

Guidance

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Environmental Reporting Guidance

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This document sets out our RIIO-ED2 Environmental Reporting Guidance and Key Performance Indicator (KPI) Table for the Annual Environmental Report (AER).

This document is targeted at electricity distribution network operators (licensees), as well as their stakeholders. The document outlines the scope, purpose, and specific guidance for licensees to follow when producing their AER.

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1. Introduction

Context and related publications

- 1.1 We published our Final Determinations (FDs) for the RIIO-ED2 electricity distribution price control in November 2022.¹ These set out the key elements of the price control from 1 April 2023 to 31 March 2028. This included a licence obligation for the licensees to publish an Annual Environmental Report (AER) under Special Condition 9.1 (SpC 9.1).
- 1.2 The purpose of the AER is to provide a yearly update to stakeholders on the licensee’s progress in delivering their Environmental Action Plan (EAP) commitments as set out in their RIIO-ED2 Business Plan.² The EAPs are licensees’ strategies for how they propose they will mitigate the impact of their business on the environment. The AER will also allow stakeholders to monitor licensees’ performance in specified environment-related aspects of its price control and enable comparability of performance between licensees where possible.
- 1.3 This Environmental Reporting Guidance (“Guidance”) has been developed to help the licensee comply with its obligation in SpC 9.1 of the electricity distribution licence (the licence) to publish an AER. Licensees must prepare their AER in accordance with this Guidance.
- 1.4 The AER will ensure each licensee is held accountable for delivering its RIIO-ED2 EAP Commitments, its approach to environmental management, and its environmental performance during the Price Control Period.
- 1.5 Where defined words and expressions are used in this Guidance, they are capitalised and have the same meaning as in SpC 1.2 of the licence.
- 1.6 The AER comprises two different sections. Firstly, there is a qualitative report (i.e. AER Commentary) designed for an effective communication of the licensee’s performance against relevant environmental commitments over the last year. Guidance on how this should be structured and its content can be found in Chapter 3. Secondly, there is a quantitative report (i.e. AER KPI Table), with

¹ [RIIO-ED2 Final Determinations | Ofgem](#)

² Para 3.147 – 3.177 Core Methodology [RIIO-ED2 Final Determinations | Ofgem](#)

guidance on how these figures should be calculated and reported available in Chapter 4.

- 1.7 In some instances, where the reporting methodology of certain environmental areas is not well developed (e.g. embodied carbon, Scope 3 emissions and biodiversity) numerical reporting is required, where it is possible to do so, as part of the AER Commentary as opposed to the KPI Table. This is in order to allow less developed areas of reporting to be presented alongside the improvements in the reporting of these fields giving stakeholders valuable additional context. Should consistent reporting methodologies be developed within-period, we will consider the merits of amending the Guidance in accordance with SpC 9.1.8 and SpC 1.3 to reflect such developments.
- 1.8 We have included a template for the structure and content of the AER KPI Table in Appendix 1 of this Guidance.³ This is to ensure that the licensee's AER KPI Table focuses on material environmental matters, is relevant, easy to understand, accurate and, where possible, comparable across licensees.

Compliance

- 1.9 Licensees are required by SpC 9.1 to prepare an AER in accordance with this Guidance.
- 1.10 For the avoidance of doubt, this Guidance is subordinate to the licence. This document does not change any definition or obligations contained within the licence and in the event of any ambiguity over the Guidance Document, the licence will take precedence.
- 1.11 This document in no way relieves affected parties, including licensees, from their responsibility to ensure ongoing compliance with legislation including competition, data protection, environment and consumer protection laws.

³ 'We', 'Ofgem' and the 'Authority' are used interchangeably in this document and refer to the Gas and Electricity Markets Authority.

Initial publication and amendment of this guidance

- 1.12 This Guidance is issued and amended in accordance with the procedure set out in SpC 1.3 of the licence.

2. General instructions and requirements

Section summary

This section sets out the general instructions and requirements licensees should follow when preparing their AER.

Principles for reporting

- 2.1 When compiling the AER, licensees should adhere to a number of key principles which are set out in paragraphs 2.2-2.5.⁴
- 2.2 The information contained in the AER must be **relevant**, such that stakeholders may understand a licensee’s environmental impact through its operations. Where appropriate, **quantitative** information should be provided for metrics where such data is available. This information should follow the guidance set out for the AER KPI Table (Chapter 4) and should also be reflected in the AER Commentary (Chapter 3) where additional context around this data can be provided. If quantitative data cannot be provided, **qualitative** information should be as clear and concise as possible allowing as broad an audience as possible to engage with the AER.
- 2.3 All information conveyed should be **accurate** and **complete**. Any assumptions or exclusions of data should be well documented and explained in the AER Commentary, as should the level of uncertainty surrounding certain metrics and the steps taken to reduce this uncertainty.
- 2.4 As the purpose of the AER is to provide stakeholders with a picture of the impact that licensees have on the environment, **consistency** and **comparability** is important. To achieve this, licensees should follow the Guidance, report according to the methodologies outlined where applicable. Where no methodology currently exists, licensees should work collaboratively to develop such a methodology.

