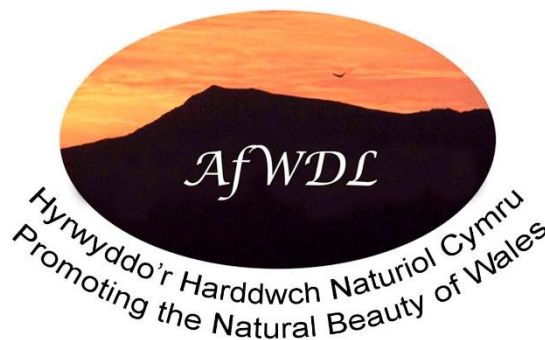


*Alliance
for
Welsh Designated
Landscapes*



*Cynghrair
dros
Dirluniau Dynodedig
Cymru*

Ofgem RIIO-2 Framework Consultation May 2018
Response from Alliance for Welsh Designated Landscapes
2nd May 2018

The Alliance is the Welsh organisation for Designated Landscapes. The Alliance was formed in 2014 and brings together the expertise of the Brecon Beacons Park Society, Friends of Pembrokeshire Coast National Park, Cymdeithas Eryri the Snowdonia Society, Gower Society, CPRW, National Trust Wales, Cymdeithas y Cerddwyr/ Ramblers Wales, RSPB Cymru, YHA Cymru, BMC Cymru and Wildlife Trusts Wales. Collectively we have long-standing involvements in the legal and policy framework for Designated Landscapes, and experience of the management challenges they face. Our comments focus on National Parks and Areas of Outstanding Natural Beauty (AONBs) in line with our remit.

The RIIO-2 framework and process

Through our environmental NGO members we have contributed to the development and implementation of the visual amenity allowances which form part of the price controls for electricity transmission and distribution operators.

Ofgem has a statutory duty under Section 62 of the Environment Act 1995 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. This duty also applies to activity undertaken outside the boundaries of designated landscapes which may affect land within them.

Section 3A(5) of the Electricity Act 1989 requires Ofgem to carry out its functions in a manner best calculated to contribute to the achievement of sustainable development and have regard to the effect on the environment of activities connected with the generation, transmission, distribution or supply of electricity.

When considering its approach to environmental outputs, Ofgem must ensure that it takes these requirements into account. We have seen no convincing evidence in support of changing the existing outputs. Specifically we feel strongly that the existing environmental outputs relating to visual amenity should remain as they are until such time as proper evaluation of their impacts has taken place. In the case of the Visual Impact Provision (VIP) programme, the first opportunity for evaluation of the first round of the programme will not arise for some years yet.

In September 2017 a number of our members responded to an Ofgem open letter. That letter proposed as an overarching objective that: 'RIIO-2 will ensure regulated network companies deliver the value for money services that consumers want and need'. In the current consultation it is unclear whether Ofgem still intends to use this changed objective.

We see no reason to change the overarching objective used in RIIO-1, namely '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.' We are opposed to removal of the reference to delivering a sustainable energy sector. To reduce the scope down to focus on value to customers will make it more difficult, if not impossible to fulfil Ofgem's statutory environmental duties in respect of designated landscapes, and to move towards an environmentally sustainable energy sector.

We strongly urge the retention of the overarching objective used for RIIO-1 as an established means to address Ofgem's statutory duties, and to provide meaningful context for the delivery of 'value to customers' which balances benefits across environment, people and economy.

Responses to specific 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?

The aim of enhancing stakeholder engagement in RIIO-2 is to be welcomed. However, it is also essential to continue – and develop - engagement with environmental NGO stakeholders.

It is a cause for serious concern that guidance on enhanced stakeholder engagement (published on 9th April) lacks any reference to the environment. No environmental issues are listed in connection with paragraph 2.3. The stakeholder Groups should be clear about their roles, which should link directly to the six output categories used for RIIO-1 – as shown in Fig.1 of the consultation document- and these output categories should be retained for RIIO-2.

The proposed primary focus on customers, with reference for instance to Customer Engagement groups, raises concerns about wider stakeholder representation and engagement. How, for example are proposals relating to visual amenity to be addressed through this new process? It is not clear how environmental NGO stakeholders are to be involved - representation of environmental NGOs is needed in all three groups and at Open Hearings.

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?

We do not agree with the proposal to use five-year price control periods. The multi-year lead-in time for developing undergrounding projects in designated landscapes under the VIP programme provides a clear example of why longer periods are necessary. We suggest that as a minimum an eight-year price control period is needed.

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

The existing outputs are appropriate and we see no compelling reason to change them. We wish to see the existing RIIO-1 environmental outputs retained as they appear in Figure 1 of the consultation document. Through our member organisations we have seen huge public support for the pioneering work which has begun on undergrounding in designated landscapes. We strongly urge the retention of the visual amenity outputs. In the long-term we should all work towards the goal of designated landscapes free of overhead lines, with existing and new distribution and transmission lines avoiding or being undergrounded through them.

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

Visual amenity allowances should be a key part of the next set of price controls in the RIIO-2 Framework. Consumer willingness to pay for the undergrounding of overhead lines in designated landscapes has been established. There is much important work ahead to reduce the visual impact of electricity infrastructure in National Parks and AONBs.

The visual amenity allowance for distribution lines has made a difference in our designated landscapes since its introduction in the 2005-2010 price control period. The recent inclusion of a scheme for transmission lines promises to have some truly transformational impacts as the projects come to fruition. It is important to get the full return on investment for preparatory work such as the assessment of landscape and visual impacts of overhead transmission lines in designated landscapes in England and Wales. This strongly suggests continuing the visual impact work under RIIO-2.

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

it will be a number of years before projects under the National Grid VIP programme are implemented and longer still before their impacts can be evaluated. It is therefore a cause for concern to read in paragraph 8.17 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).’

The RIIO-1 programme has potential to deliver huge benefits; those benefits will be amplified significantly by continuation of a visual amenity allowance for both transmission and distribution companies in RIIO-2.

Detailed assessments during RII0-1 have allowed National Grid to establish principles for identifying schemes to benefit from the VIP. With this groundwork in place it should be possible in RII0-2 to move smoothly through to the implementation stage for new projects. We believe that visual impact provision should be continue so that the public and our irreplaceable National Parks and AONBs will ultimately enjoy the benefits of an ambitious programme of work carried out with a clear and consistent vision.

Yours sincerely

Professor Terry Marsden
Chair, Alliance for Welsh Designated Landscapes