

Response to Ofgem RIIO-2 Sector Specific Methodology Consultation

March 2019

1. Campaign for National Parks is the independent national voice for the 13 National Parks in England and Wales. Our mission is to inspire everyone to enjoy and look after National Parks – the nation’s green treasures. We have been campaigning for over 80 years to ensure that our National Parks are beautiful, inspirational places that are relevant, valued and protected for all.
2. We have a long-standing interest in the price control process having been closely involved, alongside other environmental NGOs, in the development and implementation of the visual amenity allowances for both electricity and distribution operators. This response starts with some general comments about the RIIO-2 Framework and then sets out responses to selected consultation questions, focusing on those relating to mitigating visual amenity impacts in RIIO-ET2.
3. Our comments focus primarily on National Parks in line with our remit. However, many of the points we raise would also apply to Areas of Outstanding Natural Beauty (AONBs).

General comments

4. One of Campaign for National Parks’ current priorities is to ensure that the Parks are even more beautiful in future so we are obviously keen to see as much as possible done to reduce the visual impact of transmission infrastructure in these areas. However, this is also something that Ofgem must take very seriously in line with its environmental responsibilities under the Electricity Act 1989 as well as its statutory duties relating to conserving and enhancing National Parks. Maintaining and improving the quality of our most precious landscapes must take account of long-term environmental objectives as well as short-term economic considerations. We are concerned that some of the changes proposed for RIIO-2 suggest that environmental considerations are not being given sufficient priority. For example, we do not believe that any changes are needed to the existing outputs and would like the environmental outputs, including the one relating to visual amenity, to remain as they are.
5. Another example of where too much emphasis is being placed on economic considerations is the overall objective for RIIO-2 which is ‘to ensure that regulated network companies deliver the value for money services that both existing and future consumers need’ (para 2.9 of main consultation document). We are very concerned about the removal of the reference to delivering a sustainable energy sector which is included in the objective for RIIO-1. A narrow focus on value to customers, particularly now that customers are to have a stronger voice through the enhanced stakeholder engagement activity, will not automatically deliver a sustainable energy sector. Keeping the objective as it is for RIIO-1 would better reflect Ofgem’s statutory duties and provide the context within which the ‘value to customers’ should be delivered. In this way the importance of the environment would be made explicit alongside the benefits to society and the economy. It is essential that environmental issues are properly considered throughout the activities supported through the RIIO-2 framework. Failure to do so will only lead to problems and delays at a later stage as there is more likely to be opposition to proposals from environmental stakeholders.

Responses to selected consultation questions

ETQ45. We welcome views on incentivising the TOs' engagement with stakeholders on the development of new transmission projects through our stakeholder engagement proposals, for example through the use of a survey.

6. We have some experience of the development of new transmission projects from our involvement with the North West Coast Connections project and would support any measures which encourage greater transparency in TOs' dealings with stakeholders on this issue. The development of such major projects takes a considerable amount of time and involves a number of different stages of consultation, so it is important that stakeholders are clear from the outset about how key decisions such as the choice of route will be made and how they are able to influence such decisions. The fact that a transmission project will affect visitors to an area as well as residents must also be taken into account when designing appropriate stakeholder engagement. This is particularly true of transmission projects which affect National Parks as these areas are national assets, created for the nation and financially supported by the tax payer and attracting millions of visitors each year.
7. If a survey is to be used to incentivise TO activity in this area, then careful consideration will need to be given to ensuring it covers the right questions, for example, whether TOs provided the right information to allow stakeholders to participate effectively and that it reaches the right stakeholders. We are concerned that the enhanced stakeholder engagement which has already been put in place for RIIO-2 does not address environmental issues effectively and it is not clear how proposals relating to visual amenity would be addressed through this process. We would also like Ofgem to consider how TOs could be incentivised to deliver early, comprehensive engagement on individual proposals in order to identify the issues that are likely to be of concern to local communities and other stakeholders.

ETQ46. Do you have views on the retaining the existing scheme to mitigate the visual impact of pre-existing transmission infrastructure in designated areas? Do you agree that any decision to implement new funding arrangements should be subject to updated analysis around willingness to pay?

