

John Muir Trust response to  
Ofgem's RIIO 2  
Sector Specific Methodology  
Consultation

March 2019



## Summary

1. The John Muir Trust is a charity based in Scotland, working across the UK to conserve and enhance wild land and places. The Trust has been involved in policy and planning work regarding strategic electricity generation and transmission since 2007 and has responded to previous Ofgem and RIIO consultations.
2. This response refers to electricity generation and transmission issues. Our response does not consider the gas supply and network.
3. Comments refer to relevant sections of these consultation documents only:  
RIIO-2 Sector Specific Methodology (SSM);  
RIIO-2 Sector Specific Methodology Annex: Electricity System Operator (ESO)  
RIIO-2 Sector Specific Methodology Annex: Electricity Transmission (ET)  
*Consultation Questions are included in italics.*
4. The move to Whole Systems analysis is welcomed. The Trust has called for some time for Total Systems Cost Analysis to be used in the planning of the national electricity generation and transmission infrastructure.
5. As part of that holistic approach, developers who impose extra costs on the system – for instance, by installing generation plant in cheaper locations but which are very remote from consumers - should pay a significant proportion of the connection charges, so that the public does not bear excessive costs.
6. Stakeholder engagement by the ESO, generators and transmission operators may be heavily weighted towards their business partners. Ofgem needs to ensure environmental organisations and communities have an appropriate input which is taken into account.
7. Ofgem has a statutory duty to have regard to the purposes of conserving and enhancing National Parks and Areas Of Natural Beauty (AONBs) when exercising or performing any functions affecting land within these areas. Ofgem's recognition of the equivalence between AONBs and Scotland's National Scenic Areas (NSAs) is welcomed, alongside the moral obligation to include NSAs in the visual impact mitigation work.
8. Sufficient funds should be made available for visual impact mitigation projects in National Parks, AONBs and NSAs which should all continue to be eligible for consideration.
9. The Trust asks Ofgem to consider including Wild Land Areas as eligible for visual impact mitigation projects in the next RIIO process.
10. The Trust does not consider that further work on Willingness To Pay should be required to continue the funding for visual mitigation projects. There is a considerable body of evidence already available, including National Grid's recent work.

## Responses to specific Consultation questions

### From RIIO-2 Sector Specific Methodology

**CSQ8.***Do you feel we have defined the problem correctly?*

**YES.** The John Muir Trust considers it is appropriate that higher hurdles for new investment and new governance arrangements to support decision making and greater risk-sharing are put in place. (SSM para 1.26) The balance to date has at times excessively benefited the company owners of individual projects, whilst the cost, social or environmental disbenefits have been felt elsewhere in the electricity system or impacted significantly on communities or consumers.

Developers who impose extra costs on the system should pay a significant proportion of the connection charges - even up to 100% if the grid impact is very significant - so that the public does not bear excessive costs. An example would be if the developer wanted to install generation plant in a location which would be a cheaper development for them but which was very remote from consumers and would be likely to cause excessive constraints payments, which would ultimately be borne by the public through their energy bills.

So, as identified in SSM para 5.9, greater coordination in forward planning and needs assessment between various network providers is essential to keep costs to the public in check and, crucially, to avoid unnecessary impacts on the environment.

**CSQ9.***What views do you have on our proposed approach to adopt a narrow focus for whole systems in the RIIO-2 price control?*

The Trust supports the move to Whole Systems planning. For many years, the Trust has advocated for Whole Systems Costs and for a Systems Thinking approach to be adopted in the planning of the national electricity generation and transmission infrastructure. Ofgem is to be congratulated on moving this forward and it is essential that the network providers engage meaningfully with this. Ofgem needs to ensure it undertakes adequate oversight across providers.

### From RIIO-2 Sector Specific Methodology Annex: Electricity System Operator

**ESOQ5.** *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?*

As stated in ESO para 4.3, it is right that stakeholders should be “*at the heart of the ESO's price control and business planning process. Industry participants should have a strong voice in helping to determine the ESO's priorities and how it goes about delivering them, and in assessing its performance*”.

Nevertheless, 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.

### **From RIIO-2 Sector Specific Methodology Annex: Electricity Transmission**

**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.*

It is very important that there continues to be an inclusive and meaningful stakeholder engagement mechanism for Transmission Operators. The reasons for stakeholder engagement are referred to in answer to **ESOQ5** above. The Trust does not offer an opinion on whether the mechanism for ensuring that is as an incentive or a regulatory requirement.

