



Willingness to Pay to mitigate the visual impact of existing electricity transmission infrastructure in designated landscapes

A report on the Talking Networks workshop, held on 8th August 2012 in Birmingham.

Overview

This workshop took stakeholders through the consumer research work carried out on behalf of National Grid between January and May 2012 into people's Willingness to Pay (WtP) to mitigate the visual impact of existing electricity transmission infrastructure in designated landscapes (i.e. National Parks, Areas of Outstanding Natural Beauty and National Scenic Areas). The research was carried out to help Ofgem set a national allowance which will be available from 2013 to 2021. Once the allowance is established, the Transmission Owners across Great Britain will be able to put forward projects as candidates to be funded by this allowance.

At the workshop, as well as presenting the research carried out, National Grid outlined its recommendation to Ofgem and then Ofgem presented how it had used the research to inform its Initial Proposals for an allowance. In the final session of the workshop, stakeholders were asked for their thoughts and input into developing an approach for selecting projects which could be put forward as candidates for funding from the allowance.

The workshop was attended by 29 (non National Grid and Ofgem) stakeholders and a list of attendees is attached at the end of this document. The material presented at the workshop can be found on the Talking Networks website –

<http://www.talkingnetworkstx.com/consultation-and-engagement.aspx>

Simon Griew from National Grid introduced the workshop and spoke about the different funding mechanisms proposed for mitigating the visual impact of existing lines and new lines, confirming that the focus of this workshop was on existing lines in designated landscapes.

WtP Research

The consumer research was carried out by Accent, a leading WtP market research company, and Rob Sheldon, its Managing Director, presented the research undertaken and the findings. There then followed a questions and answers session.

Stakeholders were interested in the insensitivity around the five and ten mile scenarios and asked why the WtP numbers were the same. Rob said it showed people viewed five to ten miles as much the same as each other.



It was asked if people had viewed undesignated and designated landscapes as the same in terms of value, and it was questioned whether the people who took part in the survey would know where the National Parks and AONBs were. Rob said Accent had done everything possible to explain what designated landscapes were and had provided maps to show people where they were.

A question was asked why was there a significant financial difference between AONBs and National Parks at 20 miles. Rob said there was nothing in the wider data gathered that gave a reason for the difference.

The point was raised that AONBs in particular are fairly small so it would not be feasible to replace a 50 mile stretch. It was explained that a 50 mile scenario did not necessarily mean one scheme but could mean five schemes of ten miles, for example.

A number of people asked if the allowance just funds existing lines within designated areas, as they were interested to know about the issue of where a boundary for such a landscape starts and finishes. Anna Kulhavy from Ofgem said that she thought for the allowance which already exists for electricity Distribution Networks, a 10% tolerance was given for addressing lines on the boundaries.

It was asked if Accent had shown pictures of very rugged landscape in the qualitative session as this would have been particularly important for Scotland. Rob confirmed that consumers had been shown a number of different landscape types.

Concerns were expressed that the Scottish Transmission Operators did not appear to be involved in helping to establish an allowance. Anna from Ofgem outlined the position for both the Scottish companies. It was also mentioned that Scottish Power were interested in the research and had observed one of the Scottish focus groups.

There then followed a discussion about the 20% of people in the survey who had consistently said they were not willing to pay anything more on their bills to mitigate the visual impact of existing infrastructure. Rob outlined they had certain consistent characteristics which were common across the groups, including seeing little value in these types of mitigation and finding it hard to pay any more on their bills. It was then asked if the survey approach also stopped people putting forward high values for WtP. Rob said that it did. The range of WtP had been set by the qualitative phase which did limit the upper range, so Rob concluded that any figures coming out of the research would be on the conservative side.



The comment was made that the WtP figures were impressive across both the designated landscapes and other rural areas. It was added this was a great piece of work and it was good that these valuations now existed.

A point was made that landscape values should be considered to be wider than simply tourism, as the countryside provides important support to urban areas. It was also said that there should be a balance between the investment made in urban undergrounding and rural areas to ensure it is fair and the cost/benefit evaluation should include the impacts of overhead lines on communities.

National Grid's recommendation to Ofgem

Graham Frankland from National Grid presented the recommendation it had put forward to Ofgem, based on the market research, to help inform the size of the allowance.

Stakeholders were concerned that National Grid has been too cautious about consumers' views on affordability and the squeeze on household income. They questioned whether National Grid had double-discounted the figures – it was felt that the consumers who took part in the survey would already have considered their personal finances before they made their choices.

Stakeholders felt the way National Grid had arrived at its recommendation was unclear with one stakeholder saying National Grid could have just as easily selected £1.7bn as it was the number which occurred most frequently throughout the scenarios. It was explained that National Grid had taken a cautious blend of both the qualitative and quantitative findings from the research before making its recommendation.

Given that the country is in recession and affordability is an issue, it was asked if National Grid would carry out another survey when the economy recovers. Rob Sheldon from Accent said he was only aware of one survey which had been carried out during both a boom time and recession and it had shown no difference in people's WtP.