8. **The existing scheme to mitigate the visual impact of pre-existing transmission infrastructure in designated areas should be retained.** There is a very strong case for this scheme and a high level of support for removing electricity infrastructure from designated landscapes as demonstrated by a number of different studies relating to both transmission and distribution operations. Most recently National Grid's ['acceptability' survey](#) in 2018 identified that two-thirds of bill-payers find it acceptable for the cost of visual amenity projects to be passed on to consumers.
9. It is essential that the RIIO-2 Framework retains a provision for TOs to reduce the visual impacts of existing infrastructure. While much has already been done to reduce the visual impacts of electricity infrastructure, there are still many more parts of our National Parks which could benefit from the removal of overhead lines. The long-term goal for visual amenity should be that, where practically feasible, all new and existing distribution and transmission lines run underground through designated landscapes and their settings or avoid these areas altogether.
10. The visual amenity allowance for distribution lines which was first introduced in the 2005-2010 price control period, has already delivered many significant improvements. As the scheme for transmission lines was only introduced in the current price control period, it has not yet had as much impact, particularly as the scale of work required to plan and implement the removal of transmission lines is much greater. However, there is huge potential to build on the work that

has been undertaken to date during future price control periods. Retaining the existing scheme will maximize the benefits from the preparatory work that has already been undertaken. For example, National Grid commissioned extensive research to assess the landscape and visual impacts of all the overhead transmission lines in designated landscapes in England and Wales. There is also strong support for this work as demonstrated by the commitment of the organisations, including Campaign for National Parks, represented on the Stakeholder Advisory Group for National Grid's Visual Impact Provision (VIP) project and the amount of time they are putting in to this work. It is essential that full value for money is achieved from all the resources that have already been put in to establishing the scheme.

11. We understand that the TOs are already in the process of carrying out further willingness to pay (WTP) research which also covers a range of other topics including network resilience, innovation and decarbonisation. However, there does not seem to be any suggestion that the costs incurred by bill-payers for these other aspects of the TOs' business plans should be subject to the outcomes of this research. There should be a level playing field for all the funding arrangements which means that the funding for the visual amenity scheme should not be subject to further WTP analysis if the same is not going to apply to other elements of the business plans. As we highlight above, there are already a number of different studies on this topic all of which have identified a high level of consumer support for contributing towards the cost of visual amenity projects, including National Grid's most recent research which is only a year old.
12. Consideration should also be given to the growing body of evidence about the value of National Parks to the rural economy. For example, in England alone there are 94 million visitors to National Parks and surrounding areas each year, spending more than £5 billion between them and supporting over 75,000 full time equivalent jobs¹. Many of these visitors are specifically attracted to these areas by the natural beauty of the landscape. Measures to enhance the landscape and visual amenity of National Parks will help support aspirations in both England and Wales to increase the number of visitors to National Parks², including those from overseas whose views will not have been taken into account in the WTP research. .
13. We recognise that updated analysis may be required in order to ensure the continued support of other stakeholders for the visual amenity scheme. However, we would question whether WTP is the appropriate form of research in these circumstances, particularly in light of the fact that National Grid used willingness to accept (WTA) for their most recent research. We recognise that WTP has become the conventional means of measuring public value, and that WTP avoids the risk of very high bids that are associated with WTA. However, the decision to adopt WTP makes judgements about presumptive entitlements to landscape quality which could be considered inappropriate in this context. In short, the use of WTP implies that the public have no entitlement to a particular level of environmental quality unless they are prepared to pay for it.
14. We believe that the public is entitled to expect that its top quality designated landscapes should be free of visual intrusion and, if they are marred by electricity transmission infrastructure then the value of that amenity loss is better captured in terms of WTA. That being the case, it would be of net benefit to society if the funding for the visual amenity scheme was equivalent to public willingness to accept compensation for the persistent presence of visual intrusion. Ofgem took a very conservative approach to setting the visual amenity allowance cap in RIIO-1 and we would not want to see that happen again this time, particularly as WTA surveys usually yield higher results than WTP for the same

¹ http://www.nationalparksengland.org.uk/_data/assets/pdf_file/0015/1070313/INFOGRAPHIC-2017-hi-res.pdf

² These are set out in [Future Landscapes: Delivering for Wales](#) and [The 8-Point Plan for England's National Parks](#)

environmental change. This means that the figures that emerge from the WTP research that National Grid and the TOs are already conducting should be treated as an understatement of the benefits to the public that visual amenity improvements would deliver.

