

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

From: Ofgem

Date: 23 April

Time: 10:00-15:00

Location:
Teleconference

This document sets out the high level minutes and actions from the Decarbonisation and the Environment Working Group 6. 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 (Enertechnos)
Jill Russell (WPD)
David Nankivell, Fraser Nicholson (SSEN)
Gillian Renwick, Matthew Jones (SPEN)
Ross Thompson, Philip Spiby (UKPN)
Judith Ward (Sustainability First)
Rick Curtis (GLA) (Item 4 only)
Sam Hughes (Citizens Advice)
Ray Arrell (Regen)
Catalina Roza (Zenobe)
Ruth Bradshaw (CNP)
Victoria Low, Fiona Campbell, Tom Roberts (Ofgem)

2. Intro

- 2.1. Ofgem highlighted that this was the penultimate working group session, but that future group sessions and/or bilateral engagement can be organised where necessary in the lead up to the consultation.
- 2.2. Regen asked why the transition to low carbon objective had been dropped from this working group, when previously proposed to be the focus of the final two sessions. Ofgem clarified that proposals in this area were being discussed in other working groups, and that therefore the decision had been taken to focus the final sessions on all policy proposals across the three objectives.
- 2.3. **Action: Ofgem to put Regen in touch with the OAWG, at which a holistic update will be given in June and consider how best to provide a holistic overview to the DEWG on 21st May.**

3. Updates on actions

WPD update on BCF methodologies

- 3.1. WPD have received the majority of DNO BCF methodologies. They will see where there are any commonalities and differences, and progress the work through the ENA Environmental Committee. Carbon intensity metrics and scope 3 emissions are options for inclusion in the methodologies. They will put a crib-sheet together, and present at the ENA in May.
- 3.2. WPD stated that embedded carbon can be considered in the EAP, but that it is likely to be more of an aspirational area in ED2. SPEN flagged that TOs are working to establish a common tool for embedded carbon in T2, which seemed a sensible place for DNOs to start.
- 3.3. **Action: WPD to present on the BCF methodology work at the next WG. WPD to raise the common embedded carbon tool at the next Environmental Committee.**

Losses

- 3.4. SPEN are currently developing material from the February WG into a formal written proposal. Following internal governance, they will submit it to Ofgem.
- 3.5. ENWL circulated the minutes taken at the CBA workshop. CBAs will be discussed at the next CAWG on 28 April.
- 3.6. SPEN are waiting for sign-off from the Carbon Trust to share slides on Science-Based Targets (SBTs). This has now been shared.

SSE update on SF6 progress

- 3.7. SSE presented slides on SF6 scenario costing. Sustainability First stated that there needs to be an industry-agreed strategy on SF6, and that it needs to be communicated.
- 3.8. The ENA are working on a shortened summary paper for circulation, which will be ready ahead of the next WG. The report looks into a more holistic picture of Transmission and Distribution, and demonstrates the best way to eliminate SF6 and target carbon reduction.
- 3.9. **Action: Ofgem and SSEN to set up a call once the ENA summary paper on SF6 has been circulated.**

SPEN update on T2 environmental tables pros/cons

- 3.10. SPEN went through slides on table T2 table 4.4. They made the points that table 1 could have been populated better with earlier sight, the provision of estimated ranges for estimated benefits in table 2 did not seem useful, and that it had been a difficult task to go back and pick out environmental specific costs for table 3.

- 3.11. Regen asked whether the procurement of flexibility providers was captured by scope 3 emissions. There was a discussion on how the benefits of actions towards net-zero could be identified, and whether this could be broken down for each initiative.

- 3.12. **Action: SPEN to collate views on these tables and share with Ofgem.**

4. EAP

- 4.1. Ofgem went through slides on the group's feedback on the scope of the EAP. Ofgem clarified that we would want to close down the minimum requirements' scope in December's SSMD, but that the scope of the EAP could have bespoke outputs.
- 4.2. ENWL agreed on this point. There was a discussion on scope 3 emissions and how to define the boundaries of these. Citizens Advice asked if the Carbon Trust SBT work defines these boundaries. **Action: WPD to raise the boundary of scope 3 emissions at the Environmental Committee.**
- 4.3. There was a discussion on where commonality will be required should there be no common metric. Ofgem stated that where established principles apply we may want companies to follow these and to take account of regional variations. The group agreed that boundaries should be drawn at regions, not licensee areas.
- 4.4. NPG stressed the need for Ofgem to clarify what the information will be used for and what DNOs will be measured against. Sustainability First were supportive on proposals around commonality, and the role of the EAP in enabling effective scrutiny and use by stakeholders.

