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for energy consumers

To:

Generators, Customers,
Transmission System Owners,
System Operator, and other
interested stakeholders

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Dear Colleagues,

Consultation on our assessment of National Grid Electricity Transmission's proposed Visual Impact Provision policy

This letter sets out our views of National Grid Electricity Transmission's (National Grid) proposed Visual Impact Provision (VIP) policy.¹ The proposed VIP policy confirms National Grid's commitment to addressing the effects of its existing transmission infrastructure on the visual amenity of National Park and Areas of Outstanding Natural Beauty in England and Wales.² We think the proposed VIP policy fulfils its purpose and includes the required elements set out National Grid's transmission licence. We support National Grid implementing the policy and are not proposing any changes, unless stakeholders raise major concerns about it. We welcome your views on the proposed VIP policy and our position. Please send these to anna.kulhavy@ofgem.gov.uk by 3 March 2014.

Purpose of the policy

In 2012 we published our final proposals for the three electricity transmission owners (TOs): Scottish Power Transmission Limited (SPTL), Scottish Hydro Electric Transmission plc (SHE Transmission) and National Grid. These proposals set the key elements of the price control from 1 April 2013 to 31 March 2021. As part of these proposals we agreed to a policy that would allow the electricity TOs to reduce the visual impact of pre-existing infrastructure in National Parks, Areas of Outstanding Natural Beauty and National Scenic Areas.³ The initial expenditure cap is £500 million (2009/10 prices) in total.⁴

The TOs are able to ask for funding on a voluntary basis. However, before a TO, in this case National Grid, can ask us to approve funding for a specific project, it must submit a Mitigating Pre-existing Infrastructure Policy to us. This requirement is to ensure that National Grid adheres to a robust and transparent process for identifying the parts of its

¹ A copy of National Grid's proposed Visual Impact Provision policy is available at: <http://www.talkingnetworkstx.com/visual-impact-provision.aspx>

² Existing transmission infrastructure is defined as network equipment such as lines and towers that are part of the licensee's transmission network as at 1 April 2013.

³ National Parks are designated in Scotland, England and Wales. However, Areas of Outstanding Natural Beauty are designated only in England and Wales and National Scenic Areas are designated only in Scotland.

⁴ The level of the expenditure cap was informed by a 2012 survey of households on the amount they would be willing to pay to reduce the effects of existing transmission infrastructure on the visual amenity of designated areas.

transmission network that would yield the greatest visual amenity improvements in National Parks and Areas of Outstanding Natural Beauty. It should also ensure that stakeholders are involved in selecting the most important projects. We think it is important that stakeholders and National Grid work together in this process to ensure buy-in and to identify effective and value for money solutions that reduce the visual impact in the designated area.

Once it has an appropriate VIP policy, National Grid can ask us to assess the efficient costs of a mitigation project and approve adjustments to its allowed expenditure under the RIIO-T1 price control. As part of its request, National Grid must show that it has selected the project with its stakeholders in line with its VIP policy. In general, our assessment will focus on the efficient costs of the mitigation project rather than the merits of the particular project. National Grid and its stakeholders are best placed to prioritise the most important mitigation projects, and the best ways to create improvements by following the process in the VIP policy.

The £500 million expenditure cap does not apply to the construction of new transmission lines and other new electricity transmission infrastructure. The impacts of new developments are considered on a case-by-case basis through the planning and consent processes before the infrastructure is constructed. There are separate provisions in the RIIO-T1 price control to consider funding requests for new transmission infrastructure proposals, including the need for additional mitigation technologies or works that are a condition of planning consent.⁵

National Grid's proposed VIP policy

In its policy, National Grid proposes to appoint landscape professionals to identify and classify the landscape and visual effects of its transmission infrastructure in National Parks and Areas of Outstanding Beauty in England and Wales. National Grid would also convene a Stakeholder Advisory Group to help it prioritise projects. Priority would be given to projects that yield the greatest visual improvements, help other environmental and social impacts, and are economically efficient. National Grid would also seek the views of other stakeholders on the priority projects, and work with local stakeholders to carry out the mitigation projects.

