

The NOMs methodology is based on the following key principles:

1. Compliance: Ensuring that the measures comply with the law.
 - a. The NOMs outputs must be compatible with existing legal obligations, ensuring that statutory duties are not compromised.
2. Measurable: Enable the Authority to assess whether the NOMs objectives have been achieved and whether the targets have been met.
 - a. The methodology will demonstrate how the NOMs objectives are achieved.
 - b. Allow the Authority to assess the TOs' performance in relation to the development, maintenance and operation of our networks and in assessing future network expenditure.
 - c. Develop a framework for the evaluation of the NOMs targets:
 - i. Independent assessment of the TOs' performance
 - ii. Determine whether over or under-delivery is justifiable
 - d. Develop network risk trade-off mechanism
 - i. Incorporate health, criticality, risk and overall network risk
 - ii. Describe current asset deterioration as well as future expected deterioration
 - iii. Include Probability of Failure (state requiring replacement) with respect to asset condition
 - iv. Explore options such as monetisation of criticality and utility function
 - e. Describe how levels of redundancy/backup are incorporated into criticality assessments
 - f. Devise method for assessing impact of load related investment
 - g. Develop testing mechanism for independent assessment of NOMs objectives, principles and against targets
 - h. Consider framework for next price control period
3. Consistency: Develop a common approach to ensure that the measures are consistent and comparable.
 - a. Common approach to NOMs developed by all TOs
 - b. Ensure consistency as far as practicable between UK regulated sectors (DNO, GDN)
 - c. Engagement with GDNs and DNOs to ensure concepts of health, criticality, risks are common across all sectors
 - d. Common terminology (definitions of health, risk, criticality, intervention)
 - e. Commentary and analysis of practices in other industries and internationally
4. Transparency to Stakeholders: Ensure that consumers are getting value for money – minimising the burden on current customers without creating unnecessary costs for future customers.
 - a. To provide a known level of network risk for consumers, demonstrating that the TOs are investing consumers' money wisely in our networks
 - b. To provide transparency that the TOs are investing in our existing assets appropriately
 - c. Stakeholder engagement
5. Applicability: Ensure that the TOs' stewardship of our assets is appropriate and proportionate.

- a. Used internally within each business to enhance current asset management processes
 - b. Understanding business drivers
 - c. TO should have full control over performance against the NOMs outputs
 - d. Methodology should ensure that the TOs can innovate
6. Objectivity: Providing data/information for the Authority to enable evaluation of performance and for TOs to manage our assets.
- a. Specify details about the type and quantity of data held by each TO
 - b. Data assumptions/limitations, the level of confidence and how uncertainties can be quantified