

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

From: Ofgem	Date: 17 September 2020 Time: 12:30 – 16:30	Location: Teleconference
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This document sets out the high level minutes and actions from the Decarbonisation and the Environment Working Group 9. 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

Ofgem
 UK Power Networks (UKPN)
 Western Power Distribution (WPD)
 Northern Powergrid (NPG)
 Scottish Power Energy Networks (SPEN)
 Electricity North West (ENWL)
 Scottish and Southern Energy Networks (SSEN)
 Sustainability First
 Citizens Advice
 Enertechos
 BEAMA

2. Ofgem to provide learnings from assessment of other sector EAPs.

- 2.1. A representative from Ofgem's RIIO-ED2 team provided an overview of the lessons learnt from the assessment of TO's EAPs and some 'top tips' for DNOs to consider.
- 2.2. ENWL queried whether Ofgem set criteria for bespoke outputs upfront in T2 and on whether a £m value was outlined for PCDs in Draft Determination (DDs). Ofgem confirmed they set criteria out, such as materiality and relevance but that such criteria should be the foundation for the questions companies then ask themselves when developing business plans and secondly, that there was no minimum value outlined for

PCDs but that some proposed were under £1m therefore it was not beneficial to capture these in the licence.

- 2.3. Sustainability First noted their concerns regarding the use of ODI Rs only and asked for more details regarding NGET's bespoke ODI F, which was proposed to be accepted in DDs, and Ofgem's rationale for this. Ofgem provided some details of the proposal and noted that one of the key elements supporting its acceptance, was the inclusion of objective measures which used well justified baselines and were supported by stakeholders. Ofgem noted that there were some concerns with the proposal also and these were addressed in DDs.

3. Suitability of EAP Baseline Standards

- 3.1. The DNOs provided an update on their action from the previous session to do a 'deep dive' to better understand the suitability of the baseline standards proposed in each area in scope of the EAP. The DNOs presented material on what was currently being done in RII0-ED1, what was being done or proposed in other sectors and initial recommendations for measuring areas in scope. The minutes provide an overview of the highlights of the discussion for each activity area. In some areas there was less discussion, reflecting the issues highlighted by the presenting DNO, and the slides provide the relevant details.

Business Carbon Footprint (BCF) - WPD

- 3.2. WPD provided an update on the work to develop a common BCF methodology. They also updated the group on potential metrics, considerations regarding Science Based Targets (SBTs) and collaboration ongoing through the ENA environmental committee. The methodology will be developed through additional environmental committee meetings. Ofgem clarified the timings and WPD confirmed they were aiming to get to the approval stage in a couple of months.
- 3.3. The group raised some points for clarification in the wording of the baseline standard. The SBTi enables companies choice over whether the target pursues a 1.5 degrees reduction in warming or 2 degrees and Sustainability First raised that it would be good to

have clarity on the requirement on companies here. Secondly, it was noted that the baseline standard should be clarified as to whether companies' SBTs must be part of the formal SBT initiative. **Action:** Ofgem to consider and ensure clarity provided in SSMD.

3.4. The group discussed how to incorporate losses into the SBT (noted by WPD as a key outstanding issue). SPEN raised that from their work with the Carbon Trust they understood that losses needed to be included in the SBT as Scope 2 using a market based approach, but noted that SHET in T2 had losses included within their Scope 3 emissions. Sustainability First, and others, raised concerns over SHET's approach. SSE stated this was not the position of SSE Distribution. UKPN have asked for formal guidance from SBTi on whether losses should be Scope 2 or Scope 3 and will inform the group of any response. **Action:** UKPN to inform group of SBTi response.

3.5. **Action: Continued development of the outstanding issues raised in slide 15. For October 8th or 29th WG, provide a more developed view on the use of a carbon intensity metric in this area.**

Losses - SPEN

3.6. Building on the discussion regarding losses and BCF, SPEN presented their update of the action in regards to Losses and their initial assessment of the baseline standard. The group discussed how the baseline standard and inclusion of losses within the EAP interacted with other areas of the price control, in particular cost assessment, in influencing DNOs losses actions.

3.7. Sustainability First queried whether there were any incentives in the proposed package to drive DNOs to think innovatively about losses. Ofgem noted the CVP will cover environmental outputs. The reputational incentive component of the losses proposal and how to develop this ahead of SSMD was also discussed.

