ofgem
Making a positive difference
for energy consumers

Asset Health Licence Conditions

Publication date:	26 November 2026

Draft for Consultation

Draft for Consultation

© Crown copyright 2026

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the Open Government Licence.

Without prejudice to the generality of the terms of the Open Government Licence, the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement. This publication is available at www.ofgem.gov.uk. Any enquiries regarding the use and re-use of this information resource should be sent to psi@nationalarchives.gsi.gov.uk.

1. The purpose of this condition is to ensure that the licensee has processes in place for the management of Relevant Assets:
   1.1. Part A requires that the licensee has an Asset Management System in place to effectively manage its Relevant Assets;
   1.2. Part B requires that the licensee manages its asset data in a manner that supports the operation and function of its Asset Management System;
   1.3. Part C, requires that the licensee maintains its Relevant Assets in accordance with, and gives effect to, its Asset Management System, and keeps records of this;
   1.4. Part D, defines the process by which the Authority, through its Asset Health Inspectorate, will, from time to time, conduct Audits of licensee Asset Management Systems;
   1.5. Part E sets out the process by which the licensee must address Audit Findings following Audits conducted in accordance with Part D;
2. This condition also establishes, under Part F, the Asset Health Inspectorate Audit Methodology ("the Audit Methodology").
3. The Asset Health licence conditions are intended to support compliance with the licensee's duties under section 9 of the Act. For the avoidance of doubt, compliance with the Asset Health Licence Conditions does not, of itself, establish compliance with those duties or any other statutory or other obligations.
4. The licensee must have in place an Asset Management System, and that Asset Management System must form part of the licensee's broader system of asset management which is certified to an appropriate international standard (which must be ISO 55001 or an equivalent approved in writing by the Authority).
5. From 1 September 2027, the licensee must provide a copy of the certification (by an accredited body) of its Asset Management System to the Authority. The licensee must notify the Authority in writing (as soon as practicable and in any event within 7 Working Days) where its ISO 55001 (or approved equivalent) accreditation lapses. Where its accreditation lapses the licensee must use best endeavours to obtain a new ISO 55001(or equivalent which the Authority has approved in writing).

Part A: Asset Management System

6. The licensee must have an Asset Management System in place. The Asset Management System must include at least the following:
   6.1. An accurate record of all Relevant Assets, including as a minimum, location, type, model, age, capacity, and other relevant technical parameters as defined in the licensee's Information Gathering Plan required by Part E of Special Condition 9.2 of its licence and / or as described in the Audit Methodology.
   6.2. The licensee's policies and procedures for Asset Management decision-making.
   6.3. The licensee's policies and procedures for regular maintenance and condition monitoring of Relevant Assets.

Draft for Consultation

6.4. The licensee's policies and procedures for taking appropriate and timely interventions to maintain asset availability and reliability, in response to faults and defects identified through maintenance and condition monitoring activities.

6.5. An accurate record of the condition of each Relevant Asset, based on the monitoring activity referred to in paragraph 6.3.

6.6. An accurate record of any faults and / or defects identified for each Relevant Asset, and the time and nature of response to identified faults or defects.

6.7. An accurate record of the availability of each Relevant Asset, reflecting planned and unplanned unavailability.

7. The licensee's policies and procedures for the proactive maintenance of Relevant Assets must be developed in accordance with Good Industry Practice; applicable manufacturer's guidance or recommendations; and any other considerations set out in the Audit Methodology. Where so requested by the Authority, the licensee must provide evidence that it has developed its policies and procedures in line with Good Industry Practice and manufacturer's guidance.

Part B: Asset Management Data

8. The licensee must hold and maintain Asset Information to support the operation of its Asset Management System. That Asset Information must:
   8.1. be accurate in accordance with the requirements of the Audit Methodology;
   8.2. contain, as a minimum, the information required under Part A of this condition;
   8.3. be consistent with information provided to the Authority within Information Gathering Plans as required under Part E of Special Condition 9.2 of its licence;
   8.4. be consistent, where applicable, with information provided to the Authority in accordance with the Regulatory Instructions and Guidance (RIGs) and where they relate to asset condition (as required at paragraph 6.5 of this condition) be consistent with information provided to the Authority in line with the NARM Methodology required under Special Condition 9.2 of its licence.
9. In taking any decision or action in relation to Asset Management, the licensee must be able to evidence how its Asset Information informed that decision or action and must provide a record of its evidence to the Authority on request.
10. The licensee must have in place information management and assurance processes to ensure the accuracy, completeness and reliability of its Asset Information. These processes must ensure compliance with the requirements applicable to all regulatory information under the Data Assurance Guidance (DAG).

