

Transmission licensees,  
generators, suppliers, and  
consumer groups

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Date: 30 April 2021

Dear colleague,

### **Decision 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 decision on a £22.3 million (2019/20 prices)<sup>1</sup> funding request from Scottish Hydro Electric Transmission ("**SHE Transmission**"), submitted during RIIO-T1, prior to RIIO-T2 beginning on 1 April 2021, to deliver an Enhancing Pre-existing Infrastructure Project in the Loch Lomond and the Trossachs National Park (the "**Killin Mitigation Project**" or "**Project**").

The purpose of the Project is to reduce the impact of SHE Transmission's electricity transmission infrastructure on the visual amenity of the Loch Lomond and the Trossachs National Park, near the township of Killin. The Project will replace sections of two double circuit OHL with two 4.5km underground cables. There will be a removal of 7.8km of OHL and 32 steel lattice towers. SHE Transmission propose that they will deliver the Project by April 2024.

In February 2021, we consulted on our assessment on the proposals from SHE Transmission to reduce visual amenity impacts by way of the Killin Mitigation Project.<sup>2</sup> We were satisfied that Project costs submitted by SHE Transmission are economical and efficient, and we proposed an allowance of £22.3 million.<sup>3</sup>

We received seven responses to our consultation. Having considered these responses, we now confirm our decision that the efficient cost for the Killin Mitigation Project is £22.3m.

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<sup>1</sup> This value is equivalent to a combined allowance adjustment in the RIIO-T1 price control period of £1.01m (2009/10 prices) and an allowance adjustment in the RIIO-T2 price control period of £20.31m (2018/19 prices). We convert project costs into the price base that is used in the financial model for the different price control periods in which project costs have been or will be incurred. In RIIO-T1 the price base of the financial model is set in 2009/10 prices, and in RIIO-T2 the price base is set in 2018/19 prices.

<sup>2</sup> [Killin VISTA Consultation \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/consult/condetail/killin-vista-consultation)

<sup>3</sup> Unless otherwise stated, all values are in 2019/2020 prices as adopted in SHE Transmission's submission.

### *Summary of our decision*

Our decision on the Killin Mitigation Project follows our February 2021 consultation. After considering consultation responses, we are satisfied that:

- The Killin Mitigation Project is a valid outcome of SHE Transmission's implementation of its RIIO-T1 Visual Impact of Scottish Transmission Assets (VISTA) policy and its work with stakeholders to select EPI outputs; and
- The efficient cost of the EPI output is £22.3m. This is the amount SHE Transmission requested.

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

- Enhancing Pre-existing Infrastructure Project allowance in the Electricity Transmission price control;
- The scope of the Killin Mitigation Project;
- A summary of the assessment and findings of our February 2021 consultation;
- Issues raised in the consultation and our consideration of these; and,
- Our final determination on the Enhancing Pre-existing Infrastructure Project allowance and the efficient cost of the Project.

### *Enhancing Pre-existing Infrastructure Projects allowance*

We are proposing to modify Appendix 3 of SpC 3.10 of SHE Transmission's Electricity Transmission Licence by way of direction to add the Killin Mitigation Project as an Enhancing Pre-existing Infrastructure Project.

The licensee submitted its proposals for the Killin Mitigation Project prior to the start of the RIIO-T2 price control. In accordance with SpC 3.10.15 we are adding the Killin Mitigation Project as an Enhancing Pre-existing Infrastructure Project and setting an Enhancing Pre-existing Infrastructure Project allowance under RIIO-T2 of £20.9 million<sup>4</sup>.

We will also adjust SHE Transmission's RIIO-T1 allowed expenditure by £1.4 million for costs it has incurred on the project in the last year of that price control.<sup>5</sup> The adjustment will be made as part of the close out of the RIIO-T1 price control.

Please note that we will adjust the main contract price for changes in the metal price and exchange rate indices<sup>6</sup> that occur in the period between the contractors submitting their final price and SHE Transmission awarding the contract<sup>7</sup>. We propose that this adjustment be reflected in the allowed expenditure that is directed following the licence modification consultation to implement our decision.

