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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 SHE Transmission's proposed Visual Impact of Scottish Transmission Assets policy

The RIIO-T1 price control includes a provision for the electricity transmission owners to reduce the effects of pre-existing transmission infrastructure on the visual amenity of National Parks, Areas of Outstanding Natural Beauty and National Scenic Areas. Before a company can request funding for a specific project it must have a policy about how it will work with stakeholders to identify projects. Scottish Hydro Electric Transmission (SHE Transmission) has recently submitted its policy. In this letter we set out our views on SHE Transmission's proposed Visual Impact of Scottish Transmission Assets (VISTA) policy.¹ We think the VISTA policy meets the requirements set out in SHE Transmission's licence. Subject to consideration of consultation responses from stakeholders, we do not intend directing any changes to the draft policy. We welcome your views on our assessment of the proposed VISTA policy. Please send these to anna.kulhavy@ofgem.gov.uk by 24 June 2016.

Purpose of the policy

In 2012 we published our RIIO-T1 price control final proposals for the three electricity transmission owners (TOs): SHE Transmission, Scottish Power Transmission Limited (SPTL), and National Grid Electricity Transmission (National Grid). As part of the price control, we introduced a new policy for the electricity TOs to reduce the visual impact of pre-existing infrastructure in nationally designated areas.^{2,3} The expenditure cap for all projects that come forward under the scheme during the RIIO-T1 price control is £500 million (2009/10 prices) in total.⁴

The policy enables the TOs to ask for funding for eligible projects in their respective transmission areas. However, before a TO can ask us to approve funding for a specific

¹ A copy of SHE Transmission's proposed VISTA policy is available at www.ssepd.co.uk/vistaconsultation

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

³ The policy applies to infrastructure in the following designated areas: National Parks, Areas of Outstanding Natural Beauty and National Scenic Areas.

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

project, it must submit a Mitigating Pre-existing Infrastructure Policy to us. This requirement is to ensure that the licensee adheres to a robust and transparent process for identifying the parts of its transmission network that would yield visual amenity improvements in the designated areas covered by the policy. It should also ensure stakeholders are involved in prioritising projects. The company and its stakeholders are best placed to prioritise mitigation projects, and to identify ways to create effective improvements and value for money solutions.

Once a TO has an approved policy, and has implemented it with stakeholders, a TO can ask us to assess the efficient costs of projects and make adjustments to its allowed expenditure under the RIIO-T1 price control. Subject to a company showing that it has selected the project with its stakeholders in line with the process set out in its policy, our assessment will focus on the efficient costs of the mitigation project rather than the merits of the particular project.

The £500 million expenditure cap does not apply to the construction of new transmission lines or 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 fund new transmission infrastructure proposals, including the need for additional mitigation technologies.⁵

SHE Transmission's proposed VISTA policy

SHE Transmission will apply its VISTA policy to its pre-existing network in National Parks and National Scenic Areas in its licensed transmission area in northern Scotland. SHE Transmission will commission landscape professionals to identify and classify the landscape and visual impacts from its pre-existing transmission infrastructure. SHE Transmission will also engage with a broad range of stakeholders, including park boards, councillors, wildlife interest groups and local communities, to help it review potential projects that could reduce the impacts and to prioritise these projects. The prioritisation and selection process will consider the magnitude of the visual improvements, other environmental and social impacts, and also whether the projects are economically efficient.

In its VISTA policy, SHE Transmission has also committed to working with SPTL, and stakeholders, to identify potential mitigation projects in Loch Lomond and The Trossachs National Park, in which both companies have transmission lines. SHE Transmission also commits to engaging regularly with National Grid, which is also implementing a similar visual impact policy for England and Wales, to ensure the projects being prioritised by the three companies in England, Wales and Scotland result in benefits for GB consumers.

SHE Transmission held a public consultation on its draft VISTA policy between 2 November 2015 and 30 January 2016.⁶ The response to the consultation generally supported the policy, but identified some areas as needing further clarity on its assessment of candidate projects. Having considered feedback from its consultation, SHE Transmission updated its draft policy to include an annex setting out more detail on its assessment and selection process and how it will consult with stakeholders at key stages in this process. SHE

⁵ 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 The original consultation closing date was 6 January but SHE Transmission extended the consultation at the request of stakeholders.

Transmission submitted its VISTA policy (and the policy annex) to us for review in February 2016.

Our initial views

We have assessed the proposed VISTA 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 SHE Transmission's licence.⁷ The requirements include involving stakeholders in project assessment; proposing a method for assessing mitigation opportunities; prioritising projects by considering the projects' potential for visual amenity improvements, environmental impacts, economic efficiency and other such factors that stakeholders think are relevant such as cultural, historical and ecological considerations.

