

**Electricity Distribution Price Control Review Initial Consultation
Document
Ref: 32/08 and 32a/08**

**A joint response by the English National Park Authorities Association
and the
Welsh Association of National Park Authorities**

June 2008

Summary

1. The English National Park Authorities Association (ENPAA) exists to provide a collective voice for the nine English National Park Authorities, and the Welsh Association of National Park Authorities (WANPA) does likewise for the three Welsh National Park Authorities. Both organisations are governed by the Chairs of the Authorities. Our response represents the collective view of officers who are working within the policies established by the National Park Authorities (NPAs). Individual National Park Authorities may submit separate comments, which will draw on the specific issues for their particular area.

2. Both ENPAA and WANPA welcome this consultation. The distribution of electricity within National Parks is critical for the social and economic well-being of the communities, including the quality of the visitor experience. It is also important that this is done in a way that minimises harm to the special qualities of the National Parks. In short, sustainable electricity generation and distribution is one of the key factors for sustainable development in National Parks.

3. National Parks welcome the stronger interest that Ofgem and the Distribution Network Operators (DNOs) have shown in National Parks, particularly driven by the discretionary scheme for undergrounding networks in National Parks and AONBs in the current price review period (2005-2010). This has led to stronger regional and local engagement and partnerships between National Parks and DNOs. We hope and believe that this will build a strong foundation that will bring benefits in terms of broader issues of electricity generation and distribution in National Parks as illustrated by our response to this consultation. We are, however, very disappointed by the example in the South West of England and South Wales, where the DNO has a continuing reluctance to participate in the undergrounding scheme, despite the best efforts of the National Parks and AONBs, thereby excluding these National Parks and AONBs from enjoying the clear benefits that the scheme can offer.

4. We are highly supportive of the key themes of the environment, customers and network, and in particular:

- continuing the allowance and improving the scheme for network undergrounding in National Parks;
- reducing the Greenhouse Gas contribution of the electricity distribution network;
- improving the network and service for connections of small scale renewable electricity generation; and
- improving the service to the worst-served customers.

5. We would highlight, however, that the current financial caps are proving very tight, and a barrier for the placement of some of the most visually intrusive lines underground. We hope Ofgem will consider reviewing and amending the caps to make costings more representative.

6. We look forward to working with Ofgem and the DNOs in shaping the next price review (2010-2015) over the next 18 months and in maximising the contribution the electricity distribution network can make to the sustainability of England's and Wales' National Parks.

7. We would also like to use this opportunity to recognise and acknowledge the key role that the Non Governmental Organisations, in particular Friends of the Lake District and Friends of the Peak District, have played in achieving the establishment of the undergrounding allowance in DPCR4; that they continue to play in the partnerships that are delivering these schemes; and in the debate over this allowance in DPCR5.

Introduction to National Park Authorities

8. There are nine National Parks in England covering 8% of the land area and 3 in Wales covering 20% of the land area. They are Dartmoor, Exmoor, New Forest, the Peak District, the Yorkshire Dales, the North York Moors, the Lake District, Northumberland, the Brecon Beacons, Snowdonia, the Pembrokeshire Coast and the Broads which has equivalent status to a National Park.

9. Each National Park is administered by its own National Park Authority and in the Broads by the Broads Authority (hereafter included by the term National Park Authority). Each NPA is an independent body funded by central Government to:

- conserve and enhance the natural beauty, wildlife and cultural heritage of its area; and
- promote opportunities for understanding and enjoyment of the special qualities of the National Park by the public.

10. In carrying out these aims each National Park Authority has a duty to seek to foster the economic and social well-being of local communities in the National Park.