**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?*

Option 2, “Retain a targeted Satisfaction Survey, focussing on the quality of the connections process and engagement around new transmission projects” seems to be based on the experience of engagement in RIIO 1. Targeting for engagement those groups with a particular interest is likely to achieve the best outcomes. However, the targeting should not be on too narrow a group. A transmission project will impact people – communities and visitors – in a far wider area than just those living alongside the proposed area so this must be taken into account.

User Groups for RIIO ESO2 should also be brought into the process to contribute a wider overview.

**ETQ10.** *Are there any other areas, beyond those identified in this consultation document, which we should consider targeting through a potential survey?*

As stated in ETQ9, transmission projects can impact on communities in a significantly large geographical area. So when the identified need for additional transmission is still at an early stage of planning, and when 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.

**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?***

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. If the User Groups are overly industry and technically focused, they are unlikely to collectively have the overview that would be most useful in suggesting groups for inclusion. User Groups should include representatives from national landscape conservation groups, e.g. Campaign for National Parks or John Muir Trust.

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

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 still include outputs relating to all of these important environmental factors.

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, that does not mean that the other environmental Outputs listed above, and which were in RIIO 1, are optional extras – they are all essential to allow nature to flourish. This in turn is a necessary contribution to improved human health and wellbeing and the survival of diverse life on earth.

Here is 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.

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

The wording used in the consultation 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 these environmental impacts must be specifically considered and those impacts captured in the methodology used by the companies. 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”, i.e. a group of people from a very similar background and knowledge which leads to them all agreeing quickly and without thoughtful discussion on the way forward.

**ETQ30.** *For each potential output considered (where relevant): a) Is it of benefit to consumers, and why? ...*

The John Muir Trust’s relevant specific interest and expertise on this question relates to “*Mitigating visual amenity impacts in designated areas*” and we regard it as essential that Ofgem continue the programme for that.

For detail on this question, see responses to ETQ 45 – 48.

**ETQ33.** *Do you have any views on the extent to which company activities relating to environmental impacts should be embedded in Business Plans?*

Yes, it is important that environmental impacts from company activities are embedded in Business Plans, as that will ensure consideration of these issues becomes a routine part of the company’s work.

**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.***

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.

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. National Parks, Areas of Outstanding Beauty, National Scenic Areas and Wild Land Areas identify some such areas.

**In Scotland, Wild Land Areas have been identified by Scottish Natural Heritage and identified in Scottish Government National Planning Framework 3 as of national importance. Ofgem should consider how the value of these landscapes can be captured in the indicators or metrics used in company reports.**

**The John Muir Trust would like to be involved in any such discussions with Ofgem.**

## **VISUAL AMENITY IMPACTS OF TRANSMISSION INFRASTRUCTURE**

*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*

The Trust agrees with the use of a survey targeting key stakeholders when considering new transmission. If undertaken at an early stage when there are genuine alternatives, this would be very helpful.

**Ofgem should also review its own role, as well as the ESOs, in taking into consideration environmental issues at the time of assessing new transmission projects. The case study given below demonstrates why -**

*Paragraph 4.87 "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."*

**Paragraph 4.87 of the consultation identifies a key problem with Ofgem's current operating procedures, regarding the public's wish for protection and enhancement of their environment.**

Ofgem says it does not have a direct role in the planning process and that the price control framework enables companies to address impacts on natural beauty.

### **Case Study of the consideration of a major 400kV transmission line**

The Trust's experience as part of a group of objectors at the Public Local Inquiry (2007) for the Beaulieu Denny 400kV transmission line was contrary to that statement. There appeared to be a working assumption amongst nearly all parties that, if Ofgem had agreed the technical and cost case, substantive alternatives could not be considered at that later stage. So the public was being brought in to the process, at the planning application stage, after

other alternatives - such as a subsea cable and a less intrusive 132kV upgrade - had already been dismissed.

