

# Visual amenity and network regulation

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Over the coming years the transmission companies will need to extend or upgrade the electricity network to connect new forms of generation. The shape of the network will need to change to meet the needs of these new generators. The decision to underground cables must balance concerns about the visual impact of overhead lines and the cost of undergrounding to consumers. Our new RIIO approach to network regulation (Revenue = Innovation + Incentives + Outputs) helps us to make an informed funding decision.

## What's new under RIIO?

Our new price control model seeks to ensure consumers get the necessary investment in Britain's energy networks at a fair price. Companies will have to meet performance targets, set in consultation with consumers and network users. Enhanced stakeholder engagement is key to the new RIIO approach.

We will implement the RIIO framework for gas distribution (RIIO-GD1) and gas and electricity transmission (RIIO-T1) from 2013 to 2021. All proposals relating to these controls are subjected to the usual open and transparent price control process. We will also implement RIIO for electricity distribution (RIIO-ED1) at the next price control.

## RIIO and Visual Amenity

For existing transmission lines in National Parks or Areas of Outstanding Natural Beauty (AONB), RIIO sets a company-specific allowance to reduce their visual impact. The companies then choose whether or not to spend this allowance, and if so, where.

For new infrastructure, companies are now also required to consider visual amenity issues outside National Parks and AONB. Our guidance encourages transmission companies to

demonstrate well-justified consideration of visual amenity in both their RIIO-T1 business plans and their ongoing practice.

## What does our guidance say about visual amenity?

The guidance we published in March highlighted that companies must take into account the environmental impacts of new investment. This includes the visual impact of new infrastructure. The companies must demonstrate they have considered and consulted on alternative options, such as different routes, undergrounding and subsea cables. They must also be able to justify costs associated with protecting visual amenities.

Where visual amenity conflicts with other concerns, such as the likely success of the planning process, the guidance states that the business plan should consider how to balance these competing priorities, reflecting their stakeholders' interests.

## Stakeholder engagement

RIIO incentivises companies to engage with stakeholders on issues such as visual amenity. Where they receive conflicting feedback they need to consider long-term value for money and environmental impacts.

Transmission companies are particularly aware of public sensitivity to new overhead lines. We therefore expect them to step up their approach to identifying and resolving stakeholders' concerns about this issue. They should outline how they intend to engage with stakeholders and how they propose to weigh stakeholder feedback and other considerations. This will have a direct impact on our view of the quality of their business plan.

### Planning permission

It is up to the network companies to determine what investment is needed in their networks to meet customers' needs and the obligations of their licence. They must take stakeholders' views into account as part of this process.

In England and Wales, the companies are then responsible for obtaining planning consent from the Infrastructure Planning Commission (IPC). In Scotland, planning consent for new transmission lines is required from the Scottish Government, with local authorities as consultees.

Ofgem's role is to consider the case for the investment. If planning permission is given we will enable the network company to collect the efficient costs of delivering the scheme from consumers. The new RIIO model provides scope for companies to justify higher expenditure in the near-term to deliver long-term value for money.

In England and Wales, the Government's National Policy Statement (NPS) sets out factors the IPC should consider for each individual application. This includes:

- The landscape around a proposed line, including proximity to residential areas or those of natural beauty;
- The additional cost of undergrounding; and
- The environmental consequences of undergrounding.

The Planning Act of 2008 ensures that local communities, landowners and stakeholders are consulted before planning applications are submitted to the IPC. Transmission companies are also required to consult us as part of this process, because their applications affect the gas and electricity markets.

### Innovation

RIIO offers companies strong incentives to consider using innovative technologies and operating techniques to reduce the visual impact of their services. The longer-term price control gives companies greater certainty about the potential rewards of successful innovation and we expect them to explain what they will achieve with innovation.

Due to the financial risks of innovation, the price control also includes a number of innovation stimulus packages. These are designed to ensure that consumers benefit from the companies' improved ability to deliver environmental outputs efficiently and effectively.

### Next steps

The Government has arranged for an independent report to be undertaken on the comparative costs of installing new high voltage transmission circuits underground, sub-sea or as overhead lines. The findings are due to be published by the end of 2011, and will help clarify the case for new high voltage transmission connections or reinforcements. It will also help us to consider funding investments throughout RIIO-T1.

We have just published our initial assessment of the companies' RIIO-T1 business plans. This highlights the areas where companies have provided a good quality plan as well as those areas where companies have to do further work to justify their proposals. We will consult in January on whether or not to conclude the price control settlement for any companies retained in the fast-tracking process. Those companies no longer eligible for fast-tracking will submit new business plans in March 2012.

### How to get involved

Any concerns about the planning process should be brought to the attention of the relevant planning Authorities. However, stakeholders can also engage directly with us and the network companies.

Interested stakeholders now have a good opportunity to feed into the companies' business plans. You can contact the companies directly to find out more about their future stakeholder engagement opportunities.

If you feel a company is not engaging with its stakeholders or taking account of all relevant evidence, bringing these concerns to our attention will inform our price control settlement and view on network company performance.

Our initial assessment of the companies' business plans is available at [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

Details about how to contact the companies are available on their websites.

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