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for energy consumers

All interested parties

Direct Dial: 0141 354 5416
Email: Steven.McMahon@ofgem.gov.uk

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Dear stakeholders,

Determination on Enhancing Pre-existing Infrastructure outputs and allowed expenditure adjustment within National Grid Electricity Transmission's RII0 ET1 price control (electricity transmission licence special condition 6G)

This letter explains our determination on new Enhancing Pre-existing Infrastructure (EPI) outputs and a related adjustment to National Grid Electricity Transmission's (National Grid) allowed expenditure under the RII0 ET1 price control.

In 2016 National Grid introduced the Landscape Enhancement Initiative (LEI) as part of its Visual Impact Provision (VIP) policy.¹ Under the LEI, local stakeholders make funding grant applications to National Grid for smaller visual improvement and landscape enhancement projects in nationally designated areas that are adversely affected by pre-existing transmission infrastructure. Such projects might include landscaping to screen infrastructure, works to enhance the special landscape characteristics, and/or works to re-focus views.

Earlier this year, National Grid invited applications for LEI projects based in national parks and areas of outstanding natural beauty. National Grid is requesting a new allowance to fund the projects that meet the LEI criteria. The deliverables from these mitigation projects are EPI outputs.

Funding request

National Grid has requested £1.2 million (2017/18 prices) to fund seven projects, and also to cover its administration costs of the LEI scheme over the year. The seven LEI projects are located in the Clwydian Range and Dee Valley Area of Outstanding Natural Beauty (AONB), the Dorset AONB, the New Forest National Park (NP), the Peak District NP, and the Snowdonia NP.

Appendix 1 contains more background information on National Grid's VIP policy, the LEI and the seven LEI projects and outputs they will deliver.

¹ There is £500 million in the electricity transmission price control for the transmission owners to deliver projects that reduce the visual impact of pre-existing transmission infrastructure on nationally designated landscapes.

Our review of National Grid's EPI output and funding submission

To assess National Grid's EPI output and funding request we have reviewed National Grid's project submissions, the project applications and supporting material from the project applicants.

For each project, we examined the application summary to verify the project meets the LEI project criteria set by National Grid in its VIP policy.² We then looked at the costs of the main activities and/or deliverables involved in each project to get a break down of total project costs to ensure these are economical and efficient. We used supporting information provided by applicants about the volume and the scope of tasks included in each activity to derive task-specific cost rates. We assessed the reasonableness of these cost rates by comparing against costs for similar agri-environmental tasks obtained from a range of independent sources.³ Another aspect we reviewed is the match funding and in-kind contribution made by landowners and the AONBs and NP bodies to the total project costs.

We are satisfied that the projects are consistent with National Grid's VIP policy, and also meet the LEI project criteria. Accordingly, we think the projects will benefit consumers by mitigating the impact of the existing transmission infrastructure on the highly valued landscape and visual amenities in the designated areas.

We note that many of the projects will also contribute more broadly in terms of benefiting local wildlife and ecology by increasing habitat connectivity and biodiversity. The projects also contribute to socio-economic objectives by increasing public accessibility to the designated areas, local sustainable development and offering training and volunteer opportunities.

We have completed our cost review. Based on the information provided we are satisfied that the estimated project costs for delivering the EPI outputs are economical and efficient.

Our determination

Having completed our review, we've determined that these are consistent with National Grid's VIP policy and LEI criteria, and will help to mitigate the impact of existing transmission lines in these highly valued landscapes for the benefit of existing and future consumers. We are also satisfied, based on the supporting evidence provided, that the requested projects' costs and for administering the LEI over the last year are reasonable. Accordingly we've determined to modify National Grid's electricity transmission licence with new EPI outputs, and to increase its allowed expenditure by £1.2 million (2017/18 prices).

Next steps

Alongside this letter, we are publishing a notice under Part C of Special Condition 6G (Mitigating the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas) to modify National Grid's electricity transmission licence to implement the above determination. The notice sets out the details of the proposed new EPI outputs and the adjustment to National Grid's allowed expenditure. Please respond to anna.kulhavy@ofgem.gov.uk on or before 18 January 2017.

Yours faithfully,

Steve McMahon
Associate Partner, RIIO Electricity, Networks

² Further information on the criteria used to assess project applications is available from: <http://lei.nationalgrid.com/>

³ Sources used for benchmarking comparable activities are the Welsh Government's Glastir Advanced Rules Booklet, and the UK Government's Countryside Stewardship Capital Grants Manual.

