

CORPORATE DIRECTOR - REGENERATION

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Grant McEachran
The Office of Gas and Electricity Markets
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Dear Mr. McEachran

RIIO-T1: Initial Proposals for National Grid Electricity Transmission plc – Consultation Response

Sedgemoor District Council responded in November 2011 to consultations from OFGEM and NGET as part of the development of the NGET business plan and OFGEM's response to it. The Council welcomes this further opportunity to comment on the next stage of this process and has set out a short response of general support for OFGEM's initial proposals relating to the visual amenity aspects of transmission infrastructure.

2. NGET: Outputs and incentives

Consultation Question 1: Do you have any comments on our Initial Proposals on NGET's outputs and incentives?

The Council welcomes OFGEM's approach to managing significant cost variations of new projects through an uncertainty mechanism. OFGEM makes it clear that in setting a "baseline allowance equivalent to deploying undergrounding for 10 per cent of new transmission assets" it is "simply an assumption for setting the price control" and that costs of undergrounding will be met at a rate identified in the IET report. The Council would like to ensure that the "IET Unit Rate" reflects the full cost of an actual undergrounding project as the IET present a range of £10M to £24M per kilometre for lifetime costs of undergrounding. The Council believes the uncertainty mechanism provides the necessary economic flexibility to ensure that transmission proposals in its District will be properly mitigated according to the evidenced need. The Council previously raised some concerns about how this might operate in practice and how the roles of the Planning Inspectorate and OFGEM relate. The Council notes OFGEM's observation that "As a statutory consultee under the Planning Act 2008 we have the opportunity to seek further justification from NGET that its proposed mitigation measures represent good value for existing and future consumers".

One area for concern is that the uncertainty mechanism for planning requirements appears to refer only to the impact of visual amenity and links the additional finance to volume of undergrounding. It is understandable that price control needs defining simply and clearly and that visual impact is the key impact which, if mitigated through undergrounding, results in a substantial cost increase. The Council asks whether there would need to be actual undergrounding of a proposed line for the Transmission Operator (TO) to utilise this mechanism. In Sedgemoor mitigation proposals for the Hinkley C Connection Project in Sedgemoor have not yet started but stakeholders have informally considered options and principles. There has been discussion of off-site mitigation possibilities (for instance the undergrounding the lower voltage of Distribution Network Operator (DNO) lines) as that might be preferential to the undergrounding of the proposed TO line. Would such a situation qualify under the uncertainty mechanism?

Connected to the above, an observation is that the overview document states at 2.44. "We propose NGET efficiently addresses the visual amenity impacts of new transmission infrastructure where necessary to obtain development consent from the Secretary of State" The Council feel this should read as efficiently addressing all impacts. Proposals will need to balance what at times may be competing rather than complimentary mitigation measures. For instance an alignment may need to be overhead to avoid disturbing an archaeological asset but at the same time underground to address visual amenity. Whilst resolving such conflict is part of the design process it further demonstrates how wider mitigation options, and perhaps community benefit compensation for hosting national infrastructure, are needed to be part of the financial thinking.

2. NGET: Outputs and incentives

Consultation Question 2: Do you have any views on our Initial Proposal on setting an expenditure cap for the start of RIIO-T1 in relation to addressing the visual amenity impacts of existing infrastructure in designated areas?

Regarding the proposals for an allowance to mitigate the impacts of existing lines in National Parks and AONBs, the initial OFGEM position is supported. The Council has attended National Grid's Talking Networks August workshops on Willingness to Pay for such proposals. It is felt that further work needs to be done on Willingness to Pay and affordability generally, and on the practical projects that might then benefit from additional funding. It is noted that the National Grid has since produced a list of potential projects for discussion. It is felt that a full audit and cost benefit analysis of assets is needed and that a comparison should be made with new infrastructure proposals. The Council feels the question of affordability is a general one affecting the overall household and business budget. The policy needs to take consideration of infrastructure beyond existing designated areas and include comparisons with other national infrastructure. For these reasons the initial cap of £100M is supported.

Yours sincerely



Doug Bamsey
Corporate Director