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James Norman
New Transmission Investment
Ofgem
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LONDON
SW1 3GE

Submitted by email: NTIMailbox@ofgem.gov.uk

24 February 2017

Dear Mr Norman

North West Coast Connections – Consultation on the project’s Initial Needs Case and suitability for tendering.

I am writing on behalf of the planning authorities dealing with National Grid’s North West Coast Connections (NWCC) project. We operate as a Planning Performance Agreement group (‘the PPA Group’), consisting of all of the relevant planning authorities.

Please find attached the PPA Group response to the above consultation. The response amplifies the key concerns expressed in the PPA Group’s response to National Grid’s Section 42 Consultation on the North West Coast Connections Project (a copy of the Executive Summary is also attached).

You will also recall that the PPA Group submitted comments to Ofgem’s Consultation on licence changes to support electricity transmission competition during RIIO-T1, on 25 January 2017. Due to the inter-dependency between the consultations we ask that our comments on the above consultation be considered as part of the licence changes consultation as the NWCC project will be the first major project to be considered under this emerging competition framework.

If you have any queries regarding the above please contact Clare Killeen, Cumbria County Council, clare.killeen@cumbria.gov.uk.

Yours sincerely,



Angela Jones
Assistant Director – Economy & Environment
On behalf of the NWCC PPA Group

NWCC PPA Group Response ‘North West Coast Connections – Consultation on the project’s Initial Needs Case and suitability for tendering’.

Introduction

The North West Coast Connections (NWCC) project is the largest extension to the UK’s electricity grid for decades. It represents a significant investment in the nation’s energy infrastructure and is a vital element to achieving a future secure and affordable energy supply. The proposed nuclear power station at Moorside, West Cumbria could provide up to 7% of the UK’s energy needs over the coming decades.

There are a range of opportunities and risks related to these projects both at a national level and at a local level. Communities across Cumbria and North Lancashire will experience directly the impacts of the delivery and operation of the NWCC project – on their landscape and environment, on their social and economic well-being, and on their day to day transport. The local authorities representing those communities that will be impacted by the project – Allerdale Borough Council, Barrow Borough Council, Carlisle City Council, Copeland Borough Council, Cumbria County Council, Lake District National Park Authority, Lancashire County Council, Lancaster City Council and South Lakeland District Council – are working together through a Planning Performance Agreement with National Grid and are collectively referred to as the PPA Group.

The PPA Group has provided detailed constructive feedback during previous consultations on the NWCC project and has, and continues to, engage positively with National Grid on the project design.

The Group provided a detailed submission to the recent National Grid consultation on the NWCC project setting out a number of significant concerns that the project proposals contain significant gaps in information and insufficient mitigation proposals to address the local environmental, physical infrastructure and human effects of the construction and operation. The Executive Summary of the PPA Group’s full response is attached for reference.

This opportunity to highlight key factors that need to be taken into consideration to mitigate risks and enable successful delivery of the NWCC project through this consultation by Ofgem is very much welcomed.

Question 1: Do you agree that there is a technical need for the project if Nugen’s project goes ahead?

1.1 Yes.

Question 2: Do you agree that connecting the Moorside site using four 400kV circuits is appropriate and compliant with SQSS requirements?

2.2 N/A

Question 3: Do you agree with our initial conclusions?

3.1 Partially. The PPA Group welcomes the engagement with National Grid that has formed an integral part of the process to date. However, we have strong concerns that insufficient assessment and information has been provided by National Grid through its consultation, and that key impacts raised by us as the statutory planning authorities have yet to be addressed or have been inadequately addressed.

3.2 Our key concerns are set out in the attached Executive Summary of our consultation response, and include:

- Lack of mitigation of landscape and visual impacts, particularly in the setting of the Lake District National Park/proposed World Heritage Site;
- Inadequacy of the assessment of impacts on the visitor economy, and mitigation to address these;
- Insufficient proposals to address workforce accommodation for the tunnel heads and undergrounding in the National Park;
- Lack of a transport assessment and the need to use a multi-modal transport strategy to mitigate impacts on local communities, visitors and the visitor-dependent local economy and
- General lack of sufficient detailed assessment and proposed mitigation across a number of topics.

3.3 These are pertinent to your initial conclusions because each of these gaps in the current proposals, assessment of impacts and mitigation could increase the project costs significantly. In particular, the failure to address the landscape and visual impacts around the Duddon estuary, and knock-on impacts to the visitor economy, means the current project design is likely to change significantly and the current costings on which you base your assessment are likely to have major revisions.

