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for energy consumers

To:

Generators, customers,
transmission system owners, the
system operator, and other
interested parties

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Date: 21 March 2014

Dear Colleagues,

Response to our consultation on National Grid Electricity Transmission's proposed visual impact provision policy

As part of the current transmission price control, RIIIO-T1, we introduced a policy that would allow the electricity transmission owners to reduce the visual impact of existing infrastructure in national parks, Areas of Outstanding Natural Beauty and National Scenic Areas.¹ Under this initiative, a transmission owner can ask for funding for projects to reduce the visual impact of transmission infrastructure in protected areas. However, before a transmission owner, in this case National Grid, can ask us to approve funding for a specific project, it must have a policy on how it will work with stakeholders to identify and prioritise projects that would yield the greatest visual improvements.

National Grid submitted its proposed visual impact provision (VIP) policy to us in December 2013. We assessed this against the requirements set out in its electricity transmission licence and in February 2014 consulted stakeholders on our assessment.² We've reviewed the responses, and do not think they raise any major issues with National Grid's policy.

Having considered the responses to the consultation, we think National Grid's VIP policy fulfils its purpose and includes the required elements set out in Special Condition 6G ("Mitigating the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas") of the electricity transmission licence.³ As a result, we support National Grid's implementation of its VIP policy, and aren't making any changes.

Responses to the consultation

We received six responses to the consultation.⁴ We have reviewed these and considered the issues raised with National Grid's policy in the context of the requirements set out in the electricity transmission licence. We have decided not to make any changes to the policy for the issues that were raised because we don't think this would best achieve the

¹ 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.

² A copy of our consultation letter is available at: <https://www.ofgem.gov.uk/ofgem-publications/85862/ngetsvipconsultation140203.pdf>

³ 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>

⁴ Consultation responses are available at: <https://www.ofgem.gov.uk/publications-and-updates/consultation-our-assessment-national-grid-electricity-transmission%E2%80%99s-proposed-visual-impact-provision-policy>

requirements set out in the licence. Some issues are not significant enough to justify changing the proposed policy. In addition, some of the other issues raised are not, in our view, well-founded. And for some issues we don't think it would be desirable or appropriate to change the policy as this could restrict the ability of the Stakeholder Advisory Group to further refine some aspects of the process that would better achieve the requirements of the licence.

We have summarised the issues with National Grid's policy raised in responses, along with our responses, in Appendix 1.

One stakeholder raised a couple of issues relating to the general policy for this funding provision in the price control. As these are not directly relevant to our decision on the suitability of National Grid's proposed policy we don't cover these in this letter or Appendix 1. We will follow up separately to provide clarification on the areas raised in relation to the general policy at a later date.

Yours faithfully,



Kersti Berge
Partner, Electricity Transmission

Appendix 1 – Summary of consultation responses

The following organisations responded to our consultation on National Grid’s VIP policy:

1. Campaign for National Parks
2. Suffolk County Council
3. Campaign to Protect Rural England
4. The Chilterns AONB Conservation Board
5. Dedham Vale AONB and the Stour Valley Project and Suffolk Coast and Heaths AONB
6. South East and Eastern Undergrounding Steering Group

We’ve summarised the issues raised into the areas covered in our assessment:

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

1. Policy objective

Stakeholders’ views

One stakeholder thinks the VIP policy should aim to remove all transmission lines from England’s nationally designated landscapes.

Another stakeholder said National Grid’s terminology should be clearer, eg landscape impacts and visual impacts are not the same thing and are not interchangeable.

Our response

We do not agree with the alternative policy objective that has been suggested. National Grid is required by its licence to develop its VIP policy within the parameters of the overall policy included in its final proposal for the RII0-T1 price control. This defines the available funding and the commitment to this initiative for the duration of the current price control. We do not think National Grid should define its VIP policy objective outside the boundary of the policy initiative for the current price control. The decision on whether a similar policy is included in future transmission price controls will be taken as part of the price control review process that precedes a future transmission price control. This will be informed by stakeholders’ views on what transmission companies should deliver and the company’s past performance in earlier price controls in related areas.

