



Response to Ofgem RIIO-ED2 Sector Methodology Consultation: Annex 1

October 2020

Introduction

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. Our response has been endorsed by all 12 National Park Societies in England and Wales.

Campaign for National Parks has a long-standing interest in the price control process and many of the National Park Societies are represented on the stakeholder groups responsible for the implementation of the visual amenity allowance included in the current price control for electricity distribution network operators (DNOs). We are pleased that this allowance will be retained in the next price control period and welcome the opportunity to respond to the Sector Methodology consultation for RIIO-ED2 published on 30 July 2020 as we are keen to ensure that the benefits of this important area of work can be maximized.

Our response focuses primarily on the consultation questions which relate to the visual amenity allowance but we have included a few additional points regarding other aspects of the consultation that we are concerned about.

OUTQ62. Do you agree with our proposal to retain the visual impact allowance for RIIO-ED2?

Yes, we fully support the proposal to retain the visual amenity allowance for RIIO-ED2.

The visual amenity allowance for distribution lines was first introduced in the 2005-2010 price control period and there are now a number of very successful examples of the positive impact this scheme has had on our most inspiring landscapes. For example, by the time the current eight year programme finishes in 2023, over 40 km of electricity power lines will have been undergrounded within the two National Parks and three AONBs of Cumbria. One recent scheme here involved the removal of 2,260m of HV overhead line and 220m of LV overhead line at Lobbs-Red Skye, near Troutbeck, just off the A66 between Penrith and Keswick. Such schemes result in significant improvements to the landscape and an enhanced experience for those visiting these areas.

As the process of identifying potential schemes and agreeing priorities is largely stakeholder-led, with some interest groups using surveys of local people to identify potential projects to be funded, it is clear that there continues to be a strong desire for undergrounding in designated landscapes. The long-term goal for the DNOs' work on visual amenity should be that, where practically feasible, all new and existing distribution lines run underground through designated landscapes or avoid these areas altogether.

To achieve this, it will be important to ensure that all the DNOs are demonstrating sufficient ambition in this area of work. Table 44 in the consultation document shows that many DNOs have only spent a relatively small proportion of their visual amenity allowance so far in ED1, even though it is now over halfway through the price control period. We believe that this is partly due to the fact that much of the expenditure is likely to come towards the end of the period once projects have been agreed and developed but the fact that some DNOs, such as Electricity North West and Northern Powergrid, have spent higher proportions indicates that there are other factors involved and we are concerned that some DNOs may not be taking a sufficiently pro-active approach to engaging with local stakeholders in order to identify and develop projects.

We would remind Ofgem of the statutory duties for all relevant authorities to have regard to the purpose of conserving and enhancing National Parks and AONBs when exercising or performing any functions affecting land within these areas¹. This means that both Ofgem and the DNOs should be taking account of designated landscapes in their decision-making. Development in the setting of designated landscapes can also have a negative impact on their special qualities and it is important to remember that these duties also apply to activities undertaken outside the boundaries of designated landscapes which may affect land within them. In addition, section 3A(5) of the *Electricity Act 1989* requires Ofgem to carry out its functions in a manner which is best calculated to contribute to the achievement of sustainable development and also have regard to the effect on the environment of activities connected with the generation, transmission, distribution or supply of electricity.

OUTQ63. Do you agree with our proposed approach to setting a funding pot for the visual impact allowance for RIIO-ED2?

We broadly agree with the proposal to use willing to pay data as the basis for setting a funding pot for the visual impact allowance for RIIO-ED2. However, it is hard to give a definitive answer to this question as there is insufficient clarity in the consultation document as to exactly how the size of the funding pot will be determined. We understand that this issue is due to be discussed at a meeting of the Decarbonisation and Environment Working Group after this consultation closes and we look forward to being part of that discussion.

There is now a well-established process and clear evidence of consumers' willingness to pay for the undergrounding of overhead lines in designated landscapes. While much has already been done to reduce the visual impact of electricity infrastructure, there are still many more parts of our National Parks, Areas of Outstanding Natural Beauty (AONBs) and National Scenic Areas (NSAs) which could benefit from the removal of overhead lines so it is important to ensure that the funding pot is set at sufficiently high a level. We have recently responded to the Ofgem Consultation on RIIO-T2 expressing concern at the very conservative approach adopted to gathering, and making use of, WTP evidence as part of the methodology for that sector. We believe that the proposed allowance for T2 should be increased and we would not want to see the same approach adopted when setting the allowance for ED2.

Additional comments

We continue to be concerned about the over emphasis on financial objectives throughout the RIIO-ED2 proposals, as demonstrated by the fact that Annex 1 which covers the environmental proposals in the consultation is headed "Delivering value for money services for consumers". This fails to take account of the fundamental role DNOs play in delivering a sustainable energy network. There was a far greater emphasis on sustainability in RIIO-1

¹ These duties are set out in the *Environment Act 1995* (for National Parks in England and Wales), the *Countryside and Rights of Way Act 2000* (for Areas of Outstanding Natural Beauty) and *National Parks (Scotland) Act 2000*.

and retaining this would better reflect Ofgem's statutory duties and provide the context within which the value for consumers should be delivered. It is essential that the environment is given the same level of priority as society and the economy.

We are concerned that the enhanced stakeholder engagement guidance which was published alongside this consultation makes no reference at all to the environment. It is particularly notable that environmental issues are not included in the list of issues that Customer Engagement Groups (CEGs) are expected to focus on as set out in paragraph 3.4. These groups should have a clear role in relation to environmental impacts and environmental NGOs should be represented at an appropriate level. At present, it is not clear how environmental NGOs would be involved nor how proposals relating to visual amenity would be addressed through this process. There is a need for clarity on how these new arrangements will relate to the existing process for involving stakeholders in the selection of visual amenity projects. Furthermore, stakeholder engagement should not end once business plans have been approved by Ofgem. There should be an on-going relationship between environmental stakeholders and the companies.

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