



The
countryside
charity

CPRE, The Countryside Charity Response to OFFGEM RIIO-3 Sector Specific Consultation

Thank you for providing the opportunity to respond to the RIIO-3 Sector Specific Methodology consultation and ET Annex. We have responded to questions set out in the consultation that are relevant to the work of CPRE and provided the salient points in our response below.

Summary Feedback

With the grid moving towards a greater reliance on renewable energy there are naturally greater pressures on areas where there are existing or new sites identified for new and upgraded transmission lines and associated network infrastructure. Rural areas and communities tend to bear a greater burden than their urban counterparts when it comes to locations for new and upgraded lines and infrastructure including adverse visual impacts leading to a reduction in environmental quality. In line with CPRE's Countryside Friendly Smart Grid paper (2009) all infrastructure relating to the Grid network should avoid damage to designated areas.

We would like to see a clear obligation to improve the beauty and tranquillity of our countryside by preferencing undergrounding, re-routing and/or re-designing existing and lines in, or affecting, AONBs, National Parks, World Heritage Sites and Green Belts. Future energy sites (including battery storage) and associated transmission and distribution infrastructure must be at an appropriate scale and better integrated within the landscape.

In line with CPRE's Climate Emergency Policy we would also like to see efforts made to move towards a smarter decentralised energy system faster, to reduce the impact of large-scale energy generation on the countryside.

Response to RIIO-3 Sector Specific Methodology Consultation - Overview Document

Future of Gas

OVQ1. Do you agree with our proposal for how RIIO-3 should interact with the Hydrogen Transport Business Model?

Not relevant to CPRE work.

OVQ2. Are there any additional activities relating to the development of hydrogen transport infrastructure, or repurposing of natural gas assets, that you think should be funded through RIIO-3, and if so, why do you think this is justified?



The
countryside
charity

Not relevant to CPRE work.

OVQ3. Do you agree with the proposal that network costs relating to hydrogen blending at both distribution and transmission level should be included in RIIO-3 net zero related UMs? If so, which mechanism do you think is most appropriate for these costs and why?

Not relevant, but agree that where there are current uncertainties costs should be recovered through the net zero related UMs.

OVQ4. What are your views on the proposal of using the GD specific Heat Policy re-opener, the RIIO-3 net zero related UMs, or a mixture of both to fund network costs incurred as a result of the government's 2026 decision on hydrogen for heating (where RIIO is deemed to be the most appropriate funding mechanism for these costs)?

Not relevant to CPRE work.

OVQ5. What are your views on our proposal to not enable funding for further evidence relating to repurposing the existing network for hydrogen heating ahead of government's decision on hydrogen heating in 2026?

We agree with the proposed approach. Lots of rural homes are not currently connected to the Grid and rely on outmoded and unsustainable approaches to heating. CPRE's climate emergency policy sets out solutions for heating rural homes with a focus on heat pumps, heat recovery systems and rooftop solar solutions for areas that district heating or gas (or hydrogen) grids will not reach. Simply switching to hydrogen heating will not address the fundamental issue of rural homes being disconnected from the Grid and disproportionately impacted by rising fuel costs.

OVQ6. Should RIIO-3 help to manage future gas network decommissioning costs? If so, do you have views on what these costs could be and what mechanisms should be used, including for anticipatory funding?

CPRE wish to see a smarter, decentralised energy grid, that is no longer reliant on fossil fuels, to meet net zero targets. To do this, work around decommissioning including research, and developing processes for the work, should take place within RIIO-3 control period. If we are serious about meeting the scale of the challenge, including helping rural areas to transition to sustainable energy sources, costs will need to be incurred and should be front-loaded. Net zero related UMs could be a potential source of funding, alongside anticipatory investment so that the burden of cost is not borne solely by future generations.



The
countryside
charity

Role of Scenarios and Planning Pathways

OVQ7. Do you agree with the proposal to use the FES framework for selecting the RIIO-3 scenarios?

Yes.

OVQ8. Do you agree with the proposal to use FES Leading the Way as the planning scenario for ET in RIIO-3?

Yes.

OVQ9. Do you agree with the proposal to use two FES planning pathways for the gas networks, ie Leading the Way and Falling Short as the additional common conservative scenario?