ETQ47. Do you agree with our proposals to modify the implementation process by which funding requests for mitigation projects are submitted and approved?

15. We understand Ofgem's desire to ensure that the visual amenity scheme is delivering maximum benefits for consumers and we would support changes to the approval process if this enabled more projects to be implemented more quickly. However, we have some reservations about some of the modifications as currently proposed in the consultation document. In particular, we are concerned about the requirement for projects to be approved as part of the business plan process particularly given 'the potential uncertainty on project cost at the time of business plan submission' which Ofgem notes as one of the potential issues which will need to be considered further (para 4.108 of the Electricity Transmission annex) .
16. To allow for uncertainty, TOs are likely to have to include potential costs (or a range of costs) which could make the projects appear significantly more expensive than they are in reality and this will affect how stakeholders view such projects when commenting on the business plan. It may also increase the chance that the TOs' User Groups would challenge such projects when scrutinising the business plans. This could result in a situation where there is clear support for an expenditure allowance as evidenced by consumer WTP research but the TOs are unable to spend it because the projects they have put forward have been rejected. If this happened, Ofgem and the TOs would be failing to meet the statutory responsibilities towards designated landscapes which led to the creation of the allowance in the first place.
17. We would also question whether it is realistic to expect the TOs to provide the proposed level of detail in their business plans given that the first drafts of these are due to be submitted by 1 July and a significant amount of work would be required in advance of this, such as consultations with local stakeholders and environmental surveys.
18. We support the proposal to allow 2.5% of the overall allowance to be allocated towards low cost solutions but would not want to see the proportion allocated to this increased any higher. Retaining a small proportion for this aspect of the scheme would allow the continuation of the Landscape Enhancement Initiative introduced as part of National Grid's VIP project which has allowed a number of smaller mitigation projects to be implemented over the course of RIIO-1 but will ensure that the majority of the funding is spent on projects that will have a bigger impact.

ETQ48. We welcome stakeholders' views on any other considerations they think are relevant to policy development for visual amenity issues in RIIO-ET2.

19. We support the decision to retain the scope of the scheme on National Parks, AONBs and national scenic areas. There are still many parts of these areas that could benefit from the removal of unsightly transmission infrastructure. In addition, there are specific statutory duties relating to designated landscapes which formed an important part of the justification for creating the allowance in the first place, as we have already highlighted. The current focus should be on ensuring successful delivery of the scheme for designated landscapes and only once that is well-established and a number of projects have been implemented should consideration be given to extending the scheme to other areas. When the benefits of the scheme are more visible, there is more likely to be support from bill-payers to replicating it more widely.

20. We are concerned about the implications for the visual amenity scheme of the decision to move to a five-year price control period. A longer period is required to allow for the development and implementation of complex long term projects, such as the removal of transmission lines in designated landscapes. Such projects can often require several years' development before they are ready to enter the statutory processes. We recognise that there may be benefits in reducing the price control period with regard to other outputs. However, we believe that the TOs would be able to develop and implement visual amenity projects more effectively if they could plan for them over a longer time period. We, therefore, propose that Ofgem should allow the TOs to plan their visual amenity activity over the length of two price control periods rather than one (i.e. 10 years rather than five). If this is not possible, then Ofgem should clarify that it is possible for funding to be rolled forward into the following price control period if projects are not completed by the end of a particular price control period. It would also be helpful to allow TOs to begin preparation for projects in advance of the start of a particular price control period.
21. The policy should clarify that funding can be spent on reducing the impacts of infrastructure in the setting of designated landscapes. This was the case for RIIO-ET1 and for the allowances for distribution operators but does not currently appear to have been allowed for in RIIO-2. It is important that lines which cross boundaries and continue outside designated areas can be addressed. Development in the setting of designated landscapes can have a negative impact on their special qualities and it is important to remember that Ofgem's statutory duties with regard to designated landscapes also apply to activities undertaken outside the boundaries of designated landscapes which may affect land within them. In addition, TOs need the flexibility to place sealing end compounds in an appropriate location, not necessarily right on the edge of designated landscapes. Care should also be taken to ensure that proposals relating to new transmission infrastructure consider the impact of projects in the setting of designated landscapes.

We are happy for this response to be made publicly available. Please contact Ruth Bradshaw (email: ruthb@cnp.org.uk, tel: 020 7981 0896) if you would like any further information about any of the points raised in this response.