3.8. **Action: Develop criteria (or categories) that a comprehensive losses strategy should cover (8th October DEWG). Develop a proposed approach for ODI R that takes into account ambition and delivery (29th October DEWG).**

Embodied Carbon - ENWL

- 3.9. ENWL presented the overview of the action related to embodied carbon, summarising DNOs current activities, the approaches in the other RII02 sectors and some considerations, including potential metrics.
- 3.10. ENWL noted in their summary of T2 that NGET is developing a tool to measure embodied carbon and SPEN added that this is set to be adopted across all TOs.
- 3.11. Ofgem queried whether any of the metrics included in the material were particularly promising or concerning. ENWL suggested 'per employee' may not be appropriate and per 'm²' may be more applicable. This is an area that can be developed further in future progression of the action.
- 3.12. WPD raised that it has been proposed that the collaborative work being led by Anthesis through the SHE committee at the ENA will look at embodied carbon.
- 3.13. **Action: WPD to report back on the scope of this work and timelines, including any available Terms of Reference.**
- 3.14. **Action: Provide a more detailed assessment of the applicability of the metrics proposed in slide 27.**

SF₆ - SSE and WPD

- 3.15. SSE presented an update on the action they and WPD had completed and some proposed recommendations for discussion with the group.
- 3.16. BEAMA noted that they welcome the suggested further work with manufacturers and would like to work with the ENA to develop a roadmap to ensure the appropriate kit is available when needed for the DNOs. SSE added that the ENA SF₆ taskforce is going to the ENA SHE committee to propose to continue to meet in order to consider broader issues, such as a sector wide strategy for SF₆.
- 3.17. Ofgem noted that NIA funding could capture SF₆ and this was not explicitly referenced in the SSMC. Sustainability First queried whether financial incentives had been fully

explored. Ofgem noted they had been considered but in light of the challenges raised in the SSMC not proposed, but that proposals addressing these challenges could still be raised.

3.18. Action: Develop criteria or categories of what an IIG strategy should cover within a DNOs EAP.

3.19. Action: Continue development of common methodology for SF6.

Fluid-Filled Cables - SSE

3.20. SEN presented the update on fluid filled cables. The group discussed that the activities and common metrics may be best developed through the ENA environment committee.

Supply Chain, Resource Use and Waste, and Air Quality - UKPN

3.21. UKPN provided an update on supply chain, resource use and waste, and air quality, summarising current DNO approaches and other sector approaches.

3.22. For the supply chain, UKPN suggested a coordinated approach could be developed to supplier reporting and BEAMA were supportive of this.

3.23. For all areas, it was suggested common metric development should be led by the ENA environment committee.

Biodiversity - NPg

3.24. NPg presented the update on the action regarding Biodiversity. The key point of discussion was the need to consider regional differences and the challenges posed by these.

Action: Continue development of common metrics and approaches to FFC, Supply Chain, Resource Use and Waste, Air Quality and Biodiversity through the ENA

Environment committee. Provide confirmation to Ofgem on how this work will be progressed through this committee including a proposed timeline.

Noise Pollution - NPg

3.25. NPg presented the update on the action regarding noise pollution. They suggested that given the need to prioritise issues ahead of the SSMD, that noise pollution is a low priority issue as the current approach is fit for purpose. The group agreed with this assertion.

4. Next steps

4.1. The next DEWG is scheduled for 8 October.

Appendix 1 – Summary of Actions

Action	Allocated to	Due date
1. Ofgem to consider the clarification points raised re. SBTs (1.5 degrees or 2 degrees warming and SBTi verification) and ensure clarity provided in SSMD.	Ofgem	Update DEWG at late October WG
2. UKPN to inform group of SBTi response.	UKPN	When response is received.
3. BCF Continued development of the outstanding issues raised in slide 15. Update group on progress at October 8th WG. Provide more detailed update at 29th WG, including a more developed view on the the use of a carbon intensity metric in this area.	WPD	Update group on progress at October 8th WG. Agenda item for more detailed update at 29th WG.
4. Losses	SPEN	Material to be shared Monday 5

Action	Allocated to	Due date
Develop initial set of criteria (or categories) that a comprehensive losses strategy should cover		Oct, ahead of 8 Oct DEWG
5. Losses Develop a proposed approach for ODI R that takes into account ambition and delivery	SPEN	Material to be shared Monday 26 Oct, ahead of 29 Oct DEWG
6. Embodied carbon WPD to report back on the scope of this work and timelines, including any available Terms of Reference.	WPD	Mon 5 Oct
7. Embodied carbon Provide a more detailed assessment of the applicability of the metrics proposed in slide 27.	ENWL	Material to be shared Monday 5 Oct, ahead of 8 Oct DEWG
8. SF6 Develop criteria or categories of what an IIG strategy should cover within a DNOs EAP.	SSE	Material to be shared Mon 5 Oct, ahead of 8 Oct group
9. FFC, Supply Chain, Resource Use and Waste, Air Quality and Biodiversity Continue development of common metrics and approaches to FFC, Supply Chain, Resource Use and Waste, Air Quality and Biodiversity through the ENA Environment committee. Provide confirmation to Ofgem	All DNOs – lead by UKPN and NPg	Update to be given at 8 Oct

Action	Allocated to	Due date
this work will be progressed through this committee and a proposed timeline.		