

Transmission licensees,
generators, suppliers, and
consumer groups

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Date: 28 May 2019

Dear colleague,

Determination on Scottish Hydro Electric Transmission's proposal for reducing visual amenity impacts in the Cairngorms National Park

This letter sets out our final determination on a £24.4 million (2009/10 prices)¹ funding request from Scottish Hydro Electric Transmission (SHE Transmission) to deliver a new Enhancing Pre-existing Infrastructure (EPI) output under the RIIO-T1 price control in the Cairngorms National Park. The project will reduce the impact of SHE Transmission's electricity transmission infrastructure on the National Park's visual amenity by replacing 12.3km of 132kV overhead line with 14.1km of underground cable, and other associated works by 2020.

Summary of our determination

Our determination on a new EPI output and the associated efficient funding follows our February 2019 consultation² on the proposed Cairngorms National Park mitigation project. Taking into account consultation responses, we have determined:

- The Cairngorms National Park mitigation project is a valid outcome of SHE Transmission's implementation of its Visual Impact of Scottish Transmission Assets (VISTA) policy and its work with stakeholders to select EPI outputs during the RIIO-T1 price control.
- The efficient cost of the EPI output is £24.4m³. This is the amount SHE Transmission requested.

In the [appendix](#) to this letter, we provide further detail on:

- EPI outputs in the RIIO-T1 electricity transmission price control;
- The scope of the Cairngorms National Park mitigation project;
- A summary of the assessment and findings of our February 2019 consultation;
- Issues raised in the consultation and our consideration of these; and,
- Our final determination on the EPI output and the efficient cost of the project.

¹ This value is £32.0m in 2018/19 prices. Total project costs have changed slightly since the consultation on our assessment due to adjustments to rebase project expenditure that was incurred to develop the project proposal prior to 2018/19.

² <https://www.ofgem.gov.uk/publications-and-updates/consultation-our-assessment-she-transmissions-proposal-reducing-visual-amenity-impacts-cairngorms-national-park>

³ Unless otherwise stated, all values are in 2009/10 prices.

New EPI output and adjustment to RIIO-T1 allowed expenditure

We are proposing to modify SHE Transmission's licence by way of direction to introduce a new EPI output and to adjust its RIIO-T1 allowed expenditure by £24.4m.

Please note that, in our notice, we propose a further adjustment of the main contract price for changes in the metal price and exchange rate indices⁴ that have occurred in the period between the contractors submitting their final price and SHE Transmission awarding the contract⁵. We propose that this adjustment be reflected in the allowed expenditure that is directed following the licence modification consultation to implement our determination.

Following the implementation of our determination on the Cairngorms National Park mitigation project, the remaining available expenditure cap in the RIIO-T1 price control for new EPI outputs will be £383.0m⁶.

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 SHE Transmission's electricity transmission licence to implement the above determination. The notice sets out the proposed new EPI outputs and the adjustment to SHE Transmission's allowed expenditure. Please respond to Cissie.Liu@ofgem.gov.uk on or before 26 June 2019.

Yours sincerely,

Min Zhu
Deputy Director – RIIO Electricity Transmission
28 May 2019

⁴ The indices to be used to adjust the contract price are: Metals: London Metal Exchange <https://www.lme.com/>
Forex: Bank of England <https://www.bankofengland.co.uk/statistics/exchange-rates>

⁵ We expect SHE Transmission to report and justify any material changes in metal prices and the currency rate. Ofgem will adjust the cost of the main contract works to account for any changes in metal prices and currency rates that occurred between the appointment of contractors, and SHE Transmission's award of the contract.

⁶ This amount also takes into account the allowed expenditure we have approved for other EPI outputs over RIIO-T1. For more information on the associated mitigation projects please see details on our website. <https://www.ofgem.gov.uk/electricity/transmission-networks/network-price-controls/visual-amenity>

Appendix

Background on mitigating the impact of pre-existing transmission infrastructure in RIIO-T1

As part of the RIIO-T1 price control, we introduced a policy for electricity transmission owners (TOs) to reduce the visual impact of pre-existing infrastructure in nationally designated areas⁷. The policy applies to infrastructure in the following designated areas: National Parks, Areas of Outstanding Natural Beauty, and National Scenic Areas. The expenditure cap for all mitigation projects that come forward under the scheme during the RIIO-T1 price control is £500m in total⁸. The deliverables from these mitigation projects are known as EPI outputs.

A TO can propose new EPI projects and request funding for these under its price control. However, before a TO can request funding for new EPI projects, it must have in place a policy in relation to methods of working with stakeholders to select projects in its transmission areas⁹.

When we receive a funding request for a specific mitigation project we assess:

- Whether, in proposing a project, the TO can demonstrate that it has complied with its policy, in particular in how it has engaged with stakeholders to identify, prioritise, and select projects; and,
- whether the proposed costs for delivering the project are economical and efficient.

