

All interested parties

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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. A notice is published alongside this determination setting out the details of the proposed new EPI outputs and the adjustment to National Grid's allowed expenditure, which would modify National Grid's electricity transmission licence to implement this determination.

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.

National Grid invites applications for LEI projects based in national parks and areas of outstanding natural beauty. Under Special Condition 6G.12², 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 £0.795 million (2017/18 prices) for five mitigation projects. The LEI projects are located in the Kent Downs Area of Outstanding Natural Beauty (AONB), Cannock Chase AONB, Dorset AONB, and the North York Moors National Park.

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

² <https://epr.ofgem.gov.uk/Content/Documents/National%20Grid%20Electricity%20Transmission%20Plc%20-%20Special%20Conditions%20-%20Current%20Version.pdf>

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.³ 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.⁴ Another aspect we reviewed is the match funding and in-kind contribution made by landowners and the Areas of Outstanding Natural Beauty (AONBs) and National Park (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 RII01 allowed expenditure by £0.763 million (2017/18 prices). To implement this determination, we have published a notice on modifying National Grid's electricity transmission licence. The allowed RII01 expenditure adjustment is £0.032 million less than the £0.795 total cost of the LEI submission. This is because a small proportion of project expenditure will be incurred in the first two years of RII02 (starting in 2021/22). Accordingly, we are not adjusting the RII01 allowed expenditure for expenditure in the next price control period. Instead this will go into the financial model for the RII02 price control. Work is ongoing as part of the RII02 price control review to finalise the arrangements for adjusting RII02 allowances for projects which will be in progress at the end of the current price control and completed in the next price control period.

³ Further information on the criteria used to assess project applications is available from: <http://lei.nationalgrid.com/>

⁴ 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.

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 7 February 2019.

Yours faithfully,

Clothilde Cantegreil
Head of Electricity Transmission Policy, RIIO

Appendix

Background to the Landscape Enhancement Initiative

As part of implementing its VIP policy⁵, 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 2014.⁶

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.

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.

LEI projects covered by this determination

This determination has considered five projects in total, which the LEI panel recommended to National Grid are suitable for funding under the LEI criteria.

⁵ 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>

⁶ 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>

The total value of National Grid's funding request is £0.795 million (2017/18 prices). The tables below summarise the LEI projects and the proposed EPI outputs.

1. Kent Downs AONB: High Downs project

Project addresses the impacts of the overhead line by shifting the public focus to enhanced landscapes through restoration and creation of a conservation network.

Combined visual and landscape impact of existing lines ⁷		Proposed EPI output	Mitigation activity	Volume	Date
ZY.1	20	Landscape enhancement and reduced visual impact	Ancient woodland restoration	70 ha	2021
ZY.2	7		Chalk grassland restoration	11 ha	2021
ZY.3	16		Acid grassland and heathland restoration	50 ha	2021
			Hedgerows and scrubland restoration	15 ha	2021

2. Kent Downs AONB: North Downs Living Grid project

Project addresses the visual and landscape impacts of overhead line through landscape scale plantings that enhance diversity and character of the AONB.

Combined visual and landscape impact of existing lines		Proposed EPI output	Mitigation activity	Volume	Date
ZY.1	20	Landscape enhancement and reduced visual impact	New meadowland	5 ha	2021
ZY.2	7		New chalk grassland	4 ha	2021
ZY.3	16		Native woodland	0.5 ha	2021
			Hedgerow planting	1,800 metres	2021

3. Cannock Chase AONB: Gentleshaw Common into the Future

Project addresses the visual and landscape impact of the overhead line by restoring and managing lowland heathland restoration.

Combined visual and landscape impact of existing lines		Proposed EPI output	Mitigation activity	Volume	Date
ZN.1	5	Landscape enhancement and reduced visual impact	Bracken and scrub control	60 ha	2020
ZN.2	5		Purple moor grass cutting	7 ha	2020
			Footpath upgrading	80 m	2020
			Broadwalk installation	38 m	2020
			Car park resurfacing	1	2020

4. Dorset AONB: Reconnecting the Ridgeway

Project addresses the visual and landscape impact of the overhead line by enhancing key landscape features which will divert, screen and filter views from certain locations.

Combined visual and landscape impact of existing lines		Proposed EPI output	Mitigation activity	Volume	Date
4YA.4	13	Landscape enhancement and reduced visual impact	Tree planting	20 trees	2024
4YA.5	25		Hedgerow laying	1,700 m	2024
4YA.6	10		Hedgerow fencing	1,500 m	2024
4VN.1	18		Scrub clearance	4.7 ha	2024
4VN.2	25		Grassland seeding	2.5 ha	2024
			Pond creation	2	2024
			Dry stone wall restoration	200 m	2024

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.

5. North York Moors NP: Arncliffe Wood and Scarth Wood Moor Restoration project

Project addresses the visual and landscape impacts of overhead lines by enhancing the landscape, biodiversity and access.

Combined visual and landscape impact of existing lines	
4VC.1	6

Proposed EPI output	Mitigation activity	Volume	Date
Landscape enhancement and reduced visual impact	Ancient woodland restoration	22 ha	2021
	Woodland and heathland restoration	6.5 ha	2021
	Traditional boundary restoration	9,500 m	2021