

RIIO2@ofgem.gov.uk

Many thanks for the opportunity to respond to your consultation document “RIIO-2 Sector Specific Methodology Annex: Electricity Transmission”.

I understand that this is your proposal for the next transmission owner (TO) price control period that will start in April 2021, running for five years.

My principal knowledge and experience of electricity transmission has been developed during the NGET North Wales Connection (NWC) project which has now, thankfully, been withdrawn. This project generated almost 14,000 signatories against NGET’s proposals and almost 800 registered as Interested Parties with the Planning Inspectorate (compared to about 100 for the Wylfa Newydd nuclear power station).

I shall not make comments on the whole document, but will focus on chapters:

3. Outputs: Meet the needs of consumers and network users

- Stakeholder Satisfaction Output, s3.7 – s3.20
- Stakeholder Satisfaction Output: Stakeholder Engagement Incentive, s3.21 – s3.32
- Stakeholder Satisfaction Output: Satisfaction Survey, KPIs, and External Assurance components, s3.33 – s3.44

4. Outputs: Deliver an environmentally sustainable network

- Environmental framework - Business Plans and annual monitoring, s4.10 – s4.28
- Potential for bespoke ODIs around the low carbon transition, s4.29 - s4.44
- Electricity losses from the transmission network, s4.67 – s4.84
- Visual amenity impacts of transmission infrastructure, s4.85 – s.4.114

In chapter 3 you have asked the following questions:

- ETQ5. We welcome views on whether a specific incentive for stakeholder engagement is appropriate in RIIO-ET2, and if so, whether this should be reputational or financial.
- ETQ6. Do you think individual components of the SSO should be combined into a single incentive mechanism in RIIO-ET2, should the SEI and components of the SSO be retained?
- ETQ7. We invite views on types of business plan commitments that would be appropriate for stakeholder engagement.
- ETQ8. We welcome views on the potential approaches to setting a financial incentive for the SSO in RIIO-ET2, if retained. Are there any other considerations we should take into account
- ETQ9. Do you have any views on whether we should retain a TO User Survey, targeted at a number of key areas as identified in this document? Are there any alternative mechanisms to address potential issues in these areas we should be considering?
- ETQ10. Are there any other areas, beyond those identified in this consultation document, which we should consider targeting through a potential survey?
- ETQ11. Do you have any views on our proposal to retain one question on overall satisfaction from which the scores will be collated?

- ETQ12. Do you agree that we should use RIIO-ET1 performance as a starting point for setting a RIIO-ET2 baseline? What alternative approach(es) should we consider?
- ETQ13. Do you agree that the User Groups could provide guidance on the stakeholders that should be included in the survey sample? Are there any specific stakeholders that you think must be surveyed to improve the validity of the scores?
- ETQ14. Do you agree with our proposals to remove the financial incentive associated with the KPI and EA components? Should the EA component be retained as a minimum requirement/ licence obligation?

I hope to cover aspects of many of these points:

- It surprises me that there even needs to be a debate about measures, KPIs and targets, as any non-monopoly business would have been all over this for decades
- Managing this way “should” be business as usual, and is essentially a “license to operate” – it is for non-monopoly businesses
- TO’s should not be financially incentivised to use what is essentially common sense business practice
- The incentive should be reputational, but with potentially a financial penalty for poor performance
- Performance should be assessed based on measures from two key groups
 - those businesses that directly depend on the TO’s, and
 - those people/public/communities directly impacted by existing, and planned future, infrastructure or other operations
- questions and surveys need to be fit for purpose – there is no benefit in over simplification, but should not be unnecessarily complex, and should be tailored to the audience. A single question may be sufficient
- “willingness to pay” (WtP) surveys for a variety of different outputs should be instituted (for example improvements in visual amenity through investment) – annually is probably unnecessary, but more frequent than “per price control period”
- The RIIO-ET1 performance should be used as a baseline of current performance, satisfaction targets should be approaching 100% with penalties if missed targets cannot be financially justified

In chapter 4 you have asked the following questions:

- ETQ33. Do you have any views on the extent to which company activities relating to environmental impacts should be embedded in Business Plans?
- ETQ34. We invite views on whether the proposed environmental impact categories are appropriate areas to focus on. Are there any areas that should be excluded and/ or other areas that should be covered? We also invite views on the potential indicators and/ or metrics that are appropriate for each environmental impact category.
- ETQ35. We welcome views on the option of an annual reporting framework to increase transparency of the transmission networks’ impact on the environment.
- ETQ36. We welcome views on whether we should introduce an option for the TOs to develop bespoke ODIs with stakeholders for delivering an additional contribution to the low carbon transition.

