



Response to Ofgem consultation on draft determination for RIIO-T2

August 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.

We have a long-standing interest in the price control process having been closely involved for many years in the development and implementation of the visual amenity allowances for both transmission and distribution operators. We are also members of the Stakeholder Advisory Group for National Grid's Visual Impact Provision (VIP) project. Our response focuses on Ofgem's proposed approach to visual amenity as set out in paragraphs 2.132-2.138 of [the RIIO-2 Draft Determination - Electricity Transmission Annex](#) and we are responding to the following consultation question:

ETQ7. What are your views on our consultation position for setting the expenditure cap for visual amenity mitigation projects in RIIO-2?

We very much welcome the fact that the visual amenity allowance has been retained in RIIO-T2. However, we believe that the expenditure cap should be increased to £725 million (option 2) for the reasons set out below and in the 'Cowell Report' which we commissioned jointly with other environmental NGOs. In particular, we believe that the position Ofgem has adopted for setting the expenditure cap is overly conservative and will result in capping the allowance at a level which is insufficient to cover the full range of important projects that the TOs have already identified for implementation through this scheme.

We do not believe that there is any justification for taking such a conservative approach and question the assumptions Ofgem has adopted in taking this position, especially as the data used is derived from a methodology that already includes a number of measures to avoid overstating the amount people are prepared to pay for visual amenity improvements. We believe that willingness to accept (WTA) would have been a much more appropriate methodology to use in this case. We recognise that Willingness to Pay (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 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 and this seems particularly inappropriate in the context of designated landscapes. If designated landscapes are marred by electricity transmission infrastructure, then the value of that amenity loss is better captured in terms of WTA.

Not only was WTP chosen over WTA but the consultants who undertook the research also included a number of other elements to ensure that participants were not over-stating how much they were willing to pay. While this is good practice, it does mean that the figures derived from the research are already a conservative estimate (i.e. lower than actual values) and any attempt to reduce them further would need a very strong justification. We do not believe that there is sufficient justification for the factors that Ofgem has taken into account in order to reduce the size of the allowance as set out in paragraph 2.136. Our views on each of these is set out below:

- *the pipeline of potential new projects in the TOs' RIIO-2 Business Plans:* National Grid's proposals for potential new projects are set out in [Annex 11.12](#) of its draft Business Plan for T2. Although the detailed costs are redacted, this annex indicates that three projects would require a total T2 expenditure of approximately £595 million to £750 million. During T1, National Grid has developed four projects while also having to spend significant time and resources on setting up the programme and the initial assessment to identify priorities for implementation. So it seems reasonable to assume that it would be possible to develop three projects to an advanced stage during T2, particularly as work is already well underway on one project, North Wessex Downs. Aiming for anything less than three projects would result in reduced outputs and ambition for improvements in visual amenity. Even without taking account of the projects proposed by the two other TOs, it is clear that the pipeline of potential new projects would easily exceed the proposed cap of £465 million and it does not make any sense to suggest this as a reason for considering a lower cap.
- *the additional costs that energy consumers will face in the RIIO-2 price control period to facilitate the Net Zero transition in the energy sector (ie costs in excess of the Net Zero service attributes that were included in the WTP survey):* There is no further information about what these additional costs might be and why the need to take these into account only has an impact on the visual amenity allowance. In any case, the costs associated with Net Zero transition should be covered in other parts of the price control framework.
- *the potentially long-lived economic shock arising from the COVID-19 pandemic that could adversely affect the affordability of energy bill increases for many consumers:* This is another area where there is no explanation as to why the same reasoning has not been applied to other costs in the price control framework.. Furthermore, there are strong arguments in support of spending money on visual amenity projects as part of plans for a post-Covid 19 green recovery. Such projects will often bring benefits to the local economy in areas that are likely to have suffered particularly severely from the lockdown due to their high reliance on tourism. Not only will there be increased employment opportunities during construction but the areas that benefit will be even more attractive for tourists once the pylons have been removed. There is also a strong case for spending money to improve National Parks at a time when these places have been particularly valued by visitors as lockdown restrictions have eased. In fact, the nation's recovery from Covid-19 presents a strong justification for increasing the size of the allowance rather than reducing it and Ofgem could be seeking to promote the allowance as a good news story rather than trying to limit its value.

Finally, we would like to remind Ofgem of the strong statutory and policy justification that led to the creation of this allowance in the first place. Reducing the visual impact of electricity infrastructure allows both Ofgem and the TOs to demonstrate that they are meeting their statutory duties towards designated landscapes and also helps meet various other

responsibilities under environmental and electricity legislation. However, this will only be the case if the cap is set at a sufficiently high level for the TOs to be able to take effective action.

In conclusion, we fully support the continuation of an allowance for visual amenity mitigation projects but we do not support the approach that Ofgem has adopted to setting the size of this allowance. As explained above, we believe there are strong justifications for setting the cap at a higher level. At a minimum this should be the £725 million proposed in option 2 in the consultation document.

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.