If appropriate, a modification will be made to the transmission owner's licence for an EPI output, including the amount of allowed expenditure.

Summary of the Cairngorms National Park mitigation project

The scope of the mitigation project submitted by SHE Transmission encompasses the following within the Cairngorms National Park boundary:

- replacing a 4km section of a 132kV double circuit overhead line (OHL), and 15 steel lattice towers, with 5.8km underground cable from Docharn to Boat of Garten substation;
- replacing a 8.3km section of an OHL consisting of a 132kV single circuit and a 33kV single circuit, and 31 steel lattice towers, with 8.3km underground cable from Boat of Garten substation to Nethy Bridge;
- installing two air-insulated outdoor sealing ends (tower based) in Docharn and (wooden pole based) in Nethy Bridge to connect the new section of underground cables to the existing overhead lines; and,
- expanding Boat of Garten substation to accommodate sealing ends of underground cables.

SHE Transmission will complete the project by 2020.

⁷ Pre-existing transmission infrastructure is defined as network equipment such as lines and towers that are part of the licensee's transmission network as of April 2013.

⁸ The level of the expenditure cap was informed by a survey of households on the amount they would be willing to pay to reduce the effects of pre-existing transmission infrastructure on the visual amenity of designated areas.

⁹ We approved SHE Transmission's Visual Impact of Scottish Transmission Assets (VISTA) policy in 2016. A copy of our decision letter is available on our website: <https://www.ofgem.gov.uk/publications-and-updates/response-our-consultation-she-transmission-s-proposed-visual-impact-scottish-transmission-assets-policy>

February 2019 consultation and our key assessment findings

We consulted on our project assessment, which focused on ensuring the project meets the criteria set out in Special Condition 6G.13¹⁰ and SHE Transmission's Visual Impact of Scottish Transmission Assets (VISTA) policy document¹¹. As part of this, we considered the following aspects:

- the VISTA policy project selection process;
- project benefits;
- technical scope;
- interaction with projects in the nearby vicinity;
- SHE Transmission's procurement process for tendered elements of the project and delivery programme;
- SHE Transmission's approach to risk and project management; and,
- the efficiency and economical value of costs (development, tendered, non-tendered).

The key assessment findings set out in our consultation are summarised as follows:

1. We considered that SHE Transmission had provided satisfactory evidence to show it had implemented the commitments in its VISTA policy and worked with stakeholders to select the Cairngorms National Park mitigation project to reduce the impact of existing transmission lines on the visual amenity of the National Park.
2. We were satisfied that the proposed project scope is economical.
3. We said that the proposed project costs for the Cairngorms National Park mitigation project are efficient.

We consulted on our overall view of the efficient costs of the Cairngorms National Park mitigation project.

Consultation responses

We received five responses to our consultations. All non-confidential responses are published on our website alongside this letter.

All respondents supported the funding of the Cairngorms National Park mitigation project proposed by SHE Transmission.

Our final determination

The table below summarises our final determination on the adjustment to be made to SHE Transmission's RIIO-T1 Allowed Expenditure for the delivery of the Cairngorms National Park mitigation project.

Project cost category	Final cost (£m)
Preliminary project development costs	0.83
Tendered costs	20.40
Non-tendered costs	3.15
Total	24.38

¹⁰ SHE Transmission's Licence and Special Conditions can be found on the Ofgem Electronic Public Register (EPR) website: <https://epr.ofgem.gov.uk/Document>

¹¹ <https://www.ssen-transmission.co.uk/sustainability-and-environment/vista/>

Taking into account our assessment, and consultation responses, we have determined:

- To make an allowed expenditure adjustment and introduce an EPI Output specified in Special Condition 6G of SHE Transmission's electricity transmission licence for the Cairngorms National Park mitigation project.
- To require SHE Transmission to deliver an EPI output by 2020 specified as:
 - replacing a 4km section of a 132kV double circuit overhead line (OHL), and 15 steel lattice towers, with 5.8km underground cable from Docharn to Boat of Garten substation;
 - replacing a 8.3km section of an OHL consisting of a 132kV single circuit and a 33kV single circuit, and 31 steel lattice towers, with 8.3km underground cable from Boat of Garten substation to Nethy Bridge;
 - installing two air-insulated outdoor sealing ends (tower based) in Docharn and (wooden pole based) in Nethy Bridge to connect the new section of underground cables to the existing overhead lines; and,
 - expanding Boat of Garten substation to accommodate sealing ends of underground cables.
- To increase SHE Transmission's allowed expenditure in the price control, RIIO-T1, by £24.4m.

The above determination is subject to a 28 days' notice to insert these provisions into Special Condition 6G of SHE Transmission's electricity transmission licence by way of direction.