

To: Electricity Transmission,  
Gas Transmission, Gas  
Distribution licensees and other  
interested stakeholders

Email: [thomas.mclaren@ofgem.gov.uk](mailto:thomas.mclaren@ofgem.gov.uk)

Date: 20 November 2021

Dear stakeholders,

**Consultation on Network Asset Risk Metric (NARM) Regulatory Instructions and Guidance (RIGs) and NARM Regulatory Reporting Pack (RRP) to apply during RIIO-ET2, RIIO-GT2, and RIIO-GD2**

The purpose of this consultation is to seek views on the proposed modifications to the NARM RIGs and NARM RRP data templates<sup>1</sup> for the onshore Electricity Transmission (ET), Gas Transmission (GT), and Gas Distribution (GD) network companies<sup>2</sup>. The draft NARM RIGs (Version 1.1) and NARM RRP (Version 1.1) are published alongside this letter.

The RIGs and RRP are for the network companies to use and apply when submitting NARM specific annual reporting information from 1 April 2021 to 31 March 2026. These templates and associated guidance are based on the RIIO-2 NARM Business Plan Data Templates (NARM BPDT) used by the licensees in support of their RIIO-2 proposals and published on our website on 20 September 2019.<sup>3</sup>

## Introduction

The NARM has been developed to allow us to quantify the benefit to consumers of the network companies' asset management activities. In RIIO-2, NARM has been used as the output to hold the network companies accountable for their investment decisions. To administer, and monitor compliance with, Special Condition 3.1 Baseline Network Risk Outputs, we require the ET, GT and GD sectors to annually submit NARM data. The annual submission is completed in accordance with the RIGs<sup>4</sup>.

The RIGs is the principal means by which we collect cost, volume, allowed expenditure and output delivery information from the network licensees to monitor performance against their price control objectives and hold them to account.

---

<sup>1</sup> The draft data template contains the Cost & Volume RRP data worksheets only; worksheets for the collection of ET2 Revenue information used to update values in the Price Control Financial Model (PCFM) are not included. A separate guidance document is available for the data input requirement for the revenue worksheets: <https://www.ofgem.gov.uk/publications/riio-2-pcfm-guidance>

<sup>2</sup> Please note, these are not intended to apply to licensees in Electricity Distribution sector.

<sup>3</sup> <https://www.ofgem.gov.uk/publications/riio-2-final-data-templates-and-associated-instructions-and-guidance>

<sup>4</sup> For ET; Transmission Licence Standard Conditions, Condition B15: Regulatory Instruction and Guidance (RIGs) For GT and GD; Gas Transporters Licence Standard Special Condition A40: Regulatory Instructions and Guidance (RIGs)

In 2019, we published data templates and associated instructions and guidance for use by ET, GT, and GD network companies to enable them to complete the business plan submission for the RIIO-2 price controls. This included a NARM BPDT and associated guidance document. The data and accompanying explanation received through the templates was subject to review and assessment and formed the basis of the Final Determinations for RIIO-2<sup>1</sup>.

For the first year of NARM annual reporting, we have designed and structured the RRP data templates to be an evolved version of the NARM Business Plan Data Template (BPDT). We have used learnings since the submission of the NARM BPDTs to inform the redesign of some of the workbook structure (namely N1.2, N1.3 and N3 tabs). We have also aimed to incorporate more automation within the RRP to reduce data duplication.

We have attempted to improve the interlinkage of the NARM RRP with the sectoral cost and volume RRP. We have achieved this by adding a sector specific NARM interface sheet within each sector's main cost and volume RRP template. This is designed to align with a corresponding summary tab within the NARM RPP. This approach will facilitate closer alignment of NARM outputs to cost and volume data submissions.

We are consulting on the draft RIGs and RRP data templates, which we believe represent a pragmatic set of reporting requirements for ET, GT, and GD network companies to use when submitting annual data during the RIIO-2 price controls period. We seek stakeholder comments on the form and content of the RIGs and how we intend to monitor performance over the RIIO-2 period.

We intend to engage directly with network companies, and other stakeholders expressing an interest in such engagement ahead of publication of the final versions of the NARM RIGs and RRP.

We intend to publish the final versions of the RIGs and RRP data templates in early 2022.

### **Future development**

Following the publication of the Final Determinations for RIIO-2, we used NARM data as a test case to start assessing whether it is possible to structure regulatory data in ways that will improve efficiency in data submission, processing, and analysis. We intend to start working with network companies in the coming months with a view to further developing data structure. The first part of this process will be to design a data schema that maps the various data types and data sets. Appendix 1 contains a first illustrative draft of the NARM data schema to provide an indication of how we think a data schema might look. The intention is to develop a schema that covers the full breadth of data including costs, asset and intervention volumes, outputs, and other required reporting metrics. Once finalised, the data schema will allow us to decide on the next steps and options for how to redesign our reporting to be smarter and more efficient. As a minimum, subsequent to this first step, we expect to be able to redesign the NARM RRP in line with the agreed data schema for 2022/23 reporting.

---

<sup>1</sup> <https://www.ofgem.gov.uk/publications/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator>

## **Timeline**

If we implement these changes, they will take effect immediately. For the avoidance of doubt, this means that the data submitted in July 2022 (in respect of the 2021/22 reporting year) would use the RIGs as modified.

We welcome comments on our proposed modifications by Tuesday, 21<sup>st</sup> December. The details on how to respond to this consultation may be found on our website.

Yours faithfully,

**Min Zhu**  
**Deputy Director, Networks**  
**20 November 2021**

## Appendix 1 – Illustrative NARM Data Schema

Please note that this is simplified illustrative example to provide an indication of how data schema might be developed. We are not requesting views on this illustrative schema as part of this consultation.

