



New risk models a real asset

Network output measure risk trading methodology

Every year gas networks across the UK have a responsibility to report asset health and risk reduction to Ofgem. The format of the reports from each gas network can be different based on their individual methods of reporting. This can result in inconsistencies and data that is difficult to compare.

Ofgem, our regulator, asked gas networks to calculate the monetary value we put on risk in a way that is consistent and comparable.

The proposed solution will allow gas networks to consider where they spend their money and will report monetised risk removal using asset health data, probability of failure and deterioration rates data already held by gas networks.

This new way of working is to become the standard for how we manage our asset investment for the next decade or even more.

The project approach makes sure that a readily accessible system can be easily integrated into the asset management working activities of all gas networks.



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Key Benefits

- Value of money is delivered for customers, with smarter spending in the area of risk removal.
- The benefits of expenditure across different asset health investment categories will be able to be articulated and compared on a consistent basis across gas networks.
- Gas networks will make sure that asset risk removal is prioritised in a manner that is accepted by stakeholders, meaning they continue to maintain the low cost of gas transportation to our customers.

Next Steps

- Integrate the new method of asset health / risk reduction reporting into our business.
- Develop event tree models to enable quantification of monetised risk.
- Demonstrate effective risk trading through multiple investment scenarios.

