

Aris Kalogeropoulos  
Ofgem  
9 Millbank  
London  
SW1P 9GE

21 September 2015

Dear Aris,

**Notice of proposal to direct modifications to the Common Network Asset Indices Methodology under Part C of SLC 51**

I am writing on behalf of Northern Powergrid Holdings Company and its two licensed electricity distribution businesses, Northern Powergrid (Northeast) limited and Northern Powergrid (Yorkshire) plc. Thank you for the opportunity to comment on Ofgem's assessment and the proposed way forward.

We accept Ofgem's decision to direct modifications to the Common Network Asset Indices Methodology and broadly agree with the conclusions of the assessment made by Ofgem. We agree that it is necessary to perform calibration checks and develop the documentation to improve understanding of the framework. Additionally we would like to raise the following points for consideration:-

- Further guidance to reduce subjectivity will be provided for health assessment terms but we will need to take care that we are not prescribing a level of detail that defines an asset management working practice which may not be appropriate or applicable across all DNOs. We do not believe that it is the purpose of methodology to define asset management inspection and maintenance condition data collection frameworks.
- The methodology has deliberately focused on the process by which a risk index is created for an asset in accordance with SLC51. The summation of individual risk indices is undertaken in the regulatory reporting tables; with guidance provided in the associated regulatory instructions and guidance document (RIGs). We believe that the purpose of the RIGs is to define how information should be fed into the regulatory process and then it is for Ofgem to define how that information is then used in the regulatory process, for example how the assessment of secondary deliverables should operate over the ED1 period. Therefore we would welcome working with Ofgem to ensure that there is no overlap or conflict between the methodology and RIGs documents.
- The interdependency of network assets can be complex in an electricity network due to connectivity and asset loading profiles. We have therefore sought to simplify the assessment of network impact in the methodology, recognising that we are not developing a power system simulation tool with full network connectivity. We will ensure that working examples are provided and would welcome further discussion with Ofgem representatives on their expectations on this topic.
- The process for updating the Common Network Asset Indices Methodology is contained within SLC51. Therefore we believe it would be more appropriate for the methodology

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to capture details of documentation management rather than details of how modifications will be made that may overlap with the contents of the licence condition.

I hope that you find these observations helpful and we look forward to developing the methodology in line with the draft direction. Should you require us to expand upon any of these points then please do not hesitate to contact myself.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'M. Nicholson', written in a cursive style.

**Mark Nicholson**  
Head of System Strategy