

Date: 14 March 2019
Our ref: ACT/JB
Your ref:



By email only: RIIO2@ofgem.gov.uk

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Dear Sir or Madam

Consultation on RIIO-2 sector specific methodology

Natural England welcomes the opportunity to comment on the above consultation. As the Government's advisor on the natural environment, our purpose is to ensure that the natural environment is conserved, enhanced, and managed for the benefit of present and future generations, thereby contributing to sustainable development.

Natural England advises on the environmental aspects of sustainable development and engages with the planning system as a statutory consultee for development plans, Environmental Impact Assessments, Strategic Environmental Assessment, Nationally Significant Infrastructure Projects and where planning applications are likely to impact upon our particular interests.

If you have further questions regarding our response to this consultation, please contact Deborah Hall, Principal Advisor, Infrastructure on 0791 962 5708 or at Deborah.Hall@naturalengland.org.uk

Yours faithfully

A handwritten signature in black ink, appearing to read "J Burney". Below the signature is a dotted line.

Jonathan Burney
Director, Government Advice

Natural England is the statutory adviser to Government on the natural environment and a consultation body on a wide range of planning permissions and local plans. Our purpose is to ensure that the natural environment is conserved, enhanced, and managed for the benefit of present and future generations, thereby contributing to sustainable development.

Natural England advises on the environmental elements of sustainable development and is a statutory consultee for development plans, Environmental Impact Assessments, Strategic Environmental Assessment and where planning applications are likely to impact upon our particular interests (e.g. S.28(1) of the Wildlife & Countryside Act where development will impact upon a Site of Special Scientific Interest (SSSI)). We also play an important role as a competent authority in the issuing of consents where there will be impacts on protected species and sites.

Natural England is engaged with the operators who run the gas and electricity network such as National Grid and has engaged with the RIIO-2 consultation, attending some workshops in order to understand the needs of the industry.

Summary of Natural England's Response

The consultation contains specific sections about delivering an environmentally sustainable network, but is quite light on how that might be achieved and the incentives seem insufficient to achieve this in the round. In particular:

- The requirements to ensure projects/operation are delivered environmentally sustainably are left to the individual company business plans without a clear framework of what is expected from them or the metrics by which they are measured.
- Natural England are concerned that the overarching 'good value for the consumer' often means that cost is the only consideration. We do not necessarily believe that in the long run building in environmentally sustainable solutions costs more, but with only a 5 year settlement a longer overarching aim might help deliver these benefits.
- More strategic approaches e.g. strategic route options, should be employed particularly where there are grid constraints such as where offshore wind farms cabling comes onshore.
- The existing process for grid connections for offshore wind development means that multiple developers are trying to get their proposal in first and the environmental impacts are not considered until after the connection offer. Significant environmental constraints such as Marine Protected Areas and Marine Conservation Zones, are not being considered early enough and getting the cables to these locations is becoming problematic. Unfortunately they are not being dealt with when the licence for the offshore wind projects are let, and there is currently no strategic approach. We consider that the current approach costs more than taking a strategic approach which would minimise costs to all and potentially enable environmental improvement opportunities to be delivered at the same time.

- **Visual Amenity**

- Development of new transmission projects through stakeholder engagement proposals - National environmental stakeholder groups also need involvement in this process including the National Grid VIP Stakeholder Group and the Natural England Landscape Advisory Group.
- Designated landscapes (and a wider setting as mentioned above) should continue to be the focus of mitigation measures and financial support (undergrounding and landscape enhancement initiatives);

- We propose that serious consideration should be given to expanding the present VIP/LEI scheme to cover those World Heritage sites outside of designated landscapes and that historic/cultural landscapes outside of designated landscapes are also included.

Natural England

March 2019

Annex 1 – Detailed response to Questions

RIIO-2 Consultation – send to RIIO2@ofgem.gov.uk

General feedback

We believe that consultation is at the heart of good policy development. We welcome any comments about how we have run this consultation. We would also like to get your answers to these questions:

- *Do you have any comments about the overall process of this consultation?*
- *Do you have any comments about its tone and content?*
- *Was it easy to read and understand? Or could it have been better written?*

Please send any general feedback comments to stakeholders@ofgem.gov.uk

Cross-sector questions

Output categories questions

CSQ1. Do you have any view on our proposed approach for considering the extent to which a successful appeal has consequences, if any, on other components of the price control?

