

The background features a large, semi-transparent white arrow pointing to the right, overlaid on a collage of images including solar panels, a gas turbine, and a close-up of a gas valve. The overall color palette is light blue and white.

# **RIIO environmental outputs**

Stakeholder workshop

27 January 2011

## RIIO-T1/GD1

### Context

- Network companies need to undertake substantial investment to 2020 to facilitate the transition to a low carbon economy
- Significant uncertainty about how networks need to develop
- BUT they will need to change how they invest and operate

**RIIO-T1 and GD1 are the first price controls to implement the RIIO recommendations**

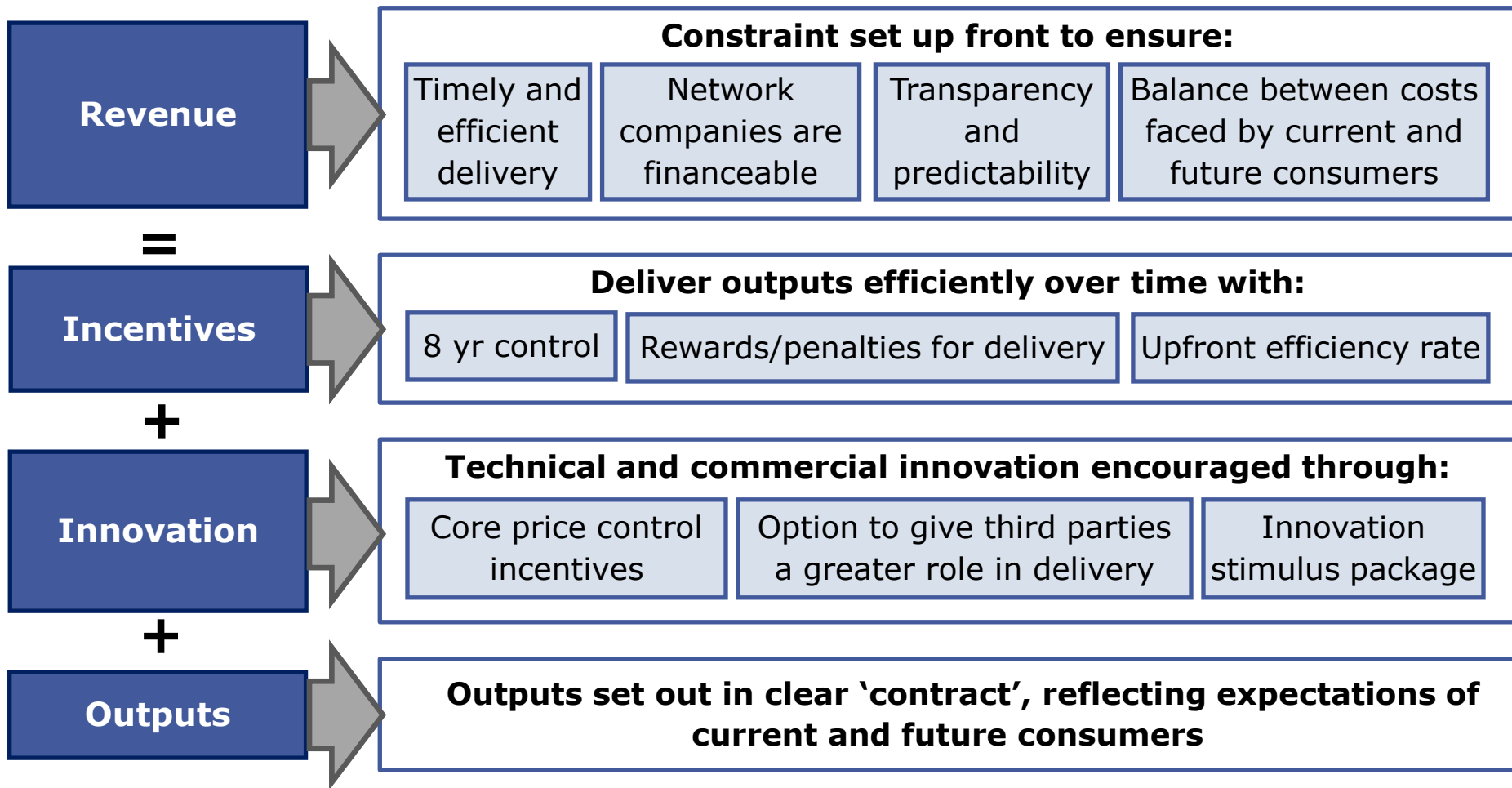
### RIIO-T1

Will set allowed revenues for  
electricity and gas transmission  
network companies  
April 2013 – March 2021

### RIIO-GD1

Will set allowed revenues for gas  
distribution network companies  
April 2013 – March 2021

# RIIO: A new approach to regulation



## RIIO-T1: Potential outputs and incentives

Output name	Incentive
<p>'Low carbon economy' – networks' contribution to UK's environmental goals e.g.</p> <ul style="list-style-type: none"> <li>• Emission intensity of network energy flows</li> <li>• % renewable of network energy flows</li> </ul>	<p>Potential financial reward or reputational incentive</p>
<p>Losses (elec)/shrinkage (gas)</p>	<p>Potential symmetric financial incentive</p>
<p>Business carbon footprint</p>	<p>No financial incentive – reputational</p>
<p>Release of SF<sub>6</sub> (elec)</p>	<p>Symmetric financial incentives building on current framework and rollover proposal</p>
<p>Release of Methane (gas)</p>	<p>Potential symmetric financial incentive</p>

## RIIO-GD1: Potential outputs and incentives

Output name	Incentive
Reducing gas shrinkage and associated carbon emissions	Symmetric financial incentives on shrinkage and associated carbon emissions building on existing incentives
Business carbon footprint	No financial incentive – reputational
% biomethane connected to the network	No financial incentive – reputational
Networks' non-CO <sub>2</sub> emissions and resource use (inc. gravel extraction and water emissions)	No financial incentive – reputational

## **RIIO environmental outputs questions**

- Do you have any views on the environmental outputs outlined?
- Are these the appropriate areas to focus on and are there any other areas in which primary outputs and secondary deliverables should be set?
- Do you agree with the proposed approach to setting environmental incentives?

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

*ofgem*

Promoting choice and value  
for all gas and electricity customers