Part C: Asset Management Activities and Asset Condition

11. The licensee must maintain its Relevant Assets in line with the policies it is required to have in place under paragraph 6 of this condition.
12. The licensee must retain accurate records of its maintenance of Relevant Assets.

Draft for Consultation

13. The licensee must carry out its Asset Management activities, including its management, maintenance, monitoring and intervention in relation to Relevant Assets, in accordance with Good Industry Practice and manufacturer's guidance.

Part D: Asset Health Audit Requirements

14. The Authority (or agents acting on its behalf) will, at its own discretion, perform Audits on licensee Asset Management Systems and Relevant Assets.
15. Where it has decided to carry out an Audit, the Authority will provide the licensee with an Audit Notice.
    15.1. The licensee must, within 7 Working Days of this licence condition coming into effect, provide the Authority in writing with electronic contact details for the licensee for the purpose of issuing an Audit Notice and other relevant communications regarding Audits (as described in the Audit Methodology). The licensee must notify the Authority immediately in writing in the event that these details change.
    15.2. Where the Authority issues the licensee with an Audit Notice, the licensee must acknowledge receipt in writing to the Audit Notice
        (a) **for Non-Routine Audits, within 1 Working Day** of the date listed on the Audit Notice, unless the Authority determines that a longer time period is appropriate and provides this in the Audit Notice.
        (b) **for Routine Audits, within 10 Working Days** of the date listed on the Audit Notice, unless the Authority determines that a longer time period is appropriate and provides this in the Audit Notice.
16. The Authority will also provide the licensee with Terms of Reference for the Audit (Audit Terms of Reference).
    16.1. Where the Audit Terms of Reference includes a request for information which the Authority may reasonably require or that it may consider necessary to perform the Audit (or its wider statutory functions) the licensee must provide that information to the Authority within the timeframe and in the form provided for in the Audit Terms of Reference. For the avoidance of doubt, the licensee is not required to comply with this condition if it could not be compelled to produce or give the information in civil proceedings before a court. The Authority's power to request information under this condition is additional to its power to request information under or pursuant to any other condition of this licence or under or pursuant to its statutory powers.
    16.2. Where the Audit Terms of Reference includes a request from the licensee to make available to the Authority, or the Auditor conducting an Audit, members of staff with sufficient knowledge and experience to enable the Authority to carry out the full scope of the Audit, the licensee must make those staff available to the Authority or Auditor at the place and within the timeframe set out in the Audit Terms of Reference.
17. The Authority may require access to a licensee site for the following purposes (hereafter referred to as "the Purposes"):

Draft for Consultation

17.1. inspecting the physical condition of Relevant Assets, plant or equipment within the scope of an Audit;
17.2. verifying or comparing the physical condition of Relevant Assets against information, records or data provided by or held by the licensee;
17.3. assessing how the licensee's Asset Management System is applied in practice;
17.4. obtaining information from relevant personnel at site where the Authority considers that it is reasonably necessary to do so at site; and
17.5. otherwise obtaining or verifying evidence reasonably required for the purposes and within the scope of an Audit; but
17.6. for the avoidance of doubt, only visual inspection will be undertaken by Auditors while physically on site and no physical testing of equipment will be undertaken, nor will the licensee be required to perform any physical testing for the purpose of any Audit.

18. Where the Authority requires access to a licensee site, it will give the licensee notice ("Access Notice"). The licensee must provide access to the site specified in the Access Notice within the timeframe specified in the Access Notice (which, in the case of a Non-Routine Audit will be not less than 1 Working Day from the date listed on the Access Notice and in the case of Routine Audits will be not less than 10 Working Days from the date listed on the Access Notice or, such other earlier date as agreed between licensee and the Authority in the final Audit Terms of Reference). Where the licensee considers that there are health and safety, security, environmental, information security, or other reasonable requirements (as described in the Audit Methodology) which the Auditor must adhere to in advance of access or when accessing the site, it must communicate these requirements to the Authority in writing within 3 Working Days of the date listed on the Access Notice in respect of Routine Audits and on the date listed on the Access Notice in respect of Non-Routine Audits. For the avoidance of doubt, the licensee is not required to provide access where it can demonstrate that doing so would cause it to breach health and safety or other regulatory or statutory obligations but where the conditions which would cause that breach are time limited the licensee must immediately notify the Authority that it can facilitate access and access must then be facilitated in line with the timings set out in this condition.

