

Transmission licensees,
generators, suppliers, and
consumer groups

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Date: 17 July 2020

Dear colleague,

Determination on Scottish Hydro Electric Transmission's proposals for reducing visual amenity impacts in Loch Lomond and the Trossachs National Park

This letter sets out our final determination on a £17.4 million (2009/10 prices)¹ funding request from Scottish Hydro Electric Transmission (SHE Transmission) to deliver new Enhancing Pre-existing Infrastructure (EPI) outputs under the RIIO-T1 price control in Loch Lomond and the Trossachs National Park.

The projects are intended to reduce the impact of SHE Transmission's electricity transmission infrastructure on the National Park's visual amenity. The projects will replace 4.5km of 132kV double circuit overhead line with 4.5km of underground cable between Derrydaroch and Crianlarich near Glen Falloch, and 3km of 132kV double circuit overhead line with 3.1km of underground cable between Sloy Dam and Sloy Power Station. SHE Transmission propose that they will deliver both projects by June 2022².

In May 2020, we consulted on our assessment on the proposed Glen Falloch and Sloy mitigation projects to reduce visual amenity impacts, located in Loch Lomond and the Trossachs National Park.³ Since our consultation, SHE Transmission has requested to extend the project delivery date from February 2022 to June 2022, due to the continuing impacts of Covid-19 on project activities. There are no impacts on project costs. We consider this appropriate to account for the continuing uncertainty due to the Covid-19 pandemic.

Summary of our determination

Our determination on new EPI outputs and the associated efficient funding follows our May 2020 consultation. Taking into account consultation responses, we have determined:

- The Glen Falloch and Sloy mitigation projects are valid outcomes of SHE Transmission's implementation of its Visual Impact of Scottish Transmission Assets (VISTA) policy and its work with stakeholders to select EPI outputs during the RIIO-T1 price control.

¹ This value is £23.4m in 2019/20 prices

² SHE Transmission's original proposed project delivery date was November 2021.

³ <https://www.ofgem.gov.uk/publications-and-updates/consultation-our-assessment-scottish-hydro-electric-transmission-s-proposals-reducing-visual-amenity-impacts-loch-lomond-and-trossachs-national-park>

- The efficient cost of the EPI output is £17.4m⁴. This is the amount SHE Transmission requested.

In the [appendix](#) to this letter, we provide further detail on:

- EPI outputs in the RIIO-T1 electricity transmission price control;
- The scope of the Glen Falloch and Sloy mitigation projects;
- A summary of the assessment and findings of our May 2020 consultation;
- Issues raised in the consultation and our consideration of these; and,
- Our final determination on the EPI output and the efficient cost of the project.

New EPI outputs and adjustment to RIIO-T1 allowed expenditure

We are proposing to modify SHE Transmission's licence by way of direction to introduce two new EPI outputs and to adjust its RIIO-T1 allowed expenditure by an increase of £17.4m.

Please note that, in our notice, we propose a further adjustment of the main contract price for changes in the metal price and exchange rate indices⁵ that have occurred in the period between the contractors submitting their final price and SHE Transmission awarding the contract⁶. We propose that this adjustment be reflected in the allowed expenditure that is directed following the licence modification consultation to implement our determination.

Following the implementation of our determination on the Glen Falloch and Sloy mitigation projects, the remaining available expenditure cap in the RIIO-T1 price control for new EPI outputs will be £364.76m⁷.

Next Steps

Alongside this letter, we are publishing a notice under Part C of Special Condition 6G (Mitigating the impact of Pre-existing Transmission Infrastructure on the visual amenity of Designated Areas) to modify SHE Transmission's electricity transmission licence to implement the above determination. The notice sets out the proposed new EPI outputs and the adjustment to SHE Transmission's allowed expenditure. Please respond to Cissie.Liu@ofgem.gov.uk on or before 17 August 2020.

Yours sincerely,

Min Zhu
Deputy Director – RIIO Transmission
17 July 2020

⁴ Unless otherwise stated, all values are in 2009/10 prices.

⁵ The indices to be used to adjust the contract price are: Metals: London Metal Exchange <https://www.lme.com/>
Forex: Bank of England <https://www.bankofengland.co.uk/statistics/exchange-rates>

⁶ We expect SHE Transmission to report and justify any material changes in metal prices and the currency rate. Ofgem will adjust the cost of the main contract works to account for any changes in metal prices and currency rates that occurred between the appointment of contractors, and SHE Transmission's award of the contract.

