



Strategy Consultation for the RIIO-ED1 Electricity Distribution Price Control Reference 122/12

Response by the English National Park Authorities Association – November 2012

1.1 The English National Park Authorities Association (ENPAA) exists to support policy making process by helping to coordinate the input of the nine National Park Authorities in England and the Broads Authority. It is governed by the Chairs of the ten Authorities. This response represents the collective view of officers who are working within the policies established by the National Park Authorities (NPAs) within England. National Parks cover approximately 9.3% of England by land area, and are designated in part for their natural beauty. National Park designation affords the highest level of statutory landscape designation. A map showing the location of protected landscapes in the UK is attached at Annex 1. As can be seen from Annex 2, each of the current electricity Distribution Network Operators (DNOs) in England has at least one National Park within their service delivery area.

1.2 We welcome Ofgem's approach to stakeholder engagement and are grateful for the consideration that was given to our response in [April 2012](#) on the way forward for this electricity distribution price control review (RIIO-ED1). We appreciate having the opportunity to comment on this strategy consultation and also welcome the continuing recognition by Ofgem and the DNOs of the importance of sustainable and appropriate electricity generation and distribution in National Parks.

1.3 Our response focuses on those consultation questions that have most direct bearing on designated landscapes and the work of the National Park Authorities.

Key Points

2.1 The key points highlighted in our response are:

- We welcome the proposal to retain the allowance for undergrounding of overhead lines in National Parks and AONBs and believe that there is significant consumer willingness to pay for this
- Further clarity is needed on the implications of including NSAs in the scheme, and on how recent and future willingness to pay studies will inform the eventual overall expenditure cap
- We support the sharing of best practice by DNOs and believe this could be achieved via a national steering group
- We believe local discretion should be applied to the use of the 10% allowance
- We do not wish to see the limited resources in the scheme used for project officer support, as we wish to see the resources directed towards project implementation
- We wish to see a joint position statement from Ofgem and Ofcom on partnership working and sharing of utility infrastructure. We propose that DNOs should report on an output incentive regarding the length of their cabled network that incorporates a shared service with another utility supplier

Overview Document

3.1 Paragraph 4.11 – We recognise and welcome that Ofgem seeks to incentivise DNOs to work with other service providers (e.g. of broadband) to maximise the use of their assets. In relation to shared undergrounding schemes, however, we still have concerns as to whether the approach identified goes far enough. We say this because as we understand, issues such as lack of communication, project timing, prioritisation and safety requirements tend to hinder effective shared utility working in practice. The lack of shared services being delivered as a result of the current undergrounding in AONBs and NPs project clearly demonstrates this. We believe that this issue should be addressed and a joint position statement produced by Ofgem and Ofcom on how this matter might be taken forward. The suggestion of an additional RIIO-ED1 output incentive relating to this point is mentioned later on in this response.

Outputs, Incentives and Innovation Document

- **Chapters 2 – 4**

4.1 No comments

- **Chapter 5: Environmental Impacts**

5.1 We welcome the proposal to retain the allowance for undergrounding of overhead lines in Areas of Outstanding Natural Beauty (AONB) and National Parks and acknowledge the strong stakeholder support for this. We also recognise the fact that there is a positive and significant consumer willingness to pay (WTP) for visual amenity improvements as identified in the findings of the National Grid Electricity Transmission (NGET) [WTP study 2012](#) with the issue also being highlighted by the Ipsos MORI workshops held as part of this review ([Page 8](#)).

5.2 We are also content that the undergrounding project remains largely stakeholder-led and relatively flexible (para 5.33), although as such we accept that this may lead to differences in the way some District Network Operators (DNO) coordinate and implement the scheme. This can be frustrating for those National Park Authority staff that manage projects in two DNO areas and so we fully support the proposal to expect DNOs to share best practice (para 5.36). The mechanisms for doing so will require further consideration and we would be happy to contribute to this. There is a structure of DNO/stakeholder area working groups that generally work well at present. A national steering group attended by nominated stakeholder representatives from the working groups, DNO undergrounding project managers and Ofgem representation could provide guidance to all and help disseminate best practice.

