



Making a positive difference
for energy consumers

Electricity Transmission licensees
and other interested parties

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Date: 18 February 2016

Dear Colleague,

Notice in relation to the proposed modification of the Environmental Discretionary Reward Scheme Guidance (Revision 3)

Introduction

The Environmental Discretionary Reward (EDR) Scheme is a key environmental incentive for electricity transmission licensees¹ with total funding of up to £32 million over the RIIO T1 price control period (1 April 2013 to 31 March 2021). The EDR Scheme Guidance sets out the purpose of the scheme, provides guidance on the requirements and explains assessment procedures. Application to the EDR Scheme is not compulsory.

Before issuing modified EDR Scheme Guidance by direction the Authority is required by Special Condition 3F.12 of Part D of the electricity transmission licence (Establishment and Modification of the EDR Scheme Guidance) to give notice to the licensees in whose licence this condition has effect that it proposes to issue the modified guidance (the "Notices"). The Notices were sent to the licensees today and the Authority intends to issue the direction to implement the modified EDR Scheme Guidance (Revision 3) on 31 March 2016.

Subject to consideration of any representations which are duly made and not withdrawn, the modified EDR Scheme Guidance (Revision 3) will have effect from 31 March 2016.

Legal Framework

The EDR Scheme Guidance is a document published, and from time to time revised, by the Authority in accordance with Part D of Special Condition F of the electricity transmission licences of the following licensees:

- National Grid Electricity Transmission Plc
- Scottish Hydro Electric Transmission Plc
- SP Transmission Limited

¹ National Grid Electricity Transmission's system operator role is also recognised in the EDR Scheme.

Reason for the proposed changes

The reasons that we are proposing changes to the EDR Scheme Guidance are to make the completion of the application form more straightforward, to sharpen questions on use of resources, and to simplify the scoring system. The changes are driven by our experiences in running the EDR scheme in 2015.

- i. A key simplification is the removal of the cumulative approach from the scoring mechanism. Using a cumulative method, the score of a specific criterion/question depends on a previous criterion/question having been successfully met. We think this is appropriate to remove because: we have made some revisions to the questions which mean that some are now more standalone; and the companies still need to provide the relevant evidence in order to score points. We think that this change better achieves the scheme's objectives by better measuring performance against the criteria.
- ii. We have also used this revision as an opportunity to sharpen questions about use of resources. For example, where we previously asked for evidence of the position of key staff within the organisational structure and their EDR related objectives, in this revision further detail will be required on their activities during the scheme year. We think this change provides clarity over the evidence expected.
- iii. A relatively minor change has been the rewording of the application form criteria into questions. While the evidence required to meet the criteria often remains unchanged, we consider that a question makes it easier for the applicant to understand what is required.

Any representations in respect of the proposed modifications to the EDR Scheme Guidance (including the scoring spreadsheet) should be made in accordance with the enclosed Notice. Questions or comments should, in the first instance, be directed to Harvey Beck (Harvey.Beck@ofgem.gov.uk or on 020 7901 7088).

Yours sincerely,



Geoffrey Randall

Head of RIIO
Electricity Transmission