In our view, the terms “landscape impact” and “visual impact” are not used interchangeably in the VIP policy. Instead, we think these terms are used in a complementary way. National Grid’s policy clearly seeks to reduce the visual impact of existing transmission infrastructure in national parks and Areas of Outstanding Natural Beauty. However, as some methods of mitigation can be intrusive, it’s appropriate that National Grid has highlighted landscape impact in its policy as a closely related consideration. Failure to do so could result in outcomes which would not be in the interests of existing and future consumers.

We are not directing any changes to the proposed VIP policy in this area.

2. Scope and measures

Stakeholders' views

One stakeholder did not agree that funds available under this initiative should be used on low-cost solutions such as tree screening of transmission infrastructure.

Another stakeholder said the draft Landscape and Visual Impact Methodology proposed in the VIP should recognise that the policy could also apply to lines adjacent to protected landscapes.

Our response

We do not agree with the suggestion that the fund should not be used on low-cost options, as we don't think it's justified. If low-cost options are identified as a feasible and effective way to reduce visual impact, we think they should be considered. They would provide good value for money and allow relatively cheap and easy initiatives that can be quickly implemented to benefit consumers.

We agree that the Landscape and Visual Impact Methodology should reflect that it could be applied to lines that are adjacent to protected landscapes. However, National Grid expects the methodology to evolve and develop, with stakeholder input, as the project progresses. We see no reason why the methodology cannot be updated as part of that process. Also, as the policy makes clear that it could also apply to lines adjacent to relevant protected areas, we don't think it needs to change.

We are not directing any changes to the proposed VIP policy in this area.

3. Stakeholder engagement

Stakeholders' views

One stakeholder commended National Grid's collaborative approach to working with stakeholders and the development of guiding principles. It saw this as the fairest way to prioritise schemes.

Five stakeholders highlighted the need for further detail on how people outside the Stakeholder Advisory Group will be able to get involved in identifying and selecting candidate projects. There were similar concerns about who will have an opportunity to make the case for assessing lines that lie adjacent to protected landscapes.

Our response

We agree that National Grid should give further information to stakeholders outside the Stakeholder Advisory Group as soon as possible. This should tell them about how they can get involved (we also made this point in our consultation letter). However, we think it is appropriate that the Advisory Group should have some input on these arrangements. We expect some members of the Advisory Group to act as a conduit for bringing the views of wider stakeholders to the consideration of the Advisory Group. Given the role of the Stakeholder Advisory Group and the knowledge they will bring to developing a wider stakeholder engagement strategy, we don't think it's either desirable or appropriate to prescribe change the proposed policy in this area that might end up restricting the Advisory

Group's input. However, we encourage a wider stakeholder engagement plan and think this is a priority for the group to address when they first meet. In our role as an observer on the Advisory Group we will have the opportunity to monitor developments in this area.

We agree that further clarification is needed on who will have an opportunity to make the case for assessing lines that lie adjacent to protected landscapes. We note again National Grid's commitment to getting the Stakeholder Advisory Group's views on how wider stakeholders can comment on where VIP funding might be beneficial. We think it is appropriate that the Advisory Group also have input on this mechanism. It is important that this aspect of the VIP policy is manageable, proportionate and pragmatic. Accordingly, we think this is another priority for the group to consider when it meets. We do not think it is appropriate to direct changes to the proposed policy in this area as this could limit the Stakeholder Advisory Group's scope to create an appropriate mechanism.

We are not directing any changes to the proposed VIP policy in this area.

4. Identification and assessment

Stakeholders' views

Several stakeholders thought the proposed approach to assessing the impact of lines in national parks and Areas of Outstanding Natural Beauty could lead to a lot of redundant information, particularly in the context of a single price control. There were also concerns that this could reduce the time available to consult, design and create a scheme in the price control period. To address this issue, one stakeholder suggested changing the policy to:

- Take a much longer term perspective, and to consider likely relevant works in subsequent price controls that could increase the efficiency of future VIP projects.
- Respond more to expressions of interest for undertaking particular schemes. The strongest expressions of interest would go forward for further investigation.