3.4 While we welcome your recognition that through the planning process the proposals and costs are likely to change the scale of these potential changes could fundamentally affect the cost of route options so that alternative design options become more acceptable on both impact and cost grounds.

3.5 In light of this, the recognition that the design will be subject to uncertainty and that additional mitigation may be required is critical. It is vital that cost is not the only factor taken into consideration in decision-making on design, construction and operation. The development of the project has to fully take into account that this large and complex project is taking place in protected landscapes of national and international significance – including in particular the setting of the Lake District National Park/proposed World Heritage Site and the Solway Coast Area of Outstanding Natural Beauty (AONB).

3.6 To help reduce the uncertainty over project design and costs to consumers, and enable transparency over the selection of the right route option, we urge Ofgem to encourage National Grid to address the key outstanding issues ahead of the Development Consent Order being submitted. This approach could help secure best value for customers. Your intention to review the costs of the selected option if project costs significantly escalate (para 2.22) could be effective if it is carried out ahead of the DCO submission and process. However, undertaking such a review post-DCO process could add to uncertainty and risks for the local communities, environment and economy, therefore it is considered that further review is only required if the design changes post submission.

Question 4: Are there any additional factors that we should consider as part of our Initial Needs Case assessment?

4.1 In the context of the response to Question 3 above, there are a number of additional factors that should be considered in the further design and delivery of the project – see list in Q3 above.

Landscape + visual impacts

- 4.2 Further mitigation of landscape and visual impacts, particularly around the Duddon estuary, is critical to the next stage of project development. Achieving this may be cost neutral or increase the project cost significantly, depending on the option selected and the cost of these.
- 4.3 In considering additional costs it is important that recognition of the particular value of the parts of the landscape which will be impacted by the National Grid proposals as an asset of national and international significance must be demonstrated fully in design, construction and operation proposals being brought forward. Ofgem's cost benefit analysis of route/design options should address and recognise this.

Option costings

- 4.4 We welcome your recognition that the costings of options vary. We consider that the detail and accuracy of the costings per option vary enormously, and that to enable an adequate comparison of options will require a basic common understanding of the costs across all options.
- 4.5 We are very concerned that National Grid has selected a proposed route without understanding the full mitigation needed for it and the comparative costs of alternatives.
- 4.6 It is our view that the costs of the proposed route are very likely to rise given that all the planning authorities plus many other stakeholders have clearly articulated the need for further mitigation of landscape impacts, especially around the Duddon estuary. Therefore, there is the very real likelihood that alternative route options could be cost neutral or considerably cheaper and yet may still be able to address planning authorities and stakeholder's environmental concerns. In particular, we have queried the current costings for the Offshore HVAC option. Given the experience from the offshore energy and oil sectors refining these costs should be achievable.
- 4.7 Without a basic understanding of costs across the options we are concerned how you will be able to undertake an effective cost benefit analysis. We urge you to urgently seek comparable costings for the Southern Route options so that a 'level playing field' assessment can be undertaken.

Visitor economy

- 4.8 The value of the Lake District National Park and surrounding areas as a globally important visitor destination – attracting 43 million visitors a year - and a major part of the UK's crucial tourist economy must be an integral factor built into decision-making on this nationally significant infrastructure project. Achieving maximum growth in value from Cumbria's visitor economy will be a key element of delivering the UK's new industrial strategy.
- 4.9 Damage caused to the county's visitor offer through insufficient mitigation of the impacts of the NWCC project would put the growth of the county's and the UK's tourist industry at serious risk. Our authorities, the Cumbria Local Enterprise Partnership and key businesses within the sector have significant concerns that this issue is not being addressed adequately by National Grid and considered by Ofgem at this stage.

- 4.10 If the proposed Southern Route (Onshore with Tunnel) option is taken forward we consider that mitigation of impacts to the visitor economy will be required; these will incur further costs. Please see our Executive Summary, section 4.2, for more on this.

Transport

- 4.11 We are very concerned at the lack of an adequate transport assessment. The road network in Cumbria is already at capacity in many locations; this is a key issue for current visitors who are the mainstay of our local economy and for local communities. The additional pressure on the already stretched road network, particularly arising from the lengthy construction periods for the Barrow tunnel head and undergrounding in the National Park, means a road-only strategy for the NWCC project is untenable.
- 4.12 We support a multi-modal strategy as a key mitigation requirement of the project. However, implementing that will mean additional costs for the project to put in place or secure existing infrastructure. These costs are as yet unknown as National Grid has not assessed them.
- 4.13 Please see our Executive Summary, section 6, for more on this.