- ETQ37. We invite views on the kind of activities, not captured elsewhere, that could be captured through such ODIs.
- ETQ38. We invite views on how such an ODI might operate, and any other factors we should take into account in considering bespoke ODI for the low carbon transition.
- ETQ39. We welcome views on whether we should retain a financial reward and penalty incentive for the leakage of SF₆ in RIIO-ET2, or move to a penalty only or reputational incentive.
- ETQ40. We welcome views on the potential impact of a move away from a financial incentive (or move to penalty-only) on TO behaviours.
- ETQ41. We invite views on whether leakage from other IIGs should also be captured in the incentive measure.
- ETQ42. We welcome views on whether some leakage events should continue to be excluded from the incentive.
- ETQ43. Do you have any views on the proposed approach for integrating any losses reporting requirements into the proposed business plan and annual public reporting framework?
- ETQ44. Do you have any views on the introduction of a target or measure for improving metering at and the energy efficiency of substations? How could this work in practice?
- ETQ45. We welcome views on incentivising the TOs' engagement with stakeholders on the development of new transmission projects through our stakeholder engagement proposals, for example through the use of a survey.
- ETQ46. Do you have views on the retaining the existing scheme to mitigate the visual impact of pre-existing transmission infrastructure in designated areas? Do you agree that any decision to implement new funding arrangements should be subject to updated analysis around willingness to pay?
- ETQ47. Do you agree with our proposals to modify the implementation process by which funding requests for mitigation projects are submitted and approved?
- ETQ48. We welcome stakeholders' views on any other considerations they think are relevant to policy development for visual amenity issues in RIIO-ET2.

I hope to cover aspects of many of these points:

- TOs should identify and explain how they intend to take environmental considerations into account in their Business Plans
- funding for environmental actions and initiatives should be included in baseline expenditure allowance
- the proposed environmental impact output measure look sensible, if cautious
- be bold! All above ground infrastructure has a visual amenity impact. Cap the km and phase out overhead lines!
- SF₆ and IIGs – learn from the oil and gas industry on oil spills and health and safety reporting – report everything, exclude nothing - publicly, frequently. The measure should be reputational with financial penalties
- buried cables lose roughly half the power lost by overhead cables, and HVDC similarly has far lower losses whether buried or subsea. Far greater, more proactive, use of these technologies needs to be encouraged

- innovative technology for recovering lost energy/heat from sub-stations and buried cables needs promotion. Productive use of the recovered heat would be location dependant, but could involve the local community
- losses (eg MW/km) could be reported separately for existing and new assets, and by technology type, so that it can be clearly seen that investment produces benefits
- with much consultation being statutory, TOs should be incentivised via a reputational (with financial penalty) measure for engagement with stakeholders on mitigating the visual impact of:
 - existing assets
 - future proposed assets
- engagement should not be merely “show and tell” of a predetermined answer, but should include collaborative working with community groups and other stakeholders to make a new acceptable connection “consentable”, rather than divisively working against communities to make a consentable connection acceptable
- the methodology used by TOs to select between (technology or corridor) options needs serious revision
 - correct preparation of baseline/”do nothing” scenario against which options are assessed
 - inclusion of social costs, not just network capital and operating costs
 - cost benefit analysis to recognised standards (Green Book or EU)
- the existing scheme to mitigate the visual impact of pre-existing transmission infrastructure in designated areas should be retained, and should be expanded to broaden the scope of areas considered, not just designated landscapes
- Wales has a far higher proportion of the population living in rural areas (like Anglesey), than England does. Rules and guidance developed for the majority of the network (in England) do not necessarily work in Wales (or Scotland). This has been recognised by the Welsh Government in Planning Policy Wales Ed10 (PPW10), with a presumption that new connections will be underground
- NGET should follow PPW10 in Wales
- “willingness to pay” (WtP) should be instituted (for example improvements in visual amenity through investment) – annually is probably unnecessary, but more frequent than “per price control period”
- Small scale mitigation projects should be decided by local communities within total cost and cost efficiency guidelines

Again, thank you for the opportunity to contribute

Yours

Jonathan