We think the proposed VISTA policy meets the requirements set out in Special Condition 6G. Our review of the policy is set out in Appendix 1. We think that the implementation of the policy will help ensure transparency on how SHE Transmission and its stakeholders have selected and prioritised projects. This process should also help ensure that projects under the scheme offer benefits and value for money for consumers.

Based on our assessment, the general support stakeholders have given for the draft VISTA policy in response to SHE Transmission's 2015 consultation, and our statutory duties, we think it would be in consumers' interests for SHE Transmission to implement its VISTA policy. We do not intend to direct any changes to it, unless stakeholders raise major concerns about it in response to this consultation.

Next steps

We welcome stakeholders' views on the proposed VISTA policy and our assessment by 24 June 2016. Our consultation period takes into account that SHE Transmission has consulted stakeholders on the draft VISTA policy at the end of 2015. 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,

Geoffrey Randall
Head of RIIO, Electricity Transmission

⁷ Special Conditions to SHE Transmission's electricity transmission licence are available on the Electronic Public Register: <https://epr.ofgem.gov.uk>

Appendix 1 - Our assessment of SHE Transmission's proposed VISTA policy

We have assessed SHE Transmission's proposed VISTA policy against the requirements specified in Special Condition 6G of SHE Transmission's electricity transmission licence which came into force on 1 April 2013. Our assessment covers the following sections:

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

1. Requirement 6G.6(a): To specify SHE Transmission's policy objective

SHE Transmission's proposal

In its VISTA policy, SHE Transmission states it will identify projects to reduce the impacts of its pre-existing transmission infrastructure in National Parks and National Scenic Areas located in its transmission area. Its overall aim is to identify effective mitigation proposals to enhance the natural beauty of the landscape where this technically feasible and achieves value for money.

Our initial views

SHE Transmission's objective for its VISTA 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 designated areas. We support SHE Transmission's VISTA policy objective to achieve effective improvement to visual amenity, subject to meeting other considerations including economic efficiency. This way, it can ensure the funding provision, which is capped, achieves value for money for consumers.

2. Requirement 6G.6(b): To explain how SHE Transmission intends to work with stakeholders on prioritising projects

SHE Transmission's proposal

By implementing its policy SHE Transmission says it will aim to "*give those that live, visit and work in and around the designated landscapes a voice in contributing to the assessment and selection of candidate projects...*". SHE Transmission has committed to involving stakeholders in the identification and selection of projects by various means including social media, stakeholder forums, its website and through written consultation. It will target specific stakeholder groups listed in its policy annex to participate in the stakeholder forums. SHE Transmission will hold these in geographic areas local to the designated area, to ensure these events are accessible for relevant stakeholders with knowledge of the specific designated landscapes. SHE Transmission has included a forward timetable of stakeholder forums to provide input at different stages of project identification and development.

SHE Transmission will also work with SPTL to engage in a joined up way with a stakeholder partnership group on the opportunities in Loch Lomond and The Trossachs National Park, where both companies have part of its transmission network located.

Lastly SHE Transmission will meet regularly with National Grid to share best practice and ensure their respective policy initiatives are working together to maximise the benefit from the capped expenditure fund.

Our initial views

Stakeholder input is essential to make the most of the funding provision in RIIO-T1. To achieve stakeholder buy in to the projects it is essential that there is a meaningful opportunity for stakeholders to have input at an early stage of identification and in setting priority projects. We think SHE Transmission's programme of stakeholder forums to involve relevant stakeholders at key stages in the development and prioritisation of projects will help achieve this and meets the licence requirement for stakeholder engagement.

We welcome SHE Transmission's commitment to working jointly with SPTL and a stakeholder group on looking at opportunities in Loch Lomond and The Trossachs National Park. This joint approach will help ensure the TOs' approach to identifying and prioritising projects are consistent with each other and also avoid stakeholder fatigue. We also welcome SHE Transmission's commitment to meet with National Grid at regular intervals to share best practice on consulting stakeholders, as well as exchange information on key developments in implementing the policy.

3. Requirement in paragraph 6G.6(c): To specify SHE Transmission's methodology for identifying and assessing candidate projects for visual impact improvements

SHE Transmission's proposal

SHE Transmission outlines a process and methodology in its VISTA policy for identifying and assessing mitigation projects. It also explains how stakeholders will be able to give their views at various stages of the process. SHE Transmission's annex to its VISTA policy gives further detail on the key stages it will follow to identify and assess projects which offer the greatest opportunities for improvement in National Parks and National Scenic Areas.

SHE Transmission proposes to commission qualified landscape architects to assess the impacts of its transmission infrastructure in designated areas. This will use the assessment framework in the Guidelines to Landscape and Visual Impact Assessment (GLVIA3), which is also used by National Grid in its policy.⁸ This involves a 'reverse' assessment of the impacts arising from pre-existing infrastructure instead of applying the framework to assess the potential impacts of a proposed scheme or development that does not exist. This will cover the impacts on the landscape as well as visual amenity.