⁴ These have been drawn from accounting principles and the internationally recognised Greenhouse Gas Protocol Corporate Accounting and Reporting Standard from the World Resources Institute and World Business Council for Sustainable Development, known as the “GHG Protocol Corporate Standard.”

- 2.5 To help **transparency** and provide stakeholders with confidence that the information is accurate, licensees should ensure that relevant issues are reported in a factual and coherent manner, keeping a record of all assumptions, calculations, and methodologies used.

Report structure

- 2.6 The licensee's AER will consist of two key documents: an AER Commentary and an AER KPI table. The AER Commentary will provide the narrative around how the licensee has performed against its environmental obligations over the previous year, whereas the AER KPI table will evidence the AER Commentary and present numerical evidence of performance.
- 2.7 In cases where a corporate group covers multiple Electricity Distribution licensees, a single document is acceptable, but the performance of each licenced area should be clearly identifiable in the report for each environmental commitment.
- 2.8 There is no limit on how long the AER should be. However, the licensee should take into account the level of detail needed for stakeholders to be able to engage with the contents, while at the same time remaining accessible. We will keep this under review and may consider further guidance on this if we consider it necessary.

Reporting date and Regulatory Year

- 2.9 The AER for the Regulatory Year commencing 1 April 2023 must be published on the licensee's website by 31 October 2024. The licensee should publish subsequent reports by 31 October in each year.
- 2.10 The licensee's AER must include information and data for the preceding Regulatory Year of RIIO-ED2.
- 2.11 For the final Regulatory Year of the RIIO-ED1 Price Control Period, licensees must follow the requirements set out in Standard Licence Condition (SLC) 47. This condition will cease to be in effect on 31 October 2023.

Scope of the AER

- 2.12 The Guidance sets out the broad scope of the AER. There may be instances where the licensee wishes to go beyond this Guidance where the licensee considers it to

be appropriate to do so. Industry practice and legislative requirements may also evolve over time, with regards to environmental reporting, and we expect licensees to consider these developments and their impact on the AER.

- 2.13 The AER should provide stakeholders with a reasonably detailed picture of the licensee’s environmental activities. This includes reporting on progress in implementing the licensee’s EAP commitments and meeting its EAP targets, where applicable. The licensee should also use the AER to demonstrate to stakeholders what steps or activities it has undertaken to manage and, if possible, reduce its environmental impact more generally.
- 2.14 The structure, content and KPIs described in this Guidance should be the basis for the licensee’s AER. A licensee may make enhancements to its AER beyond those specified in this Guidance. Where a licensee does so for an aspect of its AER that relates solely to its activities, we expect the licensee to explain the change in reporting, figures and/or parameters used.
- 2.15 Where a licensee changes their reporting methodology, we expect the licensee to explain the change in the AER Commentary, including outlining the figures and/or parameters used. If the development or change is applicable to other licensees, then we strongly encourage licensees to work together at a sector level to determine the appropriate consistent reporting practice.
- 2.16 Below are some illustrative examples:
- A licensee may include additional discretionary content where this is in response to its stakeholders’ interests, or to address bespoke elements of its EAP commitments.
 - A licensee may also report in its AER on additional environmental impacts that are company or regionally specific to it (i.e. are relevant to the licensee but are not so relevant for the sector as a whole). In doing so, the licensee should follow the principles set out in paragraphs 2.2 to 2.5 and explain its methodology for reporting the impact.
 - If two or more licensees in a sector identify a common environmental aspect/impact they consider is a material omission from the AER, the licensees may include this in their respective AERs as long as they agree and adopt a consistent reporting methodology.
 - Similarly, if two or more licensees consider that a KPI specified in Chapter 3 of this Guidance needs further development, the licensees should work together

to determine and agree the most appropriate metric. In such cases, the licensee groups should disclose and explain in its AER any specific exclusions, as well as its plans for reporting the KPIs in future.

- Conversely, the licensee might be unable to include all of the KPIs that are specified in this Guidance in its AER, particularly in the early years of the Price Control Period, because the underlying data is not available or KPI development is ongoing or due to geographical differences. In such cases, the licensee should disclose and explain any specific exclusions and its plans for reporting the KPIs in future if they are material to the licensee’s network.

2.17 The licensee may also include in its AER links to other publicly available documents and include summaries of key information.

