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Mr James Veaney
Ofgem
9, Millbank
London
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Dear Mr Veaney

RIIO-ED2 Methodology Consultation

Friends of the Lake District (FLD) is a registered charity with more than 6,000 members. We represent the Campaign to Protect Rural England in Cumbria and are a member of the Campaign for National Parks. We actively campaign to reduce the visual impact of all overhead wires on the landscape. I work with the Distribution Network Operator (DNO) in our region, Electricity North West, National Parks and Areas of Outstanding Natural Beauty (AONBs) on specific undergrounding schemes.

Thank you for giving stakeholders this opportunity to comment on the methodology for price control for electricity distribution (RIIO-ED2). Our response focuses on Ofgem's proposed approach to undergrounding for visual amenity (as set out in Annex 1 Delivering value for money services for consumers Chapter 9 Delivering environmentally sustainable networks paragraphs 9.42 to 9.52 pages 152-154). We are responding to the following consultation questions:

OUTQ62. Do you agree with our proposal to retain the visual impact allowance for RIIO-ED2?

Yes, we strongly agree with Ofgem's proposal to keep the undergrounding allowance for RIIO-ED2. There was a strong statutory and policy justification that led to the creation of the undergrounding allowance back in 2005. By using the allowance to reduce the visual impact of electricity infrastructure, Ofgem and the DNOs are demonstrating that they are fulfilling their statutory duties towards designated landscapes. There are statutory duties on all relevant authorities to have regard to the purpose of conserving and enhancing National Parks or Areas of Outstanding Natural Beauty (AONBs) when exercising or performing any



functions affecting land within these areas. This means that both Ofgem and the DNOs should be taking account of designated landscapes in their decision making. Development in the setting of designated landscapes can also 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. The long term goal for the DNO's 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.

Since the undergrounding allowance was first introduced in DPCR4, there have been a number of very successful examples of the positive impact this scheme has had on our most inspiring landscapes. Under RIIO-1, with a total allowance of £123 million, DNOs, with National Parks and AONBs as partners, are working hard to identify and deliver schemes that reduce the visual impact of wire clutter in these nationally important protected landscapes. For example, by the time the current programme finishes in 2023, over 40km of electricity power lines will have been undergrounded within the two National Parks and three AONBs of Cumbria. One recent scheme here involved the removal of 2.5km of overhead lines near Troutbeck, near A66 between Penrith and Keswick. In addition to the direct benefits to landscapes and their users, this undergrounding work has developed useful partnerships between public, private and charity sectors and generated excellent national and local publicity.

OUTQ63.Do you agree with our proposed approach to setting a funding pot for the visual impact allowance for RIIO-ED2?

Yes, again we agree with Ofgem's proposed approach "to use the same method (as RIIO-ED1) to calculate and allocate the funding pot for RIIO-ED2, adjusting for the shorter price period" (Annex 1, page 153, paragraph 9.48). It is fair to calculate the allowance for each DNO as an average of the number of customers and length of lines to be undergrounded in each region (Annex 1, page 153, paragraph 9.47). With the geographical extension to both the Lake District and Yorkshire Dales National Parks back in 2016, the length of lines that Electricity North West is responsible for has increased, so its portion of the overall undergrounding allowance in RIIO-ED2 should also increase. It is hard to comment further without knowing the total funding pot for undergrounding planned for RIIO-ED2. It is important to ensure that the funding pot is set at a sufficiently high level as there are still many parts of our National Parks, AONBs and National Scenic Areas which could benefit from the removal of overhead lines.

However, we do disagree with Ofgem taking into account "the results of the Willingness to Pay (WTP) studies carried out for RIIO-ED2" (Annex 1, page 153, paragraph 9.48) for several reasons. First, we – and other environmental stakeholders (such as Campaign for National Parks) – argue that Willingness to Accept is actually a more appropriate methodology as it better captures the value of amenity loss to designated landscapes from electricity infrastructure. Willingness to Pay implies that the public have no entitlement to a particular level of environmental quality unless prepared to pay for it which is inappropriate in the context of designated landscapes. Second, those WTP studies were carried out for RIIO-ED2 and by Ofgem's own admission, "the criteria for these studies are different to those we would consider under RIIO-ED1" (Annex 1, page 153, paragraph 9.48). Poles and wires for electricity distribution are much more widespread across the country than those for electricity transmission. With such proximity to every customer, it is reasonable to assume

there would be a greater willingness to pay for the removal of distribution than transmission infrastructure. Why? Because customers could directly and personally see the improvements to landscapes near them in terms of visual amenity from the removal of overhead lines for electricity distribution.

There are other elements to Ofgem's proposed approach for the undergrounding allowance that we wish to comment on...

DNOs indicating in "their Business Plans the value of projects that they could feasibly deliver in RIIO-ED2" (Annex 1, page 153, paragraph 9.49) – we have concerns with this suggestion as we fail to see how DNOs would be able to calculate this without first knowing what their individual undergrounding allowances for RIIO-ED2 will be. Furthermore, the experience in the North West is that many proposed schemes are not ultimately implemented for a variety of reasons (including hardness of rock, wetness of terrain, wayleave failure etc) and then replacement schemes have to be found. The final successful schemes are often very different from the original list and stating the original list in a Business Plan would not allow for this flexibility.

"DNOS should set out...their approach to assessing undergrounding projects" (Annex 1, page 153, paragraph 9.49) – we support this suggestion. In the North West region, Electricity North West (ENW) already has a successful "scheme selection and process procedures" document and an undergrounding for visual amenity steering group of ENW staff, National Park and AONB officers and staff from National Park Societies. ENW receives proposed schemes from the designated landscapes officers which it then investigates for viability as part of the design process and this system works well.

"A benefit of the current scheme is that it is relatively flexible" (Annex 1, page 154, paragraph 9.51) – again we support this observation and would wish to see this continue into RIIO-ED2. As Ofgem states, "it is up to the DNO and the relevant stakeholders to consider the most appropriate and cost-effective use of the funds to maximise the benefits in terms of visual amenity within these designated areas" (Annex 1, page 154, paragraph 9.51). This flexibility certainly works well in the North West which is the region that FLD is directly involved in as a key stakeholder.

Finally, we have some additional comments on RIIO-ED2 as a whole. We still feel that there is too much emphasis on financial objectives (for example Annex 1 is called "Delivering value for money services for consumers") and that there is not enough about DNOs delivering a sustainable energy network. There was a far greater emphasis on the environment in RIIO-1 which better reflects Ofgem's statutory duties. Also, environmental issues are not included in the list of issues that Customer Engagement Groups are expected to focus on. Currently, it is unclear how environmental organisations will be involved or how proposals relating to visual amenity will be addressed through this process. Stakeholder engagement should not end once business plans have been approved by Ofgem and there is an existing process for involving stakeholders in the selection of visual amenity projects which certainly works in the North West and needs to continue.

In conclusion, Friends of the Lake District strongly supports Ofgem's proposal to retain the visual impact allowance for RIIO-ED2 (OUTQ62). It also supports Ofgem's proposal to use the same method to calculate and allocate the funding pot for the visual impact allowance for RIIO-ED2 (OUTQ63) as was used in RIIO-ED1.

I look forward to hearing from you.

Yours sincerely

A handwritten signature in blue ink that reads "Amanda McCleery". The signature is written in a cursive, flowing style.

Amanda McCleery
Overhead Wires Officer

