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Ofgem  
10, South Colonnade  
Canary Wharf  
London  
E14 4PU

Dear Mr Kaul

## **Open Letter on the Next Network Price Control Review Process**

Friends of the Lake District (FLD) is a registered charity with more than 6,000 members. We represent the CPRE – The Countryside Charity in Cumbria and are a member of the Campaign for National Parks. We actively campaign to reduce the visual impact of all overhead wires on the landscape.

Thank you for your open letter of 29<sup>th</sup> September 2022 seeking initial feedback from a wide range of stakeholders and setting out specific questions about the price control framework. To take your questions in turn...

### ***Qu.1 Do you have any views on the strategic issues we will face in the development of the next price control review process?***

I agree with your feeling that, in the next review process (say 2026/8 to 2031/3), “carbon targets...security of supply...technological advances” (page 2 of the Open Letter) will all be major challenges and opportunities for the energy market as a whole. Similarly, I support your analysis that “energy sources for transport, industry and heating (will) change; the expected growth in power that comes from non-dispatchable sources (such wind and solar) and digitalisation (will) offer new opportunities” (page 2 of the Open Letter).

In addition to the future strategic issues that you have highlighted, I would add the following observations:

- i) Energy policy of the current government – though this government may no longer be in power by the time of the next price control, its policy could well colour the thinking on future energy delivery in this country. It appears to be extremely anti-green, for example opposing a windfall tax on fossil fuel energy companies yet introducing caps on unit prices of solar and wind companies, plus restarting fracking investigations.



- ii) Local energy networks as an alternative – Britain has a long-established centralised system of energy generation and supply and it would be a huge undertaking to dismantle to this. However, other models exist around the world, for example in India, they have local village networks which are all then inter-connected against power cuts. Essentially, Indian communities generate their own power which they then both use in their own villages and sell to generate revenue. This decentralised, local model would appear to have advantages of sustainability, and potentially even security, over the British centralised model.
- iii) Impact of extreme weather – due to climate change, especially high winds, on an ageing electricity infrastructure. Storm Arwen brought devastation to swathes of Northern England and Southern Scotland back in November 2021, with some customers being without power for over a week. Ofgem’s own report (Final Report on the Review into the Network’s Response to Storm Arwen, June 2022) talks of the need to “increase network resilience” (page 46) and undergrounding power lines will surely play a key part in this. And yet, Ofgem seems to only see the disbenefits of undergrounding, for example in its Interim Report on the Review into Network’s Response to Storm Arwen (February 2022) it stated that “the use of underground cables can be prohibitively expensive, considerable slower to install and...technically impracticable” (page 16). This is not our experience at all, from working with Electricity North West and protected landscapes on the Undergrounding for Visual Amenity Programme for nearly two decades. The Ofgem Interim Report went on that “faults on underground cables are much more difficult to locate, excavate, repair and test” (page 16). This misses the point completely that there are far fewer faults in the first place on those cables, compared with overhead lines, in storm scenarios because they are underground.

***Qu.2 Do you have any views on the case for change we have outlined?***

I support your feeling that the “process associated with the RIIO framework...is currently resource intensive for all parties” (page 4 of the Open Letter) and the need for “whole-system outcomes and strategic goals across the energy system as a whole” (page 4 of the Open Letter). I believe that more detail is needed with respect to the paragraph in the Open Letter on the “balance of risk” (page 4). It talks of “a greater focus on incentives for efficient delivery” (page 4) but I always worry that efficiency is at the expense of sustainability, including reaching net zero targets to combat climate change and enhancing protected landscapes through improving the visual amenity when overground wire clutter is removed. The Open Letter states that “creation of the FSO potentially changes the scope of network regulation” (page 4) but, despite an Ofgem document being published called Proposals for a Future System Operator Role, I don’t feel I know enough about the FSO to comment on this. Finally, the Open Letter writes that “the gas and electricity sectors ...face potentially different types of uncertainties...which may mean a different form of regulation is needed for different sectors” and I would agree with this. The Open Letter itself says, in footnote 13 on page 6, that “gas networks ...face equally credible scenarios of ...steady demand or...declining demand” which would support the feeling that future regulation may need to look at the gas and electricity markets separately.

***Qu.3 Do you have views on whether the changes to the electricity or gas sectors mean we should consider alternatives to the approach taken in the RIIO-2 price control?***

I am not yet sure whether Ofgem should “move away from the use of periodic reviews for some or all of the network companies’ activities” (page 5) but I do have some initial thoughts on the alternative options presented in the Open Letter (on page 5). With Option 2, though “a simpler target to improve operating efficiency” (page 5) would always seem attractive, sometimes simplicity comes at the expense of detail that would, for example, explore environmental considerations (such as net zero targets and visual amenity enhancement). Again, with Option 3, “a model involving greater use/stakeholder participation” sounds good but if those stakeholders are only customers (and do not include environmental organisations) then their only consideration might be cheaper bills with no thought to sustainability and landscape protection. With Option 4, “the achievement of delivering whole-system objectives” (page 5) is also laudable but it is difficult to comment further without more detail on what the option would involve.

***Qu.4 Are there any broad frameworks or options that you think we should consider, including variants and alternatives to those we set out?***

I would concur, with the statement by Ofgem in this Open Letter, that “a one-size-fits-all model may no longer be appropriate to meet the distinct sectoral challenges” and instead “a combination of regulatory approaches may be best suited for different activities” (page 6). It may well be that Ofgem cannot afford to simply consider “the regulation of activities/costs of incumbent network monopolies” (page 6). The energy market is most definitely changing and the future will mean “greater use of...third-party assets, alongside those of the regulated network” (page 6), so Ofgem is right that there will need to be “increased focus on the way in which networks are designed and managed to achieve whole-system objectives” (page 6).

I hope that these comments are useful as Ofgem explores the context for the development of future network price controls. I look forward to hearing from you and receiving the consultation on the development of the framework in early 2023.

Yours sincerely



Amanda McCleery  
Overhead Wires Officer

