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Dear Kiran,

Network Asset Secondary Deliverables Rebasing Consultation

We welcome the opportunity to provide feedback on your proposals within the Network Asset Secondary Deliverables Rebasing Consultation published on 3 March 2017. As you are aware, we have worked in close co-operation with yourselves and the other DNOs to create both the Common Network Asset Indices Methodology (CNAIM) and the requirements of the rebasing methodology and are therefore pleased that you have stated that you are minded to accept the rebasing proposals.

We support your minded to position and agree that all the rebasing statements should be directed. We also support your comments regarding the need to keep under review certain aspects of some of the submissions.

We respond to the specific questions within the consultation below.

Question 1: Do you agree that the Network Asset Secondary Deliverables Rebasing Requirements and Assessment Methodology document provides a suitable basis for the submission of the NASD rebasing and subsequent assessment methodology?

We do agree that the document provides a suitable basis for the submission of the NASD rebasing and subsequent assessment methodology. We also suggest that the establishment of the tests within may provide a useful precedent when considering issues of RIIO-ED1 NOMs closeout and the assessment of justified and unjustified delivery.

Question 2: Do you believe that the equally challenging tests are comprehensive, appropriate and will result in a target risk delta that is equally as challenging?

We agree with this. The prime test of equally challenging remains Test 1. We note that this has primarily been applied at an asset type level within the rebasing assessment; however we understand that the overall NOMs target is the summary figure published in the Monetised Risk Workbook, and it is this that forms the basis for delivery assessment.

Question 3: Do you agree with our intention to approve each of the DNO submissions and our view on each of the assessment criteria explained in Chapter 2?

We also agree with your intention to approve each of the DNO submissions and your view on each of the assessment criteria. We believe that the rebasing process has correctly identified

DNO-specific targets that are as equally stretching as those each DNO agreed as part of the RIIO-ED1 Final Determination. We do however note that this process has highlighted that the Network Asset Secondary Deliverables originally agreed were not as equally as challenging across DNOs.

Applying Test 1 in aggregate to the original Network Asset Workbooks reveals that company targets ranged from 39% to 89% of the maximum theoretical reduction based on the allowed volumes. Clearly, this does not result in a level playing field for companies seeking to outperform the target. The rebasing exercise reveals a similar range from 44% to 95% and this needs to be considered when assessing company delivery within period against unequally stretching targets.

We believe that this issue needs to be considered as part of future RIIO-ED2 benchmarking and cost assessment discussions.

In addition to the responses above, on a presentational point we are concerned that the statement in paragraph 2.7 of the consultation ("It shows a significant reduction in risk for WPD and SSEN and increases for ENWL, NPg and SPEN") is potentially misleading. The introduction of CNAIM has caused a revision in risk scores for DNOs compared to legacy approaches; however the underlying risk of the network is unchanged. We are concerned that this may be misleading to stakeholders.

We also note that for a number of the DNO groups, reference is made within the document to additional scrutiny being applied to particular asset categories in future performance assessments. We would be keen to participate in these discussions to understand how they may feed into both the RIIO-ED1 NOMs closeout methodology and RIIO-ED2 approach.

If you have any questions regarding our response please do not hesitate to contact me.

Yours sincerely,

Jonathan Booth
Head of Asset Management

Cc   Grant McEachran