Section 1 - Network undergrounding in National Parks

11. We feel strongly that the scheme to underground overhead electricity distribution lines should continue. We think it is an excellent scheme. It supports the fulfilment of both Ofgem's and DNO's environmental duties, it results in an improvement in the quality of some of England and Wales' most highly valued landscapes, supports sustainable economies and communities, addresses customer concerns and has shown considerable uptake by DNOs. Since the introduction of this allowance English and Welsh National Parks have been working locally in partnership with the DNOs and other stakeholders to deliver the scheme. We believe it can be improved upon and would hope that the issues identified in this response can be addressed through DPCR5. We are, however, very disappointed by the example in the South West of England and South Wales, where the DNO has a continuing reluctance to participate in the undergrounding scheme, despite the best efforts of the National Parks and AONBs, thereby excluding these National Parks and AONBs from enjoying the clear benefits that the scheme can offer.

Continuation of the allowance

12. We are reassured and heartened to read at para 2.74 (32/08) that Ofgem recognises 'the importance of an early commitment from Ofgem on the continuation of this scheme and will intend to provide this later this year'. A continuation of the scheme will undoubtedly contribute to Ofgem's duty to promote sustainable development as well as its environmental obligations. We would welcome exploring options to jointly publicise this at the appropriate time.

Ensuring continuity from DPCR4 to DPCR5

13. We would like to stress our view that because of the timescales involved in projects of this nature, clarity on both the scheme's continued existence and the funding of any DPCR4-initiated work that completes in DPCR5 is important to prevent the ceasing of new work in 2008. Continuity would ensure no loss in momentum for partnership working that has taken some time to establish and which has now developed into strong working relationships. We would hope that projects started during DPCR4 but which are not completed by March 2010 would be funded from the DPCR4 allowance rather than a DPCR5 equivalent.

14. Continuation would also mean that staff of designated areas that have taken on tasks related to undergrounding in addition to existing workloads would be able to support the process in the knowledge that this use of their resources was worthwhile in the long term.

Improving the Scheme

15. At 1.74-1.75 in Appendix 7 (32a/08) Ofgem discusses the scope for improvement and potential areas for further development. As noted above the undergrounding allowance is both welcomed and well supported by National Park Authorities. In some areas identified lines are being placed on hold, as the current allowance is already fully committed. We wish this scheme to be continued into DPCR5, but would like a review of its 'nuts and bolts' so that experience of the current scheme can be used to develop and improve it into DPCR5. Annex 1 details the issues that we and our local partners and stakeholders have identified. We would like these issues to be considered by Ofgem if it agrees to the scheme's continuation.

Options for funding the allowance

16. At para 2.76 (32/08) of the consultation paper, Ofgem discusses the current caps and further funding options.

17. We feel that the current funding arrangement allows a targeted programme of work which is realistic and practical to extend into the next price review period. We would urge at least a maintenance of the level of the allowance to continue and build on the success to date. We believe that this approach to undergrounding should be fully funded by the allowance to enable DNOs to meet their duties in National Parks under the 1995 Environment Act.

18. It may be appropriate to allow some flexibility in allowances to match stakeholder buy-in and DNOs' business plans. However it is known that in some areas even though National Park Authorities and other local stakeholders have been supportive of the scheme, little progress has been made because of the approach taken by the relevant DNO. We would not want the allowance to be removed from these areas at the expense of the efforts made by these local stakeholders.

Customer Research

19. We are pleased to see that in the initial qualitative research overall, 'Respondents ... saw benefits to replacing overhead lines with underground cables, particularly in National Parks' (32/08 para 3.12).

20. Ofgem understandably are putting great emphasis on customer research in terms of willingness to pay. We would urge Ofgem to assess this evidence in the light of its own and DNOs duties in relation to the public interest and statutory duties in relation to National Parks.

21. We would urge Ofgem to consider varying the way in which customers are asked to give their views. We would hope that survey question order is rotated to avoid any survey fatigue effect. We would also suggest framing questions about undergrounding based on real examples of what has been achieved rather than more abstract concepts such as proportions of networks that could be undergrounded.

22. In summary we believe that while important, customer willingness to pay should not be the only measure used to determine financial allowances for undergrounding. Other stakeholder's views should be considered and the allowance is one way to enable DNOs (and Ofgem) to meet their environmental duties towards designated landscapes.

