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Network Output Measures (NOMs) Methodology consultation

Dear Neil,

As the statutory body responsible for representing consumers in Great Britain's energy markets, Citizens Advice is pleased to respond to this consultation. We appreciate having spoken with your team ahead of this consultation and have set out our feedback on some of the points we discussed with your team, and have also responded to some of the specific questions in the consultation survey. This document is entirely non-confidential and may be published on your website.

We are broadly supportive of NGGT's NOMs Methodology and consider it to hold potential for delivering efficiency improvements in the UK's gas transmission system. The intention for the use of the Methodology in reporting investment benefits is clear and the general approach of relying on financial proxies for the valuation of risk has some clear advantages. This is particularly the case for comparability between elements such as safety, reliability and environmental impacts.

This Methodology should help to ensure that a better balance is struck in the future. Compared with the previous methodology, the new Methodology facilitates improved transparency in reporting investment benefits as well as their justifications. Crucially, this will allow interested stakeholders - including the regulator - to more accurately assess the extent to which NGGT is delivering optimal value from its asset investments. The addition of consumer costs as a constraint in the model will further assist these improvements.

We understand that the purpose of using RPI indexation is, in part, due to this metric being used in loss of life valuations as well as recommendations from your specialist regulatory consultants. However, given the regulator's clear intention to move away from RPI indexation for the RIIO2 price control, we would encourage NGGT to reconsider the use of CPI or CPIH indexation for this Methodology. It would be helpful to understand what impacts NGGT considers this might pose from a consumer perspective, as well as the challenges involved in such a move.

NGGT intend to use the Methodology to support a shift towards monetised risk based investment planning for the NGGT asset base. In line with this, we would be interested to understand what considerations NGGT have made, if any, for including risks associated with future stranded assets into the Methodology. Furthermore, if risk monetisation is to be used to identify the most cost beneficial interventions, it would be helpful to know how NGGT plans to tie this in with the whole system coordination intended for RII02. This is particularly important for cases in which solutions to the same problem could be delivered by alternative parties.

Overall, we judge the proposed updates to the Methodology to be a clear move in the right direction and we look forward to seeing how NGGT's work on this topic evolves. We hope that this response is clear and helpful. If you would like to discuss any matter raised in more detail please do not hesitate to contact us.

Yours sincerely

Stew Horne

Principal Policy Manager - Energy Networks and Systems