

Office of Gas and Electricity Markets (Ofgem)

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Dear Anna

SSEN Transmission feedback on RIIO-2 Environmental Report Guidance Document

We appreciate the opportunity to provide feedback on the RIIO-2 Environmental Report Guidance documents. It is understood that this 'Guidance Document' constitutes the Environmental Reporting Guidance Document referred to in Special Condition 9.1 Annual Environment Report (SpC 9.1) that requires the licence holder to publish an Annual Environment Report (AER).

As highlighted within our Sustainability Action Plan, our RIIO-T2 Draft Determination Response Question 9 and our engagement on the AER Working Groups, we are supportive of enhanced reporting for Environment and Sustainability. We are committed to transparently reporting our environmental and sustainability performance so that our stakeholders can monitor our performance and hold us to account.

In summary, we are supportive of the overall purpose of the AER report to provide a yearly update to interested stakeholders on:

- The licensee's progress in achieving the commitments set out in their RIIO-T2 Environmental Action Plan (EAP Commitments),
- their performance in specified environment-related aspects of their price control, and
- an annual update on the environmental impacts of the network.

However, we have reviewed the guidance in full and have provided feedback on reporting areas that require further clarification and reporting requirements that are not appropriate. We have therefore sought to provide helpful recommendations to address these issues.

We have responded to the consultation questions in Annex 1 and have presented a summary of **key feedback points and recommendations** as follows:

1. The RIIO-2 Environmental Report Guidance Document should clarify that the AER can form a part of a broader Annual Sustainability Report / Performance for Society Report as discussed at the working group meetings. The AER component of this report would meet the AER guidance and the associated 40-45-page limit.
2. The 'Principles for Reporting Environmental Impacts' should include acknowledgement that some reporting will be qualitative and that new areas of environmental reporting will at times vary per network region due to new development of KPIs and geographical differences.
3. The guidance should state that the presentation/order of Environmental Impacts reporting can be determined by the Licensee to meet stakeholder expectation, existing reporting frameworks and consistency.

4. It is expected we will report progress against our EAP Commitments (including our Consumer Value Propositions) for our stakeholders using the performance measures presented in our RIIO-T2 Sustainability Action Plan.
5. Consider the usefulness of reporting 'time to issue a connection offer' as there are agreed licenced timescales in place with National Grid (NGESO) with regards to issuing connection offers.
6. The guidance should allow Transmission Owners (TOs) to report Transmission Losses as a Scope 3 emission when it complies with the GHG protocol and is externally assured. 'Business Mileage' is also recommended to be recorded as a Scope 3 emission.
7. Remove the Transmission Losses impact of interventions (tCO₂e) estimation metric until there is a widely agreed and consistent methodology to estimate the losses in MWh savings associated with a specific intervention.
8. Add clarification that the SF₆ emission reporting will be determined in accordance with our IIG methodology statement submitted to the Ofgem in December 2020. It would also be beneficial to report on non-SF₆ IIGs to demonstrate to stakeholders how we are avoiding the use of SF₆ and so that our emissions reports are transparent.
9. Reporting on embodied carbon for construction projects will have overlap with Scope 3 reporting for "Purchased goods and services" or "Capital goods". Some clarification will be required to avoid double-counting and to ensure that the AER is clear and consistent for stakeholders.
10. As we are at the early stages of developing and embedding the practices required to report on embodied carbon there will be several projects delivered in RIIO-T2 for which we will not have detailed design estimates.
11. In relation to paragraph 3.53 regarding embodied carbon for linear assets such as cables or overhead lines (OHL), we would recommend that the proposed "tCO₂e/m" metric would be better positioned as "tCO₂e/km", given the typical scale of such assets, and that this metric should be used alongside the default "tCO₂e/£m" metric when providing project-level reporting.
12. In the categories of waste data listed under paragraph 3.59, we would recommend that "% re-used" should be divided into two categories – "% re-used on-site" and "%re-used off-site" to better reflect the different impacts of different types of material re-use.
13. We recommend that biodiversity reporting does not include a separate breakdown for 'on and off site' reporting as this is already accounted for by the spatial factor penalty in the metric and already influences the post development BU calculation. We also recommend that reporting be restricted to projects requiring consent and that minimum area limits be set to avoid excessive cost, assessment and monitoring, for marginal ecological benefit.