Section 2 - Lower Carbon Economy

23. We would like to highlight a number of key areas that ENPAA and WANPA support:

- reducing the greenhouse gas contribution of the electricity distribution network;
- improving the network and service for connections of small scale renewable electricity generation; and
- the proposal that this price review needs to support DNOs in enabling customers to manage their demand more actively. We also support the proposal that this price review needs to support innovation by DNOs to create flexible and adaptable networks for the future.

24. We agree with OFGEM that tackling climate change is one of the biggest new challenges facing the energy sector in the coming years. National Park Authorities are becoming active leaders in climate change adaptation and mitigation for the large areas of rural UK they include. Ofgem's research shows that customers are conscious of and willing to pay for mitigating the environmental impacts of electricity distribution. We welcome the proposals to use this price control to incentivise the DNOs to reduce the percentage of electricity lost in the distribution network.

25. Of particular relevance to National Parks is the proposal to improve the network flexibility and connectivity to small scale renewable energy generation capacity. Communities in National Parks are particularly well-placed to harness renewable energies of their environment to provide low carbon sustainable energy supplies for themselves, but also importantly to feed into the distribution network. We already have examples where this is happening. Through financial and policy incentives and working with local communities and partners, including the DNOs, we aim for small scale renewable electricity generation to be a major growth asset in National Parks in the coming years.

Section 3 - Improving the service to the worst-served customers

26. As the consultation document indicates, worst-served customers are typically on mixed or overhead networks with low numbers of customers. This obviously includes most of the populations living and working in National Parks. These communities are also most remote from other sources of goods and services so are even more vulnerable if electricity supply is interrupted. Reliable supply is also critical for maintaining and developing a sustainable rural economy. We therefore agree that the price review should be used to focus DNOs attention on worst-served customers. Undergrounding may not be the cheapest option but in these instances it could benefit both worst served customers in terms of security of supply and landscape character simultaneously.

Other points

DNOs' consultation on high level business plans

27. We are pleased to note that a key new measure for this review is that each DNO will be encouraged to seek comments from regional stakeholders on its high level business plans before submitting its forecasts to Ofgem (32/08, page 2; also paras 1.14, 1.44) and take into account the needs and aspirations of their local stakeholders (32/08, para 4.33). We would encourage Ofgem and all DNOs to include National Park Authorities as regional and local stakeholders.

Network output measures

28. We note that Ofgem is considering extending 'network output measures' (32/08 paras 1.44, 4.54-4.55). It would be useful to publish annual figures for individual DNO's including the length of their system, the lengths overhead and underground, the lengths of line overhead and underground in National Parks and AONBs; and to report on net changes (rather than simply aggregate UK figures). In addition we would support Ofgem to encourage DNOs to indicate in their business plans how they intend to discharge their statutory duties in National Parks, and the way they intend to make use of their allowances for undergrounding, including specifying outputs.

Ofcom and BT

29. The consultation paper makes reference to BT (32a/08, App7, para 1.74) We would be very supportive of Ofgem considering sharing its experiences with Ofcom as an example of good practice in meeting environmental duties. If Ofcom were persuaded to take similar action, joint funded schemes would be possible, with separate services sharing the same trench, of benefit to all in terms of visual amenity and value for money of the DNO allowance.

Conclusion

30. We hope you find these comments helpful in developing the price review for 2010-2015. We would be more than happy to answer any further queries that you have regarding this response, including, should you find it useful, the provision of data and examples on the scheme's delivery in National Parks. We look forward to building on the successes we have achieved in partnership with the DNOs and local communities over the DPCR4 period.