Part E: Post Audit Activities

19. Following an Audit, the Authority will provide draft Audit Findings to the licensee. The licensee will have 10 Working Days (or other timeline as approved by the Authority in writing) from receipt of the draft Audit Findings in which to raise any factual inaccuracies.
20. The Authority will issue an Audit Letter to the licensee which sets out the Audit Findings, having taken into account any representations made by the licensee.
21. Within 30 Working Days (or other timeline approved by the Authority in writing) of the date listed on the Audit Letter, the licensee must submit a proposed Action Plan to

Draft for Consultation

the Authority, which the licensee considers credibly addresses the Audit Findings set out in the Audit Letter.

22. The proposed Action Plan must provide a timeline and set of actions that the licensee considers are sufficient to address the Audit Findings in a reasonable and effective manner.
23. Where the Authority does not agree that the proposed Action Plan credibly addresses the Audit Findings, the licensee will be required to submit a revised proposed Action Plan.
24. Where the Authority agrees that the proposed Action Plan (which may be a revised proposed Action Plan, following paragraph 23 of this condition) addresses Audit Findings in a reasonable and effective manner, it will approve the Action Plan, notifying the licensee in writing. Following such approval:
    24.1. The licensee must complete all actions set out within the approved Action Plan within the specified timescales.
    24.2. The licensee must provide updates to the Authority in writing on progress of delivery of the actions listed within the Action Plan by the end of each quarter, or otherwise at a frequency and detail agreed with the Authority at the point of submitting the Action Plan. Such notifications should continue until the issuance of an Action Plan Close-out Letter by the Authority (which, for the avoidance of doubt, may be issued prior to the completion of all actions in the Action Plan in accordance with paragraph 26 of this Condition).
    24.3. Where the licensee is unable to deliver an action, it must notify the Authority in writing as soon as it becomes aware of this. Within such notification, the licensee must also provide a detailed explanation of the reasons for non-delivery and propose a suitable alternative measure to achieve the intended outcome of that action. The Authority may approve the proposed alternative measure, or require the licensee to submit a revised alternative measure.
25. The licensee must comply with any reasonable requirements specified by the Authority to verify compliance with the Action Plan (including as required to verify compliance for the purposes of an Action Plan Close-out Letter in accordance with paragraph 26 of this Condition), including additional self-reporting requirements and facilitating follow-up Audits.
26. Where the licensee demonstrates that Audit Findings have been addressed through the Action Plan, the Authority may issue an Action Plan Close-out Letter to the licensee. The licensee will not be required to continue reporting progress of delivery of actions under paragraph 24.2 of this condition from the date on the Action Plan Close-out Letter (but must still comply with paragraph 24.3 of this condition). Notwithstanding the issuing of an Action Plan Close-out Letter, the licensee remains responsible for completion of any outstanding actions and for the ongoing compliance of its Asset Management and Asset Management System with this condition and for the avoidance of doubt an Action Plan Close-out Letter does not imply compliance with the licensee's duties under section 9 of the Act.

Draft for Consultation

27. The Authority may publish Audit Findings, Audit Letters, licensee Action Plans and Action Plan Close-out Letter (or any other relevant documents) in accordance with its statutory powers and duties.
28. The licensee remains responsible, at all times, for the management, maintenance, operation, safety, health and condition of its Relevant Assets and for the adequacy and operation of its Asset Management System. The carrying out of an Audit, and any assessment, assurance activity, Audit Finding, Audit Letter, Action Plan Close-out Letter, recommendation, approval, acceptance, comment or other action by the Authority in connection with an Audit or any Action Plan:
    28.1. does not relieve or otherwise diminish the licensee's responsibility for complying with its obligations under this licence or applicable law;
    28.2. does not constitute approval or endorsement by the Authority of the adequacy, effectiveness or suitability of the licensee's Asset Management System, policies, procedures, decisions, actions or proposed remedial measures;
    28.3. does not transfer to the Authority any responsibility for the management, maintenance, operation, safety, health or condition of the licensee's Relevant Assets; and
    28.4. does not relieve or otherwise diminish the licensee's responsibility for determining, implementing and ensuring the adequacy and effectiveness of any actions or measures contained in an Action Plan, including where that Action Plan, or any measure contained within it, has been approved or accepted by the Authority.