CSQ2. Do you agree with our proposed three new output categories?

The output categories are not clear and distinct. For example in order to deliver a resilient network in relation to climate change, it would also need to be demonstrated that the network was environmentally sustainable. An environmentally sustainable network would not just relate to the move to a low carbon economy but should also demonstrate how the operation and development of new infrastructure delivers an environmental net gain in line with the Government's 25 Year Environment Plan, Industrial Strategy and Clean Growth Strategy. The National Infrastructure Assessment also recommends the use of natural capital metrics so that this can be measured.

CSQ3. Are there any other outcomes currently not captured within the three output categories which we should consider including?

As described in CSQ2, the true environmental sustainability of the network and its benefit for people is not captured. It is not only the cost of their utility bills, that people value. Indeed the network is likely to be maintained at a lower cost, if for example, resilience to climate change, through development of green infrastructure, is built in from the outset. We are aware for example that National Grid is trialling the use of natural capital metrics and has committed to delivering a biodiversity net gain. We consider that this should be a target

across all networks in line with the Government's 25 Year Environment Plan in the way that other regulators have proposed for example ORR and roads.

CSQ4. Do you agree with our proposed overarching framework for licence obligations, price control deliverables and output delivery incentives?

We consider that the funding for one off capital projects (PCDs) should include all environmental obligations including the delivery of environmental net gain as set out in the Government's 25 Year Environment Plan. This should include taking account of environmentally protected areas on land and in the marine environment.

CSQ5. Do you agree with our proposals to introduce dynamic and relative incentives, where appropriate? Are there any additional considerations not captured in our proposed framework which you think we should take into account?

The onshore cabling from offshore energy developments are currently delivered on a first come first served basis for a connection which is not at all flexible or efficient. It would be beneficial if there was a more strategic approach taken so that a more collaborative and integrated approach can be developed, helping to reduce the harmful effects on local nature sites and landscapes. This needs to be funded upfront, which will then allow for reduced costs later. The framework should take these issues into account and promote the avoidance of impacts on environmentally sensitive areas.

Enabling whole system solutions questions

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

Yes, but this approach could have been extended to all infrastructure and incentives should be 'built in' to ensure the system provides resilience to climate change impacts such as flooding and demonstrate the potential value of green infrastructure solutions which could assist in alleviating flooding, cooling etc. A whole system/strategic, natural capital approach providing a suitable framework for new infrastructure (across transport, heat etc) / renewals, should be developed. In reality a cross sector approach would provide the most benefit across Government targets, such as that suggested along the OxCam Growth Arc.

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

It would be beneficial if a wider approach could be developed as this is likely to provide greater benefits to the consumer in the round.

CSQ10. Where might there be benefits through adopting a broader scope for some mechanisms? Please provide evidence.

We recommend that Ofgem consider the work being developed around the Oxford Cambridge Growth corridor where this natural capital approach is also being used to link across housing and infrastructure development. National Infrastructure Commission has produced various reports on the approach and work is going on across Government.

Asset resilience questions

CSQ19. Do you agree with our proposals to use monetised risk as the primary basis for

network companies to justify their investment proposals for their asset management activities?

It is not clear how environmental risk factors are considered here. For example climate change impacts such as increased rainfall and flooding would need to be built in, along with mechanisms for alleviating these impacts. These could align with the way that Ofwat consider making their systems and services resilient and responsive to customer, environmental and societal priorities in their areas. It is also important to understand the relationship between reliability and resilience, which is currently unclear in the consultation document and a definition of resilience is absent.

It would be beneficial if the regulatory framework can take account of (and incentivise) further innovation, including greater use of partnership approaches that bring benefits to customers, the environment and wider society.

It is not clear if natural capital approaches are being considered as part of the monetised risk approach.

Managing the risk of asset stranding questions

CSQ40. Do you have any views on our direction of travel with regard to anticipatory investment?

We consider that strategic approaches are certainly needed where any assets are concerned in addition to avoid or minimise environmental impacts of connections. It is always difficult where the grid connection is considered separately to the energy generation for example an offshore wind farm as those issues could be significant and potentially act cumulatively or in-combination with the generation itself or with other schemes.

