

Asset Risk Management Surveys – Ofgem position paper.

A paper for DISG 17, 24th August 2004

Background to the Asset Risk Management Survey

Ofgem is continually seeking to promote greater visibility of asset risk management in the transmission and distribution of electricity and gas to:

- allow Ofgem to gain reassurance of the quality of the approaches being adopted by the network companies to the risk management aspects of their stewardship of the asset base; and
- identify and encourage good practice in the area of asset risk management.

To this end, Ofgem released an Asset Risk Management Survey (ARMS) in 2002 to:

- the ex-PES electricity distribution licence holders;
- the electricity transmission licence holders; and
- the principal gas transportation licence holder, Transco plc.

This survey was designed to explore the asset risk management approaches of the electricity and gas network companies and has provided valuable information in understanding how the companies carry out the process of asset risk management.

Relationship of the Asset Risk Management Survey to DN Sales

In the July 2003 consultation document¹ on the potential sale of network distribution businesses, Ofgem stated that, whilst the 2002 survey covered the large monopoly licence holders, the DN Sales process would need to consider whether to extend the scope of the survey to include smaller independent networks. Furthermore, in the December 2003 Next Steps paper², Ofgem stated its view that the asset risk management scheme should be extended to any DNs sold by NGT.

Ofgem position

To clarify Ofgem's position in this area:

- consistent with the inclusion of electricity distribution licence holders within the scope of the ARMS, Ofgem proposes that each of the DN businesses that are sold (as well as Transco plc and its retained DNs) should be required to participate in any future industry-wide iterations of the Asset Risk Management Survey; however
- the sale of DNs should not trigger a targeted release of the ARMS for completion by the DNs being sold; furthermore
- the treatment of current IGTs and their participation in the ARMS will not change as a result of the DN Sales process.

¹ NGT – Potential sale of network distribution businesses, Consultation document, Ofgem, July 2003

² NGT – Potential sale of network distribution businesses, Next steps, Ofgem, July 2003