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The Office of Gas and Electricity Markets (OFGEM)
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Email: RIIO2@ofgem.gov.uk

Dear RIIO-2 Team,
RIIO-2 Framework Consultation March 2018

Friends of the Peak District welcome the opportunity to respond to this consultation. We are the national park society for the Peak District and represent the Campaign to Protect Rural England (CPRE) in the Peak District National Park and some surrounding areas. We are also a part of the Campaign for National Parks (CNP). Our aim is for a living, working Peak District that changes with time but remains beautiful forever.

In summary we support the enhance stakeholder engagement through three proposed challenge groups which should challenge using the framework of the six outputs and should include environmental representatives; an 8-year price control period with a strong mid-term review; and retention of environmental impact as one of the six outputs for the companies.

Our Background
We have a long history of involvement in issues of powerlines (both transmission and distribution), visual amenity and landscape protection. We work closely with national CNP and CPRE and others (CPRW, NAAONB, John Muir Trust and Friends of the Lake District) to advocate for more sustainable landscape outcomes in relation to the existing electricity distribution and transmission network and new lines, where proposed. We also work with DNOs on the OFGEM undergrounding for visual amenity scheme. We were involved with the NG-ET stakeholder consultation on the options for the long term future of the Stalybridge to Woodhead 400 kV line. Most recently we have been involved in the stakeholder consultation on development of NG-ET's Visual Impact Provision (VIP) as applied in the Peak District, the Dunford East section of the Stalybridge to Woodhead line for undergrounding and the Landscape Enhancement Initiative (LEI) in Longdendale. We responded to OfGEM's open letter last year which launched the consultation on RIIO-2.

As our key concern is the environment, predominantly in relation to the issue of visual amenity and public engagement, and our experience is with existing lines, our response focuses on these issues.

RIIO-2 objective

In the open letter last year OfGEM proposed the objective '*RIIO-2 will ensure regulated network companies deliver the value for money services that consumers want and need*' which made no mention of the fundamental role of companies to deliver a sustainable energy network. The objective of RIIO-1 is '*to encourage network companies to play a full role in the delivery of a sustainable energy sector, and to do so in a way that delivers value for money for existing and future consumers*[1].' We saw no reason to change the overarching objective but can find no feedback on the responses to the open letter. We therefore re-iterate that in order to reflect OfGEM's duties under the Electricity Act 1989 section 3A (5) and give the context within which value to customers should be delivered, OfGEM should retain RIIO-1's objective for RIIO-2.

Enhanced Stakeholder Engagement

We welcome OfGEM's initiative to enhance stakeholder engagement and to challenge the companies as they develop their business plans. Further detail of these groups is given in *RIIO-2 Enhanced Stakeholder Engagement Guidance* - Version 1, 9th April 2018. None of them should be a substitute for company engagement with end users or other stakeholders and all of them must be independent of the companies.

- Distribution Companies will be required to set up an independent Customer Engagement Group that will report to OfGEM on how the company has reflected the needs and preferences of local users and consumers, including on outputs, service quality standards, and willingness to pay in their plan.
- Transmission Companies will be required to set up an independent User Group that would report to OfGEM on areas of agreement or disagreement with the companies.
- A third group the RIIO-2 Challenge Group, set up by and reporting to, OfGEM would take a different perspective to that of users and local stakeholders and assess the plans from the point of view of existing and future end-consumers, with a focus on sustainability, affordability and the protection of vulnerable consumers.
- OfGEM is also considering holding Open Hearings to hear arguments in favour or against company proposals that had been identified by the Customer Engagement, User and RIIO-2 Challenge Groups.

The bulleted list (para 2.3) of issues on which OfGEM expects the company groups to challenge the operators does not explicitly mention the environment, although sustainability and local issues do appear. We suggest that the challenge would be more effective if it is explicitly focused on the six outputs in the Framework Document (Fig 1), which includes environmental impact.

The RIIO-2 challenge group is most welcome but we would ask OfGEM to clarify this role alongside that of the Sustainable Development Advisory Group[2] which appears to have a similar role in advising OfGEM but on an ongoing basis. For example, does the latter group consider company business plans or visual amenity?

