

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

From: Ofgem

Date: 19 February

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 3. 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

John Parsons (BEAMA)  
David Wilkins (NPg)  
Alison Scott (ENWL)  
Ross Thompson (UKPN)  
Dominic Quennell (Enertechos)  
Gareth O'Brien (Enertechos)  
Carl Ketley-Lowe (WPD)  
David Nankivell (SSEN)  
Matthew Jones (SPEN)  
Anna Ferguson (WSP)  
Judith Ward (Sustainability First)  
Ray Arrell (Regen)  
Daniel Barrett (GLA)  
Fraser Nicolson (SSEN)  
Sam Hughes (Citizens Advice)  
Catalina Rozo (Zenobe)  
Victoria Low, James Veaney, Mark Hogan, Fiona Campbell, Tom Roberts (Ofgem)

### 2. SF6 and PCBs (SSEN) 10:30 – 11:30

#### SF6

- 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. SSEN presented update on the work being carried out by the ENA group looking at SF6. ENA group is drafting response to EU consultation considering legislative options for SF6, including the option to ban SF6. Consultation to be published in July 2020, with decision expected in 2023. SSEN will provide an update on the key messages included in the ENA's response at the next working group.
- 2.3. The group discussed the implications on ED2 and potential options for price control arrangements. This included consideration of the RIIO-T2 decision to include a financial incentive on TOs to reduce SF6, as well as other options such as upfront

funding and a reopener for if legislative changes are made during ED2. ENWL noted that if a retrospective replacement or ban is introduced then reopener could be an appropriate mechanism.

- 2.4. The group also discussed the cost effectiveness of replacing equipment with alternatives that do not use SF6, with SSEN noting that the cost effectiveness reduces as the voltage reduces.
- 2.5. NPG noted that, in the event of a ban on SF6, there will need to be a drive to ensure that decarbonisation projects aren't held up. If equipment that use alternatives to SF6 result in a much larger carbon footprint, then there may be knock on impacts on planning permission requirements on DNOs.

## **PCBs**

- 2.6. SSEN presented an update on the work the ENA has been doing regarding the strategy to identify and address assets contaminated with Polychlorinated biphenyls (PCBs).
- 2.7. SSEN noted that DEFRA are currently preparing UK legislation to enact the revised EU POP Regulations, meaning that all transformers containing more than 50ppm PCBs will have to be removed by end of 2025.
- 2.8. There was discussion around the £828m cost estimate presented for this work. Sustainability First questioned whether this was covered transmission assets, or distribution only. SSEN said they would confirm this. ENWL noted clarified that £828m is at the lower end of the estimate.
- 2.9. The group discussed the implications on ED2 and potential options for price control arrangements. ENWL made the point that the key element is the level of uncertainty, while SPEN compared the issue to the possible legislative change for SF6.

## **3. Environmental reporting (Ofgem) 11:30 – 12:00**

- 3.1. Ofgem provided an update on the work carried out to date on changes to the reporting requirements on DNOs, in order to provide enhanced understanding of DNO activities and associated costs in ED1 and also to prepare for business plan submissions. Ofgem noted that inconsistency between DNOs remains in some areas of environmental reporting and that aligning approaches to reporting will be key to understanding DNO business plans.
- 3.2. Ofgem asked for nominations from each DNO to sit on Ofgem's working group looking at enhanced regulatory reporting for business plan data templates (BPDTs) for ED2.

## **4. Actions from previous meeting**

### **Decarbonisation incentive**

- 4.1. NPG facilitated a discussion on whether an incentive could be needed in RII0-ED2 to drive societal decarbonisation.
- 4.2. The group discussed scenarios and desired outcomes and behaviours in ED2 and began discussions on whether existing arrangements would be appropriate and flexible

enough to facilitate those outcomes in the next price control period. Scenarios discussed including DNOs needing to invest in the network in ED2 to facilitate the rollout of EVs and new customers requesting connections with varying timescales.

- 4.3. Ofgem assigned an action to the group to review and contribute to the scenarios, to inform a further discussion at the next DEWG session.

## Losses

- 4.4. SPEN presented on options for the regulatory approach to monitoring and managing losses in RIIO-ED2 and in particular presented what a reputational incentive for losses could look like.
- 4.5. The group discussed the merits and drawbacks of a reputational incentive. It was noted that any regulatory approach would need to acknowledge that DNOs do not usually take actions exclusively to reduce losses. Some DNOs did receive funding (on top of the LDR) at ED1 for losses-driven activity eg ENWL committed to installing low loss transformers, however usually losses reduction is not the primary driver for investment.
- 4.6. SPEN confirmed that there is no natural cross over between addressing PCBs and managing losses by replacing low loss transformers because PCBs are pole mounted.
- 4.7. The group agreed to feedback further thoughts on SPEN's proposed approach to losses in ED2.

## Appendix 1 – Summary of Actions

Action	Allocated to	Due date
<b>SF6 action</b> – Provide rough cost estimates if all switchgear was to be replaced with alternatives to SF6 in ED2. Where possible, costs should be broken out by voltage level to understand the order of magnitude.  Additional questions: <ul style="list-style-type: none"> <li>- Are DNOs reporting consistently/do we need enhanced reporting? Eg Can DNOs report SF6 emissions per voltage level? Could/should this change be made in the RIGs in ED1?</li> </ul>	Coordinated by SSEN with input from all DNOs	To share with Ofgem by Friday 6 March. Present at 12 March DEWG
<b>SF6 action</b> – SSEN to provide update of key messages included in the ENA's response to the EU consultation.	SSEN	Provide update at 12 March
<b>SF6 action</b> – What options should be considered for ED2? Eg 1) Financial or 2) reputation incentive, or 3) funding and reopener in the event of wider legislative changes.	Coordinated by ENWL with input from all DNOs	To share with Ofgem by Friday 6 March. Present at 12 March DEWG

Action	Allocated to	Due date
What are the pros and cons of these options?		
<b>PCB action</b> – Re the £828m cost estimate, does this also include transmission assets, or distribution assets only?	SSEN	Provide update at 12 March
<b>PCB action</b> – Members to contribute views on what appropriate arrangements for PCBs might be for ED2. Eg upfront funding with reopener in the event of wider legislative changes. What other options should be considered?	Coordinated by SPEN with input from all DNOs	To share with Ofgem by Friday 6 March. Present at 12 March DEWG
<b>Environmental reporting action</b> – Nominations from each DNO to sit on Mark's WG on enhanced regulatory reporting for BPDTs and ED2	All DNOs	Respond to Mark by Friday 6 March
<b>Decarbonisation incentive action</b> – Contribute to list of scenarios to be stress-tested against current arrangements (first column of table attached in minutes and actions email)	All DEWG members	Respond to Ofgem Wednesday 4 March
<b>Decarbonisation incentive action</b> – Stress test scenarios. Once we have our list, we will assign scenarios to the group to fill out the remaining columns in the table and discuss at next DEWG	TBC by Ofgem by Friday 6 March	Complete table by midday 11 March. For discussion at 12 March DEWG
<b>Losses action</b> – members to consider and respond to SPEN's proposal on ED2 arrangements for losses	TBC	To share with Ofgem by Friday 6 March. Present at 12 March DEWG