

1 December 2015

Mr P Branston  
Associate Partner - Gas  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Dear Paul

**Notice of proposal to direct modifications to the NOMs Methodology under Special Condition 4G of the gas transporter licence**

Thank you for the assessment of the NOMs Methodology submitted by the gas distribution networks and for the opportunity to respond to the notice.

Northern Gas Networks believe the common methodology provides a robust framework that enables a consistent and transparent measurement of Asset Health, Criticality and Risk as required by the gas transporters licence.

The principles of monetised risk and asset risk trading has already proved to be a robust approach to risk-based asset intervention decisions within other asset intensive activities. Although this methodology will primarily be used as a measure for reporting and comparing health & risk profiles and delivery targets, it will also be a valuable tool to identify efficient and balanced investment decisions during RIIO-GD1 and going forward into RIIO-GD2.

The delivery of the remaining work programme and application of the methodology to the remaining 8 primary asset groups is ongoing and will be completed in time for reporting in July 2016.

NGN fully support Ofgem's proposals detailed in section 3 of the notice; namely the period of review and validation from July 2016, and into 2017, to further refine and improve the methodology, which will enable the reporting of the targets delivered over the first half of RIIO-GD1 at the mid-point period.

The ongoing engagement with OFGEM during the development of the methodology has been beneficial. We will continue to provide updates over the coming weeks and months and look forward to delivering the completed programme of works in 2016.

Yours sincerely



Gareth Jones  
**Regulation Manager**

Tel: 0113 397 5382  
Email: [gxjones@northerngas.co.uk](mailto:gxjones@northerngas.co.uk)