

John Muir Trust

Response to Ofgem RIIO-2
Framework Consultation

2nd May 2018



Summary

1. The John Muir Trust works to conserve and enhance wild places. The Trust has worked on strategic transmission issues for some time.
2. Ofgem has a statutory duty to have regard to the purposes of conserving and enhancing National Parks and Areas Of Natural Beauty when exercising or performing any functions affecting land within these areas.
3. The consultation makes almost no reference to “environmental” - in the sense of protecting nature – and doesn’t specifically reference “visual amenity”.
4. Ofgem in RIIO-1 recognised its statutory duty in including an allowance for visual amenity mitigation in National Parks, Areas of Outstanding Natural Beauty and National Scenic Areas.
5. The John Muir Trust responded to Ofgem with others last year, requesting that the allowance for visual amenity mitigation be maintained in RIIO-2. However the wording in the consultation on visual amenity remains vague and it is not clear that the allowance will be maintained.
6. It is not the first time that Ofgem’s approach seems to lack any focus on their environmental duties. Perhaps the stakeholders who Ofgem have engaged with are heavily weighted towards their business partners which would be understandable but Ofgem needs to ensure environmental organisations and communities have an appropriate input.
7. The move to Strategic Wider Works as an overarching framework is welcomed. The Trust has called for some time for Total Systems Cost Analysis to be used in the planning of the national transmission infrastructure.
8. As part of that, developers who impose extra costs on the system – for instance, by installing generation plant in cheaper locations but which are very remote from consumers - should pay a significant proportion of the connection charges so that the public does not bear excessive costs.
9. The Trust would welcome involvement in stakeholder discussions regarding these points.

Background

The John Muir Trust is a conservation charity which works to protect wild land. We have a UK-wide membership and remit. We support measures to deal with climate change and mitigate its effects. At the same time we are extremely concerned about the increasing impact of built infrastructure on the UK's last wild land. A range of intrusive forms of land use are contributing to its impoverishment but a major pressure is from energy infrastructure, hence our interest in national policy.

The Trust has been involved over a decade in considering strategic energy issues, working closely with external electricity transmission advisors, and we responded to previous Ofgem consultations, including as part of a group of fifteen environmental organisations which sent a joint response to Ofgem's open letter on the RIIO-2 Framework. The Trust has also given detailed input into the process of a number of transmission proposals, including National Grid's North West Coast Connections, Scottish Power's Dumfries and Galloway Strategic Works and Scottish and Southern Energy/Scottish Power's Beaulieu-Denny 400kV line.

Ofgem's environmental duty

Ofgem has a statutory duty to have regard to the purposes of conserving and enhancing National Parks and AONBs when exercising or performing any functions affecting land within these areas. Development in the setting of designated landscapes can have a negative impact on their special qualities and it is important to remember that these duties also apply to activities undertaken outside the boundaries of designated landscapes which may affect land within them.

In addition, section 3A(5) of the Electricity Act 1989 requires Ofgem to carry out its functions in a manner which is best calculated to contribute to the achievement of sustainable development and also have regard to the effect on the environment of activities connected with the generation, transmission, distribution or supply of electricity. Ofgem must ensure that it takes this requirement into account when considering its approach to environmental outputs.

The Trust does not believe that any changes are needed to the existing outputs and believes it is essential that the existing environmental outputs, including the one relating to visual amenity, remain in RIIO-1.

Lack of reference to protecting the natural environment

The only reference in the report to visual amenity and the natural environment (rather than financial environment, etc.) is on page 114, Section 8.17, which is the last page and section of the Electricity section. It says,

"Reviewing our outputs, outcomes and deliverables:

As with other sectors, we will be considering whether outputs, outcomes and deliverables will continue to be fit for purpose as the industry evolves. For electricity transmission, this will include among other things our approach to

environmental outputs (eg visual amenity). It will also involve wider consideration of how we define outputs, in particular within the context of large capital projects.”

The only other reference to environmental impact is in the Glossary –

“Outputs (p 142)

Consumer facing outcomes that we expect regulated licensees to deliver and falling into one of six categories: customer satisfaction, reliability and availability, safety, conditions for connection, environmental impact and social obligations.”

The Consultation raises considerable concern about the possibility of weaker protection of the environment by saying Ofgem will be considering whether Outputs used in RIIO-1 are fit for purpose. It is disappointing to see that the suggested wording for the Outputs has moved away from that in RIIO-1 which includes *“Environmental impact Impact of network operations on the environment (including noise/visual impacts) and contribution to environmental targets”*.

There is no reason to change the overarching objective from the one used for RIIO-1 which is *“to encourage network companies to play a full role in the delivery of a sustainable energy sector, and to do so in a way that delivers value for money for existing and future consumers.”*

A narrow focus on value to customers, particularly if customers are to have a stronger voice, will not automatically deliver a sustainable energy sector. Keeping the overarching objective as it is for RIIO-1 would better reflect Ofgem’s statutory duties and provide the context within which the ‘*value to customers*’ should be delivered. In this way the importance of the environment would be made explicit alongside the benefits to society and the economy.

Consulting and responding to stakeholders

The John Muir Trust responded last year to Ofgem’s open letter with other environmental organisations, led by the Campaign for National Parks, requesting that the allowance for visual amenity mitigation be maintained in RIIO-2. However the wording in the consultation on visual amenity remains vague and it is not clear that the allowance will be maintained.