Tunnelling costs

- 4.14 We note your comments at para 2.2g regarding the Morecambe Bay tunnel. We have seen reference to the costs of a tunnel under the Humber estuary proposed by National Grid. The costs for this much shorter tunnel to take similar cabling are much lower per kilometre. This is despite it still requiring two tunnel heads. We urge you to seek clarification of the Morecambe Bay tunnel costs and to consider these alongside other similar projects.

Question 5: Do you agree with our view that:

(a) the overall project meets the criteria for tendering?

(b) the potential sections meet the criteria for tendering?

- 5.1 The PPA Group has very deep concerns about the application of the new approach to tendering of major electricity network projects being applied for the first time to the NWCC project. While we do not question the principal of competitive tendering to achieve best value for customer, it is highly relevant that this is the largest and most complex project carried out on the transmission network since National Grid and Ofgem were formed, and is being undertaken in a highly-sensitive landscape. We therefore question the merit of selecting a highly complex project as a 'test case'. Tendering the whole project within the new framework poses substantial risks to achieving a satisfactory design to meet national and local needs.
- 5.2 The identification of the 3 sections of the project is broadly logical but the application of the competitive tendering approach to only one of the 3 sections – the south route – is high risk. The concerns about deliverability to time are well-founded in respect of the north route and tunnel considering the number of unresolved issues and lack of information and assessment on key elements. However, we do not support the conclusion that the south route is the section where deliverability risks are lowest and therefore the most appropriate for competitive tendering. Our view is that the risks are highest for this section due to its sensitivity and the complexity of the proposals and required mitigation, much of which has yet to be agreed. The absence of critical information, including the Heritage Impact Assessment and

Habitats Regulations Assessment severely comprises the understanding of this section of the route. The south route is the section through the most sensitive parts of the landscape – through the world-class environment of the Lake District National Park/proposed WHS – with significant issues yet to be resolved on mitigating landscape and visual impacts and related social and economic impacts, as outlined in Q3+4, and in our Executive Summary.

- 5.3 We are therefore very concerned that your own assessment of ‘packaging’ the project into sections, summarised in Table 2 on p32 of your consultation, fails to make any consideration of the environmental sensitivity of the route locations. We urge you to include this given the national and international importance of the Lake District.
- 5.4 We are particularly concerned that applying your proposed ‘build and operate’ tendering process to the NWCC project poses the following significant risks:
- Further complicate this already highly complex project by adding extra commercial players into an already time consuming and complicated planning and build process;
 - The many complex requirements agreed in the DCO process may not be delivered exactly as agreed, adding to risks for the environment, local communities and economy;
 - The chosen tender winner would be responsible for the detailed design of the installations and construction methods – and so would require additional significant input from our authorities and other statutory bodies over their design and
 - Add additional costs to consumers, our organisations and other statutory bodies by requiring considerably more input at the detailed design, consenting, implementation and restoration phases.

Question 6: What are your views on our deliverability assessment for:

(a) the overall project?

(b) the potential sections?

In particular, considering our analysis of the design, procurement, and construction timelines as submitted by NGET.

- 6.1 No comment.

Question 7: What are your views on the need for overall coordination of the whole NWCC project if the project were to be split into packages with different delivery parties?

- 7.1 As set out in the response to Question 5 above, the PPA group has significant concerns about the application of the new competitive tendering approach to this project – as a whole and as 3 distinct packages.
- 7.2 We consider that additional co-ordination across the project stages will be essential. This will add considerable additional costs to consumers, our organisations and other statutory bodies by requiring considerably more input at the detailed design, consenting, implementation and restoration phases.

Question 8: If some, or all of NWCC were to be tendered, what, in your view, is the most appropriate allocation of risks across the relevant parties (TO, CATOs, and consumers)? How should these risks best be managed?

8.1 No comment.

Question 9: What are your thoughts on the substation modification and extension works at Harker and Middleton, in the context of efficient CATO delivery, including the options presented in this document?

9.1 As above, we would seek any such changes to not alter the agreed designs or add to the cost burden for customers and our organisations through their development as commercially separated projects.