



## **Friends of the Lake District response to Ofgem's RIIO-2 Specific Methodology Consultation**

1. Friends of the Lake District is an independent charity and the only membership organisation dedicated to protecting and enhancing Cumbria's landscapes. We believe that the Lake District offers some of the most spectacular and precious landscapes in England. We take action to protect and conserve the natural beauty of these landscapes for the benefit of visitors, local communities, wildlife and habitats. We represent CPRE in Cumbria.

### **CSQ2 Do you agree with our proposed 3 new output categories?**

2. No. We disagree with the proposal to consolidate the six existing output categories (from RIIO-1) into just three. We stand by our response to your 2018 RIIO-2 Framework Consultation that the six outputs should be retained as undergrounding ("visual impact") has long been part of this environmental output. The emphasis in RIIO-1 was all about delivering a "sustainable energy sector" which we supported. We are concerned that this has been removed and that RIIO-2 is solely concerned about delivering "value for money services that both existing and future customers need" (paragraph 2.9).

### **ESO Q5 What stakeholder engagement mechanisms should be put in place for the ESO's business planning and ongoing scrutiny of its performance? Do you agree with our proposal to maintain, and build upon, the role of the Performance Panel?**

3. FLD supports The John Muir Trust's response to this question.

*Stakeholder engagement by the ESO could easily be too heavily weighted towards the electricity generation and transmission sector representatives. It will be the case that much of the material brought to the stakeholder groups is very technical in nature and, of course, the expertise from the electricity system providers needs to be fully represented and those representatives will make most comment on such material.*

*However, the design of the electricity network is of great importance to the public and so it is critical that the ESO includes representation from consumers and those concerned with environmental and landscape impacts. The ESO needs to engage meaningfully with appropriate environmental organisations and communities representing those who might be impacted. Those sectors need to be allowed an appropriate input which would then be taken into account. This allows a holistic overview of the system being designed – a move towards systems planning and whole systems design. Ofgem needs to ensure the ESO stakeholder engagement fulfils this requirement.*

**ET Q10 Are there any other areas, beyond those identified in this consultation document, which we should consider targeting through a potential survey?**

4. Transmission projects can impact on communities in a significantly large geographical area. When additional transmission is still at an early stage of planning, and whilst there are still alternative routes possible, consultation should take place over a wide geographical area. This can prevent a project incurring considerable sunk costs before stakeholder engagement. That engagement might bring to light issues which have not been considered in the technical assessment.

5. We suggest that Ofgem takes the very early stakeholder engagement in National Grid's North West Coast Connections project as a good example of how to engage with local communities and organisations to enable them to bring forward their knowledge of the local environment which enabled "show stopping" issues to be addressed right from the start of the process.

**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?**

6. User Groups can certainly contribute to guidance on stakeholder consultation so long as the User Groups are themselves selected from a sufficiently broad range of expertise and networks, allowing them to bring a number of perspectives to those discussions.

7. If the User Groups mainly comprise industry or technical representatives, they are unlikely to collectively have the overview that would be most useful in suggesting groups for inclusion. In order to gain a comprehensive holistic view of issues arising, User Groups should therefore include representatives from national landscape conservation groups, e.g. Campaign for National Parks, CPRE, National Trust or John Muir Trust.

**ETQ29. What are your views on the overall outputs package considered for this output category?**

8. Paragraph 4.4 summarises Ofgem's thinking: *"For RIIO-ET2 we are proposing that our environmental framework should focus on the decarbonisation of the energy system. We also welcome views on the extent to which other environmental impacts should be captured, for example:*

- *climate change*
- *pollution to the local environment*
- *resource waste*
- *biodiversity loss*
- *visual amenity issues relating to infrastructure"*

Business Plans must include outputs relating to all of these important environmental factors.

9. Ofgem's conclusion - that the electricity network (which is a major producer of carbon emissions) should have decarbonisation of the energy system as its primary environmental focus - is correct. However, the other environmental Outputs listed above (which were in RIIO 1) are not optional extras as they are all essential to allow nature to flourish. Their resilience is a necessary contribution to improved human health and wellbeing and the survival of diverse life on earth.