5.3 On the matter of new designated areas being identified or the boundaries of existing areas changing during the course of the RIIO-ED1 price control (para 5.38), we welcome the view that such areas would become eligible for the undergrounding scheme. The fact that the DNOs allowance will remain unchanged however is disappointing, particularly in light of the increased time period of eight years over which this price control will run. Given the lead-in time for these undergrounding projects, we understand the need to give an early indication as to the likely budget allocations for the RIIO-ED1 period. However, we suggest that, following routine monitoring of this output incentive and in keeping with the ethos of ‘use it or lose it’, if any DNO is seen to be underperforming with respect to this output incentive, underspends should be reallocated. This money should be made available to other DNOs with priority afforded to designated areas that have undergone boundary changes subsequent to the award of the RIIO-ED1 allowance.

Question 4

5.4 On the matter of the 10% allowance, we are aware that this flexibility has been used successfully in some projects to allow common sense to prevail. As the identification of undergrounding projects is largely stakeholder led and constrained by a capped budget for each AONB or NP, we believe that the appropriate use of the 10% allowance should be left up to the discretion of the respective stakeholder representative(s) and DNO undergrounding project manager. In terms of the need for guidance, this could simply be in the form of best practice to date and the output from a session on this subject held by the national steering group suggested above. Our understanding of this flexible approach is that up to 10% of the allowance could, (not should), be spent on lines located outside the boundaries of the designated areas if the prioritisation and needs of the particular project justified it. It may be perfectly valid though that if the priority schemes for a specific designated area lie wholly within the designated area then a need to invoke the 10% allowance may not arise.

Question 5

5.5 We are disappointed that Ofgem have been unable to ascertain the implications of the NSA inclusion on the allocation of the overall expenditure cap. Statements like “there appear to be relatively few distribution lines crossing NSAs” (5.47) give little reassurance to the existing designated areas as to how much their individual allocations might change, and give rise to uncertainty for future project planning.

5.6 Additionally, it is difficult to ascertain whether the inclusion of the NSAs will allow for effective use of the undergrounding scheme in Scotland. We would suggest that if the DCPR5 criteria are to be used, namely £2.29 per customer to underground 1.5% of the DNO’s overhead lines in each designated area, then the NSA allowance might only be sufficient to address the low voltage network (240v) in these areas. This is because the costs of undergrounding the DNO’s high voltage network (11kv – 132kv) tend to be excessive, even though it is these lines that are likely to have the highest impact on the landscape. This is evidenced by the current delivery of the undergrounding project in the Northern Powergrid (Northeast) area.

5.7 We note and agree with the observation that because NSAs can overlap with National Parks in Scotland, there will be a need for careful data management to prevent double counting of certain overhead lines. This issue is also likely to add further complexity to the line prioritisation process, for if each NSA is to be allocated its own allowance then the respective National Parks would effectively have a reduced allowance to address their own priority lines lying outside the NSAs.

5.8 On the matter of the total expenditure pot available for undergrounding in RIIO-ED1, we welcome the intention to increase this on a pro rata basis due to the longer price control period. We are disappointed that Ofgem have not been able to provide a clearer indication as to the calculation process for this. The methodology and rates from the DCPR5 review are proposed with a caveat that Ofgem may use the findings of further willingness to pay analysis to inform the level of the enduring expenditure cap. The more recent willingness to pay study carried out by Accent for National Grid Electricity Transmission, (NGET) in 2012 would again appear to be overlooked as was highlighted in [ENPAA’s response](#) to question 2 of the recent RIIO-T1 consultation, reference 104/12. Further clarity is required on the circumstances in which Ofgem will decide to use or not use the further findings identified in para 5.51.

Question 6

5.9 We accept that all cable undergrounding projects, whether for new infrastructure or the replacement of existing overhead lines, should go through an ecosystem services and environmental impact assessment process proportionate to the scale of the project being undertaken. Whilst the primary objective of the undergrounding project should continue to be

the protection of visual amenity, this should not be at all cost. The impact of each project on sensitive ecological, archaeological or geological sites or the wider ecosystem services should be identified and inform the final assessment decision. New undergrounding technology and route alignment may be able to overcome some of the project constraints. Again we would suggest that current best practice could be brought to the fore by a national steering group rather than each DNO evolving their own policies. From this a national policy / assessment procedure could be identified for DNOs and stakeholders to adopt.

5.10 On the matter of stakeholder engagement we would advocate that DNOs are tasked with identifying an appropriate representative/contact for each AONB, National Park or NSA in their respective area. In most cases this is likely to be a National Park or AONB staff representative. Resourcing constraints will occur in certain circumstances but we would advocate that much of the necessary work could be undertaken by 'friends of groups' or volunteers if necessary. If the appointed body overseeing the designated area views the impact of overhead lines on the landscape as being a priority for them, then the necessary resource should be forthcoming. We would not wish to see the limited resources of the overall expenditure cap used up on outside project officer support. Nor for that matter should DNOs seek to utilise the funding set aside for undergrounding to appoint internal project officers to fulfil their statutory requirements as identified in para 5.32. Such posts should be funded from their own resources thereby maximising the amount available for project implementation.

