

By email to
RIIO.ED1@ofgem.gov.uk.

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Our ref

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Date

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Dear Dora

Consultation on the draft RIIO-ED1 Environment Report Guidance Document

I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) in response to Ofgem's consultation on the Environment Report Guidance Document (ERGD).

Our understanding of the requirement of SLC47 is to publish an Environment Report for stakeholders "about activities that it has undertaken in relation to environmental matters" which is "readily accessible to the public" on its website. Ofgem's draft ERGD requires a report which is beyond the scope of the licence requirement as it duplicates the requirements of other licence conditions. Ofgem's guidance requires a report on environmental activities, losses, low carbon smart grids, innovation and business plan commitments, together with a large amount of detailed data. The scope and content of the report needs to be streamlined to make it more relevant to stakeholders.

WPD carried out its annual round of six stakeholder sessions in January and dedicated one of the round table discussions to reviewing the contents and scope of WPD's proposed Environment Report. This discussion was offered to over 200 stakeholders and those specifically interested in the Environment Report provided their views. Stakeholders told WPD that the report should contain the highlights of the actions taken by DNOs and whilst we made them aware of the Ofgem guidance, most of them were not interested in detailed data or supporting cost benefit analysis.

The requirement to append regulatory reporting tables and numerous cost benefit analysis spreadsheets make the report look and feel more like a regulatory submission. We believe a

better approach would be to include summary data within the report. This would remove the need for stakeholders to be familiar with the structure and content of regulatory data templates and cost benefit analysis spreadsheets.

However if Ofgem is going to require the publication of detailed tables from the RIGs, then the structure of the RIGs tables need to be changed to create an environmental reporting pack containing all the information required for the Environmental Report, including commentary. This reporting pack could then be published as an Annexe or a hyperlink for those more specialist stakeholders who are interested in detailed data. In turn this would minimise the duplication of data assurance activity in relation to this data.

We agree with the approach to cross-referencing to other published data to minimise duplication of effort and ensure consistency. In particular we have no objection to publishing a combined (SLC47) Environmental and (SLC49) Losses Report as indicated in paragraph 1.13 of the ERGD.

DNOs already have considerable reporting requirements in relation to Low Carbon Network Fund (LCNF) Projects, the Network Innovation Allowances (NIA) and Network Innovation Competition (NIC) Projects, including requirements to disseminate learning to stakeholders. WPD has a micro-website www.wpdinnovation.co.uk that contains information about our low carbon smart grid projects. DNOs are also required to publish an Innovation Strategy and review and update it regularly, and to publish a Report on Business Plan Commitments. These documents will contain details of activities undertaken during the year. There is little benefit to stakeholders to duplicate this information, other than to provide a high level summary.

In summary:

- the requirements for the body of the Environment Report need to be simplified to require summary level information in order to ensure that the report is relevant and accessible to the general public as well as more specialist stakeholders
- the ERDG should allow for signposting to other published information such as LCNF, NIA and NIC reports, the Innovation Strategy and the Business Commitment Report
- any RIGs data that is required to be published under the ERDG needs to be combined in a single environmental reporting pack that can be published as an Appendix to the Environment Report or as a hyperlink
- our comments are supported by stakeholder feedback.

In the following pages we provide detailed responses to the specific questions raised by Ofgem. Should you wish to discuss any aspects of our response please contact amichalowski@westernpower.co.uk

Yours sincerely

A handwritten signature in black ink, appearing to be 'AS', written in a cursive style.

ALISON SLEIGHTHOLM
Regulatory & Government Affairs Manager

Consultation on the draft RIIO-ED1 Environment Report Guidance Document

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 provides a good framework for consistency across DNOs. However the requirements are too comprehensive and include matters that are the subject of other licence conditions, such as losses, innovation and low carbon smart grids.

Most of the guidance is clear, but there are a few paragraphs that require further clarification: refer to Appendix A for details.