10. An example of why these wider environmental issues must be captured: if a major transmission project was constructed through an area of deep peat, releasing significant amounts of carbon into the atmosphere, the project would not be as effective in reducing carbon emissions as if the transmission line had been routed through a non-peat area. It would also impact on biodiversity, impact on flood and air quality management, and very likely on visual amenity as many peat areas are landscapes of the highest quality. So a holistic approach must be taken to assessing proposals which includes all of the five impacts listed above. That will gain benefits for the environment and is a use of systems thinking to achieve the best outcome across all issues.

11. Natural Capital accounting is a useful way of thinking about such issues and such an approach is something worth Ofgem exploring further. See ETQ34.

12. Ofgem's statement about environmental issues beyond decarbonisation, "we also welcome views on the extent to which other environmental impacts should be captured", is worryingly weak. All of the environmental impacts must be specifically considered and those impacts captured in the methodology used by the DNOs and TNOs. Companies should undertake holistic overviews early in their planning. As suggested above, engaging with a wide range of stakeholders may well contribute to achieving the best solution early in the process, by eliminating the risk of "group think" and enable thoughtful discussion on the way forward.

**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.**

13. Inclusion of metrics for biodiversity and Natural Capital is worth further consideration. Identification of metrics for some important environmental aspects is easier than others. Biodiversity metrics and assessment for individual key species uses well-known and useful methodologies.

14. Natural Capital accounting, by bringing together many different metrics, is a broad assessment of the state of the natural environment in an area. However, most Natural Capital methodologies do not have a metric for landscapes – and research shows that the public value highly their quality landscapes. Moreover, large-scale areas of natural or semi-natural landscapes generally are havens for flora and fauna. So, it is important to find a way to value the best quality landscapes. Designation including National Parks, Areas of Outstanding Beauty and Heritage Coasts identify some of these areas, but not all landscapes of value.

**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.**

15. Real and comprehensive stakeholder engagement is absolutely necessary if a TO is to smooth the way for the development of new transmission projects. However, we do not consider that a survey will delve far enough into the issues that are likely to come to the fore during a Nationally Significant Infrastructure Project (NSIP) and may also not adequately engage communities and hard to reach individuals.

16. We are concerned that RIIO-2 does not address environmental issues effectively, and it is not clear how proposals relating to visual amenity would be addressed through the stakeholder engagement process. We would like Ofgem to consider how TOs could be incentivised to deliver early, comprehensive engagement on individual proposals in order to identify the issues that are likely to be of concern to local communities and other stakeholders.

#### **Case Study: National Grid's North West Coast Connections**

17. Friends of the Lake District has direct first-hand experience of stakeholder engagement with a TO as we were involved with the North West Coast Connections Nationally Significant Infrastructure Project (NSIP) from its inception. Initial stakeholder consultation was carried out in 2009 via Cumbria Vision on behalf of Britain's Energy Coast prior to National Grid's formal engagement in the process. Cumbria Vision managed to get a wide cross-section of people and organisations to engage in the optioneering process and to identify areas where there were insurmountable environmental constraints. This engagement process bought a lot of good will amongst stakeholders in Cumbria as it seemed to actually be listening to the concerns that were raised.

18. This good will held through the first round of official consultation with National Grid in 2012, but started to falter during the second in 2014, and by the third round of consultation on Preferred Options in 2016, trust had broken down between National Grid and many of the stakeholders and community groups involved in the NWCC process. This is despite all of the good will banked during the earlier part of the process. It was felt that National Grid was not listening to the very valid concerns of stakeholders around the value of protected landscapes.

19. Other issues that were of concern were that National Grid was pushed by the business to be connected (Moorside) to get their Section 42 consultation completed as fast as possible. This meant that National Grid consulted on the document for only two months, including over the Christmas period when government best practice is 12 weeks. The quantity of information that had to be considered made it almost impossible for most stakeholders to produce detailed responses to the consultation. It also meant that Statements of Common Ground could not be produced on many of the issues arising out of the Environmental Statement which would have made progression to the Examination stage of the NSIP almost impossible.

