

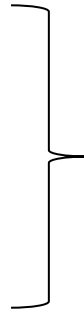
The background features a large, stylized white arrow pointing to the right, set against a collage of images including solar panels, a close-up of a turbine or engine component, and a close-up of a gear. The overall color palette is light and airy, with blues, whites, and oranges.

RIIO ED1 Outputs Working Group

Environmental Impact
22 June 2012

Agenda

- Undergrounding
- SF6
- Business Carbon Footprint
- Fluid Filled Cables



- What we know
- Actions from the last meeting
- Extent to which further action is required and way forward

- Intention is to obtain as much resolution of the issues and the proposed way forward as possible.
- Where additional work / discussion is required, we will aim to do that on individual issues, preferably by email or teleconference.

What do we know

- There has not been a lot of progress to date in committing funds for undergrounding projects
- The 10% allowance for work outside designated areas has not been used to date
- T1 is proposing a more detailed scheme which includes new lines
- Of the issues brought to us, barring the peat issue, they have all been relatively similar to responses to DPCR4 and DPCR5 price control proposals


Actions from the last meeting

- DNOs to provide case studies for projects that were ineligible/failed
- In the context of these case studies consider designation and qualification criteria

Extent to which further action may be required

- Money has been slow to be committed to projects. To what extent is this just following the same trend as we saw in DPCR4?
- To what extent does the group feel that the regional differences in designations (i.e. of AONB) are causing problems with getting funding out of the door?
- Why has the 10% allowance not been taken up?

Options

- i. Leave the scheme in its current state – inc. 10% allowance for work outside designated areas
-  ii. Expand scope to cover regional designation issues - e.g. extend to National Scenic Areas (quantify?)
- iii. Widen scope generally to include additional areas

What we know

- Interest groups appear to be time and cash strapped which appears to then have an effect on their priorities for undergrounding
- Some DNOs are better than others in promoting the scheme
- Some DNOs are better than others in supporting interest groups with project management and delivery
- This has been raised before through a suggestion for project officers
- There are incentives on DNOs designed to encourage a broad sweeping approach to stakeholder engagement in all aspects of their business

Actions from the last meeting

- Interest group representatives to gather details from interest groups regarding priorities, awareness and resourcing

Extent to which further action may be required

- Appears to be agreement that resourcing and lack of awareness may be a contributing factor to the limited progress and spending?
- Are there particular activities that some DNOs are taking which would be especially beneficial in other areas?

Options

- i. Leave the scheme as it is
- ★ ii. Require business plans to set out approach that DNOs intend to take to promote and support interest groups. Criteria??
- iii. Extend scope / wording of scheme to clarify that DNOs need demonstrate how they have acted on input/feedback from stakeholders (in line with assessment criteria under stakeholder engagement incentives)
- iv. Allow DNOs to use a portion of the pot to fund promotion of scheme. Criteria?
- ★ v. Allow DNOs to use a portion of the pot to fund project officer. Criteria?
- vi. Provide a licence requirement setting a target level for engagement and promotion. How could this be measured?

What we know

- This is a regional issue
- There is a large carbon cost associated with digging/cutting of peat
- There is a potential for scarring of the landscape where peat has been disturbed
- There is technology and techniques for mitigating the loss of carbon in such areas

Actions from the last meeting

- Consider the mix between cost, visual amenity and carbon
- Consider whether any additional information is available on the issue of undergrounding in peat

Extent to which further action may be required

- Doesn't seem as though we have a great deal of information – and what we do have points to a case-by-case basis?
- This is primarily a regional issue
- A proportionate approach should consider
 - the broader environmental obligations on Ofgem and DNOs,
 - the carbon issue associated with excavation of peat and
 - the objective of undergrounding to ensure that visual amenity is protected

Options

- i. Leave the current arrangement as they stand
- ★ ii. Require DNOs to provide details in their business plans regarding their approach to undergrounding in peat
- ★ iii. Extend scheme so that projects undergrounding in peat need to carry out a specific assessment of the impact on carbon/acknowledge broader environmental impact. Criteria?
- iv. Prohibit undergrounding in peat areas