Ofgem's role was significant because it had accepted the developers' case for this one particular option. Ofgem had not considered the environmental and visual impact as, at that time certainly, it viewed its role on protecting the environment as only considering direct impacts of the development. Ofgem took the view that the planning system would cover other environmental aspects. However, there was certainly no suggestion that the project could be returned to Ofgem for a "back to the drawing board" consideration, even though significant impacts on the environment and visual amenity were presented as evidence at the Inquiry. Indeed, the Scottish Government Minister made it clear in his speech giving approval that he did not believe he had that choice – to say that the environmental impacts were so significant that Ofgem should consider other more expensive options. It was not in the developers' interests to look closely at other options.

A further issue is that the National Planning Framework in Scotland includes electricity transmission projects collectively as a single National Development, which then leads to fast-tracking of the development through the planning system, with a working assumption that a National Development will get planning permission. Ofgem and the Electricity Systems Operator, therefore, have a significant moral role to ensure there is early engagement with consumer and environmental representatives, when there is still time to adequately assess the Needs case and to influence the choice of project.

It does seem as if Ofgem has become more aware of these issues over the last decade. There may be some realisation that Ofgem giving agreement to the technical and financial case for a proposed project is likely to lead the planning process automatically towards acceptance, on the assumption that the project "must" proceed for the national interest. This leads to inadequate weight being given to environmental impacts as they are brought forward for consideration at a later date. Such a shift in Ofgem's assessments towards a more holistic approach is welcome. Indeed, a broader Whole Systems approach would encompass this methodology and hopefully Ofgem will move further in that direction.

Encouragingly, in recent years, the Trust has noted much better early engagement being undertaken by the Transmission Operators with non-industry stakeholders in some key projects e.g. National Grid's North West Coast Connections. The Trust considers that the changes in regulation which have developed the Electricity Systems Operator role, and now the welcome separation of that role from Transmission Operator, can contribute further to improved engagement and early scrutiny of projects.

**ETQ46.** *Do you have views on 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.*

**YES, the existing scheme should be retained.** It has resulted in considerable positive stakeholder engagement and is progressing worthwhile projects. It is an opportunity for

those concerned with landscape protection and enhancement to engage with TOs in a non-adversarial setting. The Trust has taken part in both SSEN's VISTA project and Scottish Power's VIEW project.

**NO, the Trust does not consider there is a need to conduct more Willingness To Pay analysis.** Although it is a few years since specific research was undertaken on WTP for this work, there is a considerable ongoing body of evidence highlighting how important the UK's designated landscapes are to both our own public and also visitors from elsewhere. The natural environment and scenery regularly comes out of surveys as one of the top reasons for visitors to come to Scotland and the UK and the value of such visits to the UK, within National Parks, Areas of Outstanding Natural Beauty and National Scenic Areas in particular, is very significant. The Trust believes sufficient evidence exists to justify this work, if Ofgem looks at wider survey work regarding people and nature.

**Ofgem needs to be directly involved delivering on its duty to conserve scenic beauty.**

The Trust notes that Ofgem is not suggesting that Willingness To Pay work should be undertaken for other costs which will fall to the consumer. Ofgem, quite rightly, takes the approach that it is their task, alongside the ESO and TOs, to assess the different variables around a project and use expert assessment to select the best development for its advantages, even if this might cost more than another option.

**ETQ47.***Do you agree with our proposals to modify the implementation process by which funding requests for mitigation projects are submitted and approved?*

The Trust is not in a position to comment on the practical implications for TOs or on the cost cap limit. However, the shift to this method of bringing forward mitigation schemes into business planning seems logical.

**ETQ48.***We welcome stakeholders' views on any other considerations they think are relevant to policy development for visual amenity issues in RIIO-ET2.*

The Trust agrees that continuing to focus the scheme on National Parks, Areas of Outstanding Natural Beauty and National Scenic Areas for RIIO 2 is a reasonable approach. The Trust endorses Ofgem's recognition of the approximate equivalence of NSAs with AONBs and the moral case for including NSAs.

## **Wild Land Areas**

The Trust recognises that an amendment on including Wild Land Areas in the mitigation scheme will not be brought in within this RIIO 2 period but asks Ofgem, the ESO and TOs to consider how Wild Land Areas (WLAs) in Scotland - which are recognised by the Scottish Government's National Planning Framework and Scottish Planning Policy as being nationally important - can be protected when new transmission projects come forward. For existing transmission, the Trust asks that consideration is given to whether the Wild Land Areas can be included as eligible areas for visual amenity impact mitigation in the next RIIO round.