Some of the guidance goes beyond the scope of the licence condition as it requires DNOs to include innovation that is not related to the environment. Paragraph 1.11 states “the Environment report should include information on all smart grids and innovation activity, even if not directly related to the environment and the low carbon transition”.

In addition it is beyond the scope of the licence condition to specify what a DNO’s activities should be. Section 3.2b requires DNOs to describe their “strategy for maximising the benefits of smart meters”. DNOs are not under any obligation to use smart meters or smart meter data. Therefore some DNOs may elect not to use smart meter data. This is a valid strategy to follow. By specifying that DNOs should have strategies that maximise the benefits, Ofgem are effectively setting DNO policy. The guidance should be changed to state “strategy for the use of smart meters”.

The guidance requires DNOs to append regulatory reporting tables and numerous cost benefit analysis spreadsheets. This makes the report more like a regulatory submission rather than a stakeholder report. A better approach would be to include summary data within the report. This would remove the need for stakeholders to be familiar with the structure and content of regulatory data templates and cost benefit analysis spreadsheets.

The guidance provides DNOs with the discretion to include other relevant information in section 2.4 of the report. It also anticipates that the discretionary content will evolve. This adequately covers any areas that are not explicitly specified in the guidance.

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?

The requirements of the report are too complicated for most stakeholders.

The inclusion of reporting smart grids and innovation not related to environmental matters is not relevant to environmental reporting.

In earlier versions of the draft guidance there was no requirement for the detailed reporting of smart grids and innovation. The inclusion of the delivery of smart grid and innovation benefits duplicates the content of the Innovation Strategy, the Business Plan Commitment Report and the reporting against the NIA, NIC and LNCf projects. The current guidance creates a detailed technical report rather than an overview of ongoing environmental performance and actions. Stakeholders have told WPD that they would prefer a simpler less technical Environment Report.

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 in the Environment Report will be collected in the RIGs. Do you agree with this approach?

We agree with principle of minimising duplication of effort, and the use of data from the RIGs. However the current proposals for the RIGs do not allow simple linking to detailed regulatory reporting worksheets. The memo worksheets referred to in the guidance (M5, M7, M10 and M11) are embedded within the Cost and Volumes pack. The Cost and Volumes pack is extensive with over 100 worksheets and it is not appropriate to link the Environment Report to the Cost and Volume pack.

Assuming that appending the detailed tables will remain a requirement, a better, simpler alternative would be have all the tables that are required for the Environment Report to be in their own pack so that the whole pack could be published without the need to link to the Cost and Volumes pack or extract specific worksheets from it.

The memo worksheets include estimations (such as benefits) and counter-factual data (such as avoided costs) which is different data to that reported in the Cost and Volume pack. The separation of the memo worksheets into its own pack is more logical for data assurance as the systems for actual costs and volume reporting are different to the cost benefit analysis used to estimate benefits.

The requirement to link the Environment Report and memo worksheets to supporting costs benefit analysis is unnecessary for a stakeholder facing report. The requirement should be removed.

Appendix A – Specific comments on paragraphs in the guidance document

Paragraph 1.6

This specifies that “DNOs should seek to adhere to principles which represent best practice in public facing reports, such as...”. This statement is too general for RIGs and needs to be explained.

Furthermore the final sentence states “DNOs should use the Environment Report to demonstrate a public commitment to minimising their environmental impact and a move to integrating their environmental activities into business as usual where possible”. This is beyond the scope of the licence requirement.

DNOs may not be minimising their environmental impact because it may not be cost effective to do so. It should state “reducing” not “minimising”.

Many environmental activities are already integrated into business as usual processes. This statement relates more to the integration of innovation into business as usual.

We propose the following alternative wording:

“DNOs should use the Environment Report to demonstrate a commitment to reducing their environmental impact and the integration of environment related innovation into business as usual, where possible.”

