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Your Ref:
Our Ref: .

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Dear Ms Nixon,

Strategy consultation for the RIIO-ED1 electricity distribution price control

We have reviewed the consultation document and our particular concern at this point is in how RIIO-ED1 will support growth in a more general sense, i.e. not just of renewable/low carbon generators. We are acutely aware of the need to avoid possible redundancy in assets, but it is absolutely critical that there is timely and informed investment in the distribution networks to support economic growth through, for example, new residential and commercial development.

Capacity in the existing network is a significant constraint for new development in this area, and it is interesting to note the comments of Ofgem in the Electricity Distribution Annual Report for 2010-11¹ that expenditure in the reporting year was significantly lower than envisaged (paragraph 3.3). The relevant DNO in our case, UKPN (Eastern) were awarded a red traffic light for reliability and availability, and underspent by around 20% on capital expenditure (Figure 3.1). There are a number of sites in Suffolk that have been agreed through the planning process for development and have the support of major developers, yet are stalled in no small part due to the high cost of electricity connections, arguably due to a lack of strategic investment to reinforce the network.

1

http://www.ofgem.gov.uk/Networks/ElecDist/PriceCntrls/DPCR5/Documents1/Electricity_Distribution_Annual_Report_for_2010_11.pdf

We are very interested to note that, in the new guidance to Ofwat from Defra, the Government is very clear that the regulator has a responsibility to support growth through sufficient infrastructure investment:²

3.8 Planning for Growth

3.8.1 The National Planning Policy Framework is a key part of the Government's reforms to make the planning system less complex and more accessible, to protect the environment and to promote sustainable development.¹⁰

3.8.2 Water and Sewage Companies should continue to actively plan for new development and increasing demand on both water and sewerage networks, and to engage with planners, consumers, developers and others to ensure that the system is resilient and capable of supporting sustainable growth. The Water Resources Management Planning Guideline, produced jointly by Environment Agency, Ofwat, Defra and the Welsh Government, sets out the approach to forecasting planning for future population growth in order to ensure that the network is capable of supporting projected growth.

We would suggest that a similar philosophy is embedded in RIIO-ED1. Our advice would be that, in the absence of a strategic planning body, the DNOs need to work closely with the Local Planning Authorities in their area to ensure that their own network investment programmes support the delivery of Local Plans and thus the growth that the Government is urgently seeking. At the very least, alternative funding mechanisms need to be explored to defray the significant connection costs developers are required to pay in the early stages of the development process; a critical period for the viability of development.

We would be more than willing to discuss this issue, and provide specific examples of blockages to Ofgem, in the future.

With regard to environmental impacts, we strongly support the intention to retain the allowance for undergrounding in AONBs and National Parks (paragraph 5.30). Suffolk Coast & Heaths AONB and the Dedham Vale AONB teams have contributed to a fuller response on this matter via the South East & East of England Undergrounding Steering Group.

Yours sincerely,

Michael Wilks
Spatial Planning Projects Manager

² <http://www.defra.gov.uk/consult/files/consult-sps-seg-doc-20121112.pdf>