

Environmental Discretionary Reward

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Energy Policy

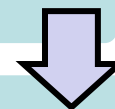
1 March 2012

How did we get here?

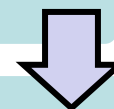
During the next Transmission price control, transmission owners (TOs) have a critical role to play in connecting a large amount of new and low carbon sources of energy



In our RIIO-T1 strategy we committed to introducing a reputational incentive on the TOs' contribution to the broad environmental objectives of decarbonisation



We also said we would consult on introducing financial incentives in this area

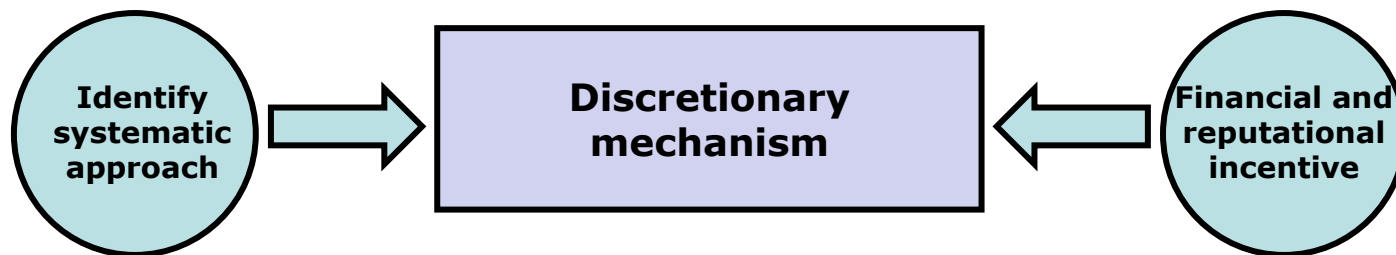


We are now consulting on this incentive – the Environmental Discretionary Reward (EDR)

Why a discretionary reward?

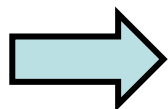
Responses to our December 2010 RIIO-T1 consultation

- ✓ Broad environmental measure to encourage TOs to incorporate environmental goals into their strategy and practices
- ✗ Automatic financial incentive could reward or penalise TOs for outcomes beyond their control

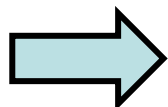


What does the EDR involve?

Companies will be required to:



Publish and consult on an annual executive level planning statement



Submit their performance against a score card of six strategic and operational environmental issues

1

2

3

4

5

6

strategic low
carbon
commitment

whole system
planning

connections
for low carbon
generators

innovation

DSR and
smarter
networks

direct
environmental
impact

The reward will be judged by a panel, awarding up to £4m annually

For discussion

- Are we asking the right questions in the balanced scorecard reporting template?
- What is your view on the standards to be met to receive the reward?
- Do you believe the level of the reward is appropriate?

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.

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for all gas and electricity customers