

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

From: Ofgem

Date: 12 March

Time: 10:00-12:30

Location:
Teleconference

This document sets out the high level minutes and actions from the Decarbonisation and the Environment Working Group 4. 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)
Gareth O'Brien (Enertechos)
Andrezj Michalowski (WPD)
David Nankivell (SSEN)
Michelle Chalmers (SSEN)
Gillian Renwick (SPEN)
Matthew Jones (SPEN)
David Pang (UKPN)
Judith Ward (Sustainability First)
Johnny Gowdy (Regen)
Daniel Barrett (GLA)
Sam Hughes (Citizens Advice)
Victoria Low, Fiona Campbell, Tom Roberts (Ofgem)

2. Intro

- 2.1. Ofgem proposed to move the agenda item related to stress-testing scenarios should be discussed at the 2nd April session as the group has not had enough time to digest the material fully and members have not yet contributed. The group were happy with this approach and the proposed agenda items for the 2nd April.

3. Update on the ENA engagement with the European Commission (Re: Review of the F-gas Regulation 517/2014)

- 3.1. The ENA have worked with the member companies to develop a report (currently in draft form) that enables engagement with the European Commission (Re: Review of the F-gas Regulation 517/2014) as they consider alternatives to SF6-filled MV switchgear with a view to ensuring that any F-gas Regulation amendment is sensible and practical for UK impacted companies.
- 3.2. SSE provided an update on the consultation response being prepared. They outlined that they expect the report to be submitted at the end of March and that it is currently

in the review process. SSE will provide a detailed update to the group once the report is signed off.

4. SF6 arrangements: What options should be considered for ED2? (ENWL)

- 4.1. ENWL presented an overview of potential options that could be considered for the arrangements for SF6 in ED2. The three proposed options presented were a financial incentive; a reputational incentive or funding and reopener to be used in the event of wider legislative changes. ENWL proposed advantages and disadvantages of each options for discussion with the group.
- 4.2. NPg suggest a challenge in the area is understanding the measurement of the volume of leakage. ENWL note that this could be something to consider within the environmental reporting RIGs group. Ofgem, and other members, agreed this would be useful, and the DNOs were asked to share their methodologies of how they measure this. The group discussed the challenges related to accurate measurement. Ofgem also asked the DNOs to provide internal monitoring metrics alongside the methodologies.
- 4.3. Sustainability First note that they consider it is important that there is a cross-sectoral approach to SF6 that looks forward to RII02 and RII03. SSE noted that the ENA coordinated consultation response is cross-sector and is looking at medium voltage. There was a discussion regarding why the EU had focused on medium voltage and also what this is defined as. SSE took an action away to report back on the estimated order of magnitude of costs at different voltage levels.
- 4.4. The group discussed options for regulatory mechanisms. A question on whether ET2 will have any upfront funding for SF6 was asked, which Ofgem took away. SPEN note that other technologies for lower voltages is much further away from readiness than for higher voltages. BEAMA confirmed that it would be difficult to get all manufacturers to present a common solution, but they are being given feedback that that would be preferable.
- 4.5. The group discussed the timeline for the legislation and how this may impact the need for reopener. WPD note that the ED2 period will take us to 2028 and therefore a broad reopener that can respond to other environmental requirements could be appropriate. ENWL suggest this is sensible when you consider the broader context of Net Zero and the likely changes associated with this. SPEN note the links with the subsequent PCB proposals and that this approach could alleviate risk for companies and consumers.
- 4.6. The group discussed the value of reputational incentive and how this links to the earlier proposed discussion on consistent methodologies. The group discussed, that beyond the use of league tables, DNOs are accountable to their own stakeholders. Regen noted the importance of this with regards to regional priorities and suggested that Environmental engagement groups for different regions would be useful.

5. PCBs: What options should be considered for ED2 arrangements? (SPEN)

- 5.1. SPEN presented an overview of potential options that could be considered for the arrangements for PCBs in ED2. These included a volume driver with initial ex-ante and true-up if volumes remain uncertain. NPG noted that they will likely have some, but not a concrete, idea on volumes by draft business plan submission.

- 5.2. WPD noted that a volume driver approach would be appropriate for keeping the regulatory arrangements simple. Ofgem notes that if such approach was to be adopted this issue may be best considered as a cost assessment issue. ENWL's view was that, should sufficient certainty on volumes be in place by business plan submission, then ex-ante allowances would be adequate, with volume driver as second option if uncertainty remains.
- 5.3. Sustainability First queried the signaling required in the supply chain. SSE clarified that as the PCB contamination occurred pre-1987, the supply chain does have the required products [transformers] however it is a more concentrated challenge where there will be a significant demand spike ahead of 2025. As this is EU legislation, this demand will be Europe wide therefore there may be shortages. BEAMA noted that early indication to the supply chain will be important.
- 5.4. The group discussed the need for an environmental legislation reopener, with SPEN noting an example policy area of biodiversity. It was noted that you could split out an uncertainty mechanism into three aspects: a volume driver, reopener and cost indexation. The majority of the group considered that a reopener would not be suitable for PCB, but consider it demonstrates how environmental legislation can have big impacts.
- 5.5. NPg noted that they did not share the views of the other DNOs in the need for alternative arrangements for PCBs and that they consider it can be dealt with through the business plan.

Appendix 1 – Summary of Actions

Action	Allocated to	Due date
SF6 action - DNOs to share their methodologies for measuring SF6 leakage with Ofgem as well as other reporting such as internal monitoring metrics	All DNOs	To share with Ofgem by Thursday 9th April.
SF6 action – 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.	SSE	To share with Ofgem by Thursday 9th April.
SF6 action - Update on consultation position: the scope and the content of the report.	SSE	Once the report has been submitted to the EUC
Stress testing – All DNOs to populate stress testing table	All DNOs	COP Thursday 19 March
PCB action – raise the issue at the CAWG working group on the 13 th March.	Ofgem/DNOs	Completed