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Our ref: n/a  
Your ref: RIIO-2 ERG\_NE



**By email only:** Anna.Kulhavy@ofgem.gov.uk.

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Dear Ms Kulhavy,

### **Consultation on RIIO-2 draft RIIO-2 Environmental Reporting Guidance.**

Natural England welcomes the opportunity to comment on the above consultation and to input into the draft document.

As the Government's adviser on the natural environment, our purpose is to ensure that the natural environment is conserved, enhanced, and managed for the benefit of present and future generations, thereby contributing to sustainable development.

Natural England welcomes the reporting guidance set out in draft document: clarifying the Annual Environment Reporting requirement, introducing consistent, comparable approaches, strengthening links with biodiversity net gain and setting out the intention to move towards adoption of formal natural capital valuation (NCV) tools by all licensees over the course of RIIO-2.

With natural capital approaches still evolving, Ofgem may find it helpful to refer licensees to the British Standard on natural capital accounting currently being developed. This will be a useful source of consistent guidance to help drive licensees' approaches.

We consider that a further provision under Local Environment to cover landscape character would help ensure impacts are considered and effectively reported.

Detailed responses to the questions can be found in the Annex.

If you have further questions regarding our response to this consultation, please contact Andrew Thompson, Senior Adviser in our Planning and Net Gain team at [Andrew.M.Thompson@naturalengland.org.uk](mailto:Andrew.M.Thompson@naturalengland.org.uk)

Yours faithfully

A handwritten signature in black ink that reads "Deborah Hall". The signature is written in a cursive, flowing style.

Deborah Hall  
Principal Adviser, Strategy and Government Advice

## **Annex – Detailed response to Questions**

### **Q1.The general requirements for the publication of the AER that is proposed in the draft Guidance?**

Natural England welcomes the general requirements for annual reporting of biodiversity and natural capital (where appropriate). The principles and requirement set out in the AER provide welcome consistency and transparency to support effective reporting.

### **Q4 the environmental impact measures to be included in the Dashboard that are proposed in the draft Guidance?**

We welcome inclusion of net change in biodiversity units from network development projects as a dashboard indicator of biodiversity impact.

We agree with the decision not to include a dashboard indicator for natural capital at this stage and that Natural Capital Valuation is an evolving methodology. We support efforts to move adoption of formal natural capital tools over the RII02 period to improve consistency, transparency and comparability.

Should it not be covered elsewhere, we consider that a further provision to cover landscape character would help ensure impacts are considered and effectively reported. This could, for example, cover performance 'maintaining and/or enhance landscape character' as a new indicator, or amend Table 15 to ensure that impacts are both considered and recorded as part of a broader narrative.

### **Q6.any of the environmental topics to be included in the AER that are proposed in the draft Guidance?**

With regards to the local environment topic and consideration of natural capital valuation we have some specific comments:

1. We welcome the inclusion of principles for the development of natural capital reporting included in Appendix 1 and are in broad agreement with their content.

2. We would like to highlight in the context of the move towards NCV (section 3.63) work underway on a British Standard on natural capital accounting ([BS 8632](#)). This work could usefully help and guide the move towards adoption of a more consistent approach over the RII0-2 period.

3. We would also highlight the potential for a nuanced approach to implementation of Principle 1.1 that could consider (where practical) impact beyond those assets in direct control – for example to include other impacts, such as through water abstraction, that might not be otherwise considered.

### **Q7.Any of the specific metrics to be included in the AER that are proposed in the draft Guidance?**

With regards to calculation of Biodiversity Units we consider it would be helpful to clarify the tool (and version) which will be used to provide these outputs. It is helpful to note a new version of the Biodiversity Metric (3.0) will be released in the spring and is likely to remain a stable version for at least 3 years.

We would also highlight potential for consideration (under 3.64) of an additional bullet to include and make clear any services that are currently excluded from valuation figures used (for example due to lack of an existing valuation methodology). This inclusion would help to ensure more holistic reporting of services, particularly cultural services that are often overlooked by valuation methods. This would be consistent with Appendix 1. Principle 1.7.

Under 3.68 we also highlight that Table 17 could be helpfully strengthened to clarify (i) that 'designated areas' include Designated Landscapes (National Parks and Areas of Outstanding Natural Beauty) ii) that reporting could cover 'removal of overhead lines **and/or undergrounding** . . .'. contribution, where appropriate.