⁷ This amount also takes into account the allowed expenditure we have approved for other EPI outputs over RIIO-T1. For more information on the associated mitigation projects please see details on our website. <https://www.ofgem.gov.uk/electricity/transmission-networks/network-price-controls/visual-amenity>

Appendix

May 2020 consultation and our key assessment findings

We consulted on our project assessment, which focused on ensuring the projects meet the criteria set out in Special Condition 6G.13⁸ and SHE Transmission's Visual Impact of Scottish Transmission Assets (VISTA) policy document⁹. As part of this, we considered the following aspects:

- the VISTA policy project selection process;
- project benefits;
- technical scope;
- SHE Transmission's procurement process for tendered elements of project and delivery programme;
- SHE Transmission's approach to risk and project management; and,
- the efficiency of costs (development, tendered, non-tendered).

The key assessment findings set out in our consultation are summarised as follows:

- We considered that SHE Transmission had provided satisfactory evidence to show it had implemented the commitments in its VISTA policy, in accordance with Part A of Special Condition 6G.14, and worked with stakeholders to select the Glen Falloch and Sloy mitigation projects to reduce the impact of existing transmission lines on the visual amenity of Loch Lomond and the Trossachs National Park.
- We were satisfied that the proposed project scope is economical and efficient, because a competitive tender was undertaken.
- We said that the proposed project costs for the Glen Falloch and Sloy mitigation projects are efficient.

We consulted on our overall view of the efficient costs of the Glen Falloch and Sloy mitigation projects located in Loch Lomond and the Trossachs National Park.

Consultation responses

We received two responses to our consultation. All non-confidential responses are published on our website alongside this letter.

The respondents supported the funding of the Glen Falloch and Sloy mitigation projects located in Loch Lomond and the Trossachs National Park proposed by SHE Transmission.

Our final determination

The tables below summarises our final determination on the adjustment to be made to SHE Transmission's RIIO-T1 Allowed Expenditure for the delivery of the Glen Falloch and Sloy mitigation projects located in Loch Lomond and the Trossachs National Park.

⁸ SHE Transmission's Licence and Special Conditions can be found on the Ofgem Electronic Public Register (EPR) website: <https://epr.ofgem.gov.uk/Document>

⁹ <https://www.ssen-transmission.co.uk/sustainability-and-environment/vista/>

Glen Falloch (LT185)	
Project category	Cost (£m)
Preliminary project development costs	0.2
Tendered costs	8.2
Non-tendered costs	1.3
Total	9.7

Sloy (LT186)	
Project category	Cost (£m)
Preliminary project development costs	0.2
Tendered costs	6.2
Non-tendered costs	1.3
Total	7.7

Taking into account our assessment, and consultation responses, we have determined:

- To make an allowed expenditure adjustment and introduce two EPI Outputs specified in Special Condition 6G of SHE Transmission's electricity transmission licence for the Glen Falloch and Sloy mitigation projects located in Loch Lomond and the Trossachs National Park.
- To require SHE Transmission to deliver EPI outputs by 2022 specified as:

Glen Falloch

- replacing a 4.5km section of a 132kV double circuit overhead line (OHL), and 13 steel lattice towers, with 4.5km underground cable from Derrydaroch and Crianlarich; and,
- installing two air-insulated outdoor sealing ends by existing towers (steel lattice tower based) to connect the new section of underground cables to the existing overhead lines.

Sloy

- replacing 3km (three sections approximately 1km each) of 132kV double circuit overhead line (OHL), and 12 steel lattice towers, with 3.1km of underground cable between Sloy Dam and Sloy Power Station;
 - for the two sections heading east toward Sloy Power Station, installing four two-wood-pole based air-insulated sealing ends to connect the new section of underground cables to the existing overhead lines;
 - for the section heading west toward Sloy Dam, installing one air-insulated sealing end (steel lattice tower based) near existing tower to connect the new section of underground cables to the existing overhead lines;
 - using gas-insulated sealing ends, underground cables will terminate into the new terminations on the existing gas-insulated switchgear at Sloy Switching Station.
- To increase SHE Transmission's allowed expenditure in the price control, RIIO-T1, by £17.4m.

The above determination is subject to a 28 days' notice to insert these provisions into Special Condition 6G of SHE Transmission's electricity transmission licence by way of direction.