Innovation questions

CSQ44. Do you agree with our proposals to encourage more innovation as BAU?

Yes, but we consider that innovation should extend to environmental factors that could increase the resilience of the network whilst delivering environmental net gains. For example this could be through innovative undergrounding / reducing visual impact of electricity distribution projects, or techniques and approaches that could help deliver the Government's 25 Year Environment Plan. This could be around the management of the sites containing the infrastructure, strategic/innovative approaches to doing this across a network or integration within an area e.g. taking a strategic natural capital and environmental net gain approach in the Oxford-Cambridge growth arc.

CSQ46. Do you agree with our proposals to introduce a new network innovation funding pot, in place of the Network Innovation Competition, that will have a sharper focus on strategic energy system transition challenges?

Yes, although we consider that the onshore cabling from offshore windfarms and interconnectors should be part of the strategic assessment and where new grid connections would avoid or reduce environmental impacts whilst providing opportunities for wider environmental gains including ensuring the resilience of the network.

Competition questions

CSQ55. What are your views on the potential issues we have raised in relation to early competition? How would you propose mitigating any issues and why? Are there additional issues you would raise?

Business Plan and totex incentives questions

CSQ65. What are your views on our proposed approach to establishing a Business Plan incentive?

In order to deliver a project proposal which considers the environment up front and early in an integrated strategic way, focussing only on good value for money for the consumer can distort the resulting proposals and create bad designs that are then required to retrofit mitigation and compensatory measures down the line. It is often the lowest cost in money to build that is identified, but the environmental costs and those opportunities to integrate the proposals with wider infrastructure and deliver the ambitions to improve the environment are not factored in and only become evident when environmental constraints cause further costs through opposition to proposals or in the operation of the infrastructure. There are natural capital metrics being developed by Defra and Natural England which are and will be used to measure the delivery of infrastructure. The National Infrastructure Assessment will also be using these types of approaches across sectors. Delivering biodiversity net gain and other environmental net gains in line with the Government's 25 Year Environment Plan ambition must mean that the regulator ensures that those delivering our energy infrastructure are able and encouraged to do this within the controls set. These types of approaches may not cost more, but will deliver better places for people to live in and therefore benefit the consumer,

RIIO-2 Achieving a reasonable balance questions

CSQ98. Are we proposing a methodology that allows us to achieve a reasonable balance between the interests of existing and future consumers?

We think with a 5 year timeframe the methodology does not clearly demonstrate how it builds in environmental benefits including climate change resilience upfront which benefits consumers in the long run.

ESO innovation questions

ESOQ15. What ESO-specific issues should we consider in the design of the ESO innovation stimulus package

We are pleased to see that Paragraph 8.1 also includes innovation measures to deliver wider environmental benefits to customers and suggest that these should be aligned with the approaches adopted for other RIIO-2 sectors.

Gas distribution questions

Chapter 4 questions – Deliver an environmentally sustainable network

General output questions

GDQ30. What are your views on the priorities we've identified for the gas distribution sector

in delivering an environmentally sustainable network? Should measures proposed for electricity and gas transmission, such as BCF reporting and strategies for including in Business Plans, also apply to gas distribution?

Yes we think they should apply and be integrated with Business Plans and that they should align in relation to wider environmental impacts so that consistent metrics are used to measure impacts and the opportunities around environmental net gains.

In addition to the above questions, where relevant, please see the supplementary output specific questions below.

Chapter 4 questions – Deliver an environmentally sustainable network

General output questions

GTQ12. What are your views on the overall outputs package considered for this output category?

- a. For each potential output considered (where relevant):*
- b. Is it of benefit to consumers, and why?*
- c. How, and at what level should we set targets? (e.g. should these be relative/absolute).*
- d. What are your views on the design of the incentive? (e.g. reward/penalty/size of allowance).*

See our response to ETQ30 below

GTQ13. Where we set out options, what are your views on them and please explain whether there are further options we should consider.

No comment.

GTQ14. What other outputs should we be considering, if any?

It is not clear where new infrastructure falls within this section. We would also recommend broadening consideration from ‘delivering an environmentally sustainable network’, to also delivering on Government’s commitments to environmental net gain. We understand that this wider environment consideration might be delivered through the approach to the business planning and subsequent consultation. We would be interested to comment on this and any potential metrics to measure delivery.