In accordance with its licensed transmission area, National Grid would apply its VIP policy only to mitigation projects in England and Wales. The two Scottish TOs - SHE Transmission and SPTL, which own the transmission network in northern and southern Scotland respectively – are yet to develop a policy. We would welcome further detail from the Scottish TOs about their plans for this area. Nonetheless, at this stage we think National Grid's VIP policy would enable collaboration if SHE Transmission or SPTL develop a policy. The three TOs will need to cooperate to ensure the best possible results in England, Wales and Scotland for consumers.

National Grid consulted on a draft VIP policy between July and September 2013. Responses to the consultation mostly supported the policy, but identified some areas as needing further clarity, eg the decision-making process.⁶ Having considered feedback from its 2013

⁵ Funding provisions for new infrastructure include the Strategic Wider Works arrangements. For more information please see <https://www.ofgem.gov.uk/publications-and-updates/guidance-strategic-wider-works-arrangements-electricity-transmission-price-control-riio-t1-0>

⁶ Some other issues raised in the consultation are not areas National Grid can take decisions on or affect through its proposed VIP policy, eg the initial amount of money available under the expenditure cap. We consulted on and settled these matters as part of RIIO-T1 Final Proposals.

consultation, National Grid updated its draft policy and submitted it to us on 18 December 2013.⁷

Our views

We have assessed the proposed VIP policy against the requirements in paragraphs 6G.6 (a) to (f) of Special Condition 6G (Mitigating the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas) of National Grid's transmission licence.⁸ The requirements include involving stakeholders in project selection, proposing a method for evaluating opportunities to reduce the effect of its transmission network in designated areas, considering cultural, historical and ecological factors, and economic efficiency.

We think the proposed VIP policy fulfils its purpose and includes the required elements set out in Special Condition 6G. Our findings are set out in Appendix 1. We consider the policy is a thorough and transparent way for National Grid and its stakeholders to select the projects that it will ask specific funding for. This process should also help ensure that projects under the scheme offer the greatest benefits and value for money for consumers.

Based on our assessment, the support stakeholders gave for the draft VIP policy in National Grid's 2013 consultation, and our statutory duties, we support the implementation of the proposed policy. We are not proposing any changes to National Grid's policy, unless stakeholders raise major concerns about it.

Next steps

We welcome stakeholders' views on National Grid's proposed VIP policy and our views by 3 March 2014. We would be grateful for early responses where possible. Unless marked as confidential, we plan to publish all responses on our website.

We will consider stakeholders' responses before taking a final decision.

Yours faithfully,

Kersti Berge
Partner, Electricity Transmission

⁷ A summary of responses on NGET's consultation on its draft VIP can be found at:

<http://files.opendebate.co.uk/files/nationalgrid/transmission/1-VIP%20Consultation%20Report.pdf>

⁸ See Special Conditions to National Grid Electricity Transmission plc's electricity transmission licence

<http://www.ofgem.gov.uk/Networks/Trans/PriceControls/RIIO-T1/ConRes/Documents1/NGSpCmods.pdf>

Appendix 1 - Our assessment of National Grid's proposed VIP

We have assessed National Grid's proposed VIP against the requirements specified in Special Condition 6G which came into force on 1 April 2013. Our assessment covers the following sections:

- 1) policy objective
- 2) scope and measures
- 3) stakeholder engagement
- 4) identification and assessment method
- 5) prioritisation criteria
- 6) review process.

1. The proposed VIP meets the requirement in paragraph 6G.6(a) to specify National Grid's aim for visual impact improvements

National Grid's proposal

National Grid states in section one that it would use its proposed VIP policy to reduce the impacts of its transmission infrastructure in the most precious landscapes. Its objective is "*.. to achieve the maximum enhancement to the landscape in England and Wales from the available funds whilst ensuring that no significant adverse impacts arise as a result.*"

Our views

National Grid's objective for its VIP policy is consistent with its broader statutory duties and licence obligations. The most relevant of these are: its duty to maintain its network in an economical and efficient way; having regard to the preservation of amenity; and having regard to the conservation and enhancement of the natural beauty, wildlife and cultural heritage of the National Parks and AONBs. We agree with National Grid's policy objective to achieve the greatest visual improvement, subject to meeting other considerations including economic efficiency. This way, it can ensure the funding provision, which is capped, achieves the best value for money for consumers.

