



NOMs Analytics

Value Tracking Case Study



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Background

NGT has had a NOM (Network Output Measures) Methodology since 2008. Across all Electricity Operators and the Gas Distribution Operators significant progress has been made to develop methodologies that will allow the asset health of their networks to be described with the use of a financial value. This is known as Monetised Risk. This approach is allowing these networks to identify the commercial value in delivering its investment programmes and interventions to both Ofgem and their stakeholders.

NGT wishes to, and is required to by Ofgem, to update its current methodology. NGT has taken the learning generated from the Gas Distributions' NIA projects and developed the methodology further specifically for the Gas Transmission assets. It will be necessary to demonstrate that this approach will effectively accommodate all the National Transmission System (NTS) asset types and articulate an appropriate financial impact given the High Impact and Low Probability of failure that exists across the NGT assets.

This is a key requirement to enable the potential application of risk based investment decisions in the future taking into account probabilities of failure and consequences of failure.

What's new?

Based on the work undertaken as part of the research, NGT have been able to demonstrate that a new methodology can be deployed to improve our current NOMs Methodology and it will allow the valuation of new investments in terms of valuing the level of risk benefit for each investment.

Building on this project output, NGT have now completed the development of the methodology

entitled 'Methodology for Network Output Measures' (NGT NOMs Methodology) which was published in May 2018.

The project has conducted a successful trial on two asset categories and their related asset types. This monetised risk approach now ensures that there is a consistent approach with other network licensees' (DN's) NOMs methodologies whilst effectively incorporating all NTS primary and secondary asset types. Based on the programme, NGT have been able to demonstrate that a new monetised risk methodology can be deployed to improve the existing NOMs methodology and that the new approach will allow the valuation of new investments in terms of valuing the level of risk benefit for each investment. The details of this methodology can be found in the file report entitled 'Gas Transmission Network Output Methodology Analytics' which is published alongside this closure form on the ENA Smarter Networks portal.

The benefits

A monetised risk methodology will assist in articulating and justifying the need for that investment to all relevant stakeholders. The successful development of a financial risk value methodology for the asset management of Gas Transmission infrastructure will be the first opportunity.

Implementation

Project fully implemented and utilised across the business to improve new investment valuation. Approach to be reviewed for further opportunities with Subject Matter Experts.