This assessment will be presented and discussed at stakeholder forums, along with a variety of potential mitigation options, to get stakeholder input on preferred project priorities. Stakeholders' priorities will form a shortlist of candidate projects of which SHE Transmission will undertake a more detailed assessment. This will include looking at the

⁸ 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.

potential visual improvement of different mitigation options, along with technical feasibility, possible harm to other environmental features and land use, and overall value for money.

SHE Transmission has also committed to publishing minutes of discussions at stakeholder forums that have informed the selection and development of projects.

Our initial views

We support SHE Transmission's proposal to commission a professional landscape assessment (by a single provider) of the impacts of its pre-existing transmission network on landscape and visual amenity of the designated areas in its transmission area.

We also support the use of the GLVIA3 assessment approach. We think the proposed method is appropriate as the GLVIA3 is widely recognised as industry standard for assessing landscape and visual amenity impacts and is recommended as good practice by relevant professional institutes.

The proposed approach will also be consistent with National Grid's assessment of its transmission network in designated areas in England and Wales. This is helpful as it will mean that mitigation projects, and the impacts these reduce, are assessed on a comparable basis (although the opportunities may differ in the two areas).

We support the opportunity for stakeholders to provide input, as part of the stakeholder forums, on alternative mitigation options, as this might allow novel mitigation methods to be identified. We also support SHE Transmission's proposal to minute discussions with stakeholders on preferred projects. We think it is important there is transparency on this as it will help ensure a robust process, as well as promote a better understanding of the factors considered.

On balance, we think SHE Transmission has proposed a logical and pragmatic way to identify and assess opportunities to address the visual impacts of its transmission infrastructure. This includes several opportunities for stakeholders to input their views and help inform the selection of projects.

4. Requirement in paragraph 6G.6(d): To set out the criteria SHE Transmission will apply to prioritise projects

SHE Transmission's proposal

SHE Transmission states that it will prioritise mitigation projects which:

- result in the most beneficial enhancements to Scotland's precious lands while keeping undesirable environmental impacts associated with particular mitigation measures to a minimum;
- result in users of National Parks and National Scenic Areas benefiting from the recreational, education and social offering;
- protect the technical viability of the wider transmission network
- are economical and efficient;
- involve a wide range of stakeholders.

Our initial views

We think the proposed prioritisation criteria are consistent with the objectives of the proposed VISTA policy and reflect the company's statutory duties and licence obligations. In any subsequent requests to fund specific projects, SHE Transmission will need to clearly explain its project selection decisions with reference to the criteria set out in its policy.

5. Requirement in paragraph 6G.6(e): To outline the potential measures SHE Transmission will consider for reducing visual impacts

SHE Transmission's proposal

SHE Transmission outlines in its VISTA policy the potential ways it could use the funding provision to reduce the visual impact of pre-existing infrastructure in the designated areas.

SHE Transmission also provides further information in the policy annex on the types of projects that will not be eligible for consideration or funding. These include transmission infrastructure that were consented under section 37 of the Electricity Act 1989 since the implementation of the Electricity Works (Environmental Impact Assessment) (Scotland) Regulations 2000, or infrastructure that are expected to be subject to major upgrade works (ie infrastructure which will also have to receive a Section 37 consent). The reason for this is that these projects are subject landscape and visual impact assessment, with mitigation measures implemented where necessary, as determined through consultation with stakeholders and the consent application review process with the relevant planning authorities.

Our initial views

We think SHE Transmission has adequately described the range of measures it could use in potential mitigation projects.

We welcome the policy's clarification of the types of work that will not be considered. The exclusion of infrastructure that has been built with a section 37 consent means that parts of the Beaulay-Denny line that run through the Cairngorms National Park will not be assessed by SHE Transmission under its VISTA policy. We note the argument that this project was subject to a full environmental impact assessment during the consenting process. In any event, as the licence condition only applies to pre-existing transmission infrastructure that are part of the licensee's transmission network as at April 2013, the parts of the Beaulay Denny line that lie within the National Park are not eligible under the policy.

6. Requirement in paragraph 6G.6(f): To outline when SHE Transmission will review its VISTA policy

Our initial views

We agree with SHE Transmission that it should consider interim amendments to the policy in the event there are changes in SHE Transmission's responsibilities, changes in environmental appraisal best practice and changes in technology. We also support SHE Transmission's proposal to review and consult stakeholders on the policy at the end of the price control. We expect this to include an evaluation of how the process worked and the outputs delivered to reduce visual impacts. We think this will usefully inform the next price control review.