### *Next Steps*

Alongside this letter, we are publishing a notice under Part E of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-

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<sup>4</sup> This is equal to £20.310 million in 2018/19 prices, which is the price base used in the RIIO-T2 price control financial model.

<sup>5</sup> This is equal to an allowance adjustment of £1.01 million in 2009/10 prices, which is the price base used in the RIIO-T1 price control financial model.

<sup>6</sup> 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>

<sup>7</sup> 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.

existing Infrastructure Projects allowance (VIMREt and EPIt)) to modify SHE Transmission's Electricity Transmission Licence to implement the above decision. The notice sets out the proposed new EPI output and the adjustment to SHE Transmission's allowed expenditure. Please respond to [Saffron.Shemsin@Ofgem.gov.uk](mailto:Saffron.Shemsin@Ofgem.gov.uk) on or before 28 May 2021.

Yours sincerely,

**Min Zhu**  
**Deputy Director – RIIO Transmission**

**30 April 2021**

## Appendix

### February 2021 consultation and our key assessment findings

We consulted on our project assessment prior to the start of the RIIO-T2 price control.<sup>8</sup> As part of this consultation and assessment, 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 of its RIIO-T1 Electricity Licence, and worked with stakeholders to select the Killin Mitigation Project to reduce the impact of existing transmission lines on the visual amenity of the 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 Killin Mitigation Project are efficient.

We consulted on our overall view of the efficient costs of the Killin Mitigation Project.

### Consultation responses

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

Six respondents support the Killin Mitigation Project and are keen to see both the visual and economic benefits that the Project will bring to the area.

Several stakeholders also noted that there is scope for SHE Transmission to deliver additional community benefits as part of the Project, such as improvements in cycle pathways and replacing any trees in the area that are affected as a result of the works.

One stakeholder considered that the disruptions and risks involved in the Project outweighed the benefits, and that the Project works could negatively impact homes and businesses in the area.

We acknowledge the concerns about the potential disruption and risk involved in the Project. However, we note that SHE Transmission, in carrying out the work, will pay attention to the impact on day to day activities of the community and is working with local groups to identify sensitivities and the necessary mitigations. We also note that the work associated with the Project will be temporary, while the benefit the overhead line and pylon removal will be permanent.

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<sup>8</sup> This focused on ensuring the projects meet the criteria set out in Special Condition 6G.13 of RIIO-T1 and SHE Transmission's Visual Impact of Scottish Transmission Assets (VISTA) policy document (<https://www.ssen-transmission.co.uk/sustainability-and-environment/vista/>)

### Our final determination

The tables below summarise our final determination on the Enhancing Pre-existing Infrastructure Project allowance for the delivery of the Killin Mitigation Project.

<b>Killin</b>	
<b>Project category</b>	<b>Cost (£m, 2019/20 prices)</b>
Preliminary project development costs	1.0
Tendered costs	16.1
Non-tendered costs	4.2
<b>Total</b>	<b>22.3</b>

Considering our assessment, and consultation responses, we have determined:

- To make an allowed expenditure adjustment and introduce a new EPI Outputs specified in Special Condition 3.10 of SHE Transmission’s electricity transmission licence for the Killin mitigation project located in Loch Lomond and the Trossachs National Park.
- To increase SHE Transmission’s allowed expenditure in the RIIO-T1 price control by £1.01m (2009/10 prices);
- To increase SHE Transmission allowed expenditure in the RIIO-T2 price control by £20.31m (2018/19 prices); and
- To require SHE Transmission to deliver the Enhancing Pre-existing Infrastructure Project by April 2024 specified as:

#### Killin

- replacing sections of two double circuit OHL with two 4.5km underground cables
- removal of 7.8km of OHL and 32 steel lattice towers.

The above determination is subject to a 28 days’ notice to insert these provisions into Appendix 3 of Special Condition 3.10 of SHE Transmission’s Electricity Transmission licence by way of direction.