3. AER Commentary

Section summary

This section provides guidance that licensees should follow when preparing the AER Commentary.

Introduction

- 3.1 The AER Commentary is designed to enable licensees to showcase and provide contextual information and analysis of the categories in the AER KPIs as described in Chapter 4, whilst also being able to add and report on wider issues or achievements relevant to the AER not contained in the KPIs.
- 3.2 The AER Commentary is expected to have sub-headings as set out below. It is not intended to be an exhaustive list as licensees are free to add additional information or context if desirable, though the structure should be followed as closely as possible for ease of comparison.

AER commentary section headings

Executive summary

- 3.3 This section should give the broad outline of the other sections detailed below, including headline figures and key findings.
- 3.4 While licensees have flexibility within the Executive Summary to provide information on what may be relevant in any given year, the Executive Summary must include references to a table listing all the commitments in their RIIO-ED2 EAPs. As this table may be lengthy in nature it may be included as part of the Executive Summary or as an Annex to the AER, which is a presentational choice for the licensee. The table should set out for each EAP commitment:
 - one sentence description of the EAP commitment;
 - one sentence summary of the expected benefit or outcome key milestones for implementing the EAP commitment over the course of the Price Control Period;
 - a red/amber/green status indicator on progress against the implementation milestones; and

- a brief explanation (i.e. one to two sentences) of the reasons for any amber or red indicator.

3.5 The Executive Summary should be as accessible as possible both in content and in the language used in order to maximise accessibility.

Business Carbon Footprint (BCF)

3.6 The AER should cover Scope 1, 2 and 3 emissions. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the licensee. Scope 3 includes all other indirect emissions that occur in a licensee's value chain.

3.7 The licensee must report on all Scope 1 and Scope 2 emissions on an "operational control" basis, i.e. report all emissions from its operations. Where necessary, licensees should use the AER Commentary to add further context around their activities to reduce Scope 1 and 2 emissions.

3.8 Licensees should outline, in respect of Scope 3 emissions, how they will develop a methodology for reporting emissions and any reduction strategy or actions currently applied or to be potentially applied in future. Licensees should also show their efforts to work collaboratively across industry to develop a common approach to reporting Scope 3 emissions.

3.9 The licensee should also outline in the AER Commentary their programme and milestones to improve its Scope 3 emissions data reporting over time and such improvements should focus on Scope and/or quality.

3.10 Over the course of the Price Control Period, the level and quality of reporting on Scope 3 emissions will likely vary amongst licensees due to the differences in coverage, ie, the categories⁵ on which licensees currently report, the methodologies used to calculate Scope 3 emissions, as well as the availability and quality of data.

⁵ The Greenhouse Gas Protocol Technical Guidance for Calculating Scope 3 Emissions (v1) ([Scope3 Calculation Guidance 0.pdf \(ghgprotocol.org\)](#)) identifies 15 reporting categories for Scope 3 emissions.

- 3.11 We expect all licensees' Scope 3 emissions reporting to improve over the Price Control Period. As the reporting improves, licensees must provide in this section any figures obtained with regards to Scope 3 emissions. As these figures are not currently required to be reported in the KPI Table, licensees should demonstrate these figures when discussing the improvements in their Scope 3 emissions reporting.
- 3.12 Over the course of the Price Control Period, each licensee must:
- Complete a screening of its Scope 3 emissions before the publication of the first AER in line with the GHG Protocol: Technical Guidance for Calculating Scope 3 Emissions (V1)⁶. We expect screening to cover all upstream and downstream categories defined in the Protocol;
 - Develop a programme, based on its screening results, to improve the calculation of their Scope 3 emissions, in terms of completeness, accuracy, and quality; and
 - Increase the coverage and quality of their annual Scope 3 emissions reporting.
- 3.13 The licensee should identify any data issues and how these can be resolved (relative to overall Scope 3 emissions) when considering improvements to the reporting methodology.
- 3.14 Our RIIO-ED2 Business Plan Guidance set out that licensees should adopt a science-based target to reduce its Scope 1 and 2 emissions by a date to be specified by the licensee, without relying on international Greenhouse Gas (GHG) offsetting⁷. The targets should be based on the latest scientific consensus, reflecting the actions deemed necessary to meet the goals of the Paris Climate Agreement. Licensees should therefore report on progress against their targets as accepted in our RIIO-ED2 FDs. We encourage DNOs to go further than the positions established in our RIIO-ED2 FDs and to establish a target for their Scope 3 emissions in addition, when sufficient knowledge regarding these emissions is collected.

