

CROSS SECTOR	
REFERENCE NUMBER:	CATEGORY: LICENCE CONDITION - Addition
LICENCE CONDITION NUMBER: <i>(if relevant):</i>	CS1 (ET and GT SpC 9.2)
TITLE:	Network Asset Risk Metric Methodology
RELEVANT LICENCE CONSULTATION QUESTIONS <i>(if any):</i>	
RELEVANT ISSUES LOG:	Cross Sector Sept Issues logs_CS1_CS2_CS30_IssuesLog_Master
POLICY ISSUES	
<ul style="list-style-type: none"> 9.2, 9.2.4 (a) iv. 9.2, 9.2.8 	<p>For GT & ET:</p> <ul style="list-style-type: none"> There is no timeframe specified in paragraph 9.2.8 within which the Authority will issue its direction confirming approval, rejection or amendments to the proposed modifications to the NARM Methodology, nor is there any provision for the proposed modifications to the NARM Methodology to be deemed approved in the event that Ofgem fails to notify an approval, rejection, or amendment within a specified period. Delay in approval of such modifications will prevent licensees from implementing a revised NARM Methodology which better facilitates achievement of the NARM Objectives, and the lack of a prescribed timeframe creates uncertainty over the NARM process. We suggest that the licence should prescribe a timeframe within which Ofgem will approve, reject or approve with amendments, and in the absence of a decision being notified in the specified timeframe the revised NARM Methodology is deemed approved. We would welcome the opportunity to discuss with Ofgem what a suitable timeframe would be. In the draft licence condition presented at the LDWG in July 2020 a placeholder section for a transitional provision was included to define the process and timeframe to move from a NOMs Methodology to a NARM Methodology. This section has been excluded in the draft licence provided for this informal licence consultation. We have raised our concern in previous issue logs around the requirements to move to a NARM Methodology, which is not just the naming of the methodology document and will require a significant amount of work to update. We would welcome clarity on the requirements for us to update our existing NOMs Methodology and timescales associated with this change. We recommend a transitional part included in this licence condition.
DRAFTING ISSUES	

<ul style="list-style-type: none"> • Definitions • Definitions • Definitions • Definitions • 9.2.4(c) and (d) • 9.2.4(c) • 9.2.4(d) • 9.2.4(h) • 9.2.7(b)(ix) • ET 9.2.4(a)(iv) • GT 9.2.4(a)(iv) 	<p>For GT & ET:</p> <ul style="list-style-type: none"> • There is no definition of “Network Asset Risk Metric”, which term is used in the definition of “NARM Methodology”. • Definition of “Asset Data” has an additional “.” at the end. • We suggest it may aid clarity for the definition of “Network Risk Output” to be amended as follows: “means the risk benefit delivered or expected to be delivered by an Asset Intervention and is calculated as the difference between Monetised Risk values associated with the “without intervention” scenario and the “with intervention” scenario.” • We suggest the definition of “Rebased Baseline Network Risk Output” is amended as follows “means the Baseline Network Risk Output that has been revised to give effect to a modified NARM Methodology as approved under [paragraph XX.8 of Special Condition CS1] pending the Authority’s approval. If approved by the Authority, the Rebased Baseline Network Risk Output will supersede the Baseline Network Risk Output for the purpose of Special Condition [3.1]. • The drafting in 9.2.4(c) should reflect the defined terms set out in the Definitions Schedule which are “Monetised Risk (Current)”, “Monetised Risk (Forecast)”, “Monetised Risk (Long-Term)”, and “Monetised Risk (Single Year)”. • We query whether the words “...of asset failure..” are required in 9.2.4(c), when asset failure is integral to the definition of Asset Risk and in consequence the Monetised Risk definitions previously mentioned. Suggest this is amended to: “...and Monetised Risk (Long-Term) for:...”. • The drafting in 9.2.4(d) should reflect the defined term set out in the Definitions Schedule which is “Monetised Risk Benefit (Long-Term)”, we also note there is no definition of “Current Monetised Risk Benefit” and suggest this should refer to “Monetised Risk Benefit (Single Year)”. • It is not clear what additional information it is anticipated will be communicated to Ofgem and industry and other interested parties or how this relates to the other NARM Objectives, can this be clarified. As drafted it applies to any “relevant information about the [National Transmission System] licensee’s Transmission System]”. • There is no definition of “Rebase” in the Definitions Schedule, suggest this is amended to “... how the licensee intends to undertake the Rebasing of its Baseline Network Risk Outputs...”. <p>In respect of ET:</p> <ul style="list-style-type: none"> • We note that 9.2.4 in the ET Licence does not use the defined term “Whole System” that is suggested will be introduced in the Definitions Schedule, if such a term is introduced we suggest it should be used here. <p>In respect of GT:</p> <ul style="list-style-type: none"> • We note that the GT section of the Definitions Schedule does not contain a definition of “Whole System”, however, it is suggested that the ET section may contain such a term. If this term is included in the ET Licence then we consider it would be appropriate to include an equivalent, suitable definition in the GT Licence and reference it in this condition.
FINANCE ISSUES	

SUPPORTING INFORMATION	
OFGEM ENGAGEMENT:	Cross Sector and bilateral meeting groups planned for October/November 2020