

Environmental Reporting Requirement discussion

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ofgem

What we said in the strategy decision

- We included a reputational environmental reporting requirement (ERR)
 - this was following concerns regarding public accountability and the need for DNOs to demonstrate ongoing integrated thinking in leveraging performance and learning on their environmental obligations
- We stated that we would work with DNOs and other stakeholders to develop the ERR
- We decided against including an environmental discretionary reward as the current suite of incentives are sufficient
- We welcomed views on whether our planned package of incentives and outputs contained any gaps—
 - only two gaps were presented-waste management and meeting carbon reduction targets
 - We considered that there were external factors incentivising these

Our strategy decision sought to make the following elements clear

- We want DNOs to consider holistically all aspects of environmental impact
- The report should consider:
 - Gaps to current reporting
 - Public accountability and involvement of stakeholders
 - Best practice in public reporting—for example M&S and Unilever

Approach to developing the ERR licence condition

- Development of the licence obligation:
 - Licence condition outlines that the DNO needs to produce a public facing document easily accessible for their stakeholders and the content of which will be specified by Ofgem separately
- Consideration of how the guidance will be enforced:
 - The Long Term Development Statement is similar in purpose where it is designed to ensure a public facing document for network data is provided for the benefit of stakeholders.
 - The content of this is developed through an Authority Direction under a “Form of Statement”—we suggest the ERR will be developing in this manner

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We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.

To aid discussion, this is one example of an approach to reporting environmental activities:

1. Strategic understanding of and commitment to low carbon objectives and the role of the applicant company in their facilitation
2. Involvement in whole electricity system planning for low carbon future, including integration with DNOs and involvement in development of demand side interventions
3. Approach taken to connections for low carbon generators
4. Quality of innovation work and use of new ideas and results of innovation projects across the applicant company
5. Approach to network development (for example outage planning) that considers alternatives to building/reinforcing, eg smarter network use, demand-side response and energy storage
- 6a. Direct environmental impact of activities and associated reporting
- 6b. Business greenhouse gas emissions management.