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12th March 2019

**Dear OfGEM; RIIO2 Team,**

**Re: RIIO-2 Sector Specific Methodology Consultation**

Thank you for the opportunity to comment on the above consultation.

The statutory purpose of NRW is set out under the Environment (Wales) Act 2016. In the exercise of its functions under the Environment (Wales) Act 2016, NRW must pursue sustainable management of natural resources in relation to all of its work in Wales and apply the principles of sustainable management of natural resources in so far as that is consistent with the proper exercise of its functions. NRW's duty (in common with the other public bodies covered by the Well-Being of Future Generation (Wales) Act 2015) is to carry out sustainable development. This means, in general terms, looking after air, land, water, wildlife, plants, and soil to improve Wales' well-being, and provide a better future for everyone. NRW are also advisors to the Welsh Government on the natural heritage and resources of Wales and its coastal waters.

NRW welcomes the RIIO2 consultation which will 'continue' to provide a platform for improving the price controls for GB gas and electricity networks. We have focused our response specifically on the 'visual impact amenities of transmission infrastructure'.

If you wish discuss the contents of this submission , please contact Keith Davies at ( [keith.davies@cyfoethnaturiolcymru.gov.uk](mailto:keith.davies@cyfoethnaturiolcymru.gov.uk) ) or John Briggs at ( [john.briggs@cyfoethnaturiolcymru.gov.uk](mailto:john.briggs@cyfoethnaturiolcymru.gov.uk) ).

We have set out our inputs to the consultation questions and recommendations below. These are informed by our engagement and involvement with the VIP and LEI process at both a strategic and operational level.

Summary of our views and recommendations.

We would welcome:

- continuing with provision for visual impact mitigation.
- making the LEI approvals process shorter.
- allowing for larger projects, up to the total value (£600,000).

We have concerns:

- of timing issues in relation to VIP project proposals being submitted in advance, versus timing issues in relation to stakeholder consultation and gaining their buy-in.
- if there was an impact on reducing the LEI budget (2.5% cap).
- to ensure the interpretation of the VIP and LEI eligibility reflects mitigating impacts on designated landscapes, as opposed to taking the designated landscape boundary as a hard limit that projects cannot cross.

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.

- We would welcome increased or refined dialogue between TOs and stakeholders when they consider new transmission projects.
- There would be benefit from learning from experience. A survey of before and after could assist in understanding stakeholder satisfaction, now that we have undergrounding proposals to refer to, coming through the system from RIIO-1. This may be less suitable for the LEI projects since mitigation involving the growth of trees would take many years to achieve full benefit.

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?

- Proposals seen to date are often of a high standard, offer multiple benefits, at a landscape-scale, and may not otherwise have been possible. Their continuation would be much welcomed.
- We consider that it is hard to ascertain willingness to pay in an exact way, but experience from RIIO-1 could provide examples to assist, unlike in the 2012 survey.
- We understand that experience from RIIO-1 is that VIP money has taken time to spend due to the complexity and sensitivity of the issues to be resolved in place and that there is a risk that projects may slip into RIIO-2. We also recognise that some LEI projects have taken longer to approve than anticipated and that spend in RIIO-1 has been less

than forecast. However we understand that the proposal for a cap for RIIO-2 of 2.5% is likely to result in a somewhat smaller total budget for LEI (potentially halving it). We are unclear if this would have practical consequence or whether proposed improvements to the approval process for LEI would lead to more spend and therefore possibly running out of budget in RIIO-2.

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

- We understand the LEI approvals process would be made shorter. We would very much welcome this, as experience in RIIO-1 with the LEI proposals has been that delays can be extra-ordinarily long to the point that project viability has been put at risk (eg match funding being timed out). We understand the effect of the shortening could reduce approvals time by 4-5 months.
- We understand the new process for VIP projects would involve submitting a programme in advance of actual project proposals being developed, this is to be welcomed but will need to be balanced against a risk that at that early stage specific stakeholder buy-in to a particular project may not yet have been achieved.
- While RIIO-1 LEI projects have been limited to up to three per Designated Landscape per consenting period, up to a total of £600,000, a more flexible approach would simply be to impose the spending limit total. This would allow larger projects, which from the consenting and accountability perspective could be more efficient to handle.

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

- Natural Resources Wales sits on the VIP panel and the LEI panel and consider these to be useful discussion and decision-making forums.
- Keeping the mitigation scheme focussed on designated landscapes is a reasonable compromise – so long as this also provides flexibility to do works in the settings of designated landscapes, as opposed to sticking rigidly within a designated landscape boundary. This is because visual impacts transcend such boundaries. It is also well-established planning and visual impact assessment practice to consider the settings of designated landscapes, for example in terms of views in/out, gateways to designated landscapes, and areas outside the designation that contain high numbers of sensitive visual receptors, such as towns, popular trails or view points or key transport routes.