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Dear Aris

Notice of proposal to direct modifications to the Common Network Asset Indices Methodology under Part C of SLC51

We are pleased to note in the above consultation that Ofgem consider that the Common Network Asset Indices Methodology proposal jointly submitted by the DNOs on 1 July this year substantially meets the requirements of SLC51 and that Ofgem do not propose to substitute their own methodology. We also agree with your proposed way forward and draft direction.

We have been in the vanguard of the introduction of asset risk assessment in the distribution sector and have played a key role in the working group that developed the original methodology. As you're aware however, the development of such a comprehensive approach is an iterative process and was always going to benefit from a period of calibration and testing, particularly due to the short timescales within which it was developed.

As such, we will be working with the other DNOs to undertake the calibration exercise noted and also developing the revised documentation associated with the requested re-submission. We agree that the detailed points raised in Annex 1 to the consultation form the basis of the revisions but raise the following points for consideration;

- The validation exercise (point 2) requests the presentation of results against 'known risks'. There is of course no standard way of measuring such 'known risks' hence the requirement for the methodology in the first place. As such, we will be comparing against legacy DNO assessments but will not be beholden to matching the results of these historic assessments;
- Point 2 also proposes the presentation of the results of the validation within the revised methodology itself. We do not consider this appropriate as the methodology needs to work on a standalone basis and the inclusion of extensive justification for the values used within the body of the document will not aid readability or understandability. We propose to document the results of the validation exercise in a separate document and include worked examples etc. within the main document;
- Point 3 requests further information on risk which we will address. We highlight however that the associated reporting requirements are documented in Annex D to the RIIO-ED1 Regulatory Instructions and Guidance and we will not plan to duplicate such content within the methodology. This point also makes reference to risk trade-off. As the methodology is a measurement framework only, it will enable such trade-offs but will not detail how they are to be performed;

- Point 8 requests further detail on the terms used in the data tables and we will work on providing this. Please note however, that some of the definitions will be deliberately broad, both to enable varying current DNO assessment practice to be mapped to the common framework and also to accommodate future innovation in the development of new measurement and monitoring approaches (point 5 in Annex 1). We believe it is for DNOs to outline in their own methodologies how they have interpreted and mapped to these definitions.

The working group has already convened and is making progress towards the re-submission date of 15 December 2015.

Should you wish to discuss these points further, please contact either myself or Jonathan Booth on 0843 311 3920 or at jonathan.booth@enwl.co.uk.

Yours sincerely,

Paul Bircham
Networks Strategy & Technical Services Director