

## Reliability and Safety Working Group (RSWG) meeting 24 July 2012

---

Meeting to discuss the development of network Health Indices for RIIO-ED1 and Safety outputs.	From Date and time of Meeting Location	Tom Wood 24 July 2012, 10:00 Ofgem, Millbank, London
---	--	--

---

### Present

Jonathan Booth (JB)	Electricity North West (ENWL)
Mark Smith (MS)	Scottish & Southern Energy Power (SSE)
Richard Wakelen (RW)	UK Power Networks (UKPN)
Rob Friel (RF)	UK Power Networks (UKPN)
Mark Nicholson (MN)	Northern Powergrid (NPG)
Gavin Howarth (GH)	Northern Powergrid (NPG)
Stephen Murray (SM)	Scottish Power (SP)
Gerry Boyd (GB)	Scottish Power (SP)
Bob Parker (BP)	Western Power Distribution (WPD)
Penny Taylor (PT)	Health and Safety Executive (HSE)
James Hope (JH)	Ofgem
Tom Wood (TW)	Ofgem
Godsway Cudjoe (GC) (Item 4 only)	Ofgem
Martin Hughes (MH)	Ofgem

### 1. Safety Outputs

1.1. TW summarised the responses received from DNOs on the subject of the possibility of introducing a financial incentive for safety performance in RIIO-ED1. The majority view was that neither a financial nor reputational incentive would be appropriate. TW also fed back the view from internal discussions within Ofgem and confirmed that the September document may highlight a range of options for the ED1 period.

1.2. PT queried whether DNOs, probably through the ENA, should do more to publish leading indicators of safety performance and stated that it would fall to the DNOs to determine what the appropriate leading indicators should be. MN felt that as safety improvement plans are specific to individual DNOs he was not fully convinced in the value of a common set of leading indicators at present. RF suggested that if a common set of comparable indicators was not currently available, then this could be the target of future work in this area.

1.3. TW acknowledged that Ofgem's guidance would need to set out how activity in this area is expected to be covered in DNOs' business plans.

### 2. Asset Criticality / Consequence of Failure (WPD Presentation)

2.1. BP presented WPD's proposal for extending HIs to cover risk and more detail on this can be found in the accompanying slide pack. In summary, WPD proposed evaluating the consequences of failures (which are distinct from the criticality of an asset) on an individual basis, using a common financial value to measure these. The consequences could then be

multiplied by the probability of failure in order to determine the risk for a whole set of assets.

2.2. JB asked where replacement costs would be factored in and BP replied that these would be considered an extra financial consequence and would therefore be included in the consequences of failure. MS queried whether the approach, if adhered to stringently, would lead to inappropriate investment. BP stated that the approach was designed in a way that would allow DNOs to manage their overall asset risk profile optimally. JB added that this approach may provide a useful cross check to a DNO's planned interventions.

2.3. SM felt that although for transmission, SP would like to have applied a different criticality assessment, applying a common £ classification to consequence might be difficult. JB also suggested that there may be a difficulty in arriving at the customer impact when using this methodology. BP's view was that if a DNO was able to work out the average consequences of failure, it would then be able to work out the average consequences by asset type by scaling against this. This would go beyond the concept of criticality and allow comparisons to be made between relatively lower value assets with higher value assets.

### **3. Asset Risk & Prioritisation- (UKPN Presentation)**

3.1. RW presented the principles and outputs of UKPN's work on assessing asset criticality as a part of this Asset Risk & Prioritisation (ARP) programme. More detail on these can be found in the accompanying slide pack. UKPN applied the criticality measures to assets to see how easy it would be to come up with an asset prioritisation index. In terms of future development, RW felt that UKPN know how they intend to proceed but that the challenge currently is getting data in which they have a sufficient degree of confidence. RF stressed that the criticality assessment was not being undertaken solely for the purpose of reporting to Ofgem but that it was being used to plan investment.

3.2. MN said that it was important to differentiate between a system or framework that would be used by DNOs in the prioritisation of work, from one that would be used to demonstrate to Ofgem the appropriateness of investments made.

