RIIO GD2 CAWG 2

Discussion points on NOMs

5th September 2018

Classification: Public

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NOM's Proposed High Level Discussion Points:

- **How does NOMs interact with cost drivers?**
- **What is the rationale for integrating monetised risk measures into cost assessment?**
- **Suggestions on approaches that could be taken to integrate monetised risk into cost assessment.**

CAWG 2 – Kick off discussion

CAWG 3 – 26th September provide a more detailed overview

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Initial thoughts on incorporating NOM's

- **NOM's are a new measure and we do not believe they should be used mechanistically to drive workload:**
  - We believe the relationship between NOM's and cost may be extremely complex
  - Our understanding of how they drive workload and costs will evolve over GD2 as the measure is not currently tried or tested
  - It may take time for judgement across GDN's to align into a consistent methodology
- **There has been no thorough data consistency exercises carried out:**
  - A lack of data points may create statistical concerns

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Initial thoughts on incorporating NOM's

- **What is the output that is valued by Stakeholders and can it be measured ?**
  - Is it the monetised risk "stock" or the incremental change - what consumer benefits are we measuring ?
  - Are assets degrading at the same rate
  - Are networks starting from the same position – incremental changes may be harder the better the starting point of condition
- **If NOM's is a formal part of benchmarking, will the right behaviour be driven ?**

Therefore, we believe NOM's will allow us to show trends over time which may prompt conversations as to whether companies are delivering the risk reduction they are funded for rather than a mechanistic cost driver for benchmarking.

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