What we know

- SF6 is a greenhouse gas
- SF6 is currently part of the BCF as a fugitive emission
- RIIO T1 has a prescriptive scheme for measuring SF6 which provides direct incentive associated a baseline target
- This is likely a bigger issue on the transmission network
- SF6 has some EU legislation¹ attached to it which is the remit of DEFRA² to monitor and regulate
- These obligations apply to high voltage switchgear but only to the recovery and recycle of the gas from this equipment.
- There are new reporting requirements³ for DNOs which cover a greater level of detail on this particular emission

Actions from the last meeting

- Provide data on SF6 emissions to provide an indication of scale of the problem

¹ F Gas Regulations, EU Regulation 842/2006

² From April 2012, DEFRA has taken responsibility for regulation and monitoring (previously it was the remit of EA/local authorities as regulators with DEFRA having the power of penalty and enforcement

³<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=721&refer=Networks/ElecDist/PriceCtrls/DPCR5>

Extent to which further action should be required

- The equipment that can leak this gas forms part of the sector which is under Ofgem's responsibility to regulate
- Do we have an accurate picture of the scale of the issue? What does reporting look like now and what data do we have?
- Is the approach on this issue comparable / proportionate between T1 and ED1?
- How concerned are we that there appears to be a regulatory gap associated with the monitoring, mitigation and repair of leakages?

Options

- i. Keep SF6 within BCF and continue with reporting in its present format
- ★ ii. Develop specific requirements for SF6. Could this still be achieved through the BCF?
- ★ iii. Increase reporting requirements to include forecast data in RIGS
- iv. Using July 2012 RIGs submissions as baseline and report specifically as reputational incentive
- v. Attach incentive to SF6 similar to RIIO T1 (separate licence obligation associated with performance and the baseline target)

What we know

- This is a reputational scheme
- DNOs are due to report first figures in July
- This mechanism covers emissions in a specific part of the business, outside of external obligations on carbon
- T1 is proposing to keep this a reputational scheme but for TOs to report on performance against external emissions obligations

Actions from the last meeting

- Members to consider any activities that felt should be within the scope of the BCF

Extent to which further action may be required

- There are wider energy reductions targets and we have a responsibility to encourage performance against these
- Green credentials hold some weight
- Guidance and definitions have been reported to be ill-defined and requiring clarity
- Is there scope for an allowance for agreed projects set out in business plans/incentive for BCF? Criteria?

Options

- i. Keep the scheme reputational with the current arrangements and guidance unchanged
- ii. Keep the scheme reputational but provide further guidance and clarity on definitions, measurement, conversion and reporting
- ★ iii. Publish details of mitigation and improvements/innovations as part of BCF reporting in the league table
- ★ iv. Require DNOs to set out in Business Plans what action they intend to take on reducing BCF
- v. Adopt T1 approach-Environmental Discretionary Reward Scheme
- vi. Move from reputational to financial incentive against baseline targets

What we know

- This is an insulating material for underground lines
- There are alternatives in the market which are being used
- This is an ageing asset
- There is an Operating Code between EA and DNOs governing monitoring, mitigation and management
- There are detailed reporting requirements as part of modified RIGs¹

Actions from the last meeting

- Ofgem to liaise with EA regarding the current working of the Operating Code and their views on current arrangements


¹<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=721&refer=Networks/ElecDist/PriceCtrls/DPCR5>

Questions posed by Environment Agency

Following Ofgem's discussion with the EA, they requested the following questions be posed at the workshop:

- Are any of the DNOs engaging with EA like UKPN with regard to surgery workshops?
- Strategic approach to replacement of cables? Reactive, proactive, risk-based?
- Identification and response to leaks?
- Use of PTF gas by the industry? Approach and experience
- Views on decommissioning of fluid filled cables?

Options

- i. Leave the current arrangements as they are
-  ii. Require more specific detail as well as forecast data reporting in RIGs

- The meeting minutes will reflect those issues which we feel have been covered off/a way forward has been agreed
- If there are any outstanding issues, this may require further information submission or a further teleconference with members—Ofgem will keep the group informed
- The outcome and questions raised at these meetings will be used to draft an initial working paper which will ultimately form a chapter of the strategy consultation due for release in September 2012

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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Promoting choice and value
for all gas and electricity customers