It is essential that the visual amenity allowance is continued, going into the RIIO-2 period, and that the transmission and distribution companies are given enough time to bring good projects in our designated areas - National Parks, Areas of Outstanding Natural Beauty and National Scenic Areas – to fruition.

It is not the first time that Ofgem’s approach seems to lack any focus on their environmental duties. Perhaps the stakeholders who Ofgem have engaged with are heavily weighted towards their business partners. This would be understandable but Ofgem needs to ensure environmental organisations and communities, who are

subject to the impacts of their decision-making, are properly consulted, **and listened to.**

Responses to selected consultation questions

Q1. How can we enhance these models and strengthen the role of stakeholders in providing input and challenge to company plans? What are your views on the proposal to have Open Hearings on areas of contention that have been identified by the Groups?

Ofgem's intention to enhance stakeholder engagement in RIIO-2 and to challenge the companies as they develop their business plans is welcome. However, the proposed new groups should not be a substitute for company engagement with end users or other stakeholders, such as environmental NGOs, and all of them must be independent of the companies. It is incredibly frustrating for individuals and organisations, if they have taken considerable time and effort to respond to the many consultations from various bodies, to feel that there is no sign that their input has been heard, let alone listened to. Of course, not every point can be taken on board but the lead bodies must develop ways of engaging better.

Many of us have spent a lot of time working with transmission and distribution companies on visual amenity mitigation, contributing to their necessary engagement requirements. There needs to be some sign of join-up between Ofgem and the companies. Ofgem needs to acknowledge that preliminary work, understand that the plans for visual amenity mitigation are only at early stages in some cases, particularly for transmission, and indicate publicly that Ofgem is fully engaged with that work going forward.

Environmental NGOs should be represented, at an appropriate level, on all groups and at any Open Hearings. This needs to be made explicit in the guidance as, at present, it is not clear how environmental NGOs would be involved nor how proposals relating to visual amenity would be addressed through this new process. Although there are references to stakeholder engagement, the plans seem to focus primarily on consumers. It is essential that Ofgem ensure they are not entirely focused on lowest cost, at the expense of the country's natural assets. Moreover, they should acknowledge that the results of "willingness to pay" work shows the public's wish for that protection.

Q2. Do you agree with our preferred position to set the price control for a five year period, but with the flexibility to set some allowances over a longer period, if companies can present a compelling justification, such as on innovation or efficiency grounds?

No, the Trust does not support reverting to five year price control periods. An eight year period is essential to allow for the development and implementation of long term plans. For example, the undergrounding of overhead high voltage lines in designated landscapes requires several years' development before a project is ready to enter the statutory processes.

Whole Systems Outcomes

Q3. In what ways can the price control framework be an effective enabler or barrier to the delivery of whole system outcomes?

The Trust is very much in favour of RIIO-2 shifting the framework to take into account Whole Systems Outcomes. Indeed, the Trust has called over many years for Total Systems Cost analysis to be used in the planning of the national transmission infrastructure. Many engineering organisations, including IESIS (the Institute for Engineers and Shipbuilders In Scotland) have also called for this.

The Trust would welcome being involved in stakeholder discussions on this aspect.

As noted in 4.32, *“We need to ensure that investment and operational decisions taken by one network company consider as fully as possible the impact these could have on other parts of the system.”*

This analysis has to include considering wider impacts on consumers. As part of that, developers who impose extra costs on the system – for instance, by installing generation plant in cheaper locations but which are very remote from consumers - should pay a significant proportion of the connection charges i.e. Ofgem should “deepen” the Connection charges. This could be up to 100% if there is no other requirement for such connection. This would ensure that the public does not bear excessive costs.

Q19. What views do you have on our proposed approach to specifying outputs and setting incentives?

As set out above, the Trust does not believe that any changes are needed to the existing outputs and believes it is essential that the existing environmental outputs, including the one relating to visual amenity, remains - as they are shown in Figure 1 of the consultation document. There is a strong level of support for undergrounding in designated landscapes. The long-term goal for visual amenity should be that, where practically feasible, all new and existing distribution and transmission lines run underground through designated landscapes or avoid these areas altogether.

Q20. What views do you have on our general approach to setting cost allowances?

The RIIO-2 Framework should allow for visual amenity allowances to be included in the next set of price controls. The work undertaken during the preparation of the current price controls demonstrated consumers’ willingness to pay for the undergrounding of overhead lines in designated landscapes. While much has already been done to reduce the visual impact of electricity infrastructure, there are still many more parts of our National Parks which could benefit from the removal of overhead lines.

Q48. Do you have any views on the issues highlighted that we will consider as we develop our sector-specific proposals?

As mentioned above, the Trust is concerned about the suggestion in paragraph 8.17 of the consultation document that Ofgem “...*will be considering whether outputs, outcomes and deliverables will continue to be fit for purpose as the industry evolves. For electricity transmission, this will include among other things our approach to environmental outputs (eg visual amenity).*” It is far too early to assess the effectiveness of the visual amenity allowance for transmission operators during RII0-1.

The John Muir Trust is happy for this response to be made publicly available.

Please contact Helen McDade (helen.mcdade@johnmuirtrust.org 01796 484935) if you would like any further information about any of the points raised in this response.