

## Response to Ofgem RIIO-2 Framework Consultation

May 2018

1. Campaign for National Parks is the independent national voice for the 13 National Parks in England and Wales. Our mission is to inspire everyone to enjoy and look after National Parks – the nation's green treasures. We have been campaigning for over 80 years to ensure that our National Parks are beautiful, inspirational places that are relevant, valued and protected for all.
2. This response starts with some general comments about the RIIO-2 Framework and then sets out specific responses to some of the consultation questions. Our comments focus primarily on National Parks in line with our remit. However, many of the points we raise would also apply to Areas of Outstanding Natural Beauty (AONBs).

### Developing the RIIO-2 framework

3. We have a long-standing interest in the price control process having been closely involved, alongside other environmental NGOs, in the development and implementation of the visual amenity allowances which are now included in the price controls for both electricity transmission and distribution operators. Last September we co-ordinated a joint response to Ofgem's open letter on the RIIO-2 Framework which was supported by 15 organisations, demonstrating the strong level of support for undergrounding in designated landscapes. We cannot see any reference in the current consultation document to the issues we raised in that response so we have repeated some of the key points below.
4. All relevant authorities, including Ofgem, have statutory duties 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. We do not believe that any changes are needed to the existing outputs and would like the existing environmental outputs, including the one relating to visual amenity, to remain as they are.
5. The open letter which we responded to in September 2017 proposed the following overarching objective: 'RIIO-2 will ensure regulated network companies deliver the value for money services that consumers want and need'. We cannot find anything in the current consultation document to confirm whether Ofgem still proposes to adopt this objective but we do not support the removal of the reference to delivering a sustainable energy sector. 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.

## **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?**

6. We welcome Ofgem's intention to enhance stakeholder engagement in RIIO-2 and to challenge the companies as they develop their business plans. 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.
7. We are concerned that the more detailed guidance on enhanced stakeholder engagement which was published on 9 April 2018 makes no reference at all to the environment. It is particularly notable that environmental issues are not included in the list of issues the groups are expected to focus on set out in paragraph 2.3. We believe that the challenge would be more effective if it explicitly focused on the six output categories which were agreed for RIIO-1 (as listed in Figure 1 of the consultation document) and which should remain the same for RIIO-2. This would ensure that the groups have a clear role in relation to environmental impacts.
8. Environmental NGOs should be represented, at an appropriate level, on all three 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, particularly those relating to distribution operators, where the groups to be established are specifically referred to as Customer Engagement groups.
9. In paragraph 2.16 of the more detailed guidance, Ofgem specifically states that it does not intend to be prescriptive about membership of the Customer Engagement groups and this combined with the emphasis on customers means there is a very real risk that environmental groups will not be included. In contrast, far more detail is provided in paragraph 2.17 about the range of types of organisations that are expected to be included on the groups to be established by transmission operators but even here it would be helpful to include a specific reference to the inclusion of environmental organisations.
10. Stakeholder engagement should not end once business plans have been approved by Ofgem. There should be an on-going relationship between environmental stakeholders and the companies. Stakeholders should also be engaged during the mid-term review when it may be helpful to re-form the proposed challenge groups.

### **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?**

11. No, we do 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.

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

12. As set out above, we do not believe that any changes are needed to the existing outputs and would like the existing environmental outputs, including the one relating to visual amenity, to remain 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?**

13. We are keen to ensure that the RIIO-2 Framework allows 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.
14. The visual amenity allowance for distribution lines was first introduced in the 2005-2010 price control period and has had a positive impact in many parts of our National Parks. The equivalent scheme for transmission lines was only introduced in the current price control period and the scale of work required to plan and implement the removal of transmission lines is significantly greater so this allowance has not yet had as much impact. However, there is huge potential to build on the work that has been undertaken to date during future price control periods. Ensuring the allowance is available in the next price control period will maximize the benefits from the preparatory work that has already been undertaken, such as the research National Grid commissioned to assess the landscape and visual impacts of all the overhead transmission lines in designated landscapes in England and Wales. There is also strong support for this work as demonstrated by the commitment of the organisations, including Campaign for National Parks, represented on the Stakeholder Advisory Group for National Grid's Visual Impact Provision (VIP).

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

15. We are 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 RIIO-1. The National Grid VIP programme is still in its development phase and it will take some years for projects to be implemented and significant results to be achieved. However, the programme has considerable potential to deliver huge benefits in the future and it is also important that full value for money is achieved from the resources that have already been put in to establishing it. For this reason it is essential that there continues to be a visual amenity allowance for both transmission and distribution companies in RIIO-2.
16. Given that National Grid has now established guiding principles for identifying schemes to benefit from the VIP and has already undertaken detailed assessments during RIIO-1, it

should be possible to proceed much more quickly to the implementation of specific projects during RIIO-2. We do not believe further willingness to pay studies are required at this stage. It is only when VIP projects have been implemented, that the public will be able to appreciate and consider the true impacts of the allowance.

We are happy for this response to be made publicly available. Please contact Ruth Bradshaw (email: [ruthb@cnp.org.uk](mailto:ruthb@cnp.org.uk), tel: 020 7981 0896) if you would like any further information about any of the points raised in this response.