

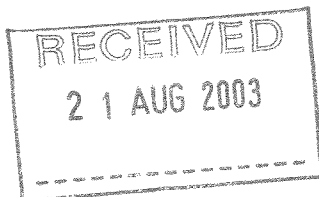
Our ref
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Date 19 August 2003



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DEAR M S ALTIN

PRICE CONTROL REVIEW

The Countryside Agency is the statutory body working to make:

- the quality of life better for people in the countryside;
- the quality of the countryside better for everyone.

The Countryside Agency has chosen to make a response to this consultation document on the distribution price control review as the protection and enhancement of high quality landscapes is one of the main duties of the Countryside Agency, and we believe that overhead powerlines can have a significant effect on this quality.

General Comments

In our opinion it is vital that price control is carried out in a way which ensures that the Distribution Network Operators (DNOs) have sufficient incentive and capital expenditure allowance to enable them to devise and implement strategies for undergrounding existing overhead powerlines, and reduce the impact of their distribution networks on the landscape. This is especially important in key landscapes, such as those designated for their national importance (National Parks and Areas of Outstanding Beauty), although the need to protect and enhance other special and sensitive landscapes should also be an important consideration.

Objectives for the price control review

Paragraph 1.9 of the consultation document lists the main objectives for the price control review, and in general the Agency concur with the approach taken. However we would





like to note that over emphasis on a system that is purely seeking to achieve cost efficiency above other goals will not necessarily produce a service that also provides environmental benefits. For example, the most cost effective approach may not be the best in terms of visual impact.

Also in relation to paragraph 1.9, part of the service provided by the DNO to its customers should be a high quality environment for their benefit, the benefit of others and the benefit to future generations. Ensuring that DNO's electricity distribution network protects and enhances the natural environment is a fundamental part of providing a quality service, and it should be possible to reflect this in charges to customers.

One of the objectives of the price control review is to, 'reflect Ofgem's responsibilities with regard to environmental and social issues', this is fully supported by the Countryside Agency, so long as this includes its duties to the protection of valued landscapes.

Chapter 3: Form, structure and scope of the price controls

At present the consultation document contains no specific reference to the need to underground lines for visual amenity purposes. The Countryside Agency would like to see this rectified and, although we do understand that this is only one issue amongst a suite of environmental, and other, considerations to be taken into account when setting price controls, we feel this it is of sufficient merit to warrant particular attention.

The issue of improving landscapes by undergrounding existing overhead lines will fall under the area of capital expenditure and the provision of a quality service to consumers, and therefore it is essential it is factored in when setting expenditure costs as part of the licence obligations. The amount of capital expenditure allowance the different DNOs will need in order to achieve a greater level of undergrounding in order to reduce landscape impact will depend on the amount of rural land within their network area and the type of terrain. Therefore the appropriate level of capital expenditure allowed when setting price controls would vary between DNOs. Critical to the setting of these price control levels is gaining a better understanding of the existing networks through improved reporting on lengths of lines etc. which run through designated landscapes, this issue is returned to in our comments on Chapter 4.

Chapter 4: Quality of service and other outputs

Paragraph 4.12 of the consultation document refers to the need to consider issues of

social and environmental importance as output measures. This is welcomed by the Countryside Agency. We would call for an output measure for all DNOs of the length of overhead powerline that has been undergrounded within nationally designated landscapes. This would require full reporting by the DNOs on the lengths and voltages of powerlines (underground and overhead) in their network that run through nationally designated landscapes.

The purpose of this output measure is to see some recognition of the importance of the visual impact of overhead powerlines in designated landscapes, and some indication from Ofgem about these issues should be treated by the DNOs. In setting targets for various DNOs it would be important to take into account the typography and landscape characteristics of the area the network covers due to the great variation in the need for, and ability to underground their lines, reflecting the relevant stringency of targets.

Paragraph 4.12 also refers to the need to include matters of social and environmental importance in output targets as 'consumers may be concerned with the social and environmental performance of companies'. Whilst the concerns of customers are important, Ofgem and the DNOs have a responsibility under the Section 38 Electricity Act 1989, the Environment Act 1995 and Countryside and Rights of Way Act 2000, to protect the environment which should be the primary reason for including environmental issues in output targets.

The incentives for achieving reductions in landscape impacts would not necessarily have to be financially driven and could take the form of peer pressure from public reporting, as referred to in paragraph 4.14. Performance tables could be made publicly available, and may persuade DNOs to improve performance. However, as the customer cannot choose their DNO this may not necessarily have any real effect.

Chapter 5: Distributed generation

The Countryside Agency is concerned with the issue of linking wind energy sites to the distribution network, as many of these sites will be located in areas of high landscape value which are often most suited for wind energy generation. Wind turbines may already have an adverse impact on the landscape and it is important that this impact is not exacerbated by insensitive connection to the electricity supply network. A high level of importance needs to be attached to undergrounding these powerlines directly from the turbine sites, so that visual impacts are minimised. DNOs that cover large areas of upland key landscapes will need special consideration in setting price controls to take into account the likely increased costs of joining this type of energy generation point to



the network. Similar considerations will also need to be given to other types of renewable energy generation that may take place in high quality landscape areas, for example hydro-electric, coastal and tidal power.

Yours sincerely



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