⁶ [Scope3 Calculation Guidance 0.pdf \(ghgprotocol.org\)](#)

⁷ [RIIO-ED2 Business Plan Guidance | Ofgem](#)

3.15 Licensees should be taking all reasonable actions to reduce controllable GHG emissions and offsetting should only be used for residual emissions. As noted in paragraph 3.14, international GHG offsetting should not be relied upon and therefore not reported in the AER. The reporting of any domestic offsetting measures should be transparent, including an explanation as to why the emissions could only be offset as opposed to reduced or removed.

Sulphur Hexafluoride (SF₆) & Other Insulation and Interruption Gases (IIGs)

3.16 Licensees should use the AER Commentary to provide supplementary information on the use of SF₆, an Insulation and Interruption Gas (IIG)⁸ that has an environmental impact due to its high global warming potential, as well as any other IIGs in use. This should include:

- The quantity of any SF₆ currently installed on the licensees' Distribution System;
- The quantities of SF₆ added during installation, maintenance or servicing due to leakage;
- For decommissioned equipment, the measures taken to recover and dispose of any SF₆;
- A summary of the interventions⁹ that have taken place over the previous Regulatory Year;
- The quantity and type of any other IIGs installed on the licensee's network (and where appropriate their global warming potential). Note the reasoning for the decision to use the alternatives deployed and any additional nuance should be included in the AER Commentary; and
- An overview of the target leakage reduction licensees have set for the end of the Price Control Period including a high level description of the likely future volumes of IIGs, including SF₆, on its respective network.

⁸ IIGs for the purpose of this report will include Sulphur Hexafluoride and all alternative IIGs deployed, provided they have a global warming potential.

⁹ Interventions will mean targeted actions that result in reduction of SF₆ emissions; licensee will report on the interventions through a narrative response including the SF₆ alternative arising.

- 3.17 We expect licensees to consider how reporting can be evolved over time with a view to incentivise the removal of SF₆ in future price controls or sooner. This should include reporting on best practices and the development of an improved framework for assessing and reporting SF₆.
- 3.18 Licensees should use the AER Commentary to include an update on their collaborative work on the development of alternative approaches to replace SF₆ assets with alternative equipment that is free of GHGs and are environmentally sustainable.

Electricity Distribution Losses

- 3.19 As described in our FD decision¹⁰, we acknowledge the complexity of this area and the strong stakeholder support for action. Each licensee indicated in their Distribution Losses Strategy that despite efforts to reduce losses, total losses on their networks are expected to increase during the Price Control Period.
- 3.20 We still aim to target losses in an effective way to make a positive contribution to reduce levels of losses and therefore licensees, through their AER, must:
- Outline in the AER commentary how they have acted and continued to improve upon their Distribution Losses Strategy to increase transparency to stakeholders on their direct actions to manage distribution losses;
 - Outline how they have shared best practice across the sector to establish and develop an improved framework for assessing and reporting losses during the Price Control Period;
 - Outline how they have considered losses when replacing assets (i.e. with the use of low loss equipment for example or considering larger cables where the incremental cost is small relative to the long-term saving in losses); and
 - Use the AER Commentary to detail activities around losses and interventions which are either not reported in the KPIs or which add context to the data supplied in the KPIs (Chapter 4).
- 3.21 During the Price Control Period, we expect licensees to innovate and find cost effective ways to better manage losses. They should consider how reporting can

¹⁰ Para 3.164 – 3.170 Core Methodology [RIIO-ED2 Final Determinations | Ofgem](#)

be evolved over time with a view to a common methodology and to incentivise the reduction of losses in future price controls or sooner.

- 3.22 We expect licensees to continue with and report on their collaborative work to develop an improved framework for assessing and reporting losses during the Price Control Period.

Embodied Carbon

- 3.23 Physical infrastructure assets are a significant source of the UK’s carbon emissions. If the UK is to achieve its net zero ambitions, it is critical that the carbon lifecycle of infrastructure assets, including construction, maintenance, decommissioning and disposal, is significantly decarbonised.
- 3.24 Embodied carbon (EC) is defined in the UK Green Building Council as “The total greenhouse gas (GHG) emissions (often simplified to ‘carbon’) generated to produce a built asset. This includes emissions caused by extraction, manufacture/processing, transportation and assembly of every product and element in an asset”.¹¹
- 3.25 Licensees shall provide an update on collaborative work and shared best practice in developing a common approach for measuring and assessing embodied carbon with a long-term aspiration to reduce embodied carbon content of new projects. On this basis, methodologies and reporting for embodied carbon should be in alignment with industry standards (for example Publicly Available Specification (PAS) 2080¹²) where this is possible.
- 3.26 Whilst we recognise that measuring the embodied carbon associated with a new construction project may be a new activity for licensees, we consider it is important given the contribution it makes to the UK’s carbon emissions. The licensee should report on embodied carbon on new construction projects within the AER Commentary where it is possible to do so. Licensees should work together to ensure consistency in reporting methodology and reported units. This follows similar requirements for the electricity transmission and gas sectors which

¹¹ [Embodied Carbon - Practical Guidance - UKGBC - UK Green Building Council](#)

¹² [PAS 2080 - carbon management in infrastructure | The Carbon Trust](#)

have been in place since 2021 so we expect some cross sector consistency may develop.