One stakeholder had concerns about the proposed Landscape and Visual Impact Methodology. In particular, it was not convinced by the proposed use of a scoring system, and its ability to distinguish between so many potential schemes. The stakeholder thought it would be better to filter schemes using objective evidence on the likely benefits of candidate projects. It also suggested that the assessment should consider how mitigating the impact of National Grid's infrastructure might also improve the other infrastructure in the area. This could be other National Grid equipment or other developments, such as distribution networks or energy power plants.

Our response

We disagree that the initial assessment using the Landscape and Visual Impact Methodology will lead to redundant information or risk of considerable delay. As noted in our consultation we support the proposed use of landscape professionals and transparent methods to assess the impacts of all existing infrastructure. We believe the benefits of this first stage outweigh the potential cost. First, it will generate accurate information on the impacts of existing lines. This will provide evidence to inform future policy in this area. Second, it ensures that all lines are considered on a level playing field and assures stakeholders that the projects that are taken forward offer the greatest benefits for consumers.

We also think this approach is appropriate as it will act as a first filter of the potential projects relatively quickly. This means the time and effort involved in more detailed assessment of the mitigation opportunities can focus on the projects that offer the greatest benefit. We think this is proportionate and fair and we are satisfied that the proposed assessment methodology is an efficient way to undertake the initial assessment.

An approach that is based on expressions of interest would lack transparency and could overlook significant opportunities for visual improvement, including those that could be addressed with relatively low-cost projects. Accordingly we don't think this suggestion would be a better way to meet the objective of the policy.

We also do not share concerns about using a scoring system as part of the initial assessment of all lines. The assessment framework has been adapted for existing transmission lines from the industry Guidelines on Landscape and Visual Impact Methodology.⁵ This is an assessment of all the aspects of the existing landscape that are affected by transmission infrastructure, the importance of each effect, and what offers the greatest chance for visual improvement. We also think this holistic assessment method will capture the impact of National Grid's infrastructure and its cumulative effect on other infrastructure in the area.

We are not directing any changes to the proposed VIP policy in this area.

5. Prioritisation criteria

Stakeholders' views

One stakeholder suggested that the coordination of a visual impact project with other works that offer economies of scale should have a clear weighting in the selection process. The stakeholder also said further clarity was needed on how National Grid would determine value for money. That is, what process would National Grid follow to judge whether a visual impact scheme was worth it?

Our response

As set out in the proposed VIP policy, the economy and efficiency of options is a key guiding principle for prioritising and selecting candidate projects. National Grid has also made explicit in its VIP policy that it will identify possible savings from coordinating projects with other planned works. We do not agree with the suggestion that the policy should put an explicit weight on this aspect. We expect a wide range of factors to be taken into account to inform the economy and efficiency guiding principle. For example, a project could result in lifetime savings for consumers through a reduction in electricity losses. We also note that no evidence or justification was provided to inform what amount of weighting should be put on this particular aspect.

In its VIP policy, National Grid has proposed a filtering process in which it and the Stakeholder Advisory Group will refine and prioritise options based on the guiding principles, including the economy and efficiency of candidate projects. We are satisfied that this process has a clear objective to provide value for money for consumers and realise the greatest landscape benefit. We also think the direct involvement of the Stakeholder

⁵ 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.

Advisory Group in this process gives sufficient confidence that the prioritisation of projects will be well-justified and transparent.

We are not directing any changes to the proposed VIP in this area.

6. Review policy

Stakeholders' views

Several stakeholders commented that when National Grid reviews the policy it should also further inform the size of allowance that is available during the RII0-T1 price control period.

Our response

We have considered the suggestion that National Grid should commit to doing a further willingness-to-pay study when it reviews its policy in 2017. However, as the licence does not require National Grid to complete further willingness-to-pay studies we are not directing any change in this area. While National Grid does not make an explicit commitment to do a further willingness-to-pay study in the VIP policy, this does not preclude it from doing so in the future.

We are not directing any changes to the proposed VIP policy in this area.