

This consultation has been brought to the attention of the Stakeholders Group that operates in the Northern Powergrid area, and which steers the implementation of the Undergrounding programme in Areas of Outstanding Natural Beauty and National Parks in the NEDL and YEDL licence areas.

Whilst not written on behalf of the Stakeholders Group, this issue was discussed at the recent meeting and the comments below have the support of that group, including Northern Powergrid.

In general we concur with Ofgem's view that DPCR5 mechanisms such as the Undergrounding scheme could (and indeed should) be carried forward into RIIO-ED1. We also agree that, as they are largely working well, then the mechanism only needs minor review.

We do however feel that a certain amount of clarification is needed, should the current DPCR5 wording be used again.

The stakeholders (AONBs and National Parks) feel that para 9.10 of the DPCR5 Incentives and Obligations, combined with para 7.7 of the DPCR5 Financial methodologies, removes any £/m cap on expenditure. We believe that para 7.7 permits DNOs to carry out any scheme, no matter for how short a length or how expensive, PROVIDED THAT it has the support of stakeholders and does not exceed their total cap. This would potentially allow short lengths of highly intrusive HV or LV line to be undergrounded, no matter what their £/m cost, as long as they had stakeholder support. It would potentially also allow an AONB or National Park to 'blow its entire budget' on one highly iconic scheme, if that was its highest priority for action. In short, we believed that DPCR5 gave ultimate freedom for each AONB/NP to advise on the most significant schemes to be completed, no matter what the £/m cost, as long as in total they did not exceed the total cap.

Northern Powergrid have however taken a different interpretation, citing the original Customer Willingness to Pay figure, the target of 1.5% of lines undergrounded and the number of customers in each DNO licence area. This has resulted in a cap of £92.73/m in the NEDL licence area and £216.49 in the YEDL licence area. Only LV lines can therefore be put forward for undergrounding in the NEDL area, whilst both LV and HV schemes will be considered in the YEDL area.

The Stakeholder Group believes that this issue needs clarification (and indeed that may come in the form of specific Ofgem guidance in direct response to this email, rather than in the next RIIO-ED1 proposals). We do not believe that similar arbitrary 'caps' are being applied in other DNO licence areas and consequently felt that we needed to draw this issue to Ofgem's attention whilst the opportunity presented itself.

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