Yes, it seems sensible to model and plan for different scenarios, however, CPRE would like to see a wholesale reduction in the use of fossil fuels in line with our climate emergency policy.

OVQ10. Is Falling Short the most appropriate common conservative planning scenario to be used for the gas networks? Or is a common gas network developed scenario more appropriate?

Not relevant to CPRE.

OVQ11. Is it feasible for all network companies to initially plan against FES 2023 before updating business plans in line with FES 2024, as proposed?

Yes.

Outputs and Incentives

OVQ12. Do you agree with our proposed approach on the role, scope and format of PCDs?

Not relevant to CPRE.

Output Delivery Incentives

OVQ13. Do you agree with our proposed framework for setting financial incentives? Are there any additional considerations that we should take into account?

Not relevant to CPRE.



The
countryside
charity

OVQ14. Do you agree with our approach to setting reputational incentives? Are there any additional considerations that we should take into account?

Not relevant to CPRE.

OVQ15. Do you agree with our proposals for bespoke outputs? Are there any additional considerations that we should take into account?

Not relevant to CPRE.

Outputs and Incentives in RIIO-2

OVQ16. Do you agree with our proposal to retain the EAPs and AERs in RIIO-3? Please provide reasonings for your position.

Yes, it is vital that all network companies not only consider offsetting of environmental impacts, but also seek to reduce impacts where possible. This should be set out in the EAP and be publicly available. It makes sense that the incentive proposed is an ODI-R, as it will become more pressing for companies to demonstrate how they are working to meet net zero targets.

OVQ17. What are your views on the new proposed AER format with Commentary and KPIs?

The new format sounds sensible and would enable transparent monitoring of how well companies are performing. However, KPI's should be driven via Government led or OFGEM led guidance, rather than companies determining outputs for themselves. There will also need to be a mechanism in place to hold companies accountable that do not meet their obligations.

Business Carbon Footprint ODI-R

OVQ18. Do you agree with our minded-to position of retaining the reputational incentive on TOs and GDNs for reducing their BCF?

Yes.

OVQ19. Are there any other suggestions you would like to make regarding reporting standards?

Reporting on scopes 1 and 2 of the BCF within the AER sounds like a sensible approach. They should also report on Scope 3 within the AER for full transparency.

Again, there needs to be a mechanism to hold accountable TOs and GDNs that do not meet scope emission targets.



The
countryside
charity

Environmental Scorecard ODI-F

OVQ20. Do you agree with our minded-to position to withdraw the Environmental Scorecard and incentivise improvements in environmental impacts through the Annual Environmental Report (AER)? Please explain your reasoning.

Unsure. It's clear that adherence/use of the Environmental Scorecard has not been consistent so may be better applied via the mandatory AER. Thresholds should remain the same, and all of the impact areas should be included within each AER.

OVQ21. Do you consider that there are other areas which require financial incentives which cannot be captured by the AER? Please explain your reasoning.

Yes, general office overheads (heating/electric) reduction. Sustainable design/re-use of materials for new projects or upgrades, namely buildings/substations etc. Sustainable resourcing of materials for general office use.

OVQ22. Do you have any views on our proposals for the NARM framework?

N/A.

Climate Resilience

OVQ23. Do you have any views on our proposed long-term approach to embedding climate resilience, including the principles for embedding climate resilience?

Yes. CPRE continue to advocate for the best available data to be utilised.

OVQ24. Are there any early learnings we should be aware of/incorporate to make progress on this in RIIO-3 or beyond?

No, not relevant to CPRE.

OVQ25. Do you agree with our suggested approach for embedding climate resilience into RIIO3, namely: introducing resilience strategies; developing forward-looking resilience metrics; and introducing climate resilience working groups?

Yes, however any working groups should be accountable and decisions made within them transparent. Forward looking metrics should be based on best available data.

OVQ26. Do you agree with the proposals that we have set out around the resilience metric?

Yes.

OVQ27. Do you agree with our proposals on workforce resilience?



The
countryside
charity

Yes.

Truth Telling and Efficiency Incentives

OVQ28. Do you agree with our proposed key objectives for truth telling and efficiency incentives?

Yes.