14. Further clarification is needed on the visual amenity schemes in designated areas reporting requirements for Non-technical schemes. Perhaps report against the value of schemes, this will help to clarify where only a few schemes have been identified, they may be having a larger benefit.
15. No definitions are provided for the Environmental Incident reporting categories and there will be different thresholds across jurisdictions. It is strongly recommended that the reporting be re-framed to 'Action taken by environmental regulators' against the following categories: (1) Warning Letters, (2) Formal undertakings, Enforcement notices, monetary penalties (3) Prosecution.

Please do not hesitate to contact us if you have any questions or comments about our feedback.

Yours sincerely

David Howie
SSEN Transmission Regulation

Annex 1 Response to RIIO-2 Environmental Report Guidance Document Consultation Questions

1. The general requirements for the publication of the AER that is proposed in the draft Guidance

On review of Section 2 'General instructions and requirements', we agree with the following requirements:

- Reporting boundary – if the primary data is collected for the company group and then apportioned when company group data is apportioned to the licensee then the licensee may explain the methodology.
- Report type and availability - not longer than 40-45 pages and to be published on licensee's website.
- Reporting date and year - on or before 1st October 2022 and yearly by subsequent 1st October to include information and data from the preceding year.

In particular, we welcome paragraph 2.12 which states "*A licensee may include additional discretionary content where this is in response to their stakeholder interest or to address bespoke elements of their EAP Commitments*" which acknowledges that reports will vary to meet stakeholder needs and expectations. However, the guidance does not clarify that this AER can form part of a broader Sustainability Report / Performance for Society Report which would include additional elements related to socio-economic sustainability, communities and other Environmental, Social and Governance (ESG) elements as discussed at the AER working groups. These additional reporting requirements for our stakeholders are expected to be outwith the 40-45-page limitation for the AER requirements.

Recommendation 1: The RIIO-2 Environmental Report Guidance Document should clarify that the Annual Environmental Report (AER) can form a part of a broader Annual Sustainability Report / Performance for Society Report as discussed at the working group meetings. The AER component of this report would meet the AER guidance and the associated 40-45-page limit.

Following a review of the "Principle for reporting Environmental Impacts" it is welcome that Ofgem acknowledges that new areas of environmental reporting will at times vary per network and will accept a narrative to discuss any tensions that exist between providing comparable data and reporting Licensee-specific KPIs. This is particularly important when comparing KPIs as the underlying methodologies, categories, operations or reporting boundaries may inherently differ between Transmission Owners (TOs) and therefore focus should be placed on assessing individual performance rather than comparing company/licensee performance.

It is also noted that these principles do not acknowledge that some areas will inherently include more qualitative reporting due to the maturity of the reporting requirements, methodologies or existing data reporting processes.

Recommendation 2: The principles for reporting Environmental Impacts should include acknowledgement that some reporting will be qualitative and that new areas of environmental reporting will at times vary per network due to new development of KPIs and geographical differences.

2. The structure of the AER that is proposed in the draft Guidance

Having reviewed Section 3 we agree with the overarching structure as follows:

1. Introduction: Who we are (1 page), Managing Director/Chief Executive Message (1 page), Our environmental Responsibilities (2 pages).
2. Dashboard indicators (2 pages).
3. EAP Commitments (2-3 pages) and environmental impacts.

It is important to note that companies have existing reporting frameworks for communicating their environmental impacts and performance to stakeholders so flexibility in presenting the environmental impacts areas is important for consistency.

Recommendation 3: The guidance should state that the presentation and order of Environmental Impacts reporting can be determined by the Licensee to meet stakeholder expectation, existing reporting framework and for consistency.

Please also refer to Recommendation 1.

3. The content of the AER that is proposed in the draft Guidance

Having reviewed Section 3 content requirements, we agree with the following overarching impact areas as follows:

1. Decarbonisation: *Connections of low carbon energy; Innovation for Decarbonisation;*
2. Climate Change Impact: *Business Carbon Footprint Scope 1, Scope 2, Electricity Transmission Losses, SF₆, Business Carbon Footprint Scope 3, Embodied Carbon;*
3. Sustainable Procurement, resource use and waste: *Supply Chain, efficient resource use and waste;*
4. Climate Resilience;
5. Local Environment: *enhancing the local environment, Biodiversity, Visual Amenity schemes in designated areas, Oil loss from fluid filled cables and transformers, Environmental Incidents.*

For specific feedback related to each environment impact areas reporting requirements please refer to Question 6 and Recommendation 3.