5. Run through of the Environmental package as a whole

- 5.1. Ofgem went through slides on the proposals for each area.

BCF

- 5.2. UKPN stated that the financial arrangements need to enable flexibility in ambition within period, rather than being based on the picture 2 years prior to ED2. They did not consider that ODI(F) needs to be the approach (a UIOLI could work), but did not think that PCDs are flexible enough.
- 5.3. ENWL stated that their ED1 Business Plan Commitments were in some cases too specific on actions rather than outcomes, and warned that PCDs on BCF could limit flexibility as it is the outcome that is important, and means of achieving the outcome may change over the period based on innovation and technology. Therefore ex-ante allowances or UIOLI could be the right approach to enable flexibility. Citizens Advice asked whether a UIOLI would reduce ambition. UKPN proposed funding for business plan activities and a UIOLI for delivery in addition to that.
- 5.4. NPG stated that the power of the totex incentive mechanism (TIM) should not be forgotten. The fundamental principle should be simplicity. They are not supportive of PCDs and ODIs, but want to put an ambitious plan forward. UKPN's view was that the shortened price control was cancelled out by the greater uncertainty coming during ED2. This was the justification for looking at financial mechanisms, and there is evidence that they deliver value for consumers. ENWL agreed on the value of the TIM

as the default approach, but asked if more was needed. SPEN asked if an environmental reopener could be applied for any legislative change in this area.

Losses

- 5.5. SSEN stated that Ofgem should ensure they are mindful of the increase in losses that an increase in LCTs will cause. Citizens Advice made the point that there is a stakeholder element to the trade-off between minimising losses and installing LCTs.
- 5.6. UKPN stated that there was more work on consistency in reporting needed before a financial incentive could function. **Action: DNOs to contribute views on how a financial incentive for losses could work as part of an EPI (UKPN proposed mechanism).**

Visual Amenity

- 5.7. CNP stated that they wanted to retain the current approach to the scheme, and will share the report on National Grid's [WTP research](#) (this has been done). ENWL support the retention of the scheme, but stated that regional WTP would be more suitable than national.
- 5.8. ENWL questioned the ET2 survey requirement, and asked whether the scope of the scheme could be extended to wider impacts on wildlife. CNP highlighted that one of the main justifications for the existing scheme is the statutory requirement for Ofgem and DNOs to have regard to the purposes of designated landscapes. Ofgem asked if the impacts on wildlife could be incorporated in a natural capital metric. UKPN stated that the fact that the scheme is so stakeholder driven lends it well to a qualitative assessment. **Action: Ofgem to clarify the ET2 survey requirement.**

SF6

- 5.9. There was a discussion on potential incentive for SF6. UKPN asked whether there was benefit to having an additional potential mechanism for SF6, if BCF was managed well. The point was made that SF6 persists in the environment, unlike carbon, and this was not captured within CBAs. If units containing SF6 were replaced before the end of their life, the BCF would need to be accounted for. This would not be in the interests of consumers, meaning the evidence base is perhaps not currently there to support a financial incentive in this area.
- 5.10. There was a discussion on how legislative changes will affect the strategy of DNOs.

Fluid-filled Cables

- 5.11. There was support for the existing mechanism.

Appendix 1 – Summary of Actions

Action	Allocated to	Due date
Ofgem to put Regen in touch with the OAWG, at which a holistic update will be given in June and consider how best to	Ofgem	7 th May

Action	Allocated to	Due date
provide a holistic overview to the DEWG on 21st May.		
WPD to present on the BCF methodology work at the next WG. WPD to raise the common embedded carbon tool at the next Environmental Committee	WPD	To share material with Ofgem by 14 th May
Losses action – SPEN to share losses proposal with Ofgem	SPEN	Asap
SF6 action - Ofgem and SSEN to set up a call once the ENA summary paper on SF6 has been circulated	SSEN/Ofgem	Asap
EAP action - SPEN to collate views on table 4.4 of T2 BP, and share with Ofgem	SPEN/DNOs	To share with Ofgem by 14 th May
EAP/BCF action – WPD to discuss the boundaries of scope 3 emissions at the next Environmental Committee	WPD	Next Environmental Committee. Update on 21 st May
Losses action – The group to contribute views on how a financial incentive for losses could work	All	Share with Ofgem by 21 st May
EAP action – SPEN to circulate Carbon Trust overview of BCF science-based targets	SPEN	Completed
Visual amenity action - Ofgem to clarify the ET2 survey requirement.	Ofgem	7 th May