Electricity Transmission questions

Chapter 3 questions – Meet the needs of consumers and network users

General output questions

ETQ1. What are your views on the overall outputs package considered for this output category?

ETQ2. For each potential output considered (where relevant):

a) Is it of benefit to consumers, and why?

b) How, and at what level should we set targets? (e.g. should these be relative/absolute)

c) What are your views on the design of the incentive? (e.g. reward/penalty/size of allowance)

d) Where we set out options, what are your views on them and please explain whether there are further options we should consider?

ETQ3. What other outputs should we be considering, if any?

We welcome the inclusion of 'Mitigating visual amenity impacts in designated areas' but there are also opportunities to include some wider metrics against the Government's 25 year Environment Plan such as around biodiversity net gain and natural capital measures – these are likely to be looked at in the National Infrastructure Assessment for the sector and join up with these and other metrics that other sectors are measured against, particularly as they become more integrated would be beneficial i.e. transport for example and ORR reporting.

Supplementary output specific questions

Timely Connections Output

ETQ16. Do you have any views on options for capturing the quality of the overall connections process through our stakeholder engagement proposals, for example through the use of a survey?

The process is focussed on timeliness, but as the document paragraph notes 3.44 there are multiple interactions e.g. around visual amenity. It will be important to ensure that environmental factors are captured more widely and before connections are offered or inappropriate connections, incentivised by the timeliness requirements, will be offered.

The particular grid constraint we encounter is the competition process for connections from offshore wind farms to onshore connections. The process as it stands means that multiple developers are just trying to get in first and the environmental impacts are not considered until after the connection offer. This means that where there are significant environmental constraints such as Marine Protected Areas and Marine Conservation Zones, getting the cables to these locations is becoming problematic. Unfortunately they are not being dealt with when the licence for the offshore wind projects are let, and there is currently no strategic approach. It would be very beneficial for these types of issues to be taken account of before the connection was offered so that there is certainty that they can be delivered. Doing this in the current way just costs more, whereas taking a strategic consideration would minimise costs to all and potentially enable environmental improvement opportunities to be delivered at the same time.

Chapter 4 questions – Deliver an environmentally sustainable network

General output questions

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

ETQ30. For each potential output considered (where relevant):

- a) Is it of benefit to consumers, and why?
- b) How, and at what level should we set targets? (e.g. should these be relative/absolute)
- c) What are your views on the design of the incentive? (e.g. reward/penalty/size of allowance)
- d) Where we set out options, what are your views on them and please explain whether there are further options we should consider?

It should be recognised that an environmentally sustainable network will be of benefit to the consumer and will provide a network that is resilient to climate change etc. Indeed, Government Policy through the Industrial Strategy and the National Planning Policy Framework outlines how infrastructure development should deliver on the 25 Year Environment Plan ambitions for example for environmental net gains.

The question as stated doesn't properly deal with the environmental impact of the proposed targets. The choice of relative or absolute targets is then made irrelevant as the targets aren't dealing with the environmental impacts that the operation / development of the network is having. Even where there are commitments to do something e.g. *"4.9 For RIIO-ET2 we think that companies should embed environmental considerations within their business plans"* it isn't clear what environmental considerations are proposed to be included, and what commitments are required.

The decision within the core document to limit the scope of RIIO 2 to a five year timescale also means that many impacts probably won't be addressed within the programme.

The only proposed measure within Table 7 that is directly relevant to our remit: "Mitigating visual amenity impacts of pre-existing infrastructure in designated areas" has a fairly meaningless 'output type' measure, "Reputational incentive with efficient project funding". Please see Questions ETQ45-48 for further detailed answers on visual amenity.

The statement in para 4.17 *"Funding for environmental actions and initiatives will be included as a baseline expenditure allowance. However, we do not expect environmental components to generate large increases in baseline funding."* – This statement suggests that the effects on 'natural capital' will not form a significant component of baseline funding. In making this statement Ofgem are effectively establishing that the operators can make a net environmental loss, without it having a significant effect on their baseline funding. Principles of the natural capital approach, include how it must be costed into operational funding, if an environmentally sustainable network is going to be achieved.