We also support National Grid's inclusion of the need to avoid causing harm through mitigation projects, which in some cases can be relatively intrusive, eg tunnelling to bury cables. We understand that National Grid has stipulated this to address concerns that reducing visual impact could sometimes cause unacceptable disturbance to historical or ecological features of the landscape. These are important considerations. Ideally, projects to reduce visual impact should aim for mutually beneficial outcomes. At the least, they should not harm other valued features of the landscape.

2. The proposed VIP meets the requirement in paragraph 6G.6(e) to describe how National Grid could reduce visual impact

National Grid's proposal

In section two, National Grid summarises the ways it could use the funding provision to reduce visual impact. National Grid notes that consumers' preferred option is the replacement of overhead lines with underground cables. It therefore expects the majority of its funding to be for this kind of project.

Nonetheless, National Grid mentions the advantages of other measures, such as tree screening, in terms of greater speed and lower costs. It also says the final project proposals would take further stakeholder feedback into account.

National Grid also summarises the types of work that would not be eligible for funding. These include changing new infrastructure or other infrastructure owned by National Grid such as gas transmission network and distribution networks.

Section 2 also clarifies some concerns raised by stakeholders in response to its 2013 consultation on the draft policy. It confirms that the policy would apply to lines adjacent to protected landscape that still affect that landscape. It also promises to consider whether costs could be saved by combining mitigation projects with other planned works (eg other works nearby, or planned maintenance that would be carried out anyway).

Our views

We think National Grid has adequately described the measures it could use in mitigation projects. It has also given useful context around consumers' preferences on these, which could be relevant when it comes to considering specific projects. We welcome National Grid's information on the types of work that would not be covered by the funding provision and therefore its proposed VIP policy. This clearly defines the scope of the VIP policy in line with the policy in the price control final proposals in December 2012.

We also support National Grid's clarification of the treatment of transmission lines/infrastructure adjacent to designated areas, and the possible savings from coordination with planned works. These will help ensure that decisions on mitigation projects are fully informed by possible synergies with other projects and tangible consumer benefits. This includes savings that might arise if the project means other planned works are no longer necessary or if there are economies of scale from coordinating projects and other works.

3. The proposed policy meets the requirement in paragraph 6G.6(b) on how National Grid would work with stakeholders on prioritising visual impact improvements

National Grid's proposal

In section five, National Grid explains how it intends to work with stakeholders when making decisions on using the funding provision. National Grid intends to do this in two main ways. Firstly, establishing a dedicated Stakeholder Advisory Group to assist it in identifying, evaluating and prioritising mitigation projects. National Grid proposes that the group would comprise organisations with national remits for England and Wales that have relevant expertise. Secondly, National Grid proposes to seek the views of other stakeholders, and local groups, to gather feedback on mitigation priorities. National Grid also proposes to work with other transmission and distribution network owners to share best practice and ensure the maximum benefit from the fund.

Our views

We think a transparent and meaningful process for stakeholders input is essential if National Grid is to make the most of the new funding provision. We believe National Grid's proposal to involve a Stakeholder Advisory Group in all stages of evaluating and prioritising

mitigation projects will help achieve this. The proposed group would be a good way for stakeholders to have influence at a formative stage and be involved in decision making.

We welcome National Grid's commitment to engaging with other stakeholders who are not part of the Stakeholder Advisory Group. However, we note that the detail of that engagement process is yet to be decided. It would be useful to get the advisory group's input on this engagement strategy. It would also be useful if National Grid could indicate when further information would be provided to other stakeholders on the timing and likely scope of engagement.

We support National Grid's commitment to working with other network owners on best practice and making the best use of the fund. Without further information on the Scottish TOs' plans in this area, we think National Grid's proposal to share information at each stage of its VIP process is appropriate.

4. The proposed VIP meets the requirement in paragraph 6G.6(c) to specify a method for identifying opportunities for visual impact improvements

National Grid's proposal

In section three, National Grid outlines its process for identifying and evaluating candidate mitigation projects. It also details how other parties would comment on the various stages. National Grid has provided a supplementary document containing further detail on the methodology it would use to assess the effect of its infrastructure on National Parks and Areas of Outstanding Natural Beauty, and which offers the greatest opportunities for improvement.