It was asked if through this funding National Grid was giving a commitment to undergrounding. It was pointed out that the allowance is for mitigation, not only undergrounding, and the mitigation chosen for a particular existing line will be determined on a case-by-case basis through an approach which needs to be developed. It was added that the afternoon session would be the start of developing such an approach.

A question was asked about what was an existing line and what was a new line in terms of up-rating the network to accommodate greater flows of energy. Michelle Clarke from National



Grid said that if an existing line and pylons are being completely taken down and replaced with larger ones then this is classed as a new line.

A number of stakeholders wished to know if the allowance was fixed at Ofgem's Initial Proposal level of £100m. Ofgem said it was not fixed and they were keen to hear stakeholders' views through their consultation on the Initial Proposals which closes on 21st September 2012.

Stakeholders asked if they could see the list of projects National Grid is proposing in designated areas during the RIIO-T1 period. This would help them to understand which projects may be able to be funded by the allowance, given consumers' feedback on addressing lines when they are coming to the end of their lives and require replacement. Simon Griew from National Grid thought that this would be possible and added the afternoon session would also help people as we would start to look at an approach to choosing projects.

Ofgem presented its Initial Proposals

Anna Kulhavy from Ofgem presented how they had used the WtP research to inform their Initial Proposals for a national allowance.

The first question asked was about new lines and the mechanism by which, if the planning process determined 60 or 70% of a line should be undergrounded, the adjustment mechanism would simply go up to the required level and National Grid would receive funding for the project. Anna said that this would be the case.

There was a lot of discussion about the use of mean versus median. The WtP research had produced mean figures and Anna said Ofgem wished to have a median in addition to this mean to enable them to set the overall size of the allowance. It was asked if more work needed to be done and Anna said they would like a median as it would provide them with a figure which covered the views of 50% of the people surveyed. Rob from Accent confirmed the WtP study undertaken only provided mean figures.

Ofgem were asked if they would fund the further piece of research and Anna said it is down to the network companies to do it, as part of the basis of RIIO is that companies build their plans based on stakeholders' views.

It was pointed out that there is an argument as to whether the median is the right answer. There was also a discussion that the electricity Distribution Networks' allowance was informed by a similar WtP study carried out by Accent that used the mean. This was confirmed by Rob



from Accent and he added the 1,000 or more WtP studies he had been involved with all produced mean figures which were then used to determine funding.

Stakeholders wanted clarity about Ofgem's proposed £100m. It was pointed out that whilst this could buy a lot of trees for screening, it did not pay for very much undergrounding. They were concerned that if Ofgem and National Grid did not get to a new figure quickly, the funding would simply stay at £100m. Views were expressed that the figures are simply being massaged down.

Anna said the £100m was an initial figure so the companies could get started on their projects and that, pending further work, they were open to changing the figure.

It was suggested that there might be ways to introduce differential payment for this depending on people's circumstances, similar to the social tariffs being proposed in the water industry. Anna said under the current charging system there was not a way to do this for electricity.

The issue of flexibility around boundaries came up again as did the involvement of the Scottish Transmission companies. One stakeholder asked if companies would be penalised if they did not take up the allowance. Anna said it would be more of a reputational issue.

Stakeholders asked when the deadline for Ofgem's consultation was. Anna said the deadline was 21st September. She added National Grid had carried out strong stakeholder engagement and she expected this to be ongoing beyond the final proposals. The point was raised that further research could not be carried out by 21st September. Anna said the £100m was an initial figure pending further research and stakeholder feedback. Stakeholders wanted confirmation that the £100m would change and Anna said Ofgem would wait and see what stakeholders said.

A question was asked about the Scottish companies being fast tracked and what this meant for them and the £100m. Anna said that in their fast track documents, Ofgem had referenced the further work National Grid was carrying out in this area and she then confirmed the allowance is for all electricity transmission networks in Great Britain.

There was a short discussion about what would happen if a project was put forward which went above any capped allowance. Anna said she felt Ofgem would not question the merits of a project if it fell within the policy and if it was a significant amount it may be possible for it to be considered within the cap for the next price control period.



Following further questions, Anna confirmed the £100m was an initial figure and that Ofgem wished to hear stakeholders' views. She added they were after further information to help inform the allowance. It was pointed out that they have experience of already running the electricity Distribution Networks allowance and they should learn lessons from that. For example, stakeholders said the cost per mile approach for the networks had not worked because it made many schemes simply too expensive. Ofgem were urged not to reinvent the wheel. One stakeholder pointed out he felt EDF's process of choosing a project was the best. It was also mentioned that it had taken the electricity networks two-and-a-half years to get projects off the ground. Anna said she expected the Transmission companies to be already planning which projects should be considered.

Developing an approach for selecting projects

The afternoon session was dedicated to hearing stakeholders' views on how an approach may be developed for selecting projects to be put forward for this allowance. Stakeholders were asked to consider a number of questions at their individual tables and then feed back their views. At the workshop National Grid said it would publish the full list of suggestions made at the workshop. Please see the detailed list below.