Appendix

Background to the Landscape Enhancement Initiative

As part of implementing its VIP policy⁴, National Grid established the VIP Stakeholder Advisory Group in 2014 to advise it on EPI outputs to reduce the impacts of its pre-existing transmission lines in AONBs and NPs in England and Wales. In addition to a small number of major capital engineering projects, the VIP Stakeholder Advisory Group recommended to National Grid that it should also progress smaller localised visual improvements and landscape enhancement projects.

The VIP Stakeholder Advisory Group championed the potential benefit of smaller projects to help lessen the impact of pre-existing transmission infrastructure. It is anticipated that these smaller, less capital-intensive projects will include a variety of mitigation works. For example, landscaping to screen infrastructure, works to enhance the special landscape characteristics of the area, works to re-focus park users' views, as well as works to increase public access to areas that are less adversely affected by transmission lines.

In 2015 National Grid amended its VIP policy to include the LEI, which covers the criteria and process by which smaller mitigation projects, led by local stakeholders, can be funded and contribute EPI outputs. National Grid launched the LEI in 2016.

National Grid operates the LEI as a grant scheme. The initiative is only open to AONBs and NPs that contain or are affected by National Grid's overhead electricity lines and were included in the landscape and visual impact assessment report National Grid commissioned in 2014.⁵

Applications are assessed against a set of LEI project criteria. All projects are expected to meet the primary criteria of reducing visual impacts of pre-existing transmission lines/and or enhancing the landscape in ways to shift the balance away from the impact of the overhead lines. The primary criteria also include compatibility with local landscape character and with AONB and NP management criteria. The applications are also assessed against secondary criteria, covering other environmental, social, economic and practical project factors.

The project applicants are required to match 25 per cent of requested project costs and there is a maximum limit on LEI funding of £200,000 per application. Up to £4 million per year is available for LEI projects until March 2021.

The first round of the LEI opened in 2016. In accordance with its VIP policy, National Grid appointed a grant administration specialist to administer the day to day running of the scheme. Applications are reviewed initially by a grant officer and also by professional landscape assessors, who make a preliminary assessment of the project's merits against the scheme criteria and provide guidance to the LEI funding panel. The LEI funding panel, made up of an independent Chair Person and external experts from Cadw, Historic England, Natural England and Natural Resources Wales, review applications and make its recommendations to National Grid on which projects to fund.

⁴ In 2014 we reviewed National Grid's VIP policy and consulted stakeholders on our assessment. Further detail is available on Ofgem's website: <https://www.ofgem.gov.uk/publications-and-updates/response-our-consultation-national-grid-electricity-transmission%E2%80%99s-proposed-visual-impact-provision-policy>

⁵ A total of 30 AONB and national parks were covered in the visual and landscape assessment report. It is available on National Grid's website: <http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=37291>

LEI projects covered by this determination

This determination has considered seven projects in total, which the LEI panel recommended to National Grid are suitable for funding under the LEI criteria. Five projects are from round two of National Grid's LEI and two other projects are from round one.⁶

The total value of National Grid's funding request is £1.1 million (2017/18 prices). This covers 75% of the total projects' costs (applicants match fund the other 25%) and also an amount for National Grid's costs of administering the LEI scheme in 2017. The tables below summarise the seven LEI projects covered by the submission and the proposed EPI outputs.

1. Clwydian Range and Dee Valley AONB: Lost Landscapes project

Project addresses the visual and landscape impacts of overhead line on publicly accessible viewpoints and enhances the landscape through restoration and creation of traditional boundary features and parkland.

Combined visual and landscape impact of existing lines ⁷		Proposed EPI output	Mitigation activity	Volume	Date
4ZB	18	Landscape enhancement and reduced visual impact	Hedging and fencing	At least 3000m	2022
			Veteran tree management	6	2022
			Scrub clearance	At least 2 ha	2022
			Heathland management	600 ha	2022
			Slate and dry stone wall restoration	230m	2022
			Tree planting	At least 1 ha	2022
			Improved roadside reserves	2000m	2022
			Pond creation	1	2022

2. Dorset AONB: Magical Marshwood Vale project

Project addresses the visual and landscape impacts of three sections of overhead line by restoring key habitats in Marshwood Vale through hedge laying, hedgerow tree and orchard planting, pond and river restoration, grassland restoration and scrub clearance.

