

Response to Ofgem open letter on the RIIO-ED2

October 2019

This response is supported by the 16 organisations listed below:

- Association for the Protection of Rural Scotland
- British Mountaineering Council
- Broads Society
- Campaign for National Parks
- Campaign to Protect Rural England
- Cymdeithas Eryri - Snowdonia Society
- Dartmoor Preservation Association
- Exmoor Society
- Friends of the Dales
- Friends of the Lake District
- Friends of the New Forest
- Friends of the Peak District
- National Association of Areas of Outstanding Natural Beauty
- North Yorkshire Moors Association
- Ramblers
- South Downs Society

Many of our organisations have a long-standing interest in the price control process and are represented on the stakeholder groups responsible for the implementation of the visual amenity allowance included in the current price control for electricity distribution network operators (DNOs). We welcome the opportunity to respond to the open letter published on 6 August 2019 as we are keen to ensure that the framework for RIIO-ED2 allows for similar allowances to be included in the next price control.

We are very concerned that there is no reference at all to visual amenity in this open letter and would like an assurance from Ofgem that the RIIO-ED2 framework will enable the continuation of this important area of work.

Our response starts with some comments in support of the visual amenity allowance and then goes on to answer a few of the specific questions posed in the open letter. We have repeated some of the key points that were raised by at least some of our organisations in response to previous consultations on RIIO-2. This is because we cannot see any reference to the views of other stakeholders in the open letter even though there is a summary of the views previously expressed by DNOs and an indication of how these have been taken into account.

The Visual Amenity Allowance for DNOs

The visual amenity allowance for distribution lines was first introduced in the 2005-2010 price control period and there are now a number of very successful examples of the positive impact this scheme has had on our most inspiring landscapes. For example, by the time the current eight year programme finishes in 2023, over 40 km of electricity power lines will have been undergrounded within the two National Parks and three AONBs of Cumbria. The process also demonstrates the strong desire for undergrounding in designated landscapes as prioritisation is largely stakeholder-led, with some interest groups using surveys of local people to identify potential projects to be funded.

There is now a well-established process and clear evidence of consumers' willingness to pay for the undergrounding of overhead lines in designated landscapes. While much has

already been done to reduce the visual impact of electricity infrastructure, there are still many more parts of our National Parks, Areas of Outstanding Natural Beauty (AONBs) and National Scenic Areas (NSAs) which could benefit from the removal of overhead lines.

We were pleased to note that Ofgem's [RIIO-2 Framework Decision](#), published in July 2018 stated that "*The design of the sector specific methodology consultations will include further consideration of consumer vulnerability, environmental issues and visual amenity*" (paragraph 7.2). The [Sector Specific Methodology decision for RIIO-2](#), published in May 2019, did indeed make it clear that electricity networks will need to mitigate their environmental impact including adverse effects on visual amenity (paragraph 7.3). However, although consumer vulnerability and other environmental issues are indeed addressed in the current open letter, there is no mention at all of visual amenity.

We would remind Ofgem of the statutory duties for all relevant authorities to have regard to the purpose of conserving and enhancing National Parks and AONBs when exercising or performing any functions affecting land within these areas¹. Development in the setting of designated landscapes can have a negative impact on their special qualities and it is important to remember that these duties also apply to activities undertaken outside the boundaries of designated landscapes which may affect land within them. In addition, section 3A(5) of the *Electricity Act 1989* requires Ofgem to carry out its functions in a manner which is best calculated to contribute to the achievement of sustainable development and also have regard to the effect on the environment of activities connected with the generation, transmission, distribution or supply of electricity.

Response to specific questions

Q1. Do you have any views on the proposed objective for RIIO-ED2?

We do not agree that the proposed overarching objective for RIIO-ED2 should be "*to ensure that the DNOs deliver the value for money services that both existing and future consumers need*". This makes no mention of the fundamental role of these companies to deliver a sustainable energy network. There was a far greater emphasis on sustainability in RIIO-1 and we see no reason to change the overarching objective used for RIIO-1 which is "*to encourage network companies to play a full role in the delivery of a sustainable energy sector, and to do so in a way that delivers value for money for existing and future consumers.*" A narrow focus on value to customers, particularly if customers are to have a stronger voice, will not automatically deliver a sustainable energy sector. Keeping the overarching objective as it is for RIIO-1 would better reflect Ofgem's statutory duties and provide the context within which the "value to customers" should be delivered. In this way the importance of the environment would be made explicit alongside the benefits to society and the economy.

Q20. We welcome views on whether these enhanced engagement arrangements are appropriate for RIIO-ED2.

We welcome Ofgem's intention to enhance stakeholder engagement in RIIO-ED2 and to challenge the companies as they develop their business plans. However, the proposed new groups should not be a substitute for company engagement with end users or other stakeholders, such as environmental NGOs and all of them must be independent of the companies. We are concerned that although there are references to stakeholder engagement, the plans seem to focus almost exclusively on consumers, as demonstrated by the fact that the new groups are called Customer Engagement Groups (CEGs).

¹ These duties are set out in the *Environment Act 1995* (for National Parks in England and Wales), the *Countryside and Rights of Way Act 2000* (for Areas of Outstanding Natural Beauty) and *National Parks (Scotland) Act 2000*.

We are concerned that the more detailed guidance on enhanced stakeholder engagement which was published on 9 April 2018 makes no reference at all to the environment. It is particularly notable that environmental issues are not included in the list of issues that CEGs for the distribution sector are expected to focus on as set out in paragraph 2.3. We believe that the challenge would be more effective if it explicitly focused on the six output categories which were agreed for RIIO-1 and which should remain the same for RIIO-2 (see our response to Q21 below). This would ensure that the groups have a clear role in relation to environmental impacts.

Environmental NGOs should be represented, at an appropriate level, on the CEGs and at any public hearings. At present, it is not clear how environmental NGOs would be involved nor how proposals relating to visual amenity would be addressed through this new process. In addition, there is a need for clarity on how these new arrangements will relate to the existing process for involving stakeholders in the selection of visual amenity projects. Stakeholder engagement should not end once business plans have been approved by Ofgem. There should be an on-going relationship between environmental stakeholders and the companies.

Q21. We welcome views on whether the proposed output categories and incentive arrangements are appropriate for RIIO-ED2.

We do not believe that any changes are needed to the existing outputs and would like the existing environmental outputs, including the one relating to visual amenity, to remain as they are for RIIO-1². There is a strong level of support for undergrounding in designated landscapes. The long-term goal for the DNOs' work on visual amenity should be that, where practically feasible, all new and existing distribution lines run underground through designated landscapes or avoid these areas altogether.

We are happy for this response to be made publicly available. Please contact Ruth Bradshaw (email: ruthb@cnp.org.uk, tel: 020 7981 0896) if you would like any further information about any of the points raised in this response. All of our organisations are also keen to be involved in further stages of developing the next round of price controls.

² As set out in Figure 1 of this document:

https://www.ofgem.gov.uk/system/files/docs/2018/03/riio2_march_consultation_document_final_v1.pdf