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Dear Dora

### **Consultation on the draft RIIO-ED1 Environment Report Guidance Document**

Thank you for the opportunity to comment on the draft RIIO-ED1 Environment Report Guidance Document. As you are aware, we have invested a considerable amount of time and resources in developing this and the other RIIO-ED1 reporting requirements to date and will continue to support Ofgem in the finalisation of the requirements.

We support the requirement for greater stakeholder-focused environmental reporting enshrined in SLC47 of the RIIO-ED1 licence and recognise that the primary aim of the consultation is to solicit the views of stakeholders on the appropriateness of the content of the ERGD as a way of satisfying these requirements. We do however have concerns that parts of the detailed specification set out in the current draft ERGD are unrelated to environmental matters, and that the mandated presentation of information is potentially both too complex and overly focused on costs to the detriment of reporting on environmental impacts.

We are continuing to progress detailed points on the structure and definitions of the related tables through the Ofgem working group and review process. Our answers to the specific questions set out in your letter are included in Appendix 1.

Please feel free to contact me if you have any questions or issues.

Yours sincerely



**Sarah Walls**  
**Head of Economic Regulation**

## Appendix 1 – Answers to Consultation Questions

*Question 1 – Is the Guidance clear? Is the Guidance comprehensive, covering all relevant environment matters. If not, what specific information have we missed, and should it be compulsory or discretionary?*

The Guidance is clear and the allowing of discretionary elements allows for the inclusion of further areas and topics in future reports as they develop. As we note below however, the guidance is a mix of subjects (eg undergrounding) and themes (eg innovation) where there is an overlap to be considered. The list in section 2.4 is a useful and comprehensive set of prompts, however we observe that undergrounding completed outside of the visual amenity scheme is noted twice.

We do not however consider that the requirements for innovation, losses and smart grid reporting currently adequately bring out the environmental dimensions of these areas with a presentation based purely on the basis of cost savings.

We also observe that innovative techniques will be deployed across all areas of business operation and it would seem appropriate to only include those activities specifically related to environmental improvements in the Environment Report. For example, we struggle to see the relevance of the deployment of innovative fault response techniques within an Environment Report.

To this end, we support proposals forwarded by other DNOs to include environmental impact as a specific sub-category of Innovative Solutions reporting (in the Cost & Volumes pack), and to restrict the scope of the Environment Report to these only.

*Question 2 – Does the content of the Environment Report, as outlined in the Guidance, adhere to good practice for environmental reporting? If not, what would improve the content of the Environment Report?*

We observe that the draft scope of the Environment Report is considerably wider than would typically be found in corporate environmental reports as it includes the entirety of a company's innovation effort, including in areas unrelated to environmental impacts. We propose a more focused approach as outlined above.

We also note that the ERGD is currently uneven in its requirements for forecast data. We agree that the data should be slaved to the RIGs where appropriate (see below), however there will also be a requirement to slave forecast requirements between the two obligations.

The report should be subject to a natural process of continual improvement and refinement through RIIO-ED1 in response to stakeholder feedback. It may be that items introduced by some DNOs in their discretionary reporting are valued by stakeholders such that they become mandatory requirements in the future.

*Question 3 – We have allowed for cross-referencing to other published data in the Environment Report to minimise duplication of effort and ensure consistency. Much of the information to be included within the Environment Report will be collected in the RIGs. Do you agree with this approach?*

We note that the Environment Report is one of a range of new reporting requirements on DNOs introduced as part of the RIIO-ED1 licence and is likely to overlap with other environmental and sustainability reporting requirements on DNOs. In particular, there will be an overlap with the requirement for Business Plan commitment reporting in SLC50 with regard to environmental commitments.

We agree in principle that the Environment Report should make reference to data collected in the RIGs to ensure consistency, and consider that this is appropriate where we are

reporting specific environment-related data, eg undergrounding activity, noise, carbon footprint etc.

We agree that the data in the losses, smart and innovation sections should be a summary of data reported in the RIGs and suggest that it includes the actual environmental impact of the initiatives (eg CO<sub>2</sub> savings), rather than monetised savings extrapolated from a CBA analysis. We are happy to continue to work with Ofgem on both the detailed data requirements and the summary presentation in the ERGD.

We also suggest that the definition of any relevant terms such as those currently included as appendix 1 in the ERGD should be included in the overarching RIG Glossary document to remove the risk of conflicting definitions.