ENPAA / WANPA

June 2008

Annex 1

Network Undergrounding Allowance Scheme

Issues and suggested improvements

1. If an identified line is already in an asset replacement programme it cannot be considered for undergrounding. Given that resources are scarce, we believe that undergrounding under the scheme should go towards genuinely additional undergrounding – delivering ‘new’ projects or bringing projects forward in time –above those that the DNOs would deliver anyway on cost and safety grounds (such as rectifying open-wire low-voltage lines in proximity to buildings – appendices, Ofgem 32a/08, App7, paras 1.41, 1.77). However extending cost- and safety-driven schemes to achieve additional visual amenity benefits might be considered.

To consider: could the undergrounding allowance be used to ‘top-up’ the difference in costs between normal replacement and undergrounding. Could this be implemented and still satisfy the requirement for undergrounding to be a demonstrable additional investment?
2. It is difficult to justify undergrounding recently refurbished assets because of the statutory write-off values that a business has to stand.

To consider: can the caps / criteria be flexed in any way to address this problem?
3. Current financial caps are proving very tight and thus difficult to meet. These caps are proving a powerful barrier and some of the most visually intrusive lines are not being placed underground.

To consider: review and amend caps to make costings more representative or remove cost caps and allow stakeholder endorsement for expensive but high amenity value schemes.
4. The caps do not allow for undergrounding lines with plant attached, as the cost of establishing ground stations is prohibitive. An alternative is to place a line underground with the plant e.g. PMT left behind on a solitary pole.

To consider: review and amend caps to make costings more representative.
5. The length of the underground line can sometimes be considerably longer than the overhead line (generally a straight line) it is to replace due to natural obstacles e.g. hard rock, a tarn. Lines faced with such obstacles are automatically barred from consideration because of the way financial caps have been set.

To consider: it is appreciated that the unit costs are an indicator for delivering ‘value for money’ but could there be a discussion on quantity (kilometres of line placed underground) versus quality (greatest amenity benefit) – could measures be agreed that reflect the latter as well as former e.g. amenity score.
6. In deciding the financial caps no account has been taken of additional environmental costs that may be incurred e.g. archaeological surveys, Environment Agency requirements.

To consider: could the allocation in each area be top-sliced to provide a fund for such costs?
7. The allowance does not cover undergrounding new connections; some stakeholders have asked what is the point of undergrounding old lines and then erecting new ones for new supplies? In 32a/08, App 7, para 1.74, Ofgem notes that they are not minded to adapt the scheme to prevent future overhead lines in designated areas. However we feel it can be argued that the principle of no net increase in overhead lines in nationally designated landscapes is a reasonable interpretation of Ofgem and the DNOs statutory environmental duties, and of sustainable development, which ought to be reflected in regulatory arrangements. Ofgem notes ‘DNOs have an obligation to provide least cost connection solutions’. We would argue that this is not a DNO’s sole obligation and that environmental and disamenity costs should be considered as well as monetary costs.

To consider: could the undergrounding allowance be used to ‘top-up’ the difference in costs between new construction and undergrounding where the relevant local stakeholders agree that the new line will be highly detrimental to landscape quality? Could this be implemented and still satisfy the requirement for undergrounding to be a demonstrable additional investment? Could

there be more flexibility in considering more economical ways of installing underground connections in such situations, such as using customer's own plant and labour.

8. Lines that are sitting just outside a National Park can be highly visible and intrusive when viewed from the area. For development control purposes the setting is taken into account. A wider visual boundary that considers the flow of landscape would take into account visual aspect and impact more comprehensively.

To consider: could the setting of a National Park be considered, with a visual boundary rather than a geographical boundary?

9. DNOs are managing the process differently which enables flexibility and a pragmatic approach to be taken to fit local circumstances. However does this mean opportunities to share experiences and good practice are lost?

To consider: could this be addressed by setting up a process by which information and good practice can be shared e.g. through Energy Network Association's Regulation Group or Ofgem's Quality of Service Group?

10. Willingness to pay surveys are important in providing evidence that individual customers are willing to see investment in undergrounding. However should this be the only measure used to make value judgements on societal benefits?

To consider: other evidence could be recognised e.g. reports of findings from surveys on attitudes to landscape quality that have been undertaken, engaging with other stakeholders.