

All interested parties

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Dear stakeholders,

**Determination on Enhancing Pre-existing Infrastructure outputs and allowed expenditure adjustment within National Grid Electricity Transmission's RIIO ET1 price control (electricity transmission licence special condition 6G)**

This letter explains our determination on new Enhancing Pre-existing Infrastructure (EPI) outputs and a related adjustment to National Grid Electricity Transmission's (National Grid) allowed expenditure under the RIIO ET1 price control. A notice is published alongside this determination setting out the modifications we intend to make to National Grid's electricity transmission licence to implement this determination.

*Background*

In 2016 National Grid introduced the Landscape Enhancement Initiative (LEI) as part of its Visual Impact Provision (VIP) policy.<sup>1</sup> Under the LEI, National Grid invites applications for grants from local stakeholders for smaller visual improvement and landscape enhancement projects in National Parks and Areas of Outstanding Natural Beauty that are adversely affected by pre-existing transmission infrastructure. Such projects might include landscaping to screen infrastructure, works to enhance the special landscape characteristics, and/or works to re-focus views.

Under Special Condition 6G (Mitigating the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas)<sup>2</sup> of its licence, National Grid is requesting a new allowance to fund the projects that meet the LEI criteria. The deliverables from these mitigation projects are EPI outputs.

*Funding request*

National Grid has requested £0.514 million (2018/19 prices) for five mitigation projects. The LEI projects are located in the Blackdown Hills Area of Outstanding Natural Beauty (AONB), Clwydian Range and Dee Valley AONB, High Weald AONB, and the New Forest National Park.

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<sup>1</sup> There is £500 million in the electricity transmission price control for the transmission owners to deliver projects that reduce the visual impact of pre-existing transmission infrastructure on nationally designated landscapes.

<sup>2</sup> <https://epr.ofgem.gov.uk/Content/Documents/National%20Grid%20Electricity%20Transmission%20Plc%20-%20Special%20Conditions%20-%20Current%20Version.pdf>

Appendix 1 contains more background information on National Grid's VIP policy, the LEI and the five LEI projects and outputs they will deliver.

### *Our review of National Grid's EPI output and funding submission*

To assess the EPI output and funding request we have reviewed National Grid's project submissions, the project applications and supporting material from the project applicants.

For each project, we examined the application summary to verify the project meets the LEI project criteria set by National Grid in its VIP policy.<sup>3</sup> We then looked at the costs of the main activities and/or deliverables involved in each project to get a break down of total project costs to ensure these are economical and efficient. We used supporting information provided by applicants about the volume and the scope of tasks included in each activity to derive task-specific cost rates. We assessed the reasonableness of these cost rates by comparing against costs for similar agri-environmental tasks obtained from a range of independent sources.<sup>4</sup> Another aspect we reviewed is the match funding and in-kind contribution made by landowners and the Areas of Outstanding Natural Beauty (AONBs) and National Park (NP) bodies to the total project costs.

We are satisfied that the projects are consistent with National Grid's VIP policy, and also meet the LEI project criteria. Accordingly, we think the projects will benefit consumers by mitigating the impact of the existing transmission infrastructure on the highly valued landscape and visual amenities in the designated areas.

We note that many of the projects will also contribute more broadly in terms of benefiting local wildlife and ecology by increasing habitat connectivity and biodiversity. The projects also contribute to socio-economic objectives by increasing public accessibility to the designated areas, local sustainable development and offering training and volunteer opportunities.

We have completed our cost review. Based on the information provided we are satisfied that the estimated project costs for delivering the EPI outputs are economical and efficient.

### **Our determination**

Having completed our review, we've determined that these projects are consistent with National Grid's VIP policy and LEI criteria, and will help to mitigate the impact of existing transmission lines in these highly valued landscapes for the benefit of existing and future consumers.

Accordingly, we have published a notice setting out the proposed modifications to National Grid's electricity transmission licence: adding new EPI outputs and increasing its RIIO-1 allowed expenditure by £0.507 million (2018/19 prices).

