

RIIO-ED2 Safety, Resilience, and Reliability Working Group (SRRWG) – 16th January 2020

From: Ofgem

Date: 16th January

People invited: Relevant
stakeholders

Time: 10am to 4pm

Location: Boardroom 1,
Glasgow

1. Present

- 1.1. Ofgem
- 1.2. UK Power Networks (UKPN)
- 1.3. Western Power Distribution (WPD)
- 1.4. Northern Powergrid (NPG)
- 1.5. Scottish Power Energy Networks (SPEN)
- 1.6. Electricity North West (ENWL)
- 1.7. Scottish and Southern Energy Networks (SSEN)
- 1.8. Joint Radio Company (JRC)

2. Welcome and Introductions, Pathway to ED2

- 2.1. Ofgem provide overview of agenda and presented pathways to ED2 timeline. Internal discussions are ongoing and Ofgem hope to be able to provide stakeholders with clarity on the date for submission of Draft Business Plans.
- 2.2. Several DNOs suggested other external stakeholders may find more value in attending a relatively high level session looking back at the priorities and areas covered by the SRRWG, as opposed to specific sessions focusing on quite technical, detailed aspects of particular work streams (NARMS/CNAIM).

3. ENA presentation on Future (Whole Life) Risk

- 3.1. ENA presented on their proposed methodology for reporting of future (whole life) risk improvements. In considering fitness for purpose, the ENA highlighted the key objectives of the Network Asset Indices Methodology, (1) comparative analysis of network asset performance between DNOs, (2) assessment of licensees performance against NASDs, and (3) communication of information affecting the NASDs. Ofgem commented that the objectives for NARMs in RIIO-ET2, GT2 and GD2, are currently being set as part of licence drafting, and that the ENA should refer to these.
- 3.2. Several DNOs noted the benefits of retaining the existing reporting matrices, commenting that the simplicity of the matrix approach enables clear and transparent communication to all stakeholders. Ofgem agreed with the view that that there would be benefit in retaining the matrix approach for ED2.
- 3.3. ENA discussed their assessment of fitness for purpose for their proposal, which involved comparing actual total cumulative discounted probability of failures (PoFs) calculated for each of the individual assets within a sample population with a total cumulative discounted PoF for a typical asset within the sample. Ofgem questioned the assumptions behind the health scores to be used to derive typical current year PoF, noting the significance of this input in the proposed approach. Ofgem commented that DNOs should consider how this can be calibrated and whether the typical health score for a given band could be made a variable (dependent on the asset category and perhaps on the DNO) rather than a constant.
- 3.4. ENA presented an example showing the initial comparison between the actual and typical cumulative discounted PoFs for a specific asset category, HV Switchgear – Primary. Ofgem noted that the variance shown between the actuals and typicals for the sample population appeared significantly large. Several DNOs argued that there will always be a variance when we do banding. Ofgem questioned whether the existing health bands were still appropriate, given that it seems that at least part of the variance is due to the distribution of assets within bands. It may be worth considering subdividing some of the bands.
- 3.5. Several DNOs noted that the largest variance between actual and typical cumulative discounted PoFs was in HI1 health band, arguing that assets in this category would not typically be targeted for investment. They continued that the HI1 band worked well for

current year view of risk, but did not perform as well for future (whole life) risk due to the size of the band and diversity of assets within it.

3.6. Ofgem challenged the DNOs on why they would calculate typical values for cumulative discounted, and not just calculate actual values. The DNOs argued that the actual calculation would be far more complicated given the volume of assets, and that the typical approach was in line with other areas of the price control, where typical values are commonly used, such as agreeing unit cost rates etc.

3.7. Ofgem, while acknowledging that the presented proposal seemed an appropriate and logical approach to reporting future (whole life) risk, the DNOs should continue testing its fitness for purpose against the objectives of NARMs for example, justify investments through CBA, for setting outputs, assessing delivery/risk trading etc.

Action: Ofgem to review proposals and provide comment and feedback to ENA by Tuesday 21st January.

4. ENA presentation on commonality of assets across NARMs / extension to other assets

4.1. The ENA presented their proposals on the commonality of assets across NARMs and the extension to other assets, noting some of the key priorities for this area, including ensuring consistency across NARMs in ED2 and that all DNOs report on the same type of assets.

4.2. The ENA have undertaken a review of CNAIM assets, and proposed that:

4.2.1. The concept of a health index asset category be retired for ED2, instead companies report against 61 asset register category models, ensuring alignment between CNAIM assets and assets reported elsewhere in regulatory submissions.

4.2.2. All asset register categories within the current CNAIM v1.1 must be declared against a company's NARM monetised risk target, with a NIL return provided for assets a licensee does not own.

4.2.3. Exception can be sought when a company is not in the position to provide data it feels is suitable to generate suitable outputs from an asset's model.

Action: Ofgem to consider proposals and provide comment or feedback to the ENA, where required.

5. Update on timelines and priorities

5.1. Ofgem provided an update on the priorities for this work stream and reviewed areas that had been covered by this working group thus far, and what areas were to be covered in upcoming working groups. The focus of the next session on NARMs/CNAIM should be Non-NARM assets, identifying approaches to calculate in-year and lifetime risk for assets that are not currently covered by the existing CNAIM methodology. The ENA offered to present on this area at the next working group.

5.2. The ENA presented an updated view of their inductive timelines for the different work NARMs/CNAIM workstreams. One of the key milestones included the approval of CNAIM v2.0 by end of Q4 2020, however the ENA noted that we may need to consider a staged approach to the approval of individual elements (e.g. whole life risk and commonality of assets).

Action: ENA to consider and present at the next SRRWG on the principles for NARMs in ED2 against the current licence requirements for CNAIM.

6. Update on Good Practice Guide

6.1. Ofgem provided an overview of the recent meeting with the ENA technical working group on the 5th December on proposals for the Good Practice Guide / Engineering Guidance document on data input to CNAIM.

6.2. The ENA provided an update on the Good Practice Guide, noting that they are currently developing the detailed descriptors for each Condition Criteria for ground mounted assets. The ENA also discussed the work being carried out on compiling a representative sample of examples for each Condition Criteria and plans to take a workshop type approach to calibrate / normalise the assessment at future session of the NOMs ED WG.

6.3. The ENA encouraged the active participation of Ofgem in these workshops to ensure the direction of travel of the guide remains consistent with Ofgem's objectives.

Action: ENA to provide dates for upcoming ENA technical workshops.

7. AOB

7.1. Next meeting on 12th February.