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Dear Thomas,

National Grid Electricity Transmission: Response to Ofgem's Consultation on RIIO-2 Regulatory Reporting Requirements Relating to Network Asset Risk Metric (NARM)

We welcome the opportunity to respond to this consultation on RIIO-2 Regulatory Reporting Requirements Relating to Network Asset Risk Metric (NARM) issued on 19 November 2021. We have provided a more detailed record of our comments in the attached excel document, this covering letter summarises our key concerns.

Granularity of annual reporting

We fully acknowledge the need for annual regulatory reporting of volume and scheme progress, however, the proposed complexity of data requested for annual reporting of NARM RRP in RIIO-T2 is significantly greater than that provided in RIIO-T1, in particular it provides a more granular level of detail than was required for the end of price control submission at RIIO-T1 NOMs closeout.

For RIIO-T2, adjustments to final allowances are re-calculated at the closure of the price control rather than annually, therefore the purpose of annual reporting at this level of detail is not clear.

On the assumption that the objective is to monitor the progress of licensees delivering upon commitments in the T2 Business Plan and Final Determinations, understanding progress is most easily digested in terms of the volume and per-scheme data supplied rather than the output of monetised risk.

The LTRB modelling assumes that all T2 interventions complete on 1st April 2026, regardless of when they actually complete and therefore, as a result, reporting changes in LTRB within period is not a meaningful indicator of performance or scheme completion.

Timing of Submission

The NARM RRP pack has dependencies upon other RRP information being collated and reviewed before analysis and processing for the NARMs tables can start. This includes the outcome of all asset

replacements, maintenance, and changes in condition scores through the reporting year. This information will not be fully available for calculating the values for NARMs tables until late May or early June each year.

The NOMs tables submitted for RIIO-T1 closeout took a significant amount of time i.e. over 3 months to populate due to the complexity involved, the scale of reviewing required and the complex process to identify all the relevant risk factor changes. In addition, there are also several weeks required to assure the tables prior to submission due to their complexity.

Based on our experience of compiling this level of information and the timing of the wider RIIO-T2 RRP reporting pack submission which is a prerequisite, the timeline for completing the proposed RIIO-T2 NARM RRP pack can only be realistically achieved for annual reporting in November.

Timing for RRP22 cycle

For 2021/22 especially, as the NARM RRP pack's contents are still to be finalised; the scope of the systems and resources necessary to produce the NARM RRP are also to be confirmed. Conducting the relevant development work and testing to deploy these tools at the requested level of detail represents a significant challenge to deliver within the proposed RRP22 timeline.

Reporting the level of detail within the tables on an annual basis requires investment in our systems and processes to automate and streamline the process. This can only be progressed once reporting requirements are agreed and has a lead time which is not feasible for the RRP22 cycle. We welcome further engagement to discuss any alternative options, in particular, for the RRP22 reporting cycle.

RIIO-T1 Closeout position

The RIIO-T1 NOMs Closeout position is not comparable to the RIIO-T2 NARM opening position, for they utilise different measures (Total Risk as opposed to End-of-life only risk) and apply to a different asset base (e.g. T2 opening includes completed T1 Load-related activity). It would appear from the workbook that the intent is to attempt to re-create a RIIO-T1 NOMs closeout position in terms of NARM. It is not clear as to the purpose or use of this information, and resource could be better utilised focusing on the development of the RIIO-T2 opening position & forecast.

Data entry challenges

We value ongoing engagement to improve the template structure and in particular find ways to reduce duplication, support data uploads and improve auto-population. Removing data or information that is not perceived to be of use on an annual reporting basis or which is available in other reports will help to focus on what is useful to Ofgem.

More detailed and specific issues and questions on the content and usage of the workbook can be found in the issues log accompanying this letter.

If you would like to clarify anything in this response please do not hesitate to contact either myself, Michelle Clark (michelle.clark@nationalgrid.com), or Julie Hooper (julie.hooper@nationalgrid.com).

We hope that you find this response useful and constructive.

Yours sincerely

Hêdd Roberts
Director of Regulation, NGET
(by email)