Undergrounding in AONBs and National Parks – Matrix of DPCR4 issues

Issue	Ofgem views
Would schemes initiated in DPCR4 which complete in DPCR5 still be eligible for DPCR4 funding?	DNOs are entitled to log up costs for schemes under the DPCR4 funding mechanism where overhead lines are removed on or before 31st March 2010. Treatment of schemes which are initiated in DPCR4 but completed in DPCR5 will be discussed in the DPCR5 Policy Paper scheduled for December 2008.
Establishing that work is demonstrably in addition to current plans raises issues for some DNOs. Stakeholder partners would like DNOs to use the funding to cover the incremental costs of undergrounding over and above the costs of planned refurbishments. Could the undergrounding allowance be used to 'top up' the difference in costs between normal replacement and undergrounding? Could this be implemented and still satisfy the requirement for undergrounding to be a demonstrable additional investment?	Where overhead lines in AONBs/National Parks form part of the DNO's normal asset replacement programme, there may be a preference to replace the existing assets with underground cables. In such cases the undergrounding allowance can be used to fund the cost difference between normal replacement work and the new underground solution.
For some schemes, the practical undergrounding solution includes assets which lie just outside the boundary of the protected area. Could schemes with assets outside of the boundary be eligible for funding?	No. If lines are removed beyond the AONB/National Park boundary they cannot be funded by the scheme. The scheme was specifically set up to address visual amenity in AONBs and National Parks.
For some schemes, it would be more cost-effective to install a renewable energy system rather than an underground line. Could this be implemented and still satisfy the requirements of the scheme?	Yes, allowances are based on kilometres of line removed so a renewable scheme is an acceptable alternative to an underground line if it is more cost effective.
Can schemes where costs exceed the threshold be eligible and how will the costs be treated?	There is no requirement that costs are below the threshold values for a project to be eligible. Where a project meets the other criteria but costs exceed the threshold, the project is still eligible but the amount "logged up" is capped at the threshold value and the amount of costs in excess of the threshold will be treated in the same way as other capex. However, Ofgem will evaluate expenditure against the per kilometre caps over the course of DPCR4 with the proviso that in practice this may mean that we will look across the first 4 years before the price control is set and then evaluate the 2009/10 spend as standalone.