3.3. RW felt that the biggest limitation of the criticality assessment was that Grid assets tended to be assessed predominantly as 1 and 2 (high criticality) on the criticality index (CI) and that primary assets were predominantly rated 3 and 4 (low criticality). This may be reflective of their relative criticalities but RW felt that it may be beneficial to show the relative criticality of assets within an asset type. The criticality index is still in development and UKPN will be looking for feedback from Ofgem on whether the approach taken thus far is sensible.

3.4. JB asked whether, supposing the DNO was using only the results of this analysis to prioritise investments, those assets classified as having a 'replacement priority' rating of 2 (i.e. the second highest priority ranking) would ever be replaced. RW responded that although CI 1 and 2 rated assets would be more likely to be replaced first, he felt that these would be replaced as part of the investment plan. GB and BP agreed that interventions did not necessarily only have to be made when an asset was an RP1. MN added that a DNO's investment plan should also depend on their stakeholders' view of priorities.

3.5. BP felt that the approach being proposed by UKPN was largely the same as WPDs, only using the CI ratings instead of a £ banding. RW said that he believed the matrix would drive a more efficient investment plan but was unsure on how the overall benefit would be quantified. TW felt that Ofgem would need to collect views from all DNOs, and that overall more comparable data would be welcomed. JH added that for the September document it was unlikely that the chosen approach would be finalised and that further discussion would be necessary on this subject. For the February document, a common approach on determining a composite 'score', which would be used to assess DNO performance would

need to be finalised however and that, ultimately, it is Ofgem's responsibility to determine what this would look like. JH said that he envisaged DNOs providing Ofgem with a spreadsheet showing a consolidated view of their positions on this.

**Action point:**

**Coordinate further work on reaching a common approach to the assessment of criticality/consequences of failures by DNOs.  
Send out dates for further meetings to discuss these issues.**

**Person –  
Richard  
Wakelen**

#### **4. RIIO-T1 Network Output Measures Assessment**

4.1. GC provided an outline of Ofgem's proposed approach to the assessment of the Network Output Measures (NOMs) for RIIO-T1, pointing out that this is currently only at the initial proposals stage. More detail on this is contained in the slide pack. JH said that, given we will be entering an 8 year price control, it would be extremely important to document what types of activity will be included in the DNO forecasts for NOMs (or equivalent measure for RIIO-ED1).

4.2. JH added that, if the approach taken by Ofgem for the T1 price control was deemed appropriate for RIIO-ED1, Ofgem would expect to make similar proposals for the electricity distribution sector. JH confirmed that the September document will not need to provide definitive answers on all aspects of network output measures.

**Action points:**

**Ofgem to circulate SP's document on RIIO-T1 NOMs assessment**

**Person –  
Ofgem**

**Review how common HI bandings were arrived at and consider how definitions could be clarified in order that HIs can be used to indicate probability of failure only**

**All DNOs – tbd  
during work on  
criticality**

**Give thought to applicability and feasibility of including investment plans for ED-2 in June Business Plans.**

**All DNOs**

**Provide thoughts on need and merits of including investment associated with low carbon plan and possible impact on asset replacement.**

**All DNOs**

#### **5. SSE/SP Updates on Asset Criticality measures for RIIO-GD1 and T1**

5.1. MS outlined how SSE had looked at the GD1 approach to asset criticality to see if anything from this could be applicable in ED1. SSE's slides are included in the slide pack. With the initial proposals due out on Friday 27<sup>th</sup> July, MS said that SSE's view was that a lot of work would be required between this date and publication of final proposals. Measures on the areas of environment, security and safety would also be included.

5.2. SM's summary of SP's approach to T1 is also included in the slide pack. SM drew attention to a workshop for Transmission Operators that will be taking place in September, organised by GC and JH indicated that someone from Electricity Distribution Costs and Outputs would attend this.

#### **6. Commonality of HI assessments for RIIO-ED1**

6.1. Given that the preceding discussion had covered this issue in some detail, JB briefly provided some further thoughts on this and the group agreed that the DNOs would consider the relevant health index assessments and bandings as a part of the work to be co-ordinated by UKPN. His presentation slides covering the issue in more detail are included in the slide pack.