4. The environmental impact measures to be included in the Dashboard that are proposed in the draft Guidance

It is noted that the dashboard of indicators provides an overview of expected indicators without prescribing the metric or methodology for these indicators (e.g. Final Destination of Waste). We agree with the intent of the dashboard but also highlight we will seek to present a comprehensive dashboard of indicators that best represent our overall performance and EAP Commitments for our stakeholders.

Please refer to specific feedback points related to each environment impact areas reporting requirements in Question 6.

5. **The type of information about the licensee's implementation of their EAP Commitments that is proposed in the draft Guidance**

Having reviewed the EAP Commitments requirements under paragraph 3.6 and 3.6 we recognise the need to provide a table summarising the EAP Commitments and status update within two pages.

Recommendation 4: It is expected we will report progress against our EAP Commitments (including our Consumer Value Propositions) for our stakeholders using the performance measuring presented in our RIIO-T2 Sustainability Action Plan.

6. **Environmental topics to be included in the AER that are proposed in the draft Guidance**
and 7. **Specific metrics to be included in the AER that are proposed in the draft Guidance**

Feedback on the reporting requirements for each of the Environmental Impact area topics and metrics is presented as follows:

Section 3 - Decarbonisation

Connecting low carbon generation (ET only): we agree there is value to report the following low carbon generation connections information:

- Capacity of renewable and low carbon generation that connected to the licensee's network in the reporting year
- Low carbon generation as a percentage of total generation connected to the licensee's Transmission network
- The number of connection offers accepted
- The licensee's score from the Quality of Connections survey

However, Ofgem should reconsider the inclusion of the requirement to report 'time to issue a connection offer'. We do not think that this is a meaningful metric, particularly as there are agreed licenced timescales in place with National Grid (NGESO) with regards to issuing connection offers. We believe that, in terms of desired outcomes, a quality (not timescales) metric should be privileged. Indeed, as a network we are particularly focussed on the quality of connections and, as you are aware, we proposed a Quality of Connections Survey as part of our draft plan which has now been included as a requirement for all TO business plans

Recommendation 5: Consider the usefulness of reporting time to issue a connection offer as there are agreed licenced timescales in place with National Grid (NGESO) with regards to issuing connection offers.

Innovating for decarbonisation: we agree that the reporting requirements for innovation are reasonable. It is noted that some of the data points we currently don't capture but are in the process of developing a cost benefit analysis framework for our innovation projects so expect this data to mature over the price control.

Section 3 - Climate Change impact

Business carbon footprint (Scope 1, Scope 2, Scope 3): we welcome the broader greenhouse gas reporting requirements for the industry during RIIO-T2 and agree that Transmission Losses should not be included in scope 1 and 2 Science Based targets.

However, we disagree that Transmission Losses emissions should be recorded in Table 6 Scope 1 and 2 emissions.

SSEN Transmission accounts for Transmission losses as our Scope 3 emission which is complies with the GHG protocol, has been approved by the Science Based Target Initiative and is independently assured as part of our GHG data audit. Consideration should be given to how the ESO reports and accounts for Transmission Losses GHG emissions.

It is also noted that 'Business Mileage' is to be recorded in this Scope 1 and 2 table whereas "business travel" is a Scope 3 emission as per the GHG protocol.

Recommendation 6: The guidance should allow Transmission Losses to be recorded as a Scope 3 emission when it complies with the GHG protocol and is externally assured. Business Mileage' is also recommended to be recoded as a Scope 3 emission.

Transmission Losses: we welcome that the Transmission Losses reporting is captured within the Annual Environment Report (AER) rather than a separate independent report as completed in RIIO-T1. We agree with the requirement to report the Transmission losses from the licensee's network in Twh, as a percentage of total electricity transmitted, and in tonnes of CO₂e, actions and interventions in the reporting year or any changes to the strategy.

However, we disagree with the Transmission Losses Impact of Interventions in tCO₂e metric as there is not a widely agreed and consistent methodology for this metric and TOs do not have the access to the accurate half-hourly settled metering data of total transmission connected.

Recommendation 7: Remove the Transmission Losses impact of interventions (tCO₂e) estimation metric until there is a widely agreed and consistent methodology to estimate the losses in MWh savings associated with a specific intervention.

SF₆: We agree with the requirement to report on SF₆ emissions in tCO₂e, as a percentage of total inventory, the number of interventions delivered and an estimate of the abatement. The requirements for reporting on SF₆ emission are broadly in line with our expectations for RRP reporting during RIIO-T2. The noticeable difference is that the AER specifically focuses on SF₆ emissions and does not consider emissions from non-SF₆ IIGs.

