

ET SECTOR								
REFERENCE NUMBER:	CATEGORY: Amendment							
LICENCE CONDITION NUMBER: (if relevant):	SpC 4.3							
TITLE:	Insulation and Interruption Gas emissions output delivery incentive							
RELEVANT LICENCE CONSULTATION QUESTIONS (if any):								
RELEVANT ISSUES LOG:								
POLICY ISSUES								
<ul style="list-style-type: none">Part A	<ul style="list-style-type: none">In SpC 4.3.5, there is no basis for the ‘BASE’ being 85% of the performance of the average years across the previous price control. For our SF6 target we have engaged with an externally recognised body to define a scientific target in line with climate change standards. This defines for us a Science Based Target to achieve a downward trajectory based on a starting point of 2018/19 and finishing at 33% lower in 2026. The -15% starting at 2021 (9074kg) gives an unrealistic target for the first 2 years of T2 (27% lower than actual emissions for the last recorded year 19/20) which will put us in a penalty position. This is counterproductive when we need to spend substantial capital to intervene on the SF6 portfolio and penalties for the incentive could reduce funding for the much-needed longer term investments. We recommend removing the incentive in order to focus on the SF6 investment plan given that the objective of the two initiatives are the same.If removal is not acceptable to Ofgem then a more appropriate target would be the externally recognised Science Based Target (SBT) which could be hard coded for each TO. For NG ours would be as below in Kg of SF6							
		20	21	22	23	24	25	26
	Target Emissions	11,061	10,535	10,008	9,481	8,954	8,428	7,901
<ul style="list-style-type: none">GeneralSpC 4.3.6SpC 4.3.8	<ul style="list-style-type: none">We note that this condition involves a change to requiring approval of the methodology by Ofgem rather than deemed approval unless Ofgem has concerns within a reasonable time period (current SpC 3E.9, 3E.11). We do not consider that this change has been justified.In SpC 4.3.6, as raised previously in working groups, Ofgem must ensure that it has a robust process in place to ensure that proposed IIG Methodology Statements are capable of being approved by Ofgem before 1 April 2021. Please can Ofgem confirm the timetable.On SpC 4.3.8, we note that the obligation to apply the methodology has been changed from reasonable to best endeavours. No rationale has been provided for the change in the consultation and we suggest that the current standard is retained. See our answer to question 1 of the consultation.							

<ul style="list-style-type: none"> • SpC 4.3.13 	<ul style="list-style-type: none"> • On SpC 4.3.13, Ofgem has confirmed through the issue logs that the intention of this provision is to prohibit licensees from making an application where the cost is likely to exceed the value of the volume of leakage. This is a disproportionate proposal. Ofgem can make very clear that it will not direct an adjustment to ALEt where an application cost more than the value which could be recovered. There is no need whatsoever for a licence obligation.
DRAFTING ISSUES	
<ul style="list-style-type: none"> • SpC 4.3.2 • SpC 4.3.3 • SpC 4.3.4 • SpC 4.3.4 – 4.3.5 • SpC 4.3.5 • SpC 4.3.8 • SpC 4.3.9 • SpC 4.3.11 	<ul style="list-style-type: none"> • In SpC 4.3.2, we suggest “<i>forming part of the licensee’s Transmission System <u>as compared against the calculated baseline target emissions</u></i>”. • In SpC 4.3.3, there is a risk of inconsistency between the introduction (which refers to a simple obligation) and the substantive provision (which has a best endeavours obligation). Noting our comment above, on the currently proposed standard, we suggest “<i>...to maintain and <u>use its best endeavours to comply with</u>...</i>”. • In the definition of CTET in SpC 4.3.4, we suggest “<i>means the calculated baseline <u>target Insulation and Interruption Gas emissions in tonnes Co2e from assets forming part of the licensee’s transmission system, which is derived in accordance with paragraph 4.3.5</u></i>”. This is for consistency and to correct errors. • To ensure that SpC 4.3.4 and 4.3.5 are clear and consistent, we suggest that: <ul style="list-style-type: none"> ○ the definitions of ALEt, ADDt and DSPt should be changed to “<i>as calculated by the licensee <u>in accordance with this condition</u></i>”. The obligation in SpC 4.3.8 is to use best endeavours to apply the methodology, rather than always to do so and the current definitions may be confusing. ○ The definitions of ADDt and DSPt should also make clear when the asset needs to have been added or removed. Our understanding is that “<i>during the Price Control Period</i>” should be added in both. • We have a number of comments on the definition of BASE in SpC 4.3.5: <ul style="list-style-type: none"> ○ Our understanding is that this should refer to “<i>the licensee’s <u>baseline Insulation and Interruption Gas emissions in tonnes</u>...</i>”. ○ It is not clear what purpose “<i>in 2021/22</i>” serves. Provisions do not generally set out when the calculation must take place. ○ “RIIO-T1” should be replaced with “<i>RIIO-ET1</i>”. ○ We suggest that “<i>from 2013/14 to 2019/20</i>” should be built into the defined term. • In SpC 4.3.8, the drafting does not make clear when the licensee must apply the methodology. We suggest “<i>apply the methodology in the IIG Methodology Statement <u>when calculating the Insulation and Interruption Gas emissions</u></i>”. • In SpC 4.3.9, the reference should be “<i>4.3.7</i>”.

<ul style="list-style-type: none"> • SpC 4.3.12(b)(iii) • Definitions 	<ul style="list-style-type: none"> • In SpC 4.3.11, our understanding is that Ofgem would still explain the reasons for the rejection, whether or not it gives recommendations. This should be made clear – we suggest “<i>reject the proposed revisions, <u>giving reasons</u></i>” in both (b) and (c). • In SpC 4.3.12(b)(iii), we suggest that “<i>...that it had taken</i>” should be replaced with “<i>...that the licensee took...</i>”. • The definition of “<i>IIG Inventory</i>” does not work with the drafting currently. The definition needs to clearly determine an amount of gas in tonnes CO2E, rather than setting out a list. • The definition of IIG Exceptional Event has been changed significantly from the current definition of SF6 Exceptional Event in SpC 3E.17. This makes the definition substantially less clear in changing from “<i>beyond the reasonable control of the licensee</i>” to causes external or internal to the licensee. The reason appears to be to align with wording used in distribution licences, but we suggest that this is no justification to adopt drafting which is less clear and request that the current wording is retained. It is particularly unclear what is meant by “<i>culpable error</i>”.
FINANCE ISSUES	
SUPPORTING INFORMATION	
OFGEM ENGAGEMENT:	