The proposed criteria for environmental effects that should be included within an operators business plan (ETQ34) will not give sufficient guidance to operators on what sort of effects they should be considering and how they would determine environmental detriment. We would propose establishing a checklist of environmental criteria, something like the topic list within Strategic Environmental Assessments:

"The likely significant effects on the environment, including short, medium and long-term effects, permanent and temporary effects, positive and negative effects, and secondary, cumulative and synergistic effects, on issues such as—

- (a) biodiversity;

- (b) population;
- (c) human health;
- (d) fauna;
- (e) flora;
- (f) soil;
- (g) water;
- (h) air;
- (i) climatic factors;
- (j) material assets;
- (k) cultural heritage, including architectural and archaeological heritage;
- (l) landscape; and
- (m) the inter-relationship between the issues referred to in sub-paragraphs (a) to (l)."

And to then set specific assessment questions for each of these topics e.g. "Will the operation of the network protect and enhance biodiversity, with specific regard to species and habitats within and intersected by the existing network?" This should give a discipline to process and help direct known impacts (such as those quoted around used Climate Change gasses) a clear place within the assessment, whilst establishing flexibility for other as yet unrecognised impacts.

Supplementary output specific questions

Environmental framework - Business Plans and annual monitoring

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

We welcome the incorporation of these activities being embedded in Business Plans. This would allow for much earlier engagement and a more strategic consideration which can only be beneficial before new transmission projects are developed.

We welcome the inclusion of 'biodiversity natural capital: identification of metrics for measuring baselines, and additional environmental value, and actions to increase environmental value' as set out in Paragraph 4.20 and consider they should be captured. This would align with metrics being developed across other sectors such as transport and the ambition of the TOs who have corporate aims to deliver biodiversity net gain for example. This aligns with the Government's 25 year Environment Plan and how many projects will be delivered through the planning system in line with the NPPF. Government are also currently considering their response to a consultation mandating biodiversity net gain through development under TCPA and that is being extended further. For example the new nuclear NPS currently being revised will incorporate the requirement for projects to deliver net gains. It would be appropriate that the TOs had the same requirements.

The National Infrastructure Commission are also setting out natural capital metrics to capture across infrastructure how Government are performing in their National Infrastructure Assessments and so any alignment of metrics would be beneficial for any future reporting requirements.

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.

See above ETQ33. The Defra biodiversity metric is being revised this year and is likely to be published around Easter 2019. This metric and the proposed British Standard that is being worked up (BS8683) would be appropriate standard metrics and measures that could be used by TOs. Natural Capital metrics are also being developed to measure the progress of the Government's 25 Year Environment Plan and these could also be adopted so that there is a level playing field. TOs could also make their Biodiversity Action Plans part of their business planning as well as their consideration of the reduction of visual impacts - see ETQ45

ETQ35. We welcome views on the option of an annual reporting framework to increase transparency of the transmission networks' impact on the environment.

We would welcome this approach. It would be worth Ofgem considering the approaches that other regulators use such as ORR use to measure the environmental impacts of roads (the work ongoing in DfT – e.g. the Varley review on the railway estate), Ofwat in relation to the water industry etc. This reporting is a useful measure to help hold TOs to account. It would also mean that the issues we have identified earlier in the questions around impacts from cabling in the marine environment and onshore are better addressed. Whilst we recognise that often the infrastructure runs across land that isn't in the ownership of the TO, they will have influence in the way that the land around this supporting infrastructure is managed as well as an ability to take a more strategic approach over its refurbishment and maintenance.

It is worth being aware that we looked at the National Grid (in 2013) and found that there were 175 km of pipes, cables and lines on more than 150 SSSIs in England, many of which are highly protected as Special Protection Areas and Special Area of Conservation and require detailed assents and permissions for maintenance works and refurbishments.

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.

- Environmental organisation, including Natural England, would welcome early engagement on the potential development of new transmission projects . . . the earlier the better;
- The development of potential new transmission projects needs to encompass greater use of route option(s) appraisal including the potential visual impact of possible routes of overhead lines and grounding stations;
- The use of a survey would be a welcome start in the process of identifying potential new transmission projects and this should be followed up with direct Natural England engagement at the national and area levels;
- National environmental stakeholder groups also need involvement in this process including the National Grid VIP Stakeholder Group and the Natural England

Landscape Advisory Group.