20. All of these issues above demonstrate that TOs need to seriously consider how they work with stakeholders on very large transmission projects. Without community and stakeholder buy-in, the process of developing new transmission infrastructure will be very difficult and subject to challenge.

21. We are concerned with the way Ofgem's statement in paragraph 4.86 is worded. It states:

"Some stakeholders are concerned about the negative visual impacts of new and existing transmission infrastructure on the landscape and the effect of this infrastructure on the socio-economic well-being of local communities. **For example, some say that towers and lines detract from the host landscape's natural beauty,** negatively affect visitors' experiences, harm local tourism and reduce employment opportunities in local communities."

22. This is a very odd way of wording something that is known and has been recognised since Lord Holford drew up his rules for siting overhead transmission lines in 1959. These Rules state that powerlines, incorrectly placed, are very damaging to landscape value especially within highly

sensitive areas. The Holford Rules have been part of TO's siting guidance for many years. We would therefore request that Ofgem re-words this paragraph to reflect that it is a fact that poorly sited transmission infrastructure damages highly valued landscapes.

23. This diminishing of landscape value in this statement encapsulates our concerns about Ofgem's approach towards visual amenity impacts of transmission infrastructure. We therefore strongly support retaining and strengthening the existing scheme to mitigate visual impact of pre-existing transmission infrastructure in designated areas.

24. In paragraph 4.87, it states that: *Network companies plan and construct electricity networks. It is for network companies to identify what investment is needed in their networks, they are responsible for designing any works necessary and obtaining the relevant planning consent. Ofgem does not have a direct role in the planning process, which manages development. Our role is to ensure compliance with the price control framework, which enables companies to address, where necessary, the impacts of developments on natural beauty.*

25. We agree with the comments made by The John Muir Trust in their response to Question ET45. We are very concerned that if Ofgem has agreed the technical and cost case for a project, then the project will be seen as a *fait accompli* on the basis that no other options will be considered during the Planning Process. This is because Ofgem has essentially tied the hands of the TO and determining authority by closing down other less environmentally damaging options by only agreeing one technical and cost case.

26. This is exactly what happened with the Beaulieu-Denny 400kV line. The Scottish Government Minister made it clear in his approval speech that he did not believe he had the choice to say that the environmental impacts were so significant that Ofgem should consider other options, and it was certainly not in the developer's interest to look closely at other options. This means that other alternatives were not pursued at the planning stage because Ofgem had already shut these options down by approving the technical and cost case, making the planning process subservient to the technical and cost case.

**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?**

#### **Retention of existing visual impact scheme**

27. The existing scheme to mitigate the visual impact of pre-existing transmission infrastructure in designated areas should be retained. There is a very strong case for this scheme and a high level of support for removing electricity infrastructure from designated landscapes as demonstrated by a number of different studies relating to both transmission and distribution operations. Most recently National Grid's 'acceptability' survey in 2018 identified that two-thirds of bill-payers find it acceptable for the cost of visual amenity projects to be passed on to consumers.

28. It is essential that the RIIO-2 Framework retains a provision for TOs to reduce the visual impacts of existing infrastructure. While much has already been done to reduce the visual impacts of electricity infrastructure, there are still many more parts of our National Parks which could benefit

from the removal of overhead lines. 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 and their settings or avoid these areas altogether, which is already in line with National Grid's 2012 document "Our approach to the design and routing of new electricity transmission lines".

29. The visual amenity allowance for distribution lines which was first introduced in the 2005-2010 price control period, has already delivered many significant improvements. As the scheme for transmission lines (VIP project) was only introduced in the current price control period, it has not yet had as much impact, particularly as the scale of work required to plan and implement the removal of transmission lines is much greater. However, there is huge potential to build on the work that has been undertaken to date during future price control periods. Retaining the existing scheme will maximize the benefits from the preparatory work that has already been undertaken.

30. For example, National Grid commissioned extensive research 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) project and the amount of time they are putting in to this work. It is essential that full value for money is achieved from all the resources that have already been put in to establishing the scheme.