Recommendation 8: Add clarification that the SF₆ emission reporting will be determined in accordance with our IIG methodology statement submitted to the Ofgem in December 2020. It would also be beneficial to report on non-SF₆ IIGs to demonstrate to stakeholders how we are avoiding the use of SF₆ and so that our emissions reports are transparent.

Embodied carbon: We support the inclusion of embodied carbon reporting into the AER as understanding and mitigating this element of GHG emissions through our supply chain represents a critical step on the wider path to Net Zero. However, it is important to highlight that the majority of embodied carbon emissions are not captured in the UK Net Zero targets.

We also welcome Ofgem's recognition that embodied carbon reporting will improve over the course of RIIO-T2 as companies develop both their internal capabilities and those of their supply chains. As noted in the AER working group discussions, embodied carbon reporting is largely dependent on data from supply chains and there is considerable variability in the capabilities of different supply chain companies to provide this data. Developing reporting capabilities and establishing consistent processes across supply chains will be a complex task and therefore the accuracy of initial reports in the first years of RIIO-T2 will be relatively low compared to subsequent reports. There is also an inherent overlap with the scope 3 reporting.

Recommendation 9: Reporting on embodied carbon for construction projects will have overlap with Scope 3 reporting for "Purchased goods and services" or "Capital goods". Some clarification will be required to avoid double-counting and to ensure that the AER is clear and consistent for stakeholders.

However, we disagree with paragraph 3.46, "*Estimating the embodied carbon of projects based on the final design is a relatively straight forward exercise, subject to the availability of data*" we would contend that this statement is not reflective of the AER working group discussions. Producing estimates based on the final design requires the development of a consistent cross-sector methodology for measuring embodied carbon, particularly if comparability between companies is to be an objective. This will be a complex task to align different design processes and terminologies. Furthermore, producing design estimates of sufficient accuracy will require the establishment of baselines through the use of as-built data on which reasonable assumptions can be based.

Many of the projects that will be delivered in RIIO-T2 have been designed and tendered in RIIO-T1, prior to the implementation of embodied carbon reporting requirements, and therefore we do not have design estimates for these projects. While it may be possible to retrospectively estimate the embodied carbon of these projects, this would likely involve the use of carbon intensity metrics based on cost and therefore resulting estimates would be of comparatively low accuracy.

Recommendation 10: As we are at the early stages of developing and embedding the practices required to report on embodied carbon there will be several projects delivered in RIIO-T2 for which we will not have detailed design estimates.

Recommendation 11: In relation to paragraph 3.53 regarding embodied carbon for linear assets such as cables or overhead lines (OHL), we would recommend that the proposed "tCO₂e/m" metric would be better positioned as "tCO₂e/km", given the typical scale of such assets, and that this metric should be used alongside the default "tCO₂e/£m" metric when providing project-level reporting.

For example, linear assets may form part of a larger project which includes other asset types and therefore the whole project would use the "tCO₂e/£m" metric for consistency. However, the linear assets for this project would also be reported in a sub-table with the proposed "tCO₂e/km" metric.

Section 3 - Sustainable Procurement, resource use and waste

Supply Chain: We support the inclusion of sustainable procurement reporting into the AER and we welcome Ofgem's recognition of the challenge in establishing systems to report on the sustainability impacts of supply chains.

At least initially, some elements of our sustainable procurement strategy, particularly those relating to contractual requirements or tender processes, may appear comparatively static between reporting years. This is due to the long-term nature of many of our projects and the need to ensure that sustainable procurement requirements are included upfront in contracts. As a large portion of the works to be delivered in RIIO-T2 will be tendered in RIIO-T1, they will be subject to the sustainable procurement requirements agreed at the outset and there will likely be little change to these over the course of RIIO-T2.

Efficient resource use and waste: Likewise, we welcome the inclusion of resource use and waste reporting into the AER as an important element of the journey towards a circular economy.

For waste and resource use reporting, our largest impact areas will be via our indirect wastes and resource consumption from our construction projects. This will require sourcing data from our supply chain. Like other aspects of supply chain sustainability reporting, developing capabilities necessary to acquire and improve data, both internally and externally, will take time. We intend to work closely with our supply chain partners to implement a sustainability reporting system during RIIO-T2. This will encompass a range of sustainability data including resource use and waste which we anticipate will increase in quality and scope over the price control.

