



Making a positive difference
for energy consumers

Joan McAlpine MSP
Room M3.10
The Scottish Parliament
Edinburgh
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Your Ref: JM/LB
Our Ref: ER-2015-0036
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Date: 14 October 2015

Dear Ms McAlpine

Dumfries and Galloway strategic reinforcement project

Thank you for your letter of 22 September 2015.

Ofgem's role

You have noted that Ofgem has a role in the decisions to be made on the proposed Dumfries and Galloway strategic reinforcement project, and asked that we engage with local communities.

We don't have a direct role in the planning and consenting process and we don't design transmission lines, plan how new transmission projects should be built or what routes they should take. These decisions are all for the relevant network companies and planning authorities to make. In the case of the proposed line we understand that a decision on planning consent will be made by Scottish Ministers.

If planning permission is granted, our role will be to assess and determine whether the proposal is in the interests of consumers, taking into account their interests as a whole, including security of supply and how much the project will cost - as consumers ultimately bear the costs of building the network.

We have stressed to the network companies that we want them to engage constructively with stakeholders and to put forward proposals to the planning authorities and to us that best meet the needs of consumers. This involves striking the right balance between visual amenities and cost. We would, therefore, encourage you to continue to engage with Scottish Power Energy Networks on its proposal.

Visual Amenity

You have asked if the proposed project will receive money to underground the proposed line and mentioned the £500 million available for undergrounding in England and Wales. Under the current transmission price control we have allowed up to £500 million in total across Great Britain (not just England and Wales) to reduce the visual impact of existing infrastructure in National Parks, Areas of Outstanding Natural Beauty and National Scenic Areas.

This allowance is available for *existing* network assets because much of the network was built many years ago, under different planning consent regimes, when impact on visual amenity was considered less important than it is today. This funding is available nationally for all electricity transmission owners to use, including the Scottish companies. The size of the allowance was informed by surveys of consumer willingness to pay for measures to address the impacts on visual amenity such as undergrounding, re-routing of existing lines and softer engineering measures, eg landscaping.

If the planning consent for a new project includes measures to address visual amenity issues, this will form part of our assessment of the proposal.

Tendering onshore transmission

You have asked whether the Dumfries and Galloway project will be tendered and if so that we invite bids for the undergrounding of the line.


Under the current transmission price control (2013-2021) we have said that certain transmission investments could be subject to competitive tendering. We will consult on whether to tender the proposed Dumfries and Galloway strategic reinforcement project after we consider the needs case to be submitted by Scottish Power Energy Networks.

We are still developing and consulting on the arrangements for tendering onshore transmission. As part of this we are considering how to run tenders and how to evaluate bids. We anticipate that parties will be able to submit bids against a tender specification that will set out the system requirements. They will also need to meet the requirements of all applicable legislation, planning permissions, and licences. Within these boundaries, we expect bidders to present innovative and cost effective proposals. In determining a successful bidder we would evaluate the cost of the bids alongside other factors such as the technical capability and delivery plan.

I hope my letter has helped to clarify our role in transmission network investments. I would be happy to meet with you to discuss our work in this area in more detail.

Should you wish to meet, please contact my colleague Jackie Hotchkis on 0141 331 6000, jacquelyn.hotchkis@ofgem.gov.uk.

Yours sincerely,



Kersti Berge
Partner Electricity Transmission
and Head of Ofgem in Scotland

Enc: Electricity networks and conserving natural beauty

Electricity networks and conserving natural beauty

Over the coming years network companies will need to extend or upgrade the electricity network. This is to help connect new forms of generation and ensure that electricity is able to flow where it is needed. Proposals for network projects must reconcile a number of concerns, including the impact of overhead lines on natural beauty with the cost to consumers of minimising that impact.

Network companies work with stakeholders, and planning authorities where appropriate, to plan and construct the electricity networks. Ofgem decides how much funding the companies should be able to recover from consumers (either as a fixed allowance or on a project-by-project basis) to help them deliver a project, including actions to conserve natural beauty.

Price control framework and visual amenity

Britain's electricity networks need significant investment over the next decade to ensure consumers continue to receive safe and reliable network services and to meet environmental challenges. This investment will require the installation of additional equipment such as pylons, overhead wires and underground cables. When installing this equipment companies must take into account the environmental impacts of new investment, including the visual impact of infrastructure. Action to conserve natural beauty might include finding alternative routes, undergrounding cables, alternative pylon design, tree screening and camouflage.

