



St Lawrence House
Station Approach
Horley
Surrey
RH6 9HJ

Ian Bagworth
Senior Manager
Smarter Grids & Governance
Ofgem
9 Millbank
London
SW1P 3GE

1 December 2015

Dear Ian

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

Thank you for the opportunity to respond to your consultation on the proposal to modify the NOMs Methodology submitted by the gas distribution networks (GDNs) for defining and measuring the health and criticality of their network assets.

Given the work that has gone into developing the NOMs Methodology by both GDNs and Ofgem, we are naturally supportive of the proposals to direct the modifications identified within Ofgem's consultation.

We appreciate Ofgem's acknowledgement that the GDNs have worked together in developing the NOMs Methodology and have sought to develop a comprehensive approach. We also agree with Ofgem's assessment that the NOMs Methodology meets the criteria for compliance with Special Condition 4G of our gas transporter licence, and we are confident of being able to demonstrate the success of the NOMs Methodology once all asset categories have been completed.

A move towards greater use of output and input benchmarking in assessing performance during RIIO-GD1, and to inform the cost and output assessment exercise for RIIO-GD2 is supported by SGN. We agree it is important to carry out comparisons of network asset performance and the expected risk removed against forecast expenditure between GDNs. We look forward to working further with Ofgem in better understanding whether any normalisations are required and how these are to be applied. Furthermore, we agree with Ofgem's longer term ambition for NOMs Methodologies to follow a common set of principles across all energy network providers.

Further work is required by GDNs to complete their declared implementation plans and to demonstrate that the NOMs Methodology is fully compliant for all primary assets and meets the objectives specified in paragraph 4G.4. We are committed to undertaking this and to undertake validation of the outputs using the full set of asset assessments. We are also committed to delivering this in July 2016 and to submit a revised version of the NOMs Methodology by December 2017 that takes account of further validation and input from other stakeholders.

Should you require any further information with regards to our response then please do not hesitate contacting me at paul.mitchell@sgn.co.uk.

Yours sincerely,

Paul Mitchell
Regulation Manager