Paragraph 1.11

This specifies that “the Environment Report should include information on all smart grids and innovation activity, even if not directly related to the environment and the low carbon transition.” This data is not relevant to the environment and should not be included as it is beyond the scope of the licence condition.

Paragraph 1.13

This paragraph suggests that the contents of the Environment Report would enable DNOs to meet their obligations under SLC 49. The ERDG should clarify that the requirement to publish a report on distribution losses performance under SLC49 will be fully met by the Environment Report.

Paragraph 2.2

The third bullet requires actual and forecast benefits and impacts for oil leakage from fluid filled cable. The report should be a statement of what has been achieved, not a forecast. Also

the benefits will be estimates. The requirement for a forecast should be removed. The guidance should state “estimated benefits”.

The third bullet also refers to carbon equivalent savings for fluid loss from oil. There are no such savings, so this requirement should be removed from the guidance.

Paragraph 2.3.1

The opening words are “Public reporting”. This should be changed to “Summary of”.

The third bullet requires actual and forecast benefits and impacts for business carbon footprint. The report should be a statement of the actual position, not a forecast. Also the benefits will be estimates. The requirement for a forecast should be removed. The guidance should state “estimated benefits”.

Paragraph 2.3.2

The third bullet requires actual and forecast benefits and impacts for SF6. The report should be a statement of the actual position, not a forecast. Also the benefits will be estimates. The requirement for a forecast should be removed. The guidance should state “estimated benefits”.

Paragraph 2.3.3 Required first bullet

This requires DNOs to provide an assessment of losses. Ofgem has acknowledged that the measurement of losses is difficult and has therefore removed the DPCR5 losses incentive mechanism. Until better, less volatile, data is available, DNOs will only have access to data that was used for the previous incentive mechanism. Ofgem needs to acknowledge this within the report guidelines.

Paragraph 2.3.3 Paragraph starting “To inform this analysis...”

This requires cost benefit analysis and additional information is to be provided at the DSP level. This means that for every initiative there will be multiple versions of cost benefit analysis files and additional information where a DNO owns more than one license area. Is this what Ofgem intends?

Paragraph 2.4

Bullet 1 and bullet 5 appear to repeat the same activity.

Paragraph 3.2 (a), (b) and (d) Requirement to forecast benefits.

The guidance requires DNOs to forecast benefits and impacts of rolling out solutions to the end of RIIO-ED1. In one case the guidance suggests that it includes those solutions that are not yet used. This requirement is excessive as it will require complete annual review of every programme for innovation, smart meters and innovation roll out.

Paragraph 3.1 required

The first sentence requires DNOs to “outline the progress made against its Innovation Strategy, explaining any changes since the version submitted as part of the RIIO-ED1 business plan.”

This requirement is beyond the scope of SLC47 as SLC48 already requires DNOs to update their Innovation strategy from time to time.

Paragraph 3.2 (b) “Maximising the benefits of smart meters”

Section 3.2b requires DNOs to describe their “strategy for maximising the benefits of smart meters”. DNOs are not under any obligation to use smart meters or smart meter data. Therefore some DNOs may elect not to use smart meter data. This is a valid strategy to follow. By specifying that DNOs should have strategies that maximise the benefits, Ofgem are effectively setting DNO policy.

The guidance should be changed to state “strategy for the use of smart meters”. This needs to be changed in a number of places in this section.

Paragraph 3.2 section (a) and section (d)

These sections are confusing as both refer to rolling out innovative solutions. Is it expected that DNOs will duplicate the data provided in these sections?

For example the third bullet in section (a) states: “ A summary of the benefits and impacts of rolling out innovative solutions into business as usual. This information should be taken from worksheet M10 – Innovative Solutions in the RIGs”

The third bullet in section (d) states: “ The benefits and impacts of rolling out the solution. This information should be taken from worksheet M10 – Innovative Solutions in the RIGs”

The requirements need to be made much clearer and any duplication removed.