The RIIO-1 allowed expenditure adjustment is £0.007 million less than the £0.514 total expenditure request in the LEI submission. This is because a small proportion of project expenditure will be incurred in the next price control period, RIIO-2 (starting April 2021).

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<sup>3</sup> Further information on the criteria used to assess project applications is available from: <http://lei.nationalgrid.com/>

<sup>4</sup> Sources used for benchmarking comparable activities are the Welsh Government's Glastir Advanced Rules Booklet, and the UK Government's Countryside Stewardship Capital Grants Manual.

Accordingly, we are not adjusting the RIIIO-1 allowed expenditure for expenditure that will be incurred in the next price control period.

Work is ongoing, as part of the RIIIO-2 price control review to finalise the arrangements for setting RIIIO-2 allowances for projects which will be in progress at the end of the current price control and completed in the next price control period.

### **Next steps**

Alongside this letter, we are publishing a notice under Part C of Special Condition 6G setting out our proposed modifications to National Grid's electricity transmission licence to implement the above determination. The notice sets out the details of the proposed new EPI outputs and the adjustment to National Grid's allowed expenditure. Please send any representations in response to the notice to [anna.kulhavy@ofgem.gov.uk](mailto:anna.kulhavy@ofgem.gov.uk) on or before 26 July 2019.

Yours faithfully,

**Min Zhu**  
**Deputy Director, Transmission, RIIIO**

## Appendix

### *Background to the Landscape Enhancement Initiative*

As part of implementing its VIP policy<sup>5</sup>, National Grid established the VIP Stakeholder Advisory Group in 2014 to advise it on EPI outputs to reduce the impacts of its pre-existing transmission lines in AONBs and NPs in England and Wales. In addition to a small number of major capital engineering projects, the VIP Stakeholder Advisory Group recommended to National Grid that it should also progress smaller localised visual improvements and landscape enhancement projects.

The VIP Stakeholder Advisory Group championed the potential benefit of smaller projects to help lessen the impact of pre-existing transmission infrastructure. It is anticipated that these smaller, less capital-intensive projects will include a variety of mitigation works. For example, landscaping to screen infrastructure, works to enhance the special landscape characteristics of the area, works to re-focus park users' views, as well as works to increase public access to areas that are less adversely affected by transmission lines.

In 2015 National Grid amended its VIP policy to include the LEI, which covers the criteria and process by which smaller mitigation projects, led by local stakeholders, can be funded and contribute EPI outputs. National Grid launched the LEI in 2016.

National Grid operates the LEI as a grant scheme. The initiative is only open to AONBs and NPs that contain or are affected by National Grid's overhead electricity lines and were included in the landscape and visual impact assessment report National Grid commissioned in 2014.<sup>6</sup>

Applications are assessed against a set of LEI project criteria. All projects are expected to meet the primary criteria of reducing visual impacts of pre-existing transmission lines/and or enhancing the landscape in ways to shift the balance away from the impact of the overhead lines. The primary criteria also include compatibility with local landscape character and with AONB and NP management criteria. The applications are also assessed against secondary criteria, covering other environmental, social, economic and practical project factors.

The project applicants are required to match 25 per cent of the total project costs and there is a maximum limit on LEI funding of £200,000 per application. Up to £4 million per year is available for LEI projects until March 2021.

In accordance with its VIP policy, National Grid appointed a grant administration specialist to administer the day to day running of the scheme. Applications are reviewed initially by a grant officer and also by professional landscape assessors, who make a preliminary assessment of the project's merits against the scheme criteria and provide guidance to the LEI funding panel. The LEI funding panel, made up of an independent Chair Person and external experts from Cadw, Historic England, Natural England and Natural Resources Wales, review applications and make its recommendations to National Grid on which projects to fund.