- **Chapter 6: Customer Satisfaction**

6.1 No comments

- **Chapter 7: Social Obligations**

Question 2

7.1 As mentioned in the [ENPAA response](#) to the February 2012 open letter consultation (ref 15/12), we are aware that in some National Parks the number of off-grid properties is an issue and linked to high fuel poverty figures released by the Department of Energy and Climate Change ([DECC](#)) earlier in the year (see Annex 3). In Northumberland National Park for example, 100% of properties are off-grid gas and 10% are off-grid electricity. Thought to be the most extreme case nationally, many of these residents use diesel generators to produce their electricity and research undertaken for DECC has identified that the cost of such production can be up to four times that of grid connected customers. Coupled with this, diesel generation also leads to excessive noise pollution, often in some of the most tranquil locations in the country and increased carbon dioxide emissions per kWh produced. As with the recommendation in para 7.15 that DNOs might help with off-grid gas customers, we would advocate that more should be done to address the remaining off-grid electricity customers and to provide both reasonable and proportionate grid connection opportunities.

7.2 Currently these customers are more likely to get a high speed broadband connection before they get connected to the electricity grid. However, this in its self may provide an opportunity for DNOs to demonstrate best practice and share the cost of an underground electricity supply with that of a broadband utility supplier (one trench providing shared services). As the country gears itself up for the delivery of high speed broadband to rural areas DNOs and other utility suppliers should be prepared for effective partnership working. ENPAA would like to propose that Ofgem consider an additional output incentive for the DNOs to report on, namely 'the length of their cabled network that incorporates a shared service with another utility supplier, either overground or underground'. By doing so, particularly in the case of underground services, this should realise efficiency savings for all concerned.

Question 3

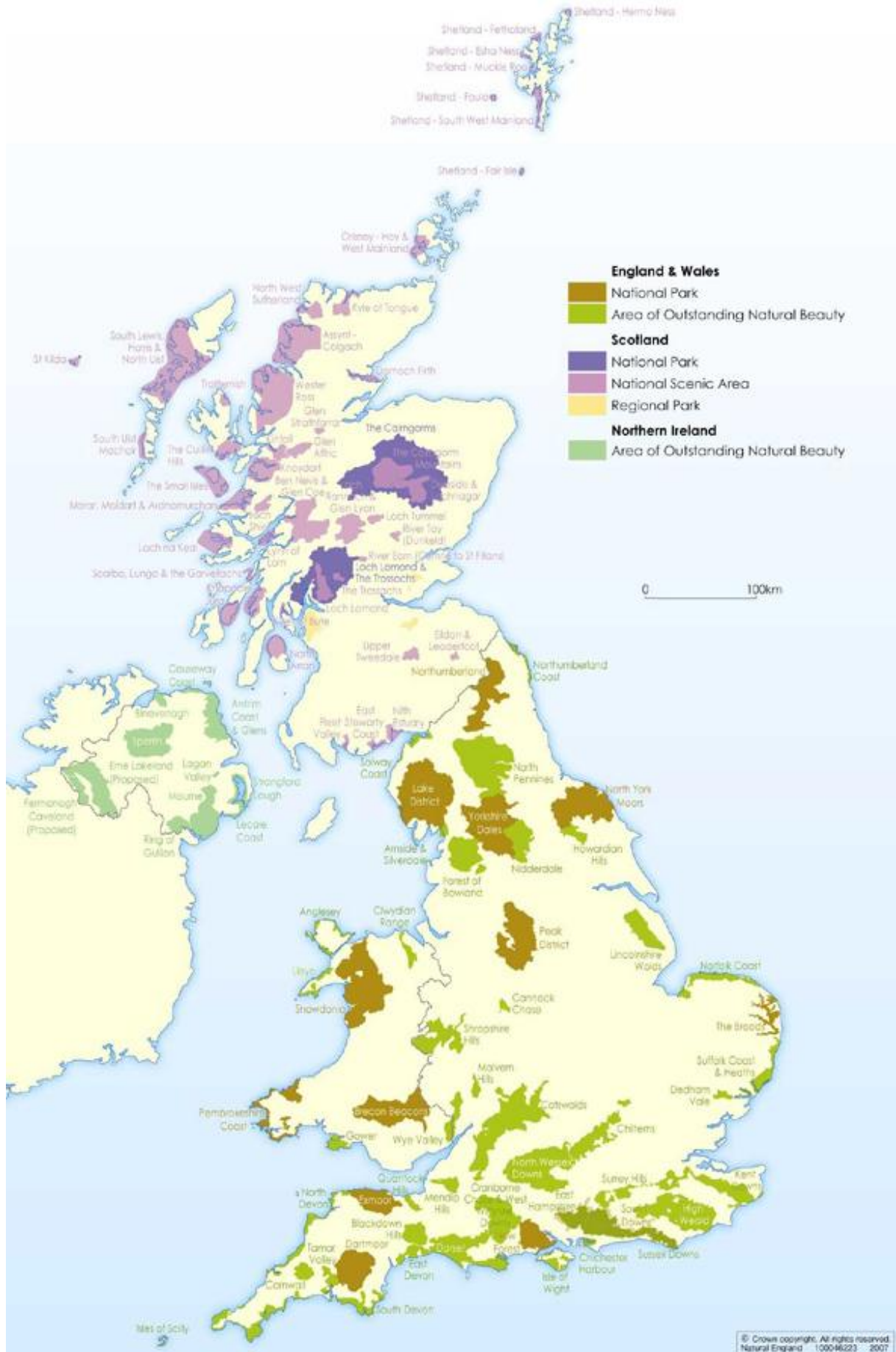
7.3 We believe it is appropriate that DNOs fund the core elements of their social obligations such as the maintenance of a Priority Services Register (PSR). It is likely, however, that in addressing some social issues additional funding may be required in order to engage the DNOs. Setting aside a 'pot' of price control revenue that could be bid for in order to deliver real benefits to customers sounds appropriate and is a model used effectively elsewhere such as the low carbon network initiative.