National Grid's proposes to commission qualified landscape professionals to assess the impacts of all National Grid infrastructure in designated areas. This would use the assessment framework in the Guidelines to Landscape and Visual Impact Assessment (GLVIA3).⁹ It would involve a 'reverse' assessment in that rather than the normal application of the framework to assess the potential effects of a proposed scheme or development that do not exist, it would be used to assess the effects of existing infrastructure. The identified impacts, both landscape and visual, would be assessed for its overall importance. This judgement would consider both the sensitivity of the landscape and the magnitude of the impact. The GLVIA3 assessments would be peer reviewed, discussed by the Stakeholder Advisory Group and agreed.

Based on the priorities decided from this first stage, a list of candidate infrastructure would undergo a more detailed assessment of mitigation options. This would include looking at the potential visual improvement of different options, along with technical feasibility, possible harm to other environmental features and land use, and overall value for money.

National Grid emphasises that its proposed assessment methodology would be subject of further refinement and discussion with the Stakeholder Advisory Group.

Although section three does not include expected timescales for the VIP policy process, a high level timeline is available on National Grid's website.

⁹ The third edition of Guidelines for Landscape and Visual Impact Assessment (GLVIA3) was published jointly by the Landscape Institute and the Institute of Environmental Management & Assessment.

Our views

We support National Grid's proposal to assess the landscape and visual impacts of all transmission infrastructure in designated areas in England and Wales. This would provide comprehensive data on the effects of that infrastructure on the landscapes. It would also improve current understanding on the extent of this problem.

We also welcome National Grid's proposal to base its assessment approach on the GLVIA3. We think the proposed method is appropriate as we understand the GLVIA3 is widely recognised as an authoritative guide for the proposed assessment approach and is recommended as good practice by relevant professional institutes.

The method will allow a comparative assessment of the impact of all existing infrastructure in designated areas. This is essential for deciding mitigation project priorities. The short timescale and the scale of the assessment task means that the assessment will need to be split between several professionals. This means adopting an industry-recognised approach will help ensure consistency of the professional judgement. We agree with the additional checks and balances that National Grid has proposed (eg an initial workshop, benchmarking and peer review) to ensure quality and consistency of assessment.

While it would be pragmatic for National Grid to filter the list of potential mitigation projects and take only the most important to the next stage, we are concerned that this might mean overlooking some simpler mitigation projects. For example, it might be possible to use relatively cheap mitigation measures, eg tree screening, to address some of the less severe effects of National Grid's infrastructure. We recommend that National Grid consider how to improve its VIP process so that as well as selecting the most important projects, it identifies easy visual improvements. We would expect this issue to be discussed by the Stakeholder Advisory Group when it considers refinements to the assessment approach. This would need to be justified - as should any changes to the assessment approach - on the basis that it would better achieve the aims of National Grid's proposed VIP policy.

On balance, we think National Grid has proposed a logical and appropriate way to identify opportunities to address the visual impacts of its transmission infrastructure.

5. The proposed NDP meets the requirement in paragraph 6G.6(d) to set out the criteria National Grid will apply to prioritise projects

National Grid's proposal

In section four, National Grid outlines the principles that will guide the selection of mitigation projects. National Grid will prioritise proposals which:

- result in the greatest landscape enhancement benefits
- result in the greatest opportunities to conserve and enhance natural beauty, wildlife and cultural heritage whilst avoiding unacceptable environmental impacts
- result in the greatest opportunities to encourage public understanding and enjoyment of the protected landscapes, including positive socio-economic impacts
- are technically feasible in the context of the wider transmission system
- are economical and efficient.

Our views

We think National Grid's guiding principles are consistent with the objectives of the proposed VIP policy and reflect the company's statutory duties and licence obligations. We would expect decisions on mitigation project priorities to clearly explain the choices that are made with reference to these guiding principles and overall achievement of the VIP policy objective.

6. The proposed VIP policy meets the requirement in paragraph 6G.6(f) on reviewing the policy

Our views

We support National Grid's proposal to review and consult stakeholders on the policy in 2017 (halfway through the RII0-T1 price control period). We also agree with National Grid's proposal to make interim amendments to the policy in order to adapt to new developments where relevant (eg changes in National Grid's responsibilities, changes in environmental appraisal best practice and changes in technology).