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<sup>5</sup> In 2014 we reviewed National Grid's VIP policy and consulted stakeholders on our assessment. Further detail is available on Ofgem's website: <https://www.ofgem.gov.uk/publications-and-updates/response-our-consultation-national-grid-electricity-transmission%E2%80%99s-proposed-visual-impact-provision-policy>

<sup>6</sup> A total of 30 AONB and national parks were covered in the visual and landscape assessment report. It is available on National Grid's website: <http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=37291>

### *LEI projects covered by this determination*

This determination has considered five projects in total, which the LEI panel recommended to National Grid as suitable for funding under the LEI criteria.

The total value of National Grid's funding request is £0.514 million (2018/19 prices). The tables below summarise the LEI projects and the proposed EPI outputs.

#### **1. Blackdown Hills AONB: Enhancing the Hills**

Project addresses the impacts of the overhead line by restoring and enhancing key features of the landscape that underpin the AONB's character.

Overhead line section	Impact of existing lines <sup>7</sup>	Proposed EPI output	Mitigation activity	Volume	Date
4YA.1	3	Landscape enhancement and reduced visual impact	Hedgerow creation and management	865 m	2020
4YA.2	13		Traditional orchard restoration	1.2 ha	2020
4YA.3	15		Meadow creation and improvement	5 ha	2020

#### **2. Clwydian Range and Dee Valley AONB: Lost Landscapes II**

Project addresses the impacts of the overhead line by restoring and enhancing key features of the landscape that underpin the AONB's character.

Overhead line section	Impact of existing lines	Proposed EPI output	Mitigation activity	Volume	Date
4ZB.1	18	Landscape enhancement and reduced visual impact	Hedgerow restoration	8,300 m	2022
ZK.1	17		Drystone wall restoration	60 m	2022
ZK.2	22		Woodland planting	0.8 ha	2022
			Pond creation and restoration	6	2022
			Access improvements	0.5 km	2022
			Wetland enhancement	0.5 ha	2022
			Wildflower meadow creation	5.9 ha	2022

<sup>7</sup> The impact scores are from National Grid's 2014 Landscape and Visual Impact Assessment report on pre-existing transmission lines. Line sections with a measure of 25 or greater denote very high impact, 20 to 24 is assessed as high impact, 10 to 19 as moderate impact and lines with a score of 10 or less have a lower impact.

### 3. High Weald AONB: Beautiful Boundaries II

Project addresses the impacts of the overhead line by restoring and enhancing key features of the landscape that underpin the AONB's character.

Overhead line section	Impact of existing lines	Proposed EPI output	Mitigation activity	Volume	Date
4ZJ.1	28	Landscape enhancement and reduced visual impact	Coppice gap up and fencing	3,776 m	2020
4ZJ.2	10		Ancient woodland fencing	1,435 m	2020
4ZJ.3	11		New hedge and fencing	2,774 m	2020
4ZJ.4	13		Lay hedge and fencing	884 m	2020
			Woodland planting	0.4 ha	2020
			Wetland habitat restoration	0.16 ha	2020

### 4. High Weald AONB: Wonderful Woodlands

Project addresses the visual and landscape impact of the overhead line by enhancing and creating open spaces within woodland.

Overhead line section	Impact of existing lines	Proposed EPI output	Mitigation activity	Volume	Date
4ZJ.1	28	Landscape enhancement and reduced visual impact	All-weather access improvements	2,056	2023
4ZJ.2	10		Woodland habitat restoration	5.5	2023
4ZJ.3	11		Ground flora restoration	5.6 ha	2023
4ZJ.4	13		Pond habitat restoration	3	2023

### 5. New Forest NP: Landford Bog Nature Reserve

Project addresses the visual and landscape impacts of overhead lines by enhancing the landscape and habitat and improving access.

Overhead line section	Impact of existing lines	Proposed EPI output	Mitigation activity	Volume	Date
4YB.3	18	Landscape enhancement and reduced visual impact	All-weather access improvements	35 m	2021
			Boundary improvements	1370 m2	2021
			Installation of leaky log dams	2	2021
			Rotational pollarding	0.7 ha	2021