There were some key common themes which appear on the lists and came out in the discussion:

1. The need for clear governance criteria
2. Lessons that can be learned from other organisations and studies
3. The selection criteria need to be carefully considered, need to be clear, and need to have stakeholder buy-in

The observations and suggestions from the five tables at the workshop were as follows:

- Need to understand the role of Ofgem regarding prioritisation and sign-off criteria
- Need an appropriate level of detail for guidelines – options, stakeholders, balancing the benefits of gain (visual) against other effects (e.g. ecology)
- Three suggested levels of criteria (the levels of analysis required would need to be identified)
 - Quick initial appraisal
 - Balance against other criteria
 - EIA detailed level
- Can we arrive at shortlisted areas by consensus? Localism versus national priorities.
- Multi-criteria analysis could be used
- Quick wins versus hard/difficult wins versus size of the financial pot – how do we identify value for money?
- Cost of refurbishment – need to understand how financial value is reached/derived



- It is a subjective area – is wider public debate required? Could there be a lay member(s) on the stakeholder group?
- The criteria identified need to be sensitive to screening (i.e. soft landscaping) as well as to undergrounding
- Other organisations have limited budgets and have to prioritise (e.g. NICE, health organisations) – how have they approached the issue?
- Putting people first – how many people would benefit from a scheme?
- Undertake an initial audit/baseline survey
- There could be a competition – local areas to feed into what's important locally
- The 1, 2, 3 approach is sensible/reasonable
- Is £100M for planning and prioritisation in the early years?
- A short listing process would be good – National Grid needs to identify schemes that are attractive on cost grounds. Are there really genuine savings to be had?
- Can't just be driven by lowest cost first – hard to do other than by a bottom-up process, but this could be difficult to manage administratively
- Is there a willingness to pay for new schemes?
- More information is required on the selection criteria used to identify refurbishment criteria. How does this fit with sensitive areas?
- Clarity
- Need a definition of whole life cost
- Cost benefit analysis could be used
- Are there transferable lessons that could be learned? e.g. from the 2003 Distribution Network Operators' study
- Methods of engagement – not all stakeholders know each other; a good group here today; regional agreement needed by stakeholders
- Could bids be invited from areas? Like the X Factor
- Scottish Transmission Operators/areas have not shown much engagement so far – it's their fund to access too
- Governance arrangements
- How do we compare landscapes and their significance? Wilderness, tourism, receptors, beneficiaries? What are we trying to achieve?
- How have other developers approached this? Look at their criteria and approach
- Do the cheaper projects first – value of cost per kilometre
- It is important to have landowners' buy-in
- Local Planning Authorities are developing local plans to inform and reflect hotspots of focus and activity. What do they say that is relevant to the projects? The lifetime of these plans is longer than the RIIO price control lifetime so could give a good long-term view.



Summary and next steps

Simon Griew summarised the workshop and outlined the next steps which included stakeholders responding to Ofgem's Initial Proposals consultation. Simon also said there would be further stakeholder engagement to develop the approach for prioritising projects for the allowance and his aim was to try and have an agreed approach in place for the start of the RIIO-T1 period in April 2013. Simon thanked everyone for their attendance and for their input into the day.

List of Attendees

Name	Organisation
Kate Russell	The Central Association of Agricultural Valuers
Ruth Chambers	Consultant
Ruth Bradshaw	Campaign for National Parks
Sheila Wren	The John Muir Trust
Tom Leveridge	CPRE
Aled Sturkey	Snowdonia National Park Authority
Adam Sedgwick	Essex and Suffolk coalition of amenity groups
Anne Robinson	Friends of the Peak District
Paul Sobczyk	Sedgemoor DC
James Lloyd	National Trust
Loretta Boman	Ofgem
Sarah Green	Countryside Council for Wales
Simon Brooks	Scottish Natural Heritage
Ian Kilby	Shropshire Council
John Foster	Essex and Suffolk coalition of amenity groups
Andrew Darke	Place
Jonathan Adamson	Place
Valerie Moody	Somerset County Council
Rebecca Musto	Somerset County Council
Iain Morgan	Ofgem
Anna Kulhavy	Ofgem
Phil Megson	Lancashire County Council

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Michael Wilks	Suffolk County Council
Catherine Cacace	Energy Consents Deployment Unit Scottish Government
Martin Burfoot	Peak District National Park Authority
Sir Peter Dixon	Broads Authority
Ashley Thomas	National Association of AONB
Dr Richard Cowell	On behalf of Friend of Peak District (and Friend of National Parks)
Amanda Smith	English Heritage
Rob Sheldon	Accent
Simon Griew	National Grid
Hector Pearson	National Grid
Joe Turner	National Grid
Kevin Rendell	National Grid
Michelle Clark	National Grid
Hugh Smith	National Grid
Graham Frankland	National Grid
Simon Pepper	National Grid
Marcella Noone	National Grid