



By email to: RIIOED2@ofgem.gov.uk

Response to Ofgem RIIO-ED2 Draft Determinations – Core Methodology document

August 2022

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.

Campaign for National Parks has a long-standing interest in the price control process. We also work closely with the National Park Societies, many of whom 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 Ofgem's Draft Determinations for RIIO-ED2 which were published on 29 June 2022 as we are keen to ensure that the benefits of this important area of work can be maximized.

Our response focuses on the visual amenity in designated areas provision, the details of which are set out on pages 62-63 of the document.

We are pleased that Ofgem has decided 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 in National Parks, resulting 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.

We are also pleased that Ofgem has decided to continue to allow DNOs to spend up to 10% of the visual amenity allowance on undergrounding overhead lines that are located outside of the boundaries of designated landscapes. However, with regard to the latter point, it should be made clear that expenditure on areas outside the boundaries should only be permitted where it results in landscape and visual enhancements within designated areas.

We welcome Ofgem's decision to use an increased Willingness-to-Pay (WTP) value which takes account of inflation. However, we are concerned that Ofgem has adopted an overly conservative approach to setting the cap for the visual amenity allowance. Rather than being

in line with DNOs' submitted costs as suggested in the Draft Determination, the proposed figure of £46.8m is in fact 12% less than the total £53.1m costs set out in the DNOs' Business Plans, as is clearly shown in Table 6 of the consultation document. This is particularly disappointing for us as we put a lot of effort into responding to the DNO consultations on their Business Plans last year and as a result many now include stronger commitments on undergrounding than in the draft versions. For example, following our comments on their draft Business Plans, Western Power Distribution increased the length of overhead line they were committed to removing from 40km to 50km, Northern Powergrid increased their commitment from 60km to 73km and Scottish and Southern Electricity Networks from 70km to 83km. As Table 6 clearly shows, if the cap proposed in the Draft Determinations is implemented, the DNOs will not be able to deliver this increased level of ambition despite it having the support of stakeholders as demonstrated through the business plan consultation process. 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. We are concerned that the reduced allowance will be insufficient to deliver the many important projects that could, and should, be delivered through this scheme.

We do not believe that there is any justification for Ofgem taking such a conservative approach as the willingness-to-pay 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. There are a number of other important reasons why it is inappropriate to propose a reduced cap for the visual amenity allowance at the current time:

- *The increased costs of implementation:* the cost of wages, fuel and materials are all rising steeply due to high levels of inflation (currently over 9%).
- *Maintaining momentum:* DNOs must be able to maintain the progress they have already established with regard to implementing visual amenity projects. Some, such as Electricity North West, now have a strong track record of working in partnership with local organisations to identify and design undergrounding schemes and there is a risk that long established relationships will be damaged and future progress hampered if the reduced allowance forces a pause in activity.
- *Increased demand for the allowance:* the total length of lines in designated landscapes has increased during ED1 as a result of the extensions to the Lake District and Yorkshire Dales National Parks which were implemented in 2016 - the Yorkshire Dales increased by around 25% in area. More recently there have been extensions to the Suffolk Coasts and Heaths AONB and the Government has also announced plans to create two new AONBs and extend two others, all of which will result in further lengths of lines eligible for undergrounding.
- *Supporting post-Covid recovery:* 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 lockdowns 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 overhead lines 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 when lockdown restrictions eased.
- *Increasing resilience:* undergrounding will reduce the risk of storm damage to lines, something that is increasingly important given that storms are already becoming both more frequent and more damaging as a result of climate change. One of the key recommendations from Ofgem's Final Report of the Review into the Network's Response to Storm Arwen (June 2022) is that the Energy Emergencies Executive

Committee should “review current infrastructure standards and guidance...to identify economic and efficient improvements that could increase network resilience to severe weather events” (page 46). The contribution that undergrounding makes to increased network resilience should be taken into account when setting the size of the allowance.

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 DNOs 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 DNOs to be able to take effective action.

In conclusion, we fully support the continuation of the allowance for visual amenity in designated areas but we do not support Ofgem’s decision on 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 £53.1m needed to cover the DNOs’ submitted costs.

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.