

RIIO-ED2 Decarbonisation and the Environment (DEWG) Working Group

From: Ofgem

Date: 28 January

Time: 10:00-15:30

Location:
Ofgem
Commonwealth House,
Glasgow

This document sets out the high level minutes and actions from the Decarbonisation and the Environment Working Group 2. The aim of the document is to record the main issues and themes raised in discussion. All minutes and notes were recorded in conjunction with the Terms of Reference. For reference to the presentation material, please refer to the accompanying working group slides.

1. Present

Attending in person	Dialling in
John Parsons (BEAMA) David Wilkins (NPg) Jim Cardwell (NPg) Alison Scott (ENWL) Ross Thompson (UKPN) Jennifer Backstrom (UKPN) Dominic Quennell (Enertechnos) Gareth O'Brien (Enertechnos) Jill Russell (WPD) Frank Clifton (SSEN) Matthew Jones (SPEN) Gillian Renwick (SPEN) Anna Ferguson (WSP)	Judith Ward (Sustainability First) Ray Arrell (Regen) Johnny Gowdy (Regen) Ruth Bradshaw (CNP) Daniel Barrett (GLA) Matt Copeland (NEA) Fraser Nicolson (SSEN)

2. Intro/recap. 10:00 – 10:45

- 2.1. Ofgem provided an update from the 17 January 2020 Overarching Working Group (OAWG) meeting, noting that if the OAWG recommended outputs and incentives relating to decarbonisation, the development of these would sit within this group.
- 2.2. UKPN asked for further information about the upcoming Ofgem publication relating to the organisation's decarbonisation strategy and likely publication date. Ofgem noted this was due to be published shortly.
- 2.3. On the working group scheduled for 2 April, ENWL flagged that this is the same date as the SO open hearing. **Action: members to confirm if this will be a conflict for them.**

3. Update on priorities and options for consideration for ED2. (NPg) 10:45 – 12:00

- 3.1. Northern Powergrid presented on the priorities for the working group and considerations for how to achieve the desired outcomes relating to network decarbonisation, environmental impact and societal decarbonisation.
- 3.2. The group discussed the uncertainty in this policy area, noting that there are elements where there is now certainty and others with 'known unknowns'. Enertechnos proposed that it would be useful for the group to develop different scenario case studies that could be 'stress tested' in order to consider if the current or proposed arrangements are flexible and adaptive.
- 3.3. It was noted that such an approach could be useful when considering ongoing policy reforms, such as the Access and Forward-looking Charges SCR.
- 3.4. This discussion led to a conversation on the use of PCDs (Price Control Deliverables) and whether they may be appropriate in this area
- 3.5. Sustainability First shared the view that a new approach would be needed to ensure the step-change on decarbonisation that is needed.
- 3.6. **Action: members to nominate scenarios in ED2 worthy of stress testing.**

4. Losses: Presentation on key findings and considerations for ED2. (WSP) 12:45 – 14:00

- 4.1. WSP presented on key findings and considerations for ED2 from its technical losses mechanism study. These were that losses are complex and difficult to measure; losses will increase as we move to a low carbon future; and a reputational incentive with a strengthened CBA approach is recommended.
- 4.2. WSP suggested four areas to progress: optimising the CBA; analysing the losses allowances; considering how performance is measured against the losses strategy and whether, in light of the study's findings, a losses discretionary mechanism is needed.
- 4.3. SPEN noted that the technical reports of the studies will be published shortly and that it will circulate these to group members via the Ofgem working group lead.
- 4.4. The merits of using a reputational incentive to drive accountability were discussed and noted as an area that will require further development. For example, what would be the appropriate assessment as part of a reputational incentive.
- 4.5. **Action: members to bring ideas to the next meeting on what a reputational incentive could look like, and what could be leveraged in the existing arrangements.**
- 4.6. SPEN noted that the ENA Losses Working Group is looking to introduce some best practice guidance for losses estimation which could help. WSP noted this is a significant piece of work and if it is necessary then it will need to be accelerated significantly.

5. Business Carbon Footprint: Presentation on options for how common methodology could be used to measure BCF. (WPD) 14:00 – 15:00

- 5.1. WPD presented on how a common methodology could be developed for measuring Business Carbon Footprint.
- 5.2. WPD noted that such approach has been discussed at the ENA environment committee and that there appears to be a strong desire already for a consistent approach to measuring BCF.
- 5.3. The group discussed whether enhanced reporting arrangements, for instance as part of the RIGs or business plan commitment reports, could have a similar outcome to a common methodology for BCF.
- 5.4. It was queried whether work to develop a common methodology needed to sit within a RIIO-ED2 working group or could already be progressed through other forums, such as the ENA environment committee.
- 5.5. **Action: DNOs to progress work on this at the ENA environment committee, and to give an update at the next meeting.**

6. Next Steps

- 6.1. The next meeting will be held on 19th February in Glasgow.

Appendix 1 – Summary of Actions

Action	Allocated to	Due date
Members to confirm whether there is a conflict for them on 2 April	All	7 February 2020
Decarbonisation incentive - scenarios in ED2 and how they would fare against current arrangements.	All to contribute to this. To be coordinated by NPg	Material to be shared week prior to meeting, 12 February 2020
Members to bring ideas to the next meeting on what a reputational incentive for losses could look like, and what could be leveraged in the existing arrangements eg losses strategy	All to contribute to this. To be coordinated by SPEN	Material to be shared week prior to meeting, 12 February 2020
SPEN to send a link to the WSP reports to the group	SPEN	7 February 2020
BCF consistency in reporting - ENA work to be done on this. DNOs to give an update at the next meeting	DNOs through ENA	19 February 2020