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By e-mail to [distributionpolicy@ofgem.gov.uk](mailto:distributionpolicy@ofgem.gov.uk)

7 August 2007

Dear Mr Crouch

## **DPCR5 – looking ahead / plans for 2007**

I am responding on behalf of Friends of the Lake District (FLD) to your letter of 17 May 2007 concerning DPCR5, specifically to make some observations with regard to the allowance for undergrounding of overhead lines in National Parks and Areas of Outstanding Natural Beauty (AONBs). Friends of the Lake District are a landscape charity and company limited by guarantee. We have approximately 7000 members, represent the CPRE in Cumbria and are members of the Council for National Parks.

In the northwest the United Utilities Undergrounding for Visual Amenity Steering Group has been meeting for about a year and a half and has worked well in partnership to ensure the best use of the allowance for network undergrounding in National Parks and AONBs. In progressing this work it has been found that the timescales needed from the identification of lines through to their undergrounding can be considerable. Initially designated bodies need to undertake some method of appraisal to identify priority lines for undergrounding. With limited resources at their disposal this can take some time. This is followed by the DNO's own assessment of the proposed lines to decide if it will be viable to underground, particularly in relation to the financial caps set by Ofgem. If agreed there is then the process of design, scheme approval and finally release for construction. Environmental constraints also need to be taken into account e.g. a line recently agreed for undergrounding in the Yorkshire Dales can only be placed underground in July / August due to nesting birds and thus it will not be possible to complete the work until summer 2008.

We believe because of the long lead in times involved in projects of this nature that both the scheme's continued existence into DPCR5 and the funding of any DPCR4-initiated work that completes in DPCR5 should be agreed in principle prior to the commencement of DPCR5 discussions. In this way there would be no loss in momentum for partnership working that has taken some time to establish and we can avoid the likelihood that new work would cease in 2008.

A precedent for extensions has already been set as we note that the Innovation Funding Incentive that was implemented in the 2005-2010 distribution price control has been extended into the next price control period (2010-2015) because it has been recognized that timescales can be long and it is essential not lose momentum

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once generated. In addition you note in your letter that a similar extension may be considered for Ofgem's quality of service targets.

Secondly though we would like to see continuation of the allowance agreed in principle prior to DPCR5, we also believe that the criteria and guidelines under which the scheme currently operates should be reviewed. The work of the United Utilities Undergrounding for Visual Amenity Steering Group has thrown up a number of difficulties in implementing the allowance. FLD has found that similar difficulties have been encountered by other DNOs and designated bodies across Britain. The financial caps set by Ofgem have proved a barrier to getting some priority lines placed underground even if they are considered to be of greatest amenity benefit. In the northwest we have also found that lines less than 15 years old and lines that are already earmarked for renewal cannot be considered. Further information on difficulties encountered can be found on the summary of progress attached. We are sure these difficulties could be resolved to enable a more efficient and effective scheme to be agreed and would like to see changes made in DPCR5 to reflect the solutions identified.

Recently FLD and the Council for National Parks (CNP) met with officers from Ofgem's quality of service team who kindly explained the consumer research that has been set in train to inform DPCR5. We asked them to consider engaging with designated bodies as part of the process of review of the undergrounding allowance. This has been agreed and it is likely that FLD and CNP will organise a workshop session next year to facilitate this. We welcome this opportunity for open discussion and engagement with Ofgem.

Yours sincerely

*Penny Ozanne*

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## ATTACHMENT

### Overhead Wires Project

Ofgem is keeping the scheme under review, so it is important that the allowance is fully used. An update on progress across the country has been produced. A summary is included here; a copy of the full progress report is available from Penny.

In the United Utilities area the first line has been placed underground in the in the Arnsdale and Silverdale AONB area. Within the Lake District National Park three lines have gone forward to the design stage and two stretches of 33kV lines are being considered. In the Yorkshire Dales and the Forest of Bowland AONB it is likely that sufficient lines have been identified to spend their allocations of the Ofgem allowance. Work continues to identify lines in the Peak District National Park, North Pennines AONB and Solway Coast AONB. In the latter case a considerable number of the lines identified by the AONB as being the most visually intrusive can not be considered because they are less than 15 years old and United Utilities can not consider lines less than 15 years old for undergrounding.

CE-Electric supports the Ofgem initiative and is committed to spending all its allocation. However it has expressed concerns about the financial caps set by Ofgem. As the cost of undergrounding networks rises significantly the higher the voltage, the "cheapest" to under ground is low voltage open wire networks. This is of great concern and has raised expectations beyond which can be achieved. For example should a National Park Officer wish to spend all their allocation on a single HV scheme considered to be of greatest amenity benefit this cannot be considered because of the strict funding arrangements. Also many low voltage network poles in villages carry BT wires and quite often a streetlight. This means that if the DNO removes a pole as part of this scheme, a street lighting column and a BT Pole may have to be erected - not exactly improving things! Schemes to underground lines have been completed at Terrington in the Howardian Hills AONB and Nettleton in the Lincolnshire Wolds AONB.

Central Networks is concerned that the financial cap of £65,000 per kilometre for undergrounding is insufficient. Thus two of the proposed schemes, one at Goodrich in the Wye Valley and the other in Cannock Chase, have been chosen by the company for undergrounding in 2007 as pilots to determine whether the undergrounding costs allowed for by OFGEM are either reasonable or achievable.

EDF Energy is also supportive of making Ofgem's allowance work but has found it necessary to make a few interpretations of the guidance to get on with this. The Steering Group model has worked well for decision-making but has also found that the Ofgem caps have been a real headache. Power lines are beginning to go underground such as Buckenham Pump in the Broads and Burnham Thorpe (Nelson's birthplace) in the Norfolk Coast AONB. Other schemes across the EDF area are progressing. One reason for slow progress is that a lot of the groundwork has to be done by AONB and National Park officers. The steering group are currently putting in a bid to Natural England for funding for a project officer post to provide a link between EDF and these officers.

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Scottish & Southern Electric in the south has a series of lines in 6 AONBs at various stages in the planning and design process and the undergrounding. A 11kV line at Vales Moor, Picket Post, near Ringwood in the New Forest National Park has been placed underground. These projects will fill the budget for the current period to 2010. Several schemes in the north are already underway e.g. at Inverdrue and Inschriach village in the Cairngorms. However for some proposed schemes there has been difficulty in meeting Scottish Natural Heritage's requirements. Because of the Ofgem caps Scottish & Southern are really only focussing on 11kV lines, although higher voltages will be considered if very straightforward i.e. cheap.

Scottish Power Energy Networks is also actively pursuing expenditure of the full revenue allowance in both its SP Distribution and SP Manweb areas and a number of schemes have been designed and are now awaiting wayleave consents. Due to the rocky terrain involved, the quotations received from contractors are higher than implied by the unit cost limits for undergrounding at HV. Although committed to delivering the proposed programme, SPEN will require a degree of flexibility during discussions with Ofgem regarding the cost allowances at the end of the current price control period.

Unfortunately Western Power, which distributes electricity across the southwest and south Wales, has made a decision at Board level not to pursue a program of undergrounding overhead wires in their operating area.

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