance update to the Secretary of State on the progress of the overall programme. In August, the group set out initial thoughts on readiness for market opening in a first Chair's letter to Defra. It was agreed that this meeting should be used to reach a view on any material changes to this assessment in light of subsequent programme activity and to submit an update note to Defra to inform the assurance process.

Themes previously raised included the readiness of participants and central systems, customer awareness and experience, incentives for customers and retailers and the need for contingencies in recognition of the overall complexity and tight timescales for delivery.

Programme and other updates

Jess Keedy gave an overview of progress across the programme since the last meeting, highlighting the encouraging number of milestones achieved to ensure the programme moved into the planned shadow market phase on target. Market participants have progressed well through MOSL's pre-market entry assurance processes, with none required to enter a remedial phase of certification. Some companies continue to be further developed than others in terms of testing processes, but the overall picture demonstrates clear commitment to a successful market opening and progress since the July meeting. The group welcomed the continuing positive direction of travel and agreed that this increases confidence in their assessment of readiness for market opening.

Sarah Hendry explained work undertaken concerning programme contingency options, which have been discussed with market participants and CEOs at recent workshops. The

consensus to emerge from these workshops is that there are no known risks that would provide a fundamental barrier to market opening. The group were content that the scenarios and mitigations addressed their previous suggestion that the complexity of the programme merited robust contingency plans.

Andy Duff shared the outcomes of Ofwat's targeted review, detailing areas explored in the questionnaire. Overall the assessment indicated that the sector is likely to be prepared for market opening. Ofwat will continue to work with companies, and evidence suggests ongoing progress since the conclusion of the review. The group discussed how an important aspect of the ongoing work is to monitor level playing field requirements. Ofwat recognises the need to sensibly assure itself that no such issues will affect the evolution of the market and is preparing an ongoing market monitoring framework.

Data quality and system stability

Having noted the significant progress represented in reaching shadow market, the group acknowledged that further system releases will need to be delivered successfully against tight timescales. In particular operation of the settlement process is a key success factor which is not scheduled to occur until November. Additionally, the group reaffirmed the view that as we look to performance beyond market opening, enhancing the quality of data held in the system will be fundamental to ensuring a positive customer experience. The group asked to receive a MOSL update on these points in the December meeting.

Customer awareness

Jess Keedy gave a brief update on the programme's most recent awareness-raising and engagement activity. The group welcomed the launch of the programme website; and noted the progression on defining the purpose and scope of a national information awareness campaign to complement the activity of market participants. The group agreed that awareness amongst business customers remains lower than we would hope and that the further planned activities are imminently required to increase this, noting that we would also have an expectation that engagement continues to build beyond market opening.

Update to the Chair's letter

The overall view of the group is that the programme and wider industry has made significant progress across the range of issues raised in the first Chair's letter. There remains a high degree of challenge, particularly in relation to systems and data. It was agreed that commentary to Defra should reflect that the risks and success factors raised previously are still relevant, but that the group has increased confidence that the necessary foundations will be in place to open the market next April. In addition, the group wanted to note in the letter the importance of the level playing field requirements and a

recommendation that processes involving interactions between the wholesaler and retailer undergo scenario testing during the shadow market to ensure the customer has a positive experience in the new market. Richard will provide a draft commentary for the group to agree.

Issues for the December meeting

The group will next meet in December to begin preparing their final advice to Defra and conclusions on their overview of preparedness towards for market opening. The group asked to receive iterative updates on relevant progress throughout the period leading up to the meeting. Agenda items are to be tabled to update the group on the performance of central IT systems (including the settlement process), data issues, participant readiness, operational issues during shadow and the level of customer awareness.