

**To: Electricity North West Ltd (ENWL)
Northern Powergrid (Northeast) Ltd (NPgN)
Northern Powergrid (Yorkshire) plc (NPgY)
London Power Networks plc (LPN)
South Eastern Power Networks plc (SPN)
Eastern Power Networks plc (EPN)
SP Distribution plc (SPD)
SP Manweb plc (SPMW)
Scottish Hydro Electric Power Distribution plc (SSEH)
Southern Electric Power Distribution plc (SSES)
West Power Distribution (West Midlands) plc (WMID)
West Power Distribution (East Midlands) plc (EMID)
West Power Distribution (South Wales) plc (SWALES)
West Power Distribution (South West) plc (SWEST)**

Direction under Part B of Standard Licence Condition (SLC) 47 (Environment Reporting) to issue the Environment Report Guidance Document

1. Each of the companies to whom this document is addressed is the holder of an electricity distribution licence granted or treated as granted under section 6(1)(c) of the Electricity Act 1989 (the Act).
2. In accordance with Part B of SLC 47 (Environment Reporting) the Authority¹ gave notice on 23 November 2015 (“the Notice”) to consult on the proposed text of the Environment Report Guidance Document (“the Guidance”) and the proposed date by which it should take effect. The Notice required any representations to be made on or before 21 December 2015.
3. We received four responses to the Notice, which we carefully considered. We have placed all non-confidential responses on our website. Our response to these comments is set out in Schedule 1. One licensee suggested a number of minor typographical corrections but indicated that they did not wish to make any representations.
4. In order to correct some minor issues raised in the consultation responses, it is necessary to make a number of minor alterations to the Guidance. These minor alterations to the Guidance are shown in red font in the attached Schedule 2.
5. SLC 47 establishes the requirement for each Distribution Network Operator (DNO) to publish an Environment Report, on an annual basis, for the preceding regulatory year, in accordance with the Guidance.
6. The reasons why the Authority proposed to introduce the Environment Report are set out in various documents published on behalf of the Authority, including:
 - Strategy decision for the RII0-ED1 electricity distribution price control - Outputs, incentives and innovation²;

¹ The terms “we”, “us”, “Ofgem” and “the Authority” are used interchangeably in this letter. The Authority is the Gas and Electricity Markets Authority. Ofgem is the Office of the Authority.

² RII0-ED1 Strategy Decision – Outputs, incentives and innovation, 4 March 2013
<https://www.ofgem.gov.uk/ofgem-publications/47068/riioed1decoutputsincentives.pdf>

- Environment Report Guidance Document consultation³; and
 - Proposal to issue the RIIO-ED1 Environment Report Guidance Document.⁴
7. Our RIIO-ED1 strategy decision stated the need for a reputational environmental reporting requirement to address concerns around public accountability and integration of learning and performance.
 8. The Authority proposes to issue the Guidance to explain how the licensee must report on activities it has undertaken in relation to environmental matters, including, but not limited to policies, business practices and existing obligations. The Guidance will also set out the requirements for the structure and level of detail in the report.
 9. In accordance with our powers under Part B of SLC 47, we hereby issue the Guidance as contained in Schedule 2. This Direction brings the Guidance into effect as of 12 February 2016.
 10. This document constitutes a direction issued by the Authority under Part B of of SLC 47.

Paul Branston
Associate Partner, RIIO Networks
Duly Authorised on behalf of the Gas and Electricity Markets Authority
12 February 2016

³ Environment Report Guidance Document consultation, 28 January 2015 <https://www.ofgem.gov.uk/publications-and-updates/consultation-draft-riio-ed1-environment-report-guidance-document>

⁴ Summary letter of consultation responses, in Notice to issue the Environment Report Guidance Document under the electricity distribution network operators price control RIIO-ED1, 23 November 2015 <https://www.ofgem.gov.uk/publications-and-updates/notice-issue-environment-report-guidance-document-under-electricity-distribution-network-operators-price-control-riio-ed1>

Schedule 1: Responses to the representations received

A copy of the log of representations received and our responses can be found on our website at:

<https://www.ofgem.gov.uk/publications-and-updates/direction-issue-environment-report-guidance-document-under-electricity-distribution-network-operators-price-control-riio-ed1>

Schedule 2: Environment Report Guidance Document

A copy of the Environment Report Guidance Document can be found on our website at:

<https://www.ofgem.gov.uk/publications-and-updates/direction-issue-environment-report-guidance-document-under-electricity-distribution-network-operators-price-control-riio-ed1>