

Guidance

~~RIIO-ED2 RIGs Environment and Innovation~~ ~~Commentary~~RIIO-ED2 RIGs Environment and Innovation Commentary v2.1

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Contact:	RIIO-ED Team
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Team:	RIIO-ED Team
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Telephone:	020 7901 7000
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Email:	RIIOED2@ofgem.gov.uk
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This document is part of the regulatory instructions and guidance (RIGs) for RIIO-ED2.

The term RIGs refers to a collection of documents – our instructions and guidance and the reporting packs and commentaries the DNOs have to fill out. The RIGs are the main way we get information from the DNOs. We need this information to administer, and check compliance with, the electricity distribution licence and RIIO-ED2 final determinations.

This document outlines reporting timescales and common guidance for the DNOs to follow when submitting reporting packs and commentaries to us.

The RIGs will be used to collect actual and forecast data from 1 April 2023 to 31 March 2028.

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1. Summary – Information Required

One Commentary document is required per DNO Group. Respondents should ensure that comments are clearly marked to show whether they relate to all the DNOs in the group or to which DNO they relate.

Commentary is required in response to specific questions included in this document. DNOs may include supporting documentation where they consider it necessary to support their comments or where it may aid Ofgem's understanding. Please highlight in this document if additional information is provided.

The purpose of this commentary is to provide the opportunity for DNOs to set out further supporting information related to the data provided in the Environment and Innovation Reporting Pack. It also sets out supporting data submissions that DNOs must provide to us.

2. Worksheet by worksheet commentary

At a worksheet by worksheet level there is one standard question to address, where appropriate, as follows:

- Allocation and estimation methodologies: DNOs should detail estimates, allocations or apportionments used in reaching the numbers submitted in the worksheets.

This is required for all individual worksheets (ie not an aggregate level), where relevant. Not all tables will have used allocation or estimation methods to reach the numbers. Where this is the case simply note “NA”.

Note: this concerns the methodology and assumptions and not about the systems in place to check their accuracy (that is for the NetDAR). This need to be completed for all worksheets, where an allocation or estimation technique was used.

In addition to the standard commentary questions, some questions specific to each worksheet are asked.

E1 – Visual Amenity

Allocation and estimation methodologies: detail any estimations, allocations or apportionments to calculate the numbers submitted.

Explanation of the increase or decrease in the total length of OHL inside designated areas for reasons other than those recorded in worksheet E1. For example, due to the expansion of an existing, or creation of a new, Designated Area.

E3 – BCF

Allocation and estimation methodologies: detail any estimations, allocations or apportionments to calculate the numbers submitted.

BCF reporting boundary and apportionment factor

DNOs that are part of a larger corporate group must provide a brief introduction outlining the structure of the group, detailing which organisations are considered within the reporting boundary for the purpose of BCF reporting.

Any apportionment of emissions across a corporate group to the DNO business units must be explained and, where the method for apportionment differs from the method proposed in the worksheet guidance, justified.

BCF process

The reporting methodology for BCF must be compliant with the principles of the Greenhouse Gas Protocol.¹ Accounting approaches, inventory boundary and calculation methodology must be applied consistently over time. Where any processes are improved with time, DNOs should provide an explanation and assessment of the potential impact of the changes.

¹ [Greenhouse gas protocol](#)

Commentary required for each category of BCF

For each category of BCF in the worksheet (ie Buildings Energy Usage, Operational Transport etc) DNOs must, where applicable, provide a description of the following information, ideally at the same level of granularity as the Defra conversion factors:

- the methodology used to calculate the values, outlining and explaining any specific assumptions or deviations from the Greenhouse Gas Protocol
- the data source and collection process
- the source of the emission conversion factor (this shall be Defra unless there is a compelling case for using another conversion factor. Justification should be included for any deviation from Defra factors.)
- the Scope of the emissions ie, Scope 1 or 2
- whether the emissions have been measured or estimated and, if estimated the assumptions used and a description of the degree of estimation
- any decisions to exclude any sources of emissions, including any fugitive emissions which have not been calculated or estimated
- any tools used in the calculation
- where multiple conversion factors are required to calculate BCF (eg, due to use of both diesel and petrol vehicles), DNOs should describe their methodology in commentary
- where multiple units are required for calculation of volumes in a given BCF category (eg, a mixture of mileage and fuel volume for transport), DNOs should describe their methodology in commentary, including the relevant physical units, eg miles.