- **Chapter 8 – 10**

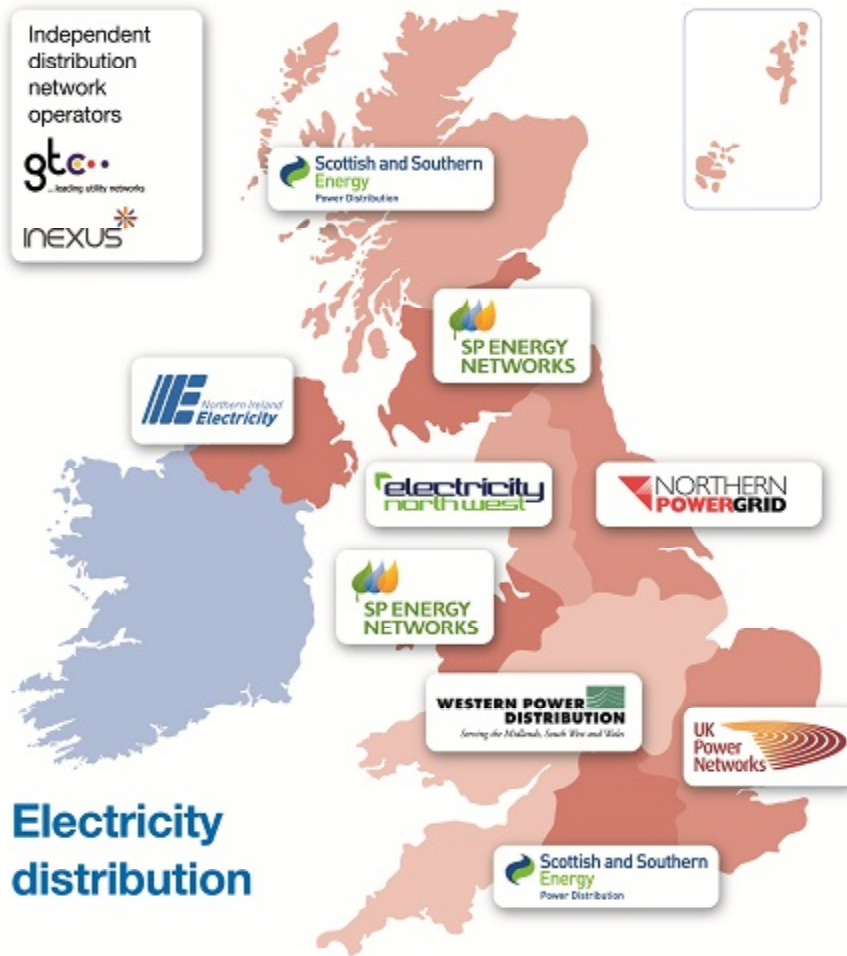
8.1 No comments

9.1 Thank you once again for the opportunity to comment on the RIIO-ED1 price review strategy and we hope that you find the above comments useful. I can confirm that ENPAA is happy for our response to be made publically available. Please do not hesitate to get in touch if we can be of further assistance.

