

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

From: Ofgem

Date: 2 April

Time: 10:00-14:30

Location:
Teleconference

This document sets out the high level minutes and actions from the Decarbonisation and the Environment Working Group 5. 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, Dominic Quennell (Enertechos)
Jill Russell, Ben Godfrey (WPD)
David Nankivell, Fraser Nicholson (SSEN)
Gillian Renwick, Matthew Jones (SPEN)
Ross Thompson (UKPN)
Judith Ward (Sustainability First)
Rick Curtis (GLA)
Sam Hughes (Citizens Advice)
Victoria Low, Fiona Campbell, Tom Roberts, James Veaney (Ofgem)

2. Intro

- 2.1. Ofgem went through the outstanding actions from previous working group sessions. See actions table at the end of the document for status on outstanding actions
- 2.2. Ofgem will present their view of the package to the group at the next working group on 23 April. Ofgem encouraged members to reach out if they have any further views to contribute.

3. Scope of Environmental Action Plan (SPEN)

- 3.1. SPEN presented slides on the scope of the ET2 Environmental Action Plan (EAP). Requirements that were added in for ET2 were highlighted in blue, existing requirements were green. They commented that some of the new requirements were stretching.
- 3.2. SPEN have asked for an overview of science-based targets from the Carbon Trust and will circulate to the group.
- 3.3. SPEN stated that there needs to be clarity on what is meant by biodiversity and natural capital, given that they are not the same thing and natural capital (the goods

and services derived from nature) is broader. It was suggested that biodiversity could sit as a sub-category of natural capital.

- 3.4. There was a discussion around how net zero targets could be assessed and set on a like-for-like basis, given England and Scotland have different net zero targets. SSEN highlighted the potential to use licensee-specific targets appropriate for that licensee, but might reduce effectiveness of the reputational incentive.
- 3.5. SPEN stated that they were having discussions with other TOs on biodiversity and carbon metrics to make sure they were all using the same tool. SPEN highlighted that SPT do not have a baseline, so have not set a target yet, but will be getting consultants for biodiversity to help set the baseline.
- 3.6. There was a discussion on whether and how the ED2 EAP could be more ambitious. Citizens Advice asked if DNOs could use the EAP as a tool to bring forward the date by which they could hit net-zero targets. SPEN highlighted table 4.4 in the T2 BPs, in which TOs set out what environmental works they were currently undertaking, and the environmental impact that would be achieved with or without those works. **Action: SPEN to check that table 4.4 is being carried through for ED2.**
- 3.7. ENWL stated that it would be worth going through the list to see which areas of the ET2 EAP would be logical to pull across to ED2, and where would there be opportunities to add in new areas. **Action: Ofgem share table to the group to fill out.**

4. Environmental Incentive (UKPN)

- 4.1. UKPN went through slides on their proposal for an Environmental Incentive. It included an Environmental Performance Incentive (EPI) for BCF, and common PCDs for BCF and Fluid Filled Cables (FFC), which are areas considered easier to measure. For areas more difficult to measure, they proposed an Environmental Qualitative Assessment Measure (EQUAM), akin to the SECV, and for new leading practices and legal requirements an EQUAM and/or reopener.
- 4.2. UKPN suggested that the EPI could extend across FFC, BCF, Losses and the number of LCTs, and could work similarly to CNAIM or be an ODI if there sufficient consistency across the companies. The EQUAM could operate above baseline only or the incentive could include baseline.
- 4.3. There was a discussion on the merits of the proposal. WPD flagged that consultants have told them that losses need to be included in BCF science-based targets, but that their view is that splitting out losses and BCF is preferable when it comes to explaining to stakeholders. SPEN agreed, and agreed to share guidance from the Carbon Trust on this area when they have it. ENWL stated that they liked the holistic approach, and the separation of losses. SSEN agreed that we should be striving for commonality in the measurement of BCF.
- 4.4. UKPN suggested that incentives should be symmetrical where possible. Ofgem asked how losses would be measured, to which UKPN replied that they are still working on the details of the proposed metrics but did not think it would be an absolute figure. SPEN stated that there was an opportunity in the BPs to set out a comparison between what losses would have been with and without intervention.

4.5. Sustainability First reinforced the point that there should be read across to T and GD.

4.6. **Action: DNOs to arrange a phonecall, in order to further feed in their views on UKPN's proposal. Ofgem will catch up separately with UKPN.**

5. Stress-test scenarios to determine if existing arrangements are appropriate

5.1. Ofgem ran through the highlights from the scenarios developed by the group, and highlighted that the OAWG is looking at strategic investment and the CSVG WG is looking at connections outputs and incentives, two areas that many of the scenarios are concerned with.

5.2. UKPN stated that connections should remain a focus when considering decarbonisation. Ofgem agreed, making the point that it ties in with strategic investment requirements and we may need to have new and enhanced mechanisms in this area.

5.3. Ofgem asked whether the group considered that there were other things required in the price control, outside of strategic investment and connections, in relation to outputs and incentives to support decarbonisation. There was discussion around areas that still need to be considered eg net zero reopener and cost benefit analyses.

5.4. ENWL stated that this had been a valuable exercise to show that the areas that need development are being worked on elsewhere. It was agreed that a note should be sent round, showing where the areas discussed in slide 33 are being picked up. **Action: Ofgem to send round this note.**

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	Call prior to 23 rd April, and update at WG6
BCF action - WPD have asked for all DNOs' BCF methodologies to be submitted to them and will start compiling. They will provide an update on 23 rd April	All DNOs (co-ordinated by WPD)	To share with Ofgem by 16 th April
Losses action - SPEN will recirculate their losses slides for feedback, and will update on 23 rd April. ENWL will find out about CBA group and how losses work will feed into that	DNOs	To share with Ofgem by 16 th April. Updates at WG6

Action	Allocated to	Due date
EAP action – check that table 4.4 of T2 BP is being carried through to the ED2 price control	SPEN	23 rd April
EAP action – Ofgem to send round a table for members to populate with their views on the scope of the EAP for ED2	Ofgem/DNOs	Completed table by 16 th April
EAP action – SPEN to circulate Carbon Trust overview of BCF science-based targets	SPEN	When Carbon Trust send this through
DNOs to arrange a phonecall, in order to further feed in their views on UKPN's Environmental Incentive proposal. Ofgem will catch up with UKPN once this has happened.	DNOs	23 rd April
Ofgem to send round a note confirming where each of the areas in slide 33 is being picked up	Ofgem	16 th April