- 3.27 The licensee must report on both estimated embodied carbon of a new construction project at final design and as built if possible. If a licensee has a target for the embodied carbon in new projects, it should clarify whether the target is for the design stage or as built or both. Some types of construction works such as street works may not include detailed design stage and so assessment of embodied carbon will only refer to “as built”.
- 3.28 Where it is possible to quantify the amount of embodied carbon associated with a new construction project, the licensee should use tCO₂e/£m as the default embodied carbon reporting unit. When reporting on cables and or overhead lines, tCO₂e/km should be used. These figures (if available) must be presented in an accessible manner in the AER Commentary.
- 3.29 Given the reporting methodology for embodied carbon is not developed to a level that allows comparable and consistent reporting, the figures reported should be provided in the AER Commentary as opposed to the KPI Table. As the quality and standardisation of reporting improves over the course of the Price Control Period, we will consider amending this Guidance. Any amendments, which could also be part of the Mid-Period Review, will take place in accordance with Special Conditions 9.1.8 and 1.3. of the licence.

Supply chain management

- 3.30 Supply chain management or sustainable procurement is a new area of reporting for the Price Control Period. We recognise that this may result in new information gathering systems needing to be established or further developed within the Price Control Period.
- 3.31 Licensees should use the AER Commentary to discuss relevant sustainability metrics/KPIs demonstrating how suppliers proactively meet their environmental supplier code. This may include, but is not limited to, factors such as decarbonisation, environmental protection and carbon awareness training.
- 3.32 Licensees should provide a description of actions taken to address and embed sustainable procurement principles, such as developments to the licensee’s supplier code (or equivalent), KPIs, or pre-qualification questionnaires (PQQ).

This could also include collaborative work among licensees or following ISO guidelines.

- 3.33 Licensees should elaborate on specific activities they have undertaken to promote sustainable procurement (activities and goals that have a tangible impact upon sustainability, for example by aligning with the UN Sustainability Goals).

Sustainable Resource Use & Waste

- 3.34 Licensees should use the AER Commentary to build upon and further develop information and metrics around the production and disposal of waste as reporting matures. Licensees are encouraged to use their own metrics relevant to their organisations and reporting systems where this could be of interest to stakeholders, for example, in areas such as reuse and the circular economy. Licensees should also provide a description of actions taken to address and embed sustainable procurement principles.

Visual Amenity

- 3.35 Licensees should use the AER Commentary to report on activities relating to improving visual amenity. This is not strictly prescribed but can include associated themes such as stakeholder engagement and local aesthetic improvements for the local environment.

Noise Pollution

- 3.36 Licensees should use the AER Commentary to report on activities relating to reducing noise pollution.

Polychlorinated biphenyls (PCBs)

- 3.37 PCB contamination is defined under the requirements of the Environmental Protection (Disposal of Polychlorinated Biphenyls and other dangerous

Substances) (England and Wales) (Amendment) Regulations 2020¹³ and The Environmental Protection Act 1990 Amendment (Scotland) Regulations 2020¹⁴.

- 3.38 As per Regulatory Position Statement (RPS) 246¹⁵ published by the Environment Agency, licensees may have assets on their network that contain PCBs until the end of 31 December 2025 and must then remove any asset from service as soon as possible, if it is confirmed or can be reasonably assumed that the volume of PCBs surpasses specified thresholds.
- 3.39 Until tested, the PCB contamination status of an asset is unknown. Whilst many Ground-Mounted Transformers (GMTs) can be tested in service, Pole-Mounted Transformers (PMTs) are not normally included in routine oil sampling and testing due to them being sealed at the time of manufacture and their inaccessible locations.
- 3.40 Therefore, a statistical approach to identify potentially contaminated PMTs has been developed by the ENA and accepted by the Environment Agency (EA) as fit for purpose under RPS 246. The statistical cohort model for PMTs leverages data to provide a better understanding of PCB contamination risk. The model uses test records from scrapped PMTs to statistically assess the risk of in-service PMTs. In summary, following testing all PMTs will be categorised into the following two groups:
- Red – Cohorts with (i) a known manufacturer; (ii) a year of manufacture that is pre-1987; and (iii) sufficient test data available to show that the incidence of PCB contamination is high enough (i.e. it contains more than 0.005% but no more than 0.05% by weight of PCBs and there is a total volume of more than 0.05dm³)¹⁶ to statistically classify those cohorts as PCB contaminated; and
 - Green – Cohorts with (i) a known manufacturer; (ii) a year of manufacture that is pre-1987; and (iii) sufficient test data to show that the incidence of

