

Cemil Altin,
Head of Price Control Development,
Ofgem,
9 Millbank,
London
SW1P 3GE

27th November 2002

Dear Cemil,

Developing Network Monopoly Price Controls : Initial Consultation

Our apologies for not responding to your deadline of September for the above document – we have only just learnt of its existence, and thought it may be useful to drop you a line with some comments just in case they are useful. We in particular highlight the lack of reference both in the document and in the responses to it so far, of the environment and environmental issues.

Friends of the Lake District (FLD) are a registered charity, established in 1934, with the aims of protecting and conserving the landscape of the Lake District and Cumbria. We have around 7000 Members, represent the CPRE in Cumbria, and are Members of the Council for National Parks. Issues of electricity distribution have featured throughout our history, and we have contributed to many schemes to underground overhead wires throughout Cumbria. Our interest in the subject is so great that we have commissioned UK CEED to update the research work published by the then Countryside Commission in the early 1990s. This is shortly to be published, and we will of course be sending a copy of the full report to Ofgem.

We have the following general points to make on the document and the DPCR in general.

Consultation with environmental interests

We are concerned that the consultation document, the responses received so far, and the list of consultees do not reflect environmental interests. We were unaware of this consultation even though we knew the DPCR was going to be occurring during 2003. It is for this reason that we felt it may be worth submitting a

response, even though it is very late. **We would welcome inclusion on the future consultations, and suggest that it may also be worth consulting the CPRE and the CNP.**

Statutory duties

Under section 62 of the Environment Act 1995, statutory undertakers (Ofgem, National Grid and all the distribution companies) have a duty to “have regard to the purposes of National Parks”. The National Park purposes are to “conserve and enhance the natural beauty, wildlife and cultural heritage of the National Parks; and to promote opportunities for the understanding and enjoyment of the special qualities of the Parks by the public”.

Section 85 of the Countryside and Rights of Way Act 2000 states that “In exercising or performing any functions in relation to, or so as to affect, land in an area of outstanding natural beauty, a relevant authority shall have regard to the purpose of conserving and enhancing the natural beauty of the area of outstanding natural beauty”. Once again, statutory undertakers are included as being relevant bodies.

We would like Ofgem to take account of these statutory duties as a key issue and principle, and highlight how they intend to fulfil them, and also set targets in relation to how the DNOs should fulfil them (we return to the issue of targets below). We would like to see some recognition of the importance of designated landscapes such as the National Parks and AONBs, and some indication from Ofgem about how they should be treated, particularly in respect of the visual disamenity of overhead power lines. We note the response from EME which also flags up the issue of visual disamenity concerning the Peak District National Park and AONBs. We fully endorse their comments.

More specifically, we would suggest that Ofgem, as part of its duties under the Environment Act 1995 and Countryside and Rights of Way Act 2000, might carry out studies into the following mechanisms to provide money for undergrounding low voltage overhead lines in designated landscape areas. Potential mechanisms could include:

- a standard increase in the average electricity bill, to be set aside as an environmental fund
- a standard increase in the Distribution Use of System charge, to be set aside as an environmental fund
- further investigation of the Belgian scheme, where the Regulator allowed a ‘pass through’ of a kWh charge on all customers to cover the costs of an undergrounding and re-routeing programme.

Sustainable development

We would welcome some recognition by Ofgem of the principles of sustainable development, namely that account should be taken of economic, environmental and social factors. We note the pressure on the DNOs to reduce costs and achieve greater efficiency, but other sustainable development factors must be considered. For example, meeting customers needs should also take account of their needs for fine unspoilt landscapes, for the long terms protection of environmental resources for future generations (maintaining fine landscapes and reducing energy demands) and so on. Ofgem should also consider the issues of integrated development, namely that fine landscapes result in significant expenditure in the rural economy and this is ploughed back in to rural development and in turn to energy use and demand.

Impact of the last DPCR

From our discussions with our electricity distribution company about opportunities for undergrounding overhead wires, they feel the opportunities have worsened since the last DPCR. In previous years, they set aside a budget for environmental enhancement work, such as undergrounding visually intrusive wires in the countryside, and joint amenity schemes. With the pressures from the Regulator focusing more on quality of supply and costings, this aspect of their work has virtually ceased. As undergrounding may cost more in capital terms and in the short term, it cannot be justified on the basis of purely short term costs. Equally, the application of average costs from other areas has meant that these costs are not always applicable to high value landscapes, e.g. high terrain, rocky, etc. Again this has caused problems of implementation of environmental enhancement work, and less attention being paid to the best 'environmental fit line' for routes.

We would therefore urge Ofgem to :-

- Take account of the higher costs of replacing or providing new lines both overhead and underground in designated landscape and upland areas, and make some allowance for this so that the best fit line for environmental reasons can be adopted, rather than the cheapest route possible.
- Take account of the life time costs of underground wires versus overhead, rather than short term capital costs. To provide incentives to invest over the longer term period, rather than short term. This would also take account of the wider environmental costs, such as benefits in visual terms of wires being underground and how this links to the relationship between fine landscapes free from intrusions and economic benefits stemming from it.
- When assessing efficiency and quality, to take into account the quality of the landscape surrounding power lines, and that quality should also include enhancing landscapes not degrading them by intrusive overhead lines.

Demand management

We would like to see a clear statement from Ofgem that it requires all DNOs to pursue demand management and least cost planning issues, and if possible set targets for this. As noted in the response of BG Microgen, DNOs currently have weak incentives to reduce losses on their systems, or promote effective demand management. Significant reductions have been made in water supply demands by the significant pursuit of demand management measures by the water companies, e.g. United Utilities in Cumbria. We applaud this approach. We therefore suggest that Ofgem consider the increased use of 'least-cost-planning' approaches e.g. utilising more demand management solutions, energy saving technology and locally embedded generation (locally generated electricity to meet a local demand). This would conform to Ofgem's general sustainability remit and reduce the need for distribution and infrastructure reinforcements.

Public attitudes

We note that Ofgem are proposing research into whether the customer is willing to pay for an increased quality of service. We would urge Ofgem to widen this research out to consider whether the views of the customer with regard to overhead low voltage electricity lines, to include:

- the concern about their presence
- the relative merits of different constructions ie poles, pylons etc
- the acceptability by electricity consumers of environmental surcharges and ways of spending the additional resources on undergrounding schemes or other enhancement works.

Information and targets

We would welcome Ofgem producing an up-to-date version of Engineering Recommendation P21/5 (a statement of the average capital costs of overhead and underground circuits, agreed across the industry) with an explanation of the costs and an indication of how costs might vary with terrain and other circumstances.

We would also welcome Ofgem requiring the DNOs to publish accurate data on the lengths of overhead and underground system that they operate at different voltages, broken down by operating areas, and in designated areas such as National Parks, AONBs, SACs, SSSIs, Heritage Coasts, etc. This should be accessible from company web-pages and recorded in annual environmental or quality of supply reports.

Ofgem should then require the DNOs to set targets to reduce overhead line lengths each year, with a view to setting an aspirational target of no overhead lines in sensitive and fine landscapes within 10 or 20 years.

Again we apologise for our delay in responding, but again point to the lack of consultation with environmental organisations. **If you feel a meeting would be helpful to discuss the issues, please do not hesitate to contact us.** We look forward to hearing from you when the next consultation document is issued.

Yours sincerely,

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Policy Officer

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