

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

From: Ofgem

Date: 7 July

Location:

Time: 10:00-13:00

Teleconference

This document sets out the high level minutes and actions from the Decarbonisation and the Environment Working Group 7. 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)
Dominic Quennell (Enertechos)
Jill Russell (WPD)
David Nankivell, Michelle Chalmers, Shirley Robertson (SSEN)
Gillian Renwick, Matthew Jones (SPEN)
Ross Thompson, Philip Spiby, Mark Norman (UKPN)
Judith Ward, Maxine Frerk (Sustainability First)
Ruth Bradshaw (CNP) (Item 4 only)
Victoria Low, Fiona Campbell, Tom Roberts (Ofgem)

2. Intro

- 2.1. Ofgem introduced the session, noting that this was the final working group before consultation. Following publication, there will still be a role for the working group and Ofgem will provide details on the key areas the working group will need to focus on between consultation and decision.

3. SF6 Update (SSEN)

- 3.1. SSE provided an update on the ENA consultation response to the F-Gas Regulation review by the EU Commission. SSE were hoping to provide a high level summary of the response to the group, but this has been delayed due to the commercial sensitivities within the response.
- 3.2. There will be a summary position paper to be shared with the working group following agreement by the relevant parties. This should be shared ahead of the methodology consultation. **Action for SSEN: Share ENA response with the working group when this is available.**

4. Thinking about a decarbonisation framework for RIIO-ED2 (Sustainability First)

- 4.1. Sustainability First (SF) presented a view of what a decarbonisation framework for ED2 could look like, noting the importance of obtaining a common baseline for ED1 emissions to inform ED2 targets, their view of the working group direction so far and recommendations for the framework.
- 4.2. Their view was that there has been too much focus on flexibility for uncertainty, rather than driving the change. They consider that the use of reputational incentives (esp. for BCF and losses) is a step backwards. They stated that there was a need for guidance from Ofgem on the cost of carbon.
- 4.3. WPD updated the group on the ongoing work, driven through the ENA, to develop a common BCF methodology. This work is focused largely on the data, conversion factors and benchmarking. Ofgem asked if this scope was sufficient or if further guidance was needed. **Action for Ofgem: Engage with the ENA to get a clear detailed overview of the ongoing work, to understand whether any further work is needed.**
- 4.4. SF suggested that there was a need to get 'the right people in the room' to determine the right regulatory approach for losses and SF6 in RIIO-ED2. UKPN asked how societal decarbonisation facilitation (for example in regards to anticipated increased losses) should be treated in SF's framework. SF acknowledged the challenge, but stated that this is not a reason to ignore losses going forward.
- 4.5. SPEN stated that the key way to drive down the carbon footprint of losses is via generation. The problem is what the losses are made up of and that's a generation problem, hence why losses have historically been excluded from reporting. BEAMA asked if should there be more of an incentive at the planning stage. SPEN stated that this comes through in the CBA which takes account of the cost of carbon.

5. Environmental Action Plan (Ofgem)

- 5.1. Ofgem presented current thinking on the minimum standards that should be applied to Ofgem's assessment of the DNOs' Environmental Action Plans (EAP).
- 5.2. Ofgem confirmed that the TOs will fill out the year when xx is included in the minimum requirements, but for ED Ofgem may fill in 'no later than xx'. Ofgem stated that we wouldn't expect DNOs to go below these minimum levels of expected ambition, but confirmed that if a DNO feels the minimum level of ambition is not appropriate for any reason, they would have to provide justification for this.
- 5.3. SF stated that these are good standards, but asked what recourse there is if a DNO doesn't meet a target. Ofgem stated that if it is tied to a price control deliverable (PCD), there is the ability to claw back funding, but otherwise the effect would be reputational. SF stressed their wish for stronger incentives in some areas. Ofgem stated that we need to be sure that we are rewarding controllable and measurable performance, but that we would welcome further discussions on what else could be included.
- 5.4. There was a discussion on the second proposed requirement for SF6: 'Adopt a stretching target for company to reduce number of SF6 assets by 20xx'. Ofgem stated

that this is our current drafting, but we welcome views. UKPN stated that inputs rather than outputs focused requirements are the concerning ones, as they are more difficult to justify. SPEN felt that the requirement was too prescriptive, arguing that a challenging target on SF6 action would perhaps be better. ENWL stated that the second requirement for SF6 is possibly at odds with the first requirement, and that the management of SF6 should be about targeting it through the means available to the DNO.

- 5.5. ENWL stated that they are not sure that the EAP is the best place for some of the new requirements eg climate adaptation, fluid-filled cables. Ofgem confirmed that the thinking was broader and longer-term for climate adaptation. SF agreed, stating that Ofgem are right to shine a light on climate adaptation, but feel that it is a resilience issue.
- 5.6. On what is missing from these minimum levels of ambition, SPEN asked for clarity on scope 3 emissions, making the point that scope 3 emissions should be included in the EAP if they are well-defined. SF stated that how losses would be broken out into scope 2 emissions is fundamental.
- 5.7. **Action: DNOs to comment on Ofgem's EAP minimum levels of ambition by Wednesday 15th July**