OVQ29. What are your thoughts on our proposals relating to minimum requirements under an evolved BPI approach?

Not relevant to CPRE.

OVQ30. What are your thoughts on an 'in the round' assessment of cost forecasts as opposed to a high/lower confidence breakdown and assessment?

Not relevant to CPRE.

OVQ31. What are your thoughts on an 'in the round' assessment of business plan ambition as opposed to requiring and assessing CVPs?

Not relevant to CPRE.

OVQ32. What are your thoughts on the size and strength of any truth telling incentive?

Not relevant to CPRE.

OVQ33. What are your thoughts on any alternative approaches that could be used instead of an evolved BPI?

Not relevant to CPRE.

OVQ34. What are your thoughts on the options for calculating the sharing factors and do you see strong reasons for changing the overall strength of the sharing factors relative to RIIO-2?

Not relevant to CPRE.

Managing Uncertainty

OVQ35. Do you agree with our proposal to retain the Net Zero Re-opener with its current scope and parameters for RIIO-3?

Yes, it's important that there is a safety net to address climate impacts and meet net zero targets.



The
countryside
charity

OVQ36. What are your views on our proposal, in principle, to retain the Net Zero and Re-opener Development Fund UIOLI for RIIO-3? What are your views on the types of projects it could fund and how it would interact with other sector specific price control mechanisms?

Not relevant to CPRE.

OVQ37. Do you think we should retain the NZASP for GD and GT? What should its scope be and what kind of projects would you expect to be funded through this reopener in RIIO-3?

Yes the NZASP should be retained, particularly in light of the need to decommission the Grid and switch to renewable energy sources. CPRE do not have comments on the specific projects NZASP should fund.

OVQ38. Do you have any views on consolidating the net zero related re-openers and the UIOLI allowance?

No, other than funding proposed for 2 separate re-openers should be retained for a consolidated re-opener.

OVQ39. Do you agree with our proposed position to retain the Coordinated Adjustment Mechanism for RIIO-3? If it were to be retained, what design and incentive considerations could we implement to enhance the utilisation and value of this mechanism?

Not relevant to CPRE.

OVQ40. Do you agree with our proposal to allow physical security costs to be submitted through a broader resilience re-opener?

Not relevant to CPRE.

OVQ41. Do you agree with our proposed approach to introduce a resilience re-opener?

Yes, it seems sensible given the current climate.

OVQ42. Do you have any views on whether the opex escalator should be retained and if so, how we could evolve the opex escalator for RIIO-3?

Not relevant to CPRE.

OVQ43. Do you have any views on how we should effectively monitor the delivery of UMs?



The
countryside
charity

CPRE agree that both proposals set out would better assist in monitoring. Where additional reporting requirements are introduced, clear guidance should be provided to mitigate the submission of incorrect or false information as far as possible.

Cost of Service

OVQ44. Do you have any views on whether to evolve the RIIO-2 methodologies for RPEs and ongoing efficiency for RIIO-3, and if so how?

Not relevant to CPRE.

OVQ45. Do you have any views on the potential application of RPEs and ongoing efficiency to re-opener applications?

Not relevant to CPRE.

Cyber Security

OVQ46. Do you agree with our proposed approach to cyber resilience in RIIO-3?

Yes.

Innovation

OVQ47. Do you have any views on our proposal to retain a flexible allowance, providing evidence for why you think that it should, or should not be, retained?

Yes, the rapid review process seems sensible in light of concerns around mis-spending or duplication.

OVQ48. Do you have any views on our proposal to retain a competitive network innovation funding pot, that continues to focus on key challenges facing the energy sector, with phases to de-risk the pot?

N/A

OVQ49. Do you have any views on how the structure of the price control innovation funding could be adapted to better focus on whole systems problems, and ensure strategic alignment with other public sector initiatives?

Not relevant to CPRE.

OVQ50. Do you agree with our proposal to continue with a similar level of innovation funding, and if not, could you provide evidence for why a different amount is required, including consumer research you are aware of into their willingness to pay for network innovation?



The
countryside
charity

Yes.

OVQ51. Do you agree there is a need to expand the scope of innovation funding to be more inclusive of third parties?

