



# Valuing Risk

Richard Phillips

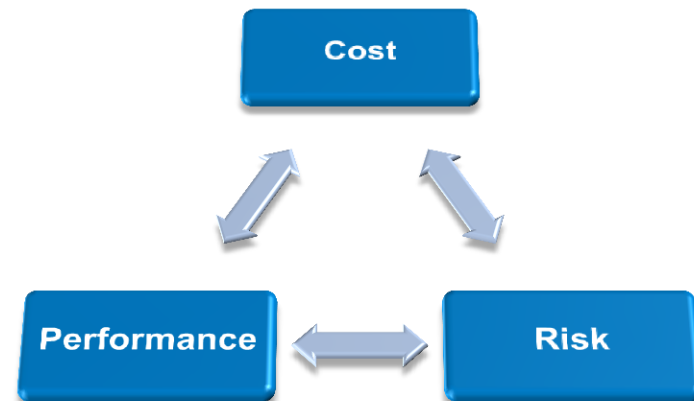
Richard Waine



# Your opportunity to inform our investment plans – valuing risk

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- Gas Transmission is focused on delivering customer and stakeholders requirements
- Ofgem monitor our risk management using the Network Output Measures (NOMs) methodology
- Define how you value the risk to the outputs (services) we provide
- We will use the your comments to inform our investment plans



# Looking back.... Our outputs in RIIO-T1

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## Safety

- Maintain safety compliance
- Maintain a sustainable level of network risk through Network Output Measures

## Environmental

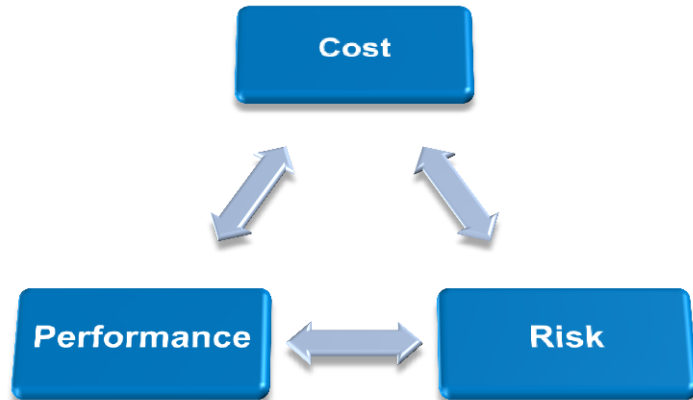
- Invest the minimum to ensure legislative compliance

## Reliability

- Ensure capability to meet 1 in 20 peak aggregate daily demand
- Meet both entry and exit capacity obligations

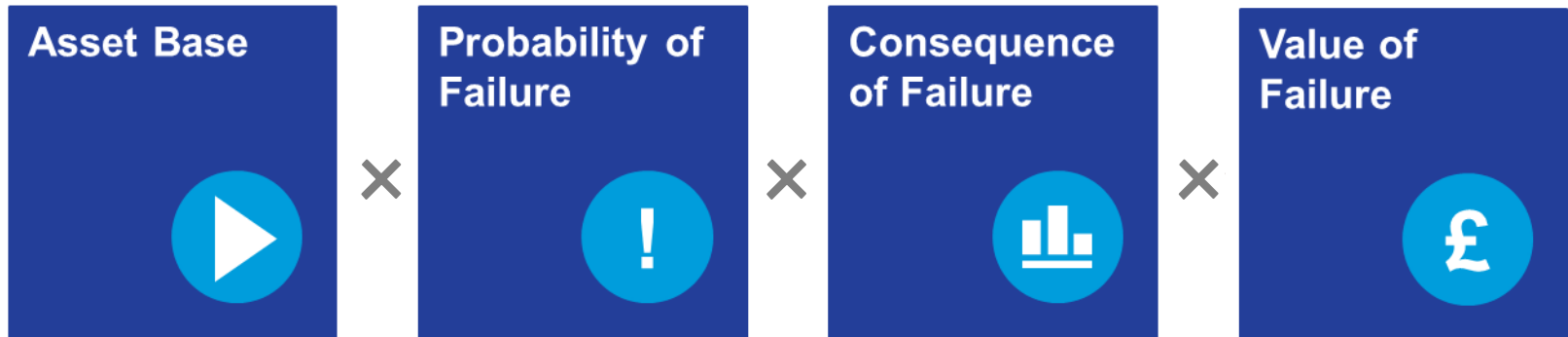
# Our assets

- Performance of our assets and the investments we make contribute to our ability to deliver our output commitments
- We have mapped all our assets to the contribution they make across Safety, Environmental and Reliability
- To ensure we invest in the network economically we want your input into the financial value we put on these measures



# How we calculate monetised risk

- Our methodology follows principles established by the Distribution and Electricity Transmission networks in the development of their methodologies.
- Monetised Risk =