¹³ [The Environmental Protection \(Disposal of Polychlorinated Biphenyls and other Dangerous Substances\) \(England and Wales\) \(Amendment\) Regulations 2020 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukdsi/2020/01/13/1300013000000001/engand-wales)

¹⁴ [The Environmental Protection Act 1990 Amendment \(Scotland\) Regulations 2019 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukdsi/2019/01/14/1400014000000001/england-scotland)

¹⁵ [Transformers containing PCBs: new rules - RPS 246 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/transformers-containing-pcb-new-rules-rps-246)

¹⁶ [Polychlorinated biphenyls \(PCBs\): registration, disposal, labelling - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/polychlorinated-biphenyls-pcb-registration-disposal-labelling)

PCB contamination is low enough (i.e. its fluids either contain 0.005% by weight, or less of PCBs, or they contain a total volume of 0.05dm³ or less of PCBs)¹⁷ to statistically classify cohorts as not PCB contaminated.

- 3.41 As licensees are expected to test and remediate contaminated GMTs with greater certainty and due to the difference in the nature of the assets that are contaminated, there is a requirement to separate their reporting between GMTs, PMTs and other¹⁸ assets.
- 3.42 Licensees should use the AER Commentary to provide a summary of their progress on PCB activities. This should include a link to and/or a summary of the statistical model for PMTs, an overview of PMTs that are statistically likely to be PCB contaminated, as well as efforts and interventions made in order to remove PCBs from the network, ensuring that the report is accessible to stakeholders.

Biodiversity and/or Natural Capital

- 3.43 Licensees should report on biodiversity in the AER Commentary to detail projects which protect and/or enhance biodiversity. This should include, but is not limited to, any biodiversity baselining and implementation of measurement approaches over the course of the Price Control Period and any specific actions taken in order to enhance biodiversity.
- 3.44 Reporting on biodiversity is not required under the AER KPI Table. This is so that any figures regarding biodiversity can be presented alongside the relevant context provided by the narrative. This context is especially important given the geographical differences between the licensees' areas and the divergence in reporting information. As such, all relevant figures and information regarding biodiversity must be reported in an accessible way in the AER Commentary. Licensees must report on their collaborative approach to develop a tool to better monitor biodiversity and how the development of this tool will contribute to the further enhancement of biodiversity.

¹⁷ [Polychlorinated biphenyls \(PCBs\): registration, disposal, labelling - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/polychlorinated-biphenyls-pcb)

¹⁸ 'Other' assets refer to any other electrical asset that is not a PMT or GMT and contains PCBs (for example a capacitor).

- 3.45 As the quality and standardisation of reporting might improve over the course of the Price Control Period, we will consider amending this Guidance. Any amendments, which could also be part of the Mid-Period Review, will take place in accordance with Special Conditions 9.1.8 and 1.3. of the licence.

Fluid Filled Cables

- 3.46 Licensees should provide additional context around the number and leak rates of their Fluid Filled Cables, including the impact these leaks have on the environment. This section of the AER Commentary should build around the numerical reporting of Fluid Filled Cables in the AER KPI Table.

Wider Environment & Other Activity

- 3.47 Licensees are encouraged to also report on other projects that affect their distribution areas. Licensees can detail activities not captured above which are wider ranging but nonetheless relevant to the AER. This might include (but is not restricted to) activities such as community and or stakeholder engagement.
- 3.48 Licensees should also use this section of the AER Commentary to relate how such activities align with their EAP commitments.

4. AER Key Performance Indicators (KPI) Table

Section summary

This section provides guidance that licensees should follow when preparing the AER KPI Table.

Introduction

- 4.1 Each licensee must include a section covering all the KPIs listed below. The KPIs should be reported at the licensee level. The figures to be reported in this section will follow both our general instructions in this Guidance and follow the AER KPI Table, a blank version of which is published as Appendix 1 to this Guidance. These figures should form the evidence and basis for some of the content included in the AER Commentary in Chapter 3.
- 4.2 Regarding presentation, we encourage licensees to present the completed AER KPI Table as an Annex to the AER Commentary. This does not diminish the importance of the AER KPI Table as a standalone document, however we believe that by ensuring both the Commentary and KPI Table are kept together, stakeholders will find navigation of both easier.

BCF

- 4.3 BCF Scopes 1 and 2 will be reported year on year but may not have distinct reduction targets. The total baseline reduction target will be reported as 'Total Scope 1 and 2 Emissions'. Licensees can provide further detail and commentary if appropriate in the AER Commentary.
- 4.4 Licensee's must report on the their BCF (in tCO₂ emitted) as set out in the licensee's approved EAP, including:
- Operational Transport;
 - Building energy usage including substation energy;
 - Fuel combustion from temporary generation; and

- Fugitive emissions (e.g. from SF₆) - please note that the Global Warming Potential of SF₆ should be taken from the latest BEIS publication of UK GHGs¹⁹.
- 4.5 The licensee must report on all Scope 1 and 2 emissions on an “operational control” basis, i.e. report on all emissions from operations carried out as part of the licensee’s authorised electricity distribution business.
- 4.6 The licensee will report the total Scope 1 and 2 emissions in two categories: one excluding losses and one including losses.
- 4.7 The licensee should also include the following charts:
- A stacked column chart to show the composition of total Scope 1 and Scope 2 emissions excluding losses over the Price Control Period in tCO₂e. This chart should include the licensee’s BCF target for the end of the Price Control Period displayed by a downward sloping trend line;
 - A column chart showing the evolution over time of the CO₂e intensity of an operational km travelled expressed in kgCO₂e/km; and
 - A stacked column chart showing the evolution over time of the energy consumption at licensee buildings and substations, in kilowatt-hours.
- 4.8 Licensees are not required to report their Scope 3 emissions in the KPI Table. Instructions on reporting requirements regarding Scope 3 emissions can be found in [Paragraphs 3.8 – 3.13](#) of Chapter 3. As reporting regarding Scope 3 emissions improves and becomes more consistent (as we expect throughout the course of the Price Control Period), we may consider amending the Guidance and/or provide further updates through the Mid-Period Review (see Chapter 5).
- 4.9 Carbon offsetting is to be reported separately to the Scope 1 and 2 emissions, as part of the KPI Table BCF tab, below the input sheet for Scope 1 and 2 emissions. This reporting must not include international offsetting.

SF₆ & Other IIGs

- 4.10 The licensee will report, by voltage level, on the following parameters:

¹⁹ [UK greenhouse gas emissions: other technical reports - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/672222/UK_greenhouse_gas_emissions_other_technical_reports_-_GOV.UK_(www.gov.uk).pdf)

- The total number of assets that contain SF₆;
- The total amount of SF₆ on the licensee's network (in kg);
- No. of SF₆ assets replaced (per annum)
- Number of SF₆ alternative assets (i.e. where an SF₆ containing asset is replaced with something other than SF₆);
- % of assets containing SF₆ (as a % of bank);
- No. of SF₆ assets installed per annum
- Leakage of SF₆ per annum (in kg);
- SF₆ leakage rate as percentage of bank at the start of the reporting year against the end of the Price Control Period target;
- Interventions²⁰ undertaken by the licensee in the preceding Regulatory Year that have been completed from its SF₆ Management Strategy, committed to as part of its EAP; and
- Impact of interventions, meaning the reduction in leakage (in kg) achieved due to the interventions defined above.

4.11 The licensee will report on the characteristics of alternative IIGs on the network, including the number of assets, the amount of the IIG present in kg, the Global Warming Potential of the IIG (taken from the latest BEIS publication of UK GHGs²¹) and the leakage in kg of this IIG. This reporting should be repeated and distinct for each alternative IIG on the network. The name of each of alternative IIG should be clearly set out within the AER KPI Table.

Electricity distribution losses

- 4.12 The licensee must report on the following for electricity distribution losses:
- Annual distribution losses from the licensee's Distribution System in GWh, as a percentage of total electricity distributed, and in tCO₂e;
 - The target for the losses by the end of the Price Control Period;

²⁰ Interventions in this context will mean targeted actions that result in reduction of SF₆ emissions; licensees will report on the interventions through a narrative response including the SF₆ alternative arising.

²¹ [UK greenhouse gas emissions: other technical reports - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/674222/uk_greenhouse_gas_emissions_other_technical_reports_-_gov.uk.pdf)

- Annual interventions²², reported by number;
- The impact of interventions reported in megawatt hours and tonnes of CO₂e (per annum); and
- The targets and impact of interventions by the end of the Price Control Period.

Supply chain management

4.13 The licensee must report on:

- The percentage of suppliers (by value) meeting the licensee’s environmental supplier code showing progress towards the target to have 80% of suppliers (by value) signed up over the Price Control Period; and

Sustainable Resource Use and Waste

4.14 The licensee must report in the AER KPI table on Resource Use and Waste (excluding Streetworks) according to waste destination (separated as Non-Hazardous/Non-Special and Hazardous/Special)²³:

- Total Waste Produced directly by licensee (tonnes);
- % Reused/Recycled;
- % Energy from Waste;
- Total % Sent to Landfill;
- Total % Other (where applicable); and
- Total % of Waste diverted from Landfill (excluding compliance waste).