DNOs must provide any other relevant information here on BCF, such as commentary on the change in BCF, and should ensure the baseline year for reference in any description of targets or changes in BCF is the Regulatory Year 2019-20. DNOs should make clear any differences in the commentary that relate to DNO and contractor emissions.

E4 – Losses Snapshot

Allocation and estimation methodologies: detail any estimations, allocations or apportionments to calculate the numbers submitted.

Programme/Project Title

Please provide a brief summary and rationale for each of the activities in column C which you have reported against.

Primary driver of activity

If, in column E, you have selected ‘Other’ as the primary driver of the activity, please provide further explanation.

Baseline Scenario

Please provide a brief description of the ‘Baseline Scenario’ inputted in column K for each activity.

Use of the RIIO-ED2 CBA Tool

DNOs should use the latest version of the RIIO-ED2 CBA Tool for each of the activities reported in column C. Where the RIIO-ED2 CBA Tool cannot be used to justify an activity, DNOs should explain why and provide evidence for how they have derived the equivalent figures for the worksheet. The most up-to-date CBA for each activity reported in the Regulatory Year under report must be submitted.

Changes to CBAs

If, following an update to the CBA used to originally justify the activity in column C, the updated CBA shows:

- a negative net benefit for an activity, but the DNO decides it is in the best interests of consumers to continue the activity, or
- a substantively different NPV from that used to justify an activity that has already begun.

the DNO should include an explanation of what has changed and why the DNO is continuing the activity.

For example, where the carbon price used in the RIIO-ED2 CBA Tool has changed from that used to inform the decision such that the activity no longer has a positive NPV.

Cost benefit analysis additional information

Please include a reference to the file name and location of any additional relevant evidence submitted to support the costs and benefits inputted into this worksheet. This should include the most recent CBA for each activity reported in column C in the Regulatory Year under report.

E5 – Smart Metering

Allocation and estimation methodologies: detail any estimations, allocations or apportionments to calculate the numbers submitted.

Actions to deliver benefits

Detail what activities have been undertaken in the relevant regulatory year to produce benefits of smart metering where efficient and maximise benefits overall to consumers. At a minimum this should include:

- A description of what the expenditure reported under Smart Meter Information Technology Costs is being used to procure and how it expects this to deliver benefits for consumers.
- A description of the benefits expected from the non-elective data procured as part of the Smart Meter Communication Licensee Costs. The DNO should set out how it has used this data.
- A description of the Elective Communication Services being procured, how it has used these services, and a description of the benefits the DNO expects to achieve.

Calculation of benefits

Explain how the benefits have been calculated, including all assumptions used and details of the counterfactual scenario against which the benefits are calculated.

Use of the RIIO-ED2 CBA Tool

DNOs should use the latest version of the RIIO-ED2 CBA Tool for each solution reported in the worksheet in the Regulatory Year under report. Where the RIIO-ED2 CBA Tool cannot be used to justify a solution, DNOs should explain why and provide evidence for how they have derived the equivalent figures for the worksheet. The most up-to-date CBA for each activity reported in the Regulatory Year under report which are used to complete the worksheet must be submitted.

Cost benefit analysis additional information

Please include a reference to the file name and location of any additional relevant evidence submitted to support the costs and benefits inputted into this worksheet. This should include the most recent CBA for each solution reported in the Regulatory Year under report.

Send us your feedback

We are keen to receive your feedback about this guidance. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this guidance?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.