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[1] RIIO-T1: Final Proposals for National Grid Electricity Transmission and National Grid, Overview document, Ofgem, Executive Summary, 17th December 2012

[2] https://www.ofgem.gov.uk/about-us/how-we-engage/environmental-and-sustainability-issues/sustainable-development-advisory-group

Environmental groups should be represented, at an appropriate level, on all 3 groups and at any Open Hearings. This should be made explicit in the guidance. At present it is not. In para 2.16 OfGEM is not prescriptive about membership of the Customer Engagement Group but in para 2.17 it expects '*membership of the transmission companies' User Groups to include users of the network such as shippers, suppliers, generators, distribution networks, large users and from new business models that challenge and provide an alternative to traditional network functions. These parties can sit alongside consumer representative bodies and other stakeholders capable of providing the necessary challenge and input*'. As an example of good practice the VIP Stakeholder Advisory Group supplying feedback from our national representative organisations coupled with local meetings with National Grid about the local VIP proposal has worked well for us.

Stakeholder engagement should not end once business plans have been approved by OfGEM. Delivery of visual amenity requires an on-going relationship between environmental stakeholders and DNOs/TOs. Stakeholders should be engaged during the mid-term review when re-forming these groups at that time may be expeditious.

Price Control Periods

We do not support reverting to 5-year price control periods. An 8-yr period is essential to develop and implement long term plans. For example, the undergrounding of overhead high voltage lines in designated landscapes requires several years development before a project is ready to enter the statutory processes.

Simplifying the price controls

Ofgem proposes to continue to specify outputs (Figure 1 p60) that companies would be expected to deliver. These are likely to build on the six output categories specified in RIIO-1, one of which is '*impact of network operations on the environment (including noise/visual impacts) and contribution to environmental targets.*'

OfGEM states that '*we would expect to review outputs to ensure they reflect service quality that consumers' value, and we will consider approaches to link these more closely to underlying costs*' para 8.16 and '*...we will be considering whether outputs, outcomes and deliverables will continue to be fit for purpose as the industry evolves. For electricity transmission, this will include among other things our approach to environmental outputs (eg visual amenity)*' para 8.17.

In our view it is essential that the environmental impact is retained as an output and that it includes visual amenity of existing and future distribution and transmission lines. The enthusiasm and commitment of participants in National Grid's Stakeholder Advisory Group for the VIP demonstrates the wide support for this element of the environment. The ultimate long-term goal for visual amenity should be that, where practically feasible, all new and existing distribution and transmission lines are underground through, or avoid, designated landscapes.

The approach towards the distribution system has matured over two price control periods and brought substantial benefits of which OfGEM should be aware. However, assessment of the VIP of the Transmission Operators in RIIO-T1 is premature. VIP was an innovation for RIIO-T1 and is still in its development phase. None of the four shortlisted VIP candidates has reached a stage where assessment of the outcome can

be made. The application of the LEI, although at a smaller scale, will take some years to achieve its results. It is therefore crucial that the VIP continues beyond RIIO-T1 in order that the project potential is fully realised, the most intrusive pylon lines in National Parks and AONBs are removed, and that demonstrable public preferences for landscape enhancement are met.

For RIIO-2 VIP, NG-ET's guiding principles for scheme selection[3] coupled with the data and experience that has accrued through the RIIO-T1 should allow future outputs to be constructed and an appropriate allowance to be made. Such an approach sits well with the Natural Capital Committee's '*two simple guidelines for natural capital investments: (1) Decision makers should consider the benefits of alternative options for using the resources available to them; (2) The overall stock of natural assets should be improved. Taking these two rules together can help ensure good value for money for taxpayers who fund public investment*[4].' However, from our knowledge of the Dunford East scheme we would suggest that the choice of schemes and their length should be re-considered in relation to a RIIO-2 VIP. These issues would include whether a narrow focus on the highest assessed intrusiveness is the best option, when it potentially then causes additional intrusion (within a sensitive area) with the introduction of new infrastructure (in the form of a sealing end compound). The potential outcome at Dunford East raises the issue of doing fewer, but more comprehensive schemes (see our attached document).

We do not believe further studies of WTP are required at this stage. The process for updating the amount of the expenditure cap during RIIO-T1, which could only be triggered when one or more of the TOs requested OFGEM to review the amount of the expenditure cap, required a TO to present new evidence on the median WTP of consumers. Before this is required we believe that the VIP must first show concrete results on the ground that can be appreciated and considered by the public.

In conclusion we request that the explicit output of, and incentives of funding streams directed towards, reducing the visual impact of the transmission network be continued in RIIO-2.

Yours sincerely

(Dr) Andy Tickle
Director

[3] Visual Impact Provision, how we intend to reduce the visual impact of electricity transmission lines in national parks and AONBs, National Grid, 2013
[4] How to do it: a natural capital workbook, Natural Capital Committee, Annex 4, April 2017