Yes. It's important that SME's and other relevant third parties are not excluded from new innovations, particularly as it will be critical to mobilise SME's and community-led initiatives in making the switch to renewable energy.

OVQ52. What are your views on us establishing an accelerator to support early-stage innovators?

Sounds very sensible and will hopefully enable SME's and other third parties to engage with early stage innovators providing solutions and knowledge sharing.

OVQ53. What are your views on our proposal for this to be a smaller part of a future challenge fund and to be sponsored by networks?

Agree with proposed funding.

OVQ54. Do you have evidence of potential innovation projects that have not been implemented or sought funding due to the five-year structure of the price control? How could this issue be addressed?

CPRE do not have evidence.

OVQ55. Do you agree with our proposal to run FRS trials with an explicit focus on informing changes to the rules governing energy network activities – incentivised through SIF or other price control mechanisms?

Yes.

OVQ56. What topics could FRS trials usefully focus on and why?

CPRE would like to see a reduction in the over reliance on large power stations and the centralised transmission grid and a move towards decentralised, local energy generation. A potential trial could include a pilot scheme for small-scale, decentralised energy generation and microgeneration projects.

We would also like to see the use of new pylon designs that reduce impacts on the landscape, where new lines in the countryside are unavoidable. A potential trial could involve the utilisation of new designs in line with best practice visual impact assessment criteria.



The
countryside
charity

OVQ57. Do you have any feedback on the view that not enough network innovation funded projects have been rolled out, and can you share any evidence you have to support your position?

No, we do not have any evidence around roll out of network innovation funded projects.

OVQ58. What are your views on the design of potential new mechanisms to address this?

The potential mechanisms seem sensible.

Data and Digitalisation

OVQ59. Do you have any views on the timelines for modernising regulatory reporting?

External engagement should be brought forward to enable knowledge sharing and scrutiny.

OVQ60. Do you have any initial views on opportunities for improving efficiency in providing the data that Ofgem receives as part of regulatory instructions and guidance?

Yes, better leveraging the power of reputational and business incentives to drive a faster renewable transition to meet net zero targets.

OVQ61. Are there areas of regulatory reporting that would be most beneficial to start with in the modernising project?

Yes. It would be helpful to understand network company performance information in relation to renewable energy targets, community benefit schemes and responding to climate change/adaptation.

Response to RIIO-3 Sector Specific Methodology Consultation – ET Annex

Minimising networks' impact on the environment

ETQ10. What are your views on our minded-to proposal of retaining the IIG ODI-F during RIIO-ET3, and our additional commentary around the incentive and its associated reporting requirements?

As above we agree with the proposed retention of incentives and reporting requirements for transparency and consistency.

ETQ11. What are your views on retaining funding to support mitigation projects that reduce the visual impacts of existing infrastructure in designated areas?

We are strongly supportive of funding for mitigation projects, however this should be additional to a minimum expectation for operators to consider visual impacts within protected and designated areas. Mitigating impacts should not be wholly contingent on funding from RIIO-3, and should instead follow best practice guidance in line with the existing Holford and Horlock rules. Efforts should be made to reduce impacts within all designated areas, not just AONB, National Scenic Areas and National Parks.

Consideration should also be given to boundaries, with land sitting just outside of designated areas treated in a similar manner to reduce visual impact into and out of the area. Overhead transmission lines directly intrude into designated landscapes at several locations (and indirectly at many more).

Noting the underspend across RIIO-ET2, greater efforts should be made to reduce the impact of existing lines as well as directing new projects to more suitable locations and undergrounding where necessary. We do not believe this would have an unduly negative impact on supply chains if planned appropriately. Earlier research undertaken (and set out in CPRE's Countryside Friendly Smart Grid paper) demonstrates that there are economic consequences of the visual intrusion of overhead lines within designated areas due to a perceived reduction in environmental quality. Therefore, appropriate and proportionate mitigation, including undergrounding, would positively benefit businesses within these areas, as well as households, protecting and where feasible, enhancing high quality landscapes.

ETQ12. Do you agree with our assessment of the bespoke outputs described in Table 7?

Yes, however, Enhance Environmental Requirements UIOLI should also include funding to deliver biodiversity net gain as well as ensuring no net loss.