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?

- The existing scheme to mitigate the visual impact of pre-existing transmission infrastructure in designated areas needs to be retained and should be developed further to address existing issues;
- Whilst the setting of the designated landscape is incorporated in the existing scheme, because of the high visual impact of transmission lines when viewed from designated landscapes, the settings ought to be expanded, where appropriate, to an extent of ten miles;
- The decision to implement new funding arrangements should be influenced by an updated willingness to pay for analysis, but the final decision ought to rest with Ofgem. It is essential to maintain progress on mitigation measures which will capitalise and build on existing expenditure and projects within designated landscapes and their setting. If willingness to pay analysis reveals that increased funding, in comparison to existing mitigation funding, is required for mitigation then that figure should be used by Ofgem. If the funding is less, then the same proportion should still be made available for designated landscapes to use.

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

- Future undergrounding mitigation projects could form part of the RIIO-ET2 business plan submissions if it was thought that sufficient preparation and analysis could be undertaken by National Grid and its partners including the VIP Stakeholder Group and individual National Parks and AONBs. If sufficient time is not available then mention should be made that plans are underway to identify the most appropriate and cost effective undergrounding projects;
- National Grid business plan submission should also highlight, perhaps more strongly than in the last round, the role and potential to continue the present Landscape Enhancement Initiative beyond 2021. Whilst specific, detailed future LEI projects could not be identified in the business plan (as designated landscape teams need to work these up) it is important to highlight the success of the present scheme and that this is set to continue;
- Setting an expenditure cap for 'low cost solution' mitigation is a sensible approach but setting this at 2.5% of consumer willingness to pay is indeed "a relatively small proportion". Therefore we propose that a figure of 2.5% or £28m (the present LEI cap) . . . whichever is the higher amount . . . be used as the cap figure;
- The LEI grant process could be simplified by, for example, giving the LEI grants panel greater responsibility in the sign off process for submitted projects whilst Ofgem retains a more 'light touch' oversight role;

- Designated landscape seed funding should be made available early on in the process therefore allowing National Park and AONB teams to proactively develop more strategic and integrated LEI bids.

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

- Designated landscapes (and a wider setting as mentioned above) should continue to be the focus of mitigation measures and financial support (undergrounding and landscape enhancement initiatives);
- However, whilst it might be “difficult to make a compelling case to extend the scheme to cover pre-existing transmission infrastructure in other areas” this is not impossible. We propose that serious consideration should be given to expanding the present VIP/LEI scheme to cover those World Heritage sites outside of designated landscapes and that historic/cultural landscapes outside of designated landscapes are also included. By doing so the reach of the VIP/LEI scheme would be considerably extended and the associated connection to people (via positive comms and publicity) would be vastly increased to the benefit of Ofgem and National Grid.

Supplementary output specific questions

Successful delivery of large capital investment projects

ETQ57. Do you agree with our proposed approach for ensuring TOs do not benefit financially from delays in delivering large capital investment projects?

We are concerned that TOs are not required consult Natural England at the very early stages of any large capital investment project or Nationally Significant Infrastructure Project. Consulting in this way helps to address the environmental concerns we may be able to highlight and avoid or reduce impacts and ensuring that the opportunities for environmental gains are also built in to the proposals from the beginning. If we are brought in later in the process, the requirements for surveys or the timing of impacts could lead to delays and we would be concerned that this delay where a financial penalty was imposed could impact on the environment.

Chapter 6 questions – Cost assessment

ETQ65. We invite views on the appropriateness of our proposed cost categories for RIIO-ET2.

We would want any cost drivers to fully incorporate all environmental cost factors so that when we work with TOs or developers the mechanism exists to build in mitigation / compensatory measures and opportunities for environmental net gains. These might not cost more in the long run if thought about at an early enough stage in the process rather than retrofitting. Ensuring early engagement will ensure that these measures are not being dis-incentivised through cost. Whilst the TOs business plans should be able to integrate these environmental measures throughout, there is the danger that when it comes to delivery, particularly of new infrastructure, that the environmental measures are tacked on rather than built in from the beginning. We welcome an opportunity to feed into the business plan consultation in due course.