31. Lines in close proximity to the boundary of a protected landscape should be eligible for undergrounding funds. For example, the western boundary of the Yorkshire Dales National Park is now only 450m from a transmission line and that a long section of the line (between Kendal and Penrith) runs close to the boundary of both the Yorkshire Dales AND Lake District National Parks after their extension in 2016.

32. The YDNPA want a revised assessment of impact undertaken to take account of the extension of both the Yorkshire Dales and Lake District National Parks in 2016 as there is now 4 miles of pylons and transmission cables within the Lake District, plus the boundaries of the two National Parks are now much closer.

### **Willingness to Pay**

33. We understand that the TOs are already in the process of carrying out further willingness to pay (WTP) research which also covers a range of other topics including network resilience, innovation and decarbonisation. However, there does not seem to be any suggestion that the costs incurred by bill-payers for these other aspects of the TOs' business plans should be subject to the outcomes of this research. There should be a level playing field for all the funding arrangements which means that the funding for the visual amenity scheme should not be subject to further WTP analysis if the same is not going to apply to other elements of the business plans. There are already a number of different studies on "willingness to pay" all of which have identified a high level of consumer support for contributing towards the cost of visual amenity projects, including National Grid's most recent research which is less than a year old.

34. Consideration should also be given to the growing body of evidence about the value of National Parks to the rural economy. For example, in England alone there are 94 million visitors to National

Parks and surrounding areas each year, spending more than £5 billion between them and supporting over 75,000 full time equivalent jobs. Many of these visitors are specifically attracted to these areas by the natural beauty of the landscape. Measures to enhance the landscape and visual amenity of National Parks will help support aspirations in both England and Wales to increase the number of visitors to National Parks, including those from overseas whose views will not have been taken into account in the WTP research. .

35. We recognise that updated analysis may be required in order to ensure the continued support of other stakeholders for the visual amenity scheme. However, we would question whether WTP is the appropriate form of research in these circumstances, particularly in light of the fact that National Grid used willingness to accept (WTA) for their most recent research. We recognise that WTP has become the conventional means of measuring public value, and that WTP avoids the risk of very high bids that are associated with WTA. However, the decision to adopt WTP makes judgements about presumptive entitlements to landscape quality which could be considered inappropriate in this context. In short, the use of WTP implies that the public have no entitlement to a particular level of environmental quality unless they are prepared to pay for it.

36. We believe that the public is entitled to expect that its top quality designated landscapes should be free of visual intrusion and, if they are marred by electricity transmission infrastructure then the value of that amenity loss is better captured in terms of WTA. That being the case, it would be of net benefit to society if the funding for the visual amenity scheme was equivalent to public willingness to accept compensation for the persistent presence of visual intrusion.

37. Ofgem took a very conservative approach to setting the visual allowance cap in RIIO-1 and we would not want to see that happen again this time, particularly as WTA surveys usually yield higher results than WTP for the same environmental change. This means that the figures that emerge from the WTP research that National Grid and the TOs are already conducting should be treated as an understatement of the benefits to the public that visual amenity improvements would deliver.

38. Through our work with Electricity North West (ENW), we have found that ENW want any willingness to pay study to look at ALL lines; not just transmission but distribution too. This is on the basis that not everyone lives near a transmission line but everyone lives close to a distribution line so distribution network undergrounding benefits many more people.

#### **ETQ47 Modify the implementation process by which funding requests for mitigation projects are submitted and approved**

39. No, we do not agree with Ofgem's proposals to modify the implementation process by which funding requests for mitigation projects are submitted and approved.

40. We understand Ofgem's desire to ensure that the visual amenity scheme is delivering maximum benefits for consumers and we would support changes to the approval process if this enabled more projects to be implemented more quickly. However, we have some reservations about some of the modifications as currently proposed in the consultation document. In particular, we are concerned about the requirement for projects to be approved as part of the business plan process particularly given 'the potential uncertainty on project cost at the time of business plan submission' which

Ofgem notes as one of the potential issues which will need to be considered further (para 4.108 of the Electricity Transmission annex) .

