

Grant McEachran  
Head of RIIO Electricity  
Ofgem  
Cornerstone  
107 West Regent Street  
Glasgow  
G2 2BA

**Electricity North West**  
Hartington Road, Preston,  
Lancashire, PR1 8AF

Email: [enquiries@enwl.co.uk](mailto:enquiries@enwl.co.uk)  
Web: [www.enwl.co.uk](http://www.enwl.co.uk)

Direct line: 0843 311 3920  
Email: [jonathan.booth@enwl.co.uk](mailto:jonathan.booth@enwl.co.uk)

10 March 2017

Dear Grant

### **Results of the consultation on the proposed changes to the Common Network Asset Indices Methodology as submitted to Ofgem in February 2017**

Following the submission of the Common Network Asset Indices Methodology v1.1 to Ofgem in January 2017, we were required to undertake a consultation process in accordance with the requirements of the Licence Condition SLC 51 Part I. I'm writing to you on behalf of all the licencees to which the Licence Condition applies with the results of the consultation and our recommendation as a result of that exercise.

You will be aware of the detailed reasons that the DNOs made changes from our previous correspondence. The changes to the document are a result of bi- and multilateral discussions on the rebasing of the Network Asset Workbook and the disproportionate contributions made to the risk reduction targets associated with oil-filled cables and steel lattice towers.

We carried out the required consultation over the four week period of 3 February to 3 March 2017 by posting the revised methodology and an associated document explaining the changes and asking for comments on the Energy Networks Association website. We also provided an address for non-electronic responses.

As a result of this exercise we have received a single response via the ENA website from British Gas.

Our view of this response (which is attached to this letter) is that it raises two points of principle;

1. They make comment on the ability of consultees to fully understand the background and logic of the proposed changes to the value of K and the approach used to identify this based on the information presented, although they also state that the changes look sensible in isolation.
2. They also restate their opinion that it is inappropriate to adopt the Common Methodology at this time and that the DNOs should be held to the original targets established via their legacy methodologies as part of the RIIO-ED1 price control process.

The logic behind the changes was explained within the consultation document although due to their complexity, detailed examples of the calculations were not provided. Since the publication of the consultation, Ofgem have also published their separate consultation on the Network Asset Secondary Deliverables re-statement which included further background on

the reasons for the proposed changes. This information may not have been available to British Gas to inform their response.

Nevertheless, the principle of ensuring that any proposed future amendments to CNAIM are adequately explained in terms understandable to the stakeholders consulted with is a sound one, and one that should form a key consideration in any future use of the SLC51 Part I process.

With regard to the second issue (adoption of the methodology in RIIO-ED1), the same respondent made the same point in 2015 in response to the original consultation on CNAIM. We consider that this is a point of principle for Ofgem as the industry regulator to consider and note that your response on this point was incorporated in your Direction to implement on 1 February 2016.

We are assuming that your position on this remains unchanged from your previous response and hence consider that the consultation has not produced any response that would invalidate the adoption of CNAIM v1.1, and consequently the re-submitted Network Asset Workbooks on which Ofgem are currently consulting.

A copy of the proposed Common Network Asset indices Methodology v1.1 is included with this response.

Assuming that the revised Methodology is directed for implementation, the DNOs have already modified their modelling tools and therefore included these changes in the rebasing of the Network Asset Workbook and their submission of the Secondary Deliverables Reporting Packs for the period ending 31 March 2016, thus no changes would be required to these documents. In the event that Ofgem do not direct the adoption of the revised methodology, then we will need to urgently discuss the potential impact on the documents submitted.

We look forward to your speedy confirmation of the above proposal.

Yours sincerely

**Jonathan Booth**  
**Head of Asset Management**

On behalf of all DNO licencees