# How should we value?

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# Safety



## 1. How do you value our commitment to maintain a sustainable level of people's safety?

No value added			Valued to some extent					Highly valued		
0	1	2	3	4	5	6	7	8	9	10

Legislative  
Compliance

World  
Leader



NB

# Environment

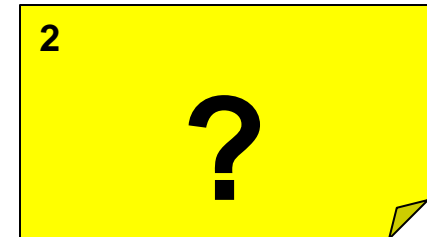


## 2. How do you value our commitment to meet environmental legislation?

No value added		Valued to some extent						Highly valued		
0	1	2	3	4	5	6	7	8	9	10

Legislative  
Compliance

World  
Leader



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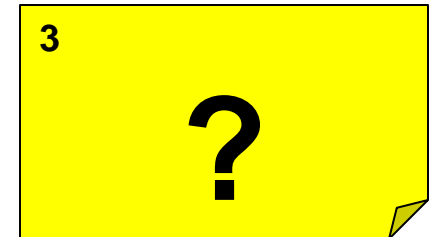


# Reliability



**3. How do you value that we ensure we maintain our capability to meet the coldest winter over a 20 year period?**

No value added		Valued to some extent						Highly valued		
0	1	2	3	4	5	6	7	8	9	10



NB



# Reliability

## 4. How do you value that we ensure that we meet entry capacity obligations...

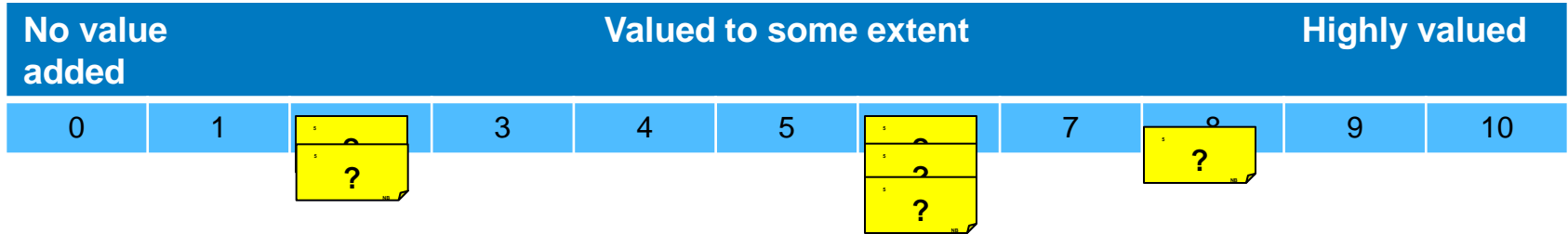
No value added			Valued to some extent					Highly valued		
0	1	2	3	4	5	6	7	8	9	10



No value added			Valued to some extent					Highly valued		
0	1	2	3	4	5	6	7	8	9	10



# Reliability - Discuss



We are now going to explore some of the reasons behind your thoughts and test our planned methods for assigning monetary values to the outputs

# Reliability

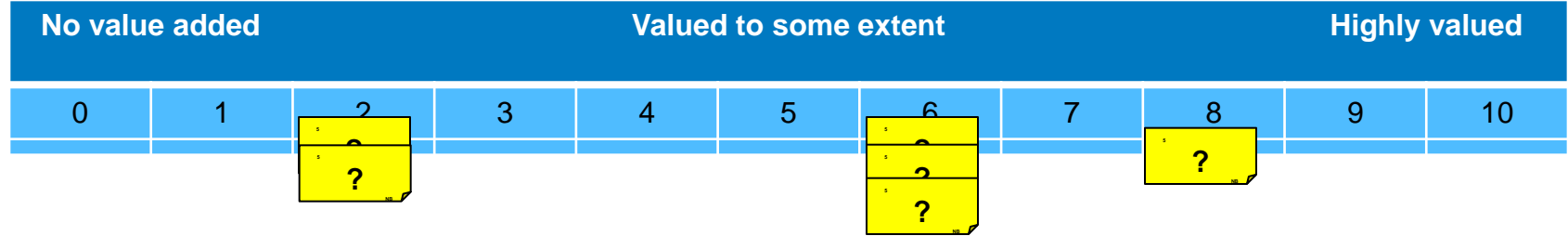


**6. Over what period of time should we test our investment plans to demonstrate benefit to consumers?**

Number of Years in Plan										
10	15	20	25	30	35	40	45	50	55	60



# Discussion of scores



Now you have heard the conversation are there any scores that you would change?

# Next Steps

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- Take feedback from our stakeholder discussions
  - NOMs methodology
  - Investment Plan
- Build into costed options to show the impact of your views on our asset health investments
- Further events to test willingness to accept the plans to deliver different levels of output