There is potential for some overlap between Scope 3 emissions reporting and waste reporting. Likewise, there is also overlap with Embodied Carbon reporting and resource use reporting. Where required, we would recommend that accompanying narrative text should be used to provide context for stakeholders on the relationships between the different tables (e.g. our most carbon-intensive materials reported under Embodied Carbon may not align with our most consumed resources.)

Recommendation 12: In the categories of waste data listed under paragraph 3.59, we would recommend that “% re-used” should be divided into two categories – “% re-used on-site” and “% re-used off-site” to better reflect the different impacts of different types of material re-use.

Section 3 - Climate change resilience

We agree with the Climate Change resilience reporting guidance. We have two projects submitted as part of our RIIO-T2 Business Plan that will be reported against: Climate Change & Sustainability and Emergency Response & Contingency Planning.

Section 3 - Local environment

Enhancing the local environment: Overall, we welcome the inclusion of qualitative reporting on wider enhancement initiatives and this echoes our stakeholders' views that there is opportunity for wider environmental benefit as part of our operations. We note that as SSN Transmission does not have an EAP commitment, an Output Delivery Incentive or a Consumer Value Proposition included in our RIIO-2 price control, that is directly linked to a measure of NCV, we will not be reporting any quantitative Natural Capital data. We do recognise however that we will report on progress to developing our Natural Capital Tool.

Biodiversity: We support the intention to include biodiversity reporting on an annual basis and we are fully committed to increasing transparency and good practice on quantifying biodiversity impacts.

We do have a number of queries and recommendations in how this can be achieved consistently across TO's and taking into account standard practice reporting more widely in industry.

- We are not sure as to the purpose on differentiating between on and off-site Biodiversity Units in post development reporting. The biodiversity metric already accounts for spatial factors when calculating the post development units. Reporting both on and offsite is not necessary and may in fact lead to more intricate and complex calculations (for example, should the spatial factor be applied to the reporting of off-site units or not etc...). We would recommend reporting is kept simple with Baseline and Post development, in line with the current reporting methodologies routinely used and the metric.
- Our business plan commitments on Biodiversity have set the scope of biodiversity reporting very clearly to new projects 'consented'. The proposed reporting for the AER broadens reporting to other projects going through internal governance where no planning consent is required. We expect the intention of this wider definition is to capture 'underground cable' projects of significant size that benefit from permitted development rights. However, it also brings in the question of 'scale' and proportionality. We would recommend that reporting is tied into the consenting regimes whereby detailed assessment is undertaken as part of a systematic EIA or EA. In addition, we would suggest incorporation of a 'de-minimus' area threshold under which reporting is not required to avoid excessive cost, assessment and monitoring regimes for marginal opportunity/benefit.

Recommendation 13: We recommend that biodiversity reporting does not include a separate breakdown for 'on and off site' reporting as this is already accounted for by the spatial factor penalty in the metric and already influences the post development BU calculation. We also recommend that reporting be restricted to projects requiring consent and that minimum area limits be set to avoid excessive cost, assessment and monitoring, for marginal ecological benefit.

Visual amenity schemes in designated areas: We support the reporting requirement on km of OHL removed. However further clarification is needed on what reporting is expected for Non-technical schemes

Recommendation 14: Further clarification is needed on the visual amenity schemes in designated areas reporting requirements for Non-technical schemes. Perhaps report against value of schemes, this will help to clarify where only a few schemes have been identified, they may be having a larger benefit.

Oil loss from fluid-filled cables and transformers: We do not currently undertake this reporting, so will develop and implement a methodology to record and report on this data during 2021/22

Environmental incidents: we agree that Environmental Incidents should be reported in the AER but disagree with the reporting metrics and lack of definitions provided.

Reportable incidents are not defined and will have different thresholds across jurisdictions. Historically we have found it very difficult to define reportable incidents (particularly across the UK). Reporting can be required for as little as a technical breach having no environmental impact, to a significant environmental incident.

Recommendation 15: No definitions are provided for the Environmental Incident reporting categories and there will be different thresholds across jurisdictions. It is strongly recommended that the reporting be re-framed to 'Action taken by environmental regulators' against the following categories: (1) Warning Letters, (2) Formal undertakings, Enforcement notices, monetary penalties (3) Prosecution.

8. **the proposal that licensees report on the life cycle impact of supply chain categories where data is available**

Please refer to Question 6 and 7 response on the Embodied Carbon and Supply Chain.

9. **Do you have any suggestions for including any additional environmental topics or other metric/measures on environmental impact of the networks**

Please refer to Recommendation 8 & 11: