

Environmental measures

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In our July Business Plan, we set out our commitment to the minimisation of the environmental impacts of our activities. Sustainability is a core value within the SSE Group and Scottish Hydro Electric Transmission Limited (SHETL), as a subsidiary company, takes our contribution to this seriously. We recognise the potential for us to impact on the environment around us and we are committed to apply best practice in environmental stewardship in all of our activities.

As such, we welcome and support Ofgem's increased focus on the environment in its assessment of our activities for the RIIO-T1 period and beyond.

Ofgem's Strategy Position

In its March 2011 Strategy document, Ofgem set out five behaviours that it was looking to encourage Transmission Owners (TOs) to address, namely:

- *TOs play a full role in achieving a low carbon economy;*
- *TOs look at good value and innovative ways to deliver low carbon objectives and environmental objectives;*
- *TOs provide good and timely service to network users;*
- *TOs reduce their direct impacts on environment eg greenhouse gas emissions; and*
- *TOs reduce their wider environmental footprint.*

We fully support the importance of all of these behaviours and set out in our July Business Plan how we intend to achieve these during and beyond the RIIO-T1 period.

Our July Business Plan

In our July Business Plan, we recognised the impact that our activities can have on both the immediate and wider environment and the increasing importance that stakeholders and consumers are placing on these, as highlighted through the feedback to our **Green Paper** and **White Paper**.

We set out our approach to the minimisation of losses, recognising that this is by far the largest contributor to our carbon footprint. While we are extremely conscious of the steps we can take to reduce the impact from the transportation of electricity on our network, we are aware that it will take time to deliver real carbon savings in this area. We are committed to continue to explore this through ongoing work to identify better and more innovative solutions and implement these as soon as viable.

We recognised that other activities such as sulphur hexafluoride and oil leakage, along with the emissions from our vehicle and buildings, also contribute to our environmental impact. We are conscious of the steps



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that we can take to minimise these and outlined our approach in our Business Plan.

Perhaps of greatest concern to many stakeholders is the potential impact we have in terms of visual amenity. As we set out in our Business Plan, a lot of what we do in this area is governed by legislative requirements and, in light of the investment we are planning, we are confident that the right approach to mitigating our visual impact is through pre-planning consultation and the process for gaining necessary consents.

Our updated view

Feedback from stakeholders has indicated that there are a few areas in our Business Plan that would benefit from additional background information to assist stakeholders in understanding our intentions. This document is intended to provide this.

In addition to this document, we have also published our **Visual Amenity Statement** (appended to this document). As stated in our July Business Plan, we recognise that visual amenity is probably the area in which we have the largest, and potentially most obvious, environmental impact. This is a responsibility that we take seriously. Our **Visual Amenity Statement** sets when and how we factor this

impact into our plans and the opportunities for stakeholders to provide feedback on our thinking.

Our Values

SHETL is a wholly owned subsidiary of the SSE Group. In 2006, SSE adopted a number of core values that set out how we do business. These values are:

- Safety
- Service
- Efficiency
- Sustainability
- Excellence and
- Teamwork.

In setting Sustainability as one of these values, we are committed to achieving the following across the entirety of SSE's operations:

“We operate ethically, taking the long term view to achieve growth while safeguarding the environment.”

Our environmental performance is reviewed by our Safety, Health and Environment Advisory Committees, a subcommittee of our Group Board, with representatives of our Non-Executives Directors as members to ensure appropriate scrutiny of our performance. The Safety, Health and Environment



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Advisory Committee has three main responsibilities.

They are to:

- ensure that SSE's health and safety policy and environment policy statements are adhered to;
- set safety, health and environmental targets for improved performance; and
- monitor safety, health and environmental performance in SSE.

The Committee has set the following as our Group priorities for 2011/12:

- support progress towards SSE's ultimate goal of injury-free working;
- promote the health and well-being of people working for SSE; and
- ensure effective environmental management throughout SSE.

As such we endeavour to embed consideration of our environmental impact as a central part of our culture and make it clear that this is everybody's responsibility.

Our Green Code (overleaf) sets out the questions that we expect all employees to ask themselves as they go about their activities, irrespective of their role.



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The SSE Green Code



Secure Storage

- Storage containers for liquids should have a bund or tray
- Handle oil and chemicals away from burns, streams and drains
- Do you have a spill kit near by?



Segregate Waste

- Separate metal, plastic, cardboard and paper
- Keep hazardous and electronic wastes apart
- Do not mix different types of waste



Safeguard Surroundings

- Do you know where that drain goes?
- Are you working in an area protected for wildlife or plants?
- Could your activity affect our permit or consent?



Save Resources

- Switch off lights when leaving a room
- Switch off vehicle engine when idling >1 minute
- Switch off computer screen when away from desk
- Accelerate your vehicle gradually



Sustainable Travel

- What is the best way to have this meeting?
- Do you need to meet in person?
- What is the best travel option for this journey?



Seize Opportunities

- How do you travel to work?
- Can you use a different type of transport once a week?
- Could you get involved in your local community?

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In line with our Group Values, Sustainability is something that applies to all aspects of our activities in SHETL. Whether it's developing our Large Capital Projects, setting out our Innovation Objectives or conducting our day-to-day operations, our processes and procedures require us to consider the environmental impact of our activities and to take appropriate steps to minimise and mitigate these.

We know that sustainability is important to our customers and it is also important to us. We therefore take our Sustainability Value, and the implications for both our Business Plan and our ongoing activities, very seriously.

Delivering on our values

To monitor activities against this target, SSE has a number of performance targets each year across the Group. Some of these will be targeted to one or more specific business areas, while others are applicable across the Group irrespective of business area. Our targets are grouped under four objectives, namely:

- Reduce Greenhouse Gases
- Facilitate Customer Carbon Reductions
- Use Resources Efficiently
- Avoid Pollution and Improve Environmental Performance.

The following are examples of these activities and how SHETL contributes to them.

Reduce Greenhouse Gases – we recognise that our environmental impact extends beyond our direct activities to those within our supply chain. We have therefore set a Group target to increase the number of our suppliers who have had their carbon emissions assessed using the Achilles Carbon Footprinting Module. SHETL is contributing to this through our procurement process. In addition to allowing us to understand the impact of our supply chain, this provides a unique opportunity to discuss our values with our suppliers, helping them to further understand our priorities and objectives. In the financial year to March 2011, a further 22 suppliers were assessed across the SSE Group.

Use Resources Efficiently – across the SSE Group, we have committed to ensure at least 85% of waste generated is re-used, recycled or recovered. This is reflected in our Green Code (shown above), the diverse range of recycling facilities available across our sites that allow the easy segregation of recyclable waste and our policies on waste minimisation. During 2010/11, 4,639 tonnes of waste were sent from SSE's offices and depots for disposal at landfill sites, a fall of over 20%. We also have a target across our Power Systems business to ensure at least half of the



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aggregates we use are derived from recycled sources as we recognise the potential to minimise environmental impact through avoided abstraction of these materials.

Avoid Pollution and Improve Environmental Performance – across the SSE Group, we have set targets to ensure that we have zero environmental incidents that would result in a breach of permit conditions, or an enforcement notice if not covered by a permit. We take any incidents very seriously and, once all appropriate mitigation steps have been carried out, we review any occurrence to ensure any lessons are learned

We are currently reviewing how we can report on SHETL's contribution to these as part of reporting our environmental progress. As these are Group targets, they can be subject to change to reflect the needs of the wider SSE Group. Our priority is to ensure that we use enduring measures that can be maintained across the RIIO-T1 period and are of value to our customers and stakeholders. As we develop our thinking further, we will be seeking views on our intended reporting to stakeholders and how we can best deliver this in a meaningful way.

To support the achievement of the above objectives, SSE operates a number of initiatives to raise

employee awareness of their potential to reduce our environmental impact. These include:

- internal seminars for Senior Managers by leading practitioners in the sustainability arena;
- sessions within our Induction programme that all new starters participate, emphasising the importance of sustainability to SSE;
- an annual Sustainability Survey to gauge employee awareness and engagement with our Sustainability value;
- a waste programme that has clearly labelled units for recycling of a wide range of different material types including, for example, paper, food, batteries and waste oil; and
- schemes to promote car sharing, use of public transport and tele/video-conferencing facilities to minimise emissions associated with travel.

Performance is monitored against our objectives on a monthly basis and reviewed by our Management Board. The targets are set to encourage improving performance and, as such, it is recognised that we may not achieve all of these in a given year. That said, exceptions and divergences are taken seriously and responses to address these are cascaded through our management structure.

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Facilitating the transition to a low carbon economy

As the TO for the north of Scotland, we recognise our role in facilitating the transition to a low carbon economy. In June 2011, the Scottish Government published its “*2020 Routemap for Renewable Energy in Scotland*”, which reflects the challenge of the target adopted earlier in the year to meet an equivalent of 100% demand for electricity from renewable energy by 2020, as well as the target of 11% of heat to come from renewable sources.

We recognise this is a key concern for stakeholders and we are committed to deliver our contributions in a manner that is timely and efficient, to support our customers and stakeholders in achieving their objectives.

Our section in our July Business Plan and January Update set out the steps that we are taking to ensure our network is in the best possible position to accommodate these developments, within the industry framework we operate in. Over the RIIO-T1 period, we expect to invest £4 billion to deliver improvements to our network to facilitate the connection of generation and its transportation through the north of Scotland. We recognise there remains a level of uncertainty around when some of these projects will come forward and we have factored this into our

proposals. Further details on our approach to securing funding for these projects can be found in section 5 of our **January Update** and, in particular, the supporting papers on our approach to funding arrangements for Strategic Wider Works and our proposals for funding Sole-Use and Shared-Used Connections Infrastructure.

We recognise that for those developing renewable energy projects, the connections part of the process can be quite complex. Our July Business Plan committed us to do more to provide a simple, customer-facing explanation of the process and to work with other industry parties to facilitate this.

Reporting our progress

In our July Business Plan, we committed to publish annual reports on our environmental impact. As part of our ongoing thinking, we have been considering indicators that might be used in this report. We anticipate this report being supported by an appropriate narrative to allow our stakeholders to understand our performance.

We are seeking to identify metrics that can be consistently measured and are quantitative, rather than qualitative. Typically, we anticipate reporting our impact on a percentage basis, to allow ease of comparison between years. This is a reflection of the



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growth we anticipate within SHETL over the next ten years and the step change that we are likely to experience in our business.

The following are examples of the areas that we reporting on:

- Actions to mitigate losses
- Losses from insulating gases and fluids, such as SF₆ and fluid filled cables
- Energy usage associated with our buildings and transport
- Renewable generation connected to our network
- Environmental incidents

Many of these also form part of other reporting obligations, such as the CRC Energy Efficiency Scheme, and, where appropriate, we are looking to utilise the data collected as part of these reporting obligations to minimise the costs associated with our reporting.

We are also looking into how we can report on some of the other initiatives that SHETL participate in, such as our annual Sustainability Survey that is an indicator of employee engagement with sustainability topics and our initiatives around the reusing, recycling and recovering of waste.

Over the coming months, we will be working to establish the appropriate internal processes that will allow us to report on our environmental performance on the basis of consistent measuring and monitoring. Given the interaction with our sister company, Scottish Hydro Electric Power Distribution (SHEPD), this may be on the basis of the performance of Power Systems North (the aggregation of SHETL and SHEPD).

SF₆ incentive

In its March strategy document, Ofgem outlined that this incentive is intended to “*prompt companies to take into account the environmental costs of SF₆ equipment that have different leakage rates*” and “*companies would procure SF₆ equipment with a leakage rate that is consistent or better than one per cent per annum*”. We welcome this approach and intend to implement the incentive as proposed by Ofgem (including incentive rate). The outstanding question is how an appropriate baseline can be set in light of the range of legacy and new assets that will be on our network during the RIIO-T1 period.

Our July Business Plan set out our commitment to reducing the overall leakage rate of our SF₆ holdings. We maintain our stated commitment to following the Energy Networks Association Engineering Recommendation S38 Reporting of SF₆ Banks, Emissions and Recoveries. However, we are not able



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to stop using SF₆ at present as there is no alternative substitute and our investment plans will mean that we need to introduce further assets that use SF₆ to our network over the RIIO-T1 period.

We believe that the challenge for RIIO-T1 is to establish an appropriate baseline, particularly given the volume of new assets that we will add to our network over this period and the potential for innovation in this area.

Our preferred approach is to use an evidence-based baseline that uses manufacturers' leakage ratings to determine a weighted average, and which can be adjusted year-on-year as new assets are installed. We are initiating discussions with the other TOs with the aim of establishing a single database on manufacturers' leakage rates for different types of new assets. This would allow the baseline to be updated automatically as the asset inventory evolves through the period.

We believe that the use of a common database across all of the TOs is the most efficient way of collating and maintaining this information, and we will assist Ofgem to understand any changes in our absolute number over the period in order to scrutinise our reporting on behalf of all of our stakeholders.

Under our existing price control, we have a licence condition that requires us to report our annual SF₆ emissions to Ofgem in both actual and percentage terms, and we anticipate a similar requirement as we move into the RIIO-T1 period. As we expand our networks, the amount of assets installed that use SF₆ will increase as there is currently no suitable alternative. We therefore believe that the incentive should be calculated as a percentage of mass installed as currently used, rather than an absolute number. This would reflect that the absolute number may increase slightly during this period, but we will be taking appropriate steps to minimise this resulting in a reduction in the percentage leakage.



Visual Amenity

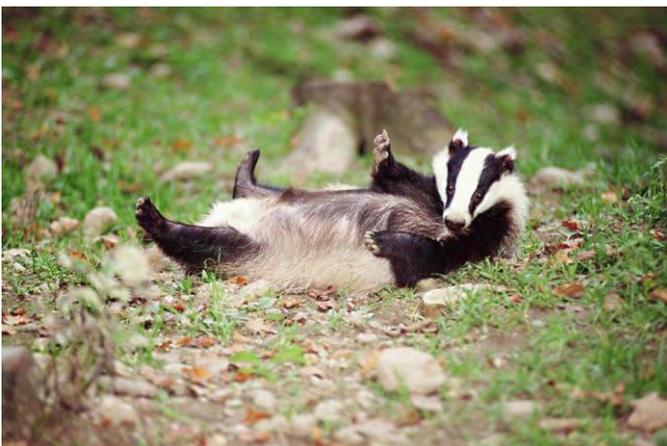
As a Transmission Licence Holder, SHETL has a legal obligation to have

“regard to the desirability of preserving natural beauty, of conserving flora, fauna, geological or physiographical features of special interest and of protecting sites, buildings and objects of architectural, historic or archaeological interest.” (Schedule 9, Electricity Act 1989)

We also have an obligation to mitigate any effect our proposals would have on the natural beauty of the countryside or any of the above categories.

This is an obligation that we take seriously and we review all of our proposals against these obligations.

In order to provide greater clarity to our stakeholders on our approach to developing any relevant proposals, we have compiled the following Visual Amenity Statement. This is the first time that we have formally published a Statement of this nature and we will review it in due course to ensure it continues to be fit for purpose.



Our Visual Amenity Statement

Visual amenity is just one of a number of considerations which we take into account when we build new infrastructure. It is part of an environmental appraisal process which includes assessment of conditions such as archaeology, flora and fauna, historic and listed buildings and sites of special scientific interest, to name a few.

As part of the process to assess the visual impact of new infrastructure, we use landscape and visual architects who provide advice and guidance on matters such as routing, tower placement and screening.

When we have conflicting concerns within the overall environmental appraisal, we will balance these competing priorities based on our fundamental obligation to develop and maintain an efficient, economic and coordinated network and will seek, where we consider it possible, to take our stakeholders views into account.

SHETL, December 2011