Combined visual and landscape impact of existing lines		Proposed EPI output	Mitigation activity	Volume	Date
4YA.1	9	Landscape enhancement and reduced visual impact	Hedge laying	Approx. 1,800m	2020
4YA.2	15		Tree planting	Approx. 186 trees	2020
4YA.3	14		Pond restoration	7 ponds	2020
			Grassland restoration and scrub clearance	Approx. 7 ha	2020

⁶ In March 2017 we published our determination on 3 projects from round one of the LEI. However, we were unable to complete our assessment on two additional projects at that time. We are including these in this review of projects from round two of the LEI.

⁷ The combined impact scores are from National Grid's 2014 Landscape and Visual Impact Assessment report on pre-existing transmission lines. Line sections with a measure of 25 or greater denote very high impact, 20 to 24 is assessed as high impact, 10 to 19 as moderate impact and lines with a score of 10 or less have a lower impact.

3. New Forest NP: Woodland Improvements, Infrastructure Works and Wild Play at Holbury Manor/Warren Copse

Project reduces the visual and landscape impact of the infrastructure by restoring and managing ancient woodland and introducing alternative recreation opportunities that distract from the electricity infrastructure.

Combined visual and landscape impact of existing lines		Proposed EPI output	Mitigation activity	Volume	Date
4YD.2	14	Reduced visual impact	Car park	400m ²	2019
4YD.3	4		New benches	2	2018
		Landscape enhancement and reduced visual impact	Wild play materials	Various	2019
			New and refurbished fencing and hedge	140m	2019
			Tree safety work	25% of trees	2018
		Landscape enhancement	Tree thinning	2500m ²	2020
			Foot bridges	2	2019

4. Peak District NP: Longdendale Landscape Restoration project

Project aims to enhance the landscape character of the area by restoring key landscape features which will offer screening and filtering of views of overhead lines from certain locations.

Combined visual and landscape impact of existing lines		Proposed EPI output	Mitigation activity	Volume	Date
4ZO.3	27	Landscape enhancement and reduced visual impact	Woodland management	Approx. 7 ha	2021
4ZO.4	28		Native woodland creation	Approx. 3 ha	2021
4ZO.5	16		Dry stone wall restoration	450km	2021

5. Snowdonia NP: Dyffryn Ffestiniog East Woodland Restoration and Landscape Improvement project

Project addresses the visual and landscape impacts of overhead lines by restoring hedgerows and native woodland and managing invasive species

Combined visual and landscape impact of existing lines		Proposed EPI output	Mitigation activity	Volume	Date
4ZC.1	26	Landscape enhancement and reduced visual impact	New tree planting	Approx. 8,500 trees	2020
4ZC.2	14		Spot felling of canopy	Approx. 30% of 12 ha	2020
XO.1	16		Rhododendron control	700ha	2020
ZK.1	22		Dry stone walling	Approx. 400m ²	2020
			Restoring hedgerows	Approx. 1,000m	2020
			Clear-fell of conifer	Approx. 14 ha	2020

6. Snowdonia NP: Woodland Restoration and Landscape Improvement project

Project addresses visual and landscape impact of six sections of existing line by restoring native woodland and hedgerows, removing invasive non-native species to improve patchwork views of landscape from afar and screen lines from close quarters.

Combined visual and landscape impact of existing line sections		Proposed EPI output	Mitigation activity	Volume	Date
4ZC.1	26	Landscape enhancement and reduced visual impact	Rhododendron control	1,300ha	2021
4ZC.2	14		Restoring hedgerows	2,500m	2020
XO.1	16		Dry stone walling	30m	2020
ZK.1	22		Re-stocking woodlands and thinning conifers	8.21ha	2020
ZK.2	13				
ZK.3	13				

7. Snowdonia NP: Traditional Boundaries project

Project addresses visual and landscape impact of seven sections of existing line. Addresses impacts on publicly accessible viewpoints and enhances landscape through restoration and creation of characteristic boundary features.

Combined visual and landscape impact of existing line sections	
4ZC.1	26
4ZC.2	14
4ZB.1	19
4ZB.2	15
ZK.1	22
ZK.2	13
ZK.3	13

Proposed EPI output	Mitigation activity	Volume	Date
Landscape enhancement and reduced visual impact	Rhododendron control	1,300ha	2018
	Restoring hedgerows	2,500m	2018
Landscape enhancement	Dry stone walling	30m	2018