Ofgem has a range of powers and duties including our principal objective to protect the interests of existing and future consumers. We also have statutory duties which include having regard to the purposes of National Parks, The Broads and Areas of Outstanding Natural Beauty, as well as having regard to conserving biodiversity.

Ofgem applies these statutory duties through the price controls that regulate the monopoly network companies. Our RIIO price control model (Revenue = Innovation + Incentives + Outputs) aims to deliver consumer benefits by providing companies with strong incentives to meet the challenge of delivering a sustainable energy sector at the most efficient cost.

Acts which place statutory duties on Ofgem regarding natural beauty and biodiversity include:

- Electricity Act 1989
 - National Parks and Access to the Countryside Act 1949 (as amended by the Environment Act 1995)
 - Countryside and Rights of Way Act 2000
 - Norfolk and Suffolk Broads Act 1988
 - National Parks (Scotland) Act 2000
 - Natural Environment and Rural Communities Act 2006
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It places a renewed emphasis on sustainability and stakeholder engagement. You can read more about this in our RIIO factsheet: <http://goo.gl/C4H3d>. It is through these price controls that we manage network companies' approach to visual amenity.

In addition, network companies are subject to statutory duties requiring them to have regard to the visual amenity impacts of infrastructure by conserving natural beauty. These include National Parks (NPs) and Areas of Outstanding Natural Beauty (AONBs).

This table summarises the price control measures through which we expect network companies to reduce the impacts of electricity networks on landscape qualities including natural beauty. This includes National Scenic Areas (NSAs) in Scotland.

Price control	Existing infrastructure	New infrastructure
National Transmission: RIIO-T1 (2013-21)	Ofgem has allowed funding of up to £500m for network companies to reduce the visual impact of existing infrastructure in NPs, AONBs and NSAs.	There are funding arrangements to cover the costs of undergrounding and other mitigations if the measures are required by the planning and development consent process.
Local Distribution: DPCR4 (2005-10) DPCR5 (2010-15) RIIO-ED1 (2015-23)	A voluntary undergrounding scheme for distribution network operators allows funding for the undergrounding of existing overhead lines in AONBs, NPs and NSAs. The current price control, DPCR5, has a budget of £61m; the RIIO-ED1 undergrounding budget will be £104m.	New distribution infrastructure may be undergrounded if required by the planning process. This falls outside the funding for the voluntary undergrounding scheme which applies to existing infrastructure only.

Who does what?

It is the responsibility of the network companies to identify what investment is needed in their networks to meet both customers' needs and their statutory obligations, reconciling all factors and minimising adverse impacts. The companies are responsible for designing the works necessary to meet those needs and obtaining the relevant planning consents. They are also required by planning law to take stakeholders' views into account as part of this process and to follow planning rules to mitigate visual impacts.

Where appropriate the companies must demonstrate that they have considered and consulted on alternative options, such as different routes, undergrounding and subsea cables. They must also be able to justify costs associated with protecting visual amenities. They need to consider long-term value for money and environmental impacts when reaching their final decision.

Ofgem does not have a direct role in the planning process. The purpose of the planning process is to manage the development of infrastructure and its impact on the environment and people. If planning authorities consider a proposed development is likely to have unacceptable impacts they can require the developer to alter its proposal or include mitigations as a condition of the planning consent. Alternatively, the planning authority can refuse consent if it considers alternatives or mitigation options would not be sufficient to address the impacts.

Our role is to set and ensure compliance with the price control framework in which companies deliver network developments that are coordinated, efficient and economical. This also enables companies to address where necessary the impacts of those developments on natural beauty.

The planning authorities involved may include a local planning authority, the relevant National Park Authority, the Planning Inspectorate in England and Wales or planning authorities in Scotland and, where appropriate, the relevant government minister (eg Secretary of State in England, Ministers in Scotland and Wales).

Getting involved

There are two main opportunities to influence network companies' approaches to conserving natural beauty. The first is to refer to companies' business plans and contact the companies directly to find out more about their future stakeholder engagement opportunities. We expect companies to engage with stakeholders constantly throughout the price control. The second is to get involved in the planning process. The best time to influence a project is during the pre-application consultation carried out by the network companies prior to submitting an application. If engaging at a later stage you should be able to register your interest in a particular application with the relevant planning authorities.

Any concerns about the planning process the companies have followed should be brought to the attention of the relevant planning authorities, and you should also raise your concerns directly with the network company. A list of appropriate contact points at each network company is available here: <http://goo.gl/hbi7i>

Contact:

contact: sustainable.energy@ofgem.gov.uk