Part F: Asset Health Inspectorate Audit Methodology

29. The licensee must comply with the Audit Methodology.
30. The Authority will issue and amend the Audit Methodology by direction.
31. The Authority will publish the Audit Methodology on the Authority's website.
32. The Audit Methodology will include provisions about or impose requirements in relation to at least the following:
33. The process by which the Authority will generate an annual programme of Audits, including how the licensee and how licensee assets and / or sites will be selected for auditing and, where relevant, The Authority's approach to prioritisation of Audits.
    33.1. The process by which the Authority will notify the licensee of its intention to conduct an Audit and licensee actions in response to such notification.
    33.2. The processes by which Audits will be conducted, including the setting of scope and Audit Terms of Reference, and the licensee actions during Audits.
    33.3. The processes for feedback to be provided following an Audit, and licensee requirements to act on recommendations.
    33.4. The information the Authority expects to publish in relation to Audits and the process it expects to follow when publishing that information in accordance with its statutory powers and duties.
34. Before issuing a new or amended Audit Methodology, the Authority will publish on the Authority's Website:

Draft for Consultation

34.1. the text of the proposed or amended Audit Methodology;
34.2. the date on which the Authority intends the new Audit Methodology or amended Audit Methodology to come into effect; and
34.3. a period during which representations may be made on the content of the Audit Methodology, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

35. The steps required to issue or amend the Audit Methodology may be satisfied by action taken before, as well as by action taken after, this condition comes into effect.

Part G: Definitions

36. For the purposes of this condition, the following definitions apply:

Access Notice	means the communication from the Authority to the licensee to notify of the intent to access licensee sites to which the licensee must then provide access.
Action Plan	means the Licensee's plan to credibly address Audit Findings following an Audit, setting out any actions proposed, reasons for taking no immediate action where applicable, and the proposed timetable.
Action Plan Close-out Letter	means the formal written communication by which the Authority records its conclusion on the Licensee's completion of the actions contained in an Action Plan, including whether any further reporting or follow-up activity is required.
Asset Health	means the assessed ability of an asset, at a specified date, to perform its required function, having regard to its condition, degradation, performance, probability of failure, expected remaining life and relevant uncertainty.
Asset Information	means records and data relating to Relevant Assets and their management, including identity, location, type, age, specification, condition, health, criticality, risk, performance, inspection, maintenance, defects, failures, interventions, availability and supporting metadata.

Draft for Consultation

Asset Management	means the coordinated activities of the Licensee through which it directs and controls its assets, and the associated risks, costs and performance, in order to realise value and deliver the requirements of its licence and applicable law over the assets' life cycles.
Asset Management System	means the set of interrelated or interacting policies, objectives, governance arrangements, processes, information, resources and controls established by the Licensee to direct, coordinate and continually improve its Asset Management activities.
Audit	means an audit undertaken by or on behalf of the Authority of the Licensee's Asset Management System, Asset Information, Asset Management activities or Relevant Assets, including, where relevant, inspection of assets or sites as part of that audit.
Audit Finding	means a documented conclusion arising from an Audit; it does not of itself determine licence non-compliance, which is addressed under the applicable regulatory process.
Audit Letter	means the formal written communication issued by the Authority following an Audit, setting out the final Audit Findings and, where applicable, requiring the Licensee to provide an Action Plan in response.
Audit Methodology	means the public document designated by the Authority as the Audit Methodology document, setting out the high-level outcomes and processes for selecting, planning, conducting, reporting on and closing Audits.
Audit Notice	means the communication from the Authority to the licensee to notify of the intent to conduct an Audit, and to which the licensee must respond.
Audit Terms of Reference	means the document for a particular Audit setting out its purpose, scope, boundaries and principal arrangements, prepared by reference to the indicative template appended to the Audit Methodology document.

Draft for Consultation

Auditor	means a person authorised by the Authority to undertake all or part of an Audit, acting within the scope of that authorisation.
Good Industry Practice	means the exercise of practices, methods and procedures that would reasonably and ordinarily be expected from a skilled and experienced network licensee engaged in the same type of undertaking under the same or similar circumstances, taking into account recognised standards, relevant industry guidance and knowledge, and the risks associated with the operation and failure of those assets.
Non-Routine Audit	means an Audit undertaken outside the annual programme of planned audit activity.
Relevant Asset	means any asset used or held for use by the Licensee in carrying on the Licensed Activity, including plant and equipment and associated civil works and structures.
Routine Audit	means an Audit included in the annual programme of planned audit activity.
Working Day	means any day other than a Saturday, a Sunday, Christmas Day, Good Friday, or a day that is a bank holiday within the meaning of the Banking and Financial Dealings Act 1971.

Draft for Consultation