4.15 Any waste that does not fall under the three typical categorisations of waste treatment (recycle/reused, energy from waste and landfill) may be categorised as ‘Other (where applicable)’. Any additional context or reasoning for the destination of some of the licensee’s waste may be provided in the AER Commentary, and

²² Interventions in this context mean targeted activities with a discernible impact on reducing electricity losses.

²³ According to the Environmental Protection Act 1990 and other regulations and or relevant legislation. For example, waste with hazardous properties which may render it harmful to human health or the environment is called special waste in Scotland. Elsewhere in the UK and the EC, special waste is referred to as hazardous waste and managing and regulating it is essential to minimise any effects on the environment.

licensees are required to explain the treatment of any waste categorised as 'Other' in the AER Commentary.

Fluid Filled Cables

4.16 The licensee must report the volume of fluid (oil) used to top up cables as a percentage of volume in service against the volume recorded at the start of the Price Control Period (used as the baseline):

- 'FFCs in Service' means the length of Fluid Filled Cables currently used on the network reported in kilometres;
- 'Oil in Service' means fluid included in the cables and associated on-network storage tanks;
- 'Cable Oil Top up' means the amount of oil added during the Regulatory Year;
- 'Removal of FFC' means removal from network or where cables are sealed;
- 'Leak reduction' means reduction against the baseline leakage at the beginning of the Price Control Period;
- 'Oil recovered' means the oil recovered from leakage; and
- Licensees are required to provide context around their fluid filled cables KPIs in their AER Commentary as this is an area that will be relatively unknown to a number of stakeholders.

Visual amenity

4.17 Visual amenity will be reported as the removal of overhead lines (by km) over the course of the Price Control Period which fall under the category of Visual Amenity Projects.

Noise pollution

4.18 Noise pollution will be reported as the number complaints related to noise received each year and in addition the subset of these complaints that led to an intervention i.e. where:

- The complaint has required an intervention beyond initial investigation; and
- There has been an outcome such as the complaint being upheld and mitigation/remedy applied.

PCBs

4.19 The licensee must report annually on the following for PMTs:

- No. of assets that are PCB contaminated or statistically likely to be PCB contaminated (i.e. no. remaining on PCB register held with the environmental regulator²⁴);
- No. of assets PCB negative or statistically likely to be PCB negative (i.e. no. removed from PCB register held with the environmental regulator);
- No. of asset replacements due to known or statistically likely PCB contamination; and
- No. of assets tested to confirm levels of PCB contamination.

4.20 For GMTs and other assets, the licensee must report annually on the following:

- No. of assets that are PCB contaminated or suspected to be PCB contaminated (i.e. no. remaining on PCB register held with the environmental regulator);
- No. of assets PCB negative (i.e. no. removed from PCB registers held with the environmental regulator);
- No. of asset replacements due to known or suspected PCB contamination;
- No. of assets remediated (e.g. oil changed) due to known or suspected PCB contamination; and
- No. of assets tested to confirm levels of PCB contamination.

²⁴ Environmental regulators refers to the Environment Agency for licensees in England and Wales and the Scottish Environment Protection Agency for licensees in Scotland.

5. Mid-period review

Section summary

This section sets out our intention to carry out a review of licensees' progress in delivering their EAPs during the Price Control Period.

- 5.1 Our RIIO-ED2 FD confirmed our plans to complete a mid-period review in order to assess licensees' performance in delivery their EAPs, and to give more exposure to the AER ODI-R performance. This will be led by Ofgem and be informed by the AERs submitted by licensees to that date (plus any further information which we consider would be necessary to inform the review). This review will take place no earlier than the third year of the Price Control Period. We may however engage with licensees and other stakeholders earlier to discuss what any review would look like.
- 5.2 We think there would be merit in being able to make comparisons between licensees in order to identify examples of best practice, but we recognise that the ability to draw direct comparisons may be limited due to differences in how different licensees report, and or the areas which they may focus on at any given time.
- 5.3 We will also use this to assess progress made in adopting a common approach to measuring and reporting in areas such as SF6 and losses and set out any further changes we think may be required. We will engage with licensees and stakeholders to ensure they have the opportunity to input to this process and we will work collaboratively to ensure a positive outcome for customers.
- 5.4 Licensees will not be expected to produce a mid-period review of their own.

Appendix 1 – AER KPI Table

A1.1 The AER KPI Table is published on the Ofgem website alongside this Guidance.