Annex 1 – Map showing location of UK protected landscapes



Distribution Network Operator (DNO) Companies



Annex 3

Fuel Poverty in the North East, 2010

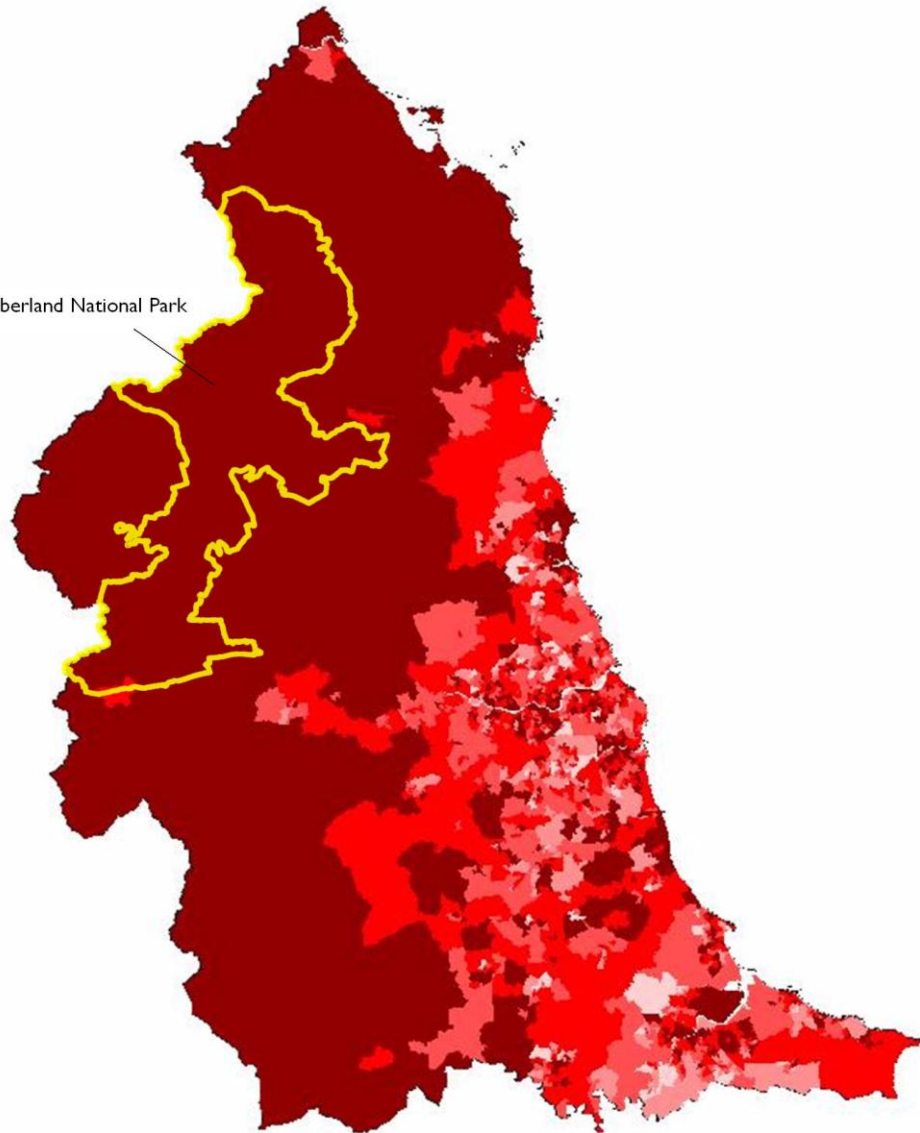
Percentage of households in Fuel Poverty by Lower Super Output Area (LSOA)



Key

- 0 to 10
- 10 to 15
- 15 to 20
- 20 to 25
- 25 to 100

Northumberland National Park



Source: ONS, Super Output Area Boundaries.
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Source: [DECC - Annual Report on Fuel Poverty Statistics 2012](#)