41. To allow for uncertainty, TOs are likely to have to include potential costs (or a range of costs) which could make the projects appear significantly more expensive than they are in reality and this will affect how stakeholders view such projects when commenting on the business plan. It may also increase the chance that the TOs' User Groups would challenge such projects when scrutinising the business plans. This could result in a situation where there is clear support for an expenditure allowance as evidenced by consumer WTP research but the TOs are unable to spend it because the projects they have put forward have been rejected. If this happened, Ofgem and the TOs would be failing to meet the statutory responsibilities towards designated landscapes which led to the creation of the allowance in the first place.

42. We would also question whether it is realistic to expect the TOs to provide the proposed level of detail in their business plans given that the first drafts of these are due to be submitted by 1 July and a significant amount of work would be required in advance of this, such as consultations with local stakeholders and environmental surveys.

43. We are concerned about setting the expenditure cap for low-cost mitigation projects (e.g. screening and landscape enhancement) at just 2.5% of the total budget, especially as at the moment the figure is £24million of £500million, (around 5%) when it is that small budget that benefits more National Parks and AONBs. 95% of the budget in RIIO-1 went on just 4 projects, but the positive impact of the low cost mitigation projects bought by that £24million is significant.

#### **ETQ48 Other considerations relevant to policy development for visual amenity issues**

##### **Five Year Price Control Period**

44. We are concerned about the implications for the visual amenity scheme of the decision to move to a five-year price control period. A longer period is required to allow for the development and implementation of complex long term projects, such as the removal of transmission lines in designated landscapes. Such projects can often require several years' development before they are ready to enter the statutory processes.

45. We recognise that there may be benefits in reducing the price control period with regard to other outputs. However, we believe that the TOs would be able to develop and implement visual amenity projects more effectively if they could plan for them over a longer time period. We therefore propose that Ofgem should allow the TOs to plan their visual amenity activity over the length of two price control periods rather than one (i.e. 10 years rather than five). If this is not possible, then Ofgem should clarify that it is possible for funding to be rolled forward into the following price control period if projects are not completed by the end of a particular price control period. It would also be helpful to allow TOs to begin preparation for projects in advance of the start of a particular price control period.

##### **Reduction of impacts in the setting of protected landscapes**

46. The policy should clarify that funding can be spent on reducing the impacts of infrastructure in the setting of designated landscapes (see our response to ET46 relating to the setting of the Lake District and Yorkshire Dales National Parks). This was the case for RIIO-ET1 and for the allowances



for distribution operators but does not appear to have been allowed for in RIIO-2. It is important that lines which cross boundaries and continue outside designated areas can be addressed. Development in the setting of designated landscapes can have a negative impact on their special qualities and it is important to remember that Ofgem's statutory duties with regard to designated landscapes also apply to activities undertaken outside the boundaries of designated landscapes which may affect land within them. In addition, TOs need the flexibility to place sealing end compounds in an appropriate location, not necessarily right on the edge of designated landscapes. Care should also be taken to ensure that proposals relating to new transmission infrastructure consider the impact of projects in the setting of designated landscapes.

### **Undergrounding of Distribution Lines**

47. There is no mention anywhere in this Methodology of undergrounding distribution lines for visual amenity. Yet there are statutory duties on all relevant authorities to have regard to the purpose of conserving and enhancing National Parks or Areas of Outstanding Natural Beauty (AONBs) when exercising or performing any functions affecting land within these protected areas.

48. Under RIIO-1 Ofgem committed over £100 million to the undergrounding of electricity distribution lines in protected landscapes. In Cumbria, the Distribution Network Operator Electricity North West is working with The Lake District National Park Partnership including Friends of the Lake District (FLD) to identify and deliver schemes that reduce the visual impact of wire clutter in these nationally important designated landscapes. In addition to the direct benefits to landscapes and their users, this undergrounding work has developed useful partnerships between public, private and charity sectors and generated excellent national and local publicity.

### **Contact**

Friends of the Lake District is happy for this response to be made public. Please contact Kate Willshaw if you would like further information about any of the comments made in our response ([kate-willshaw@fld.org.uk](mailto:kate-willshaw@fld.org.uk) 01539 720788)