RIIO3@ofgem.gov.uk

6th January 2025

Dear Sir or Madam

**ED3 Framework Consultation**

Friends of the Lake District (FLD) is a registered charity with more than 5,000 members. We represent the CPRE – The Countryside Charity 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.

Thank you for the opportunity to comment on Ofgem’s thoughts and priorities for the next price control period – as set out in this ED3 Framework Consultation. All pages referenced are from that document. To take your questions in turn…

**NETWORKS FOR NET ZERO**

***Qu.20 Is a 5-year price control (2028-2033) the right duration? (page 46)***

YES. We agree that it is possible to spend the undergrounding allowance in a 5-year period. An undergrounding scheme (from initial proposal to final construction) normally takes up to 2 years to implement. However, some undergrounding schemes can take longer, for example those requiring s.38 consent (from Planning Inspectorate) for works on common land. The potential problem with a price control that is longer than 5 years is that it can start slow or dip in the middle, as there is a lack of urgency.

***We welcome stakeholder views…on cost benefit analysis (CBA) (page 49)***

We would be very supportive of a more nuanced approach that involves “taking into account a wider set of factors (social, economic, environmental etc) that reflect positive or negative externalities, which could lead to a different decision on anticipatory investment compared to the traditional CBA methods” (page 49).

Indeed, in attempting to calculate the true value of its own land, FLD assessed the multiple capital of Little Asby Common in 2023. It explored the natural, cultural, social and economic capital of the property. The research valued the site at up to £61 million, with its cultural capital value far outweighing its natural capital value. The link below takes you to a press release on the project – and from there to a research summary.

<https://www.friendsofthelakedistrict.org.uk/News/valuing-rural-life-and-landscapes>

**RESPONSIBLE BUSINESS**

***Qu.27 Do you consider that ISGs alone are sufficient to ensure high quality and effective consumer and stakeholder engagement throughout the ED3 price control? What alternative or complementary approaches should we consider?***

Any group that provides “challenge and scrutiny to the network companies, both as they develop their Business Plans and on an enduring basis during RIIO-3, holding the network companies to account in the delivery of these plans” (page 57) is normally welcome – and so FLD broadly supports the mandatory “appointment of Independent Stakeholder Groups” (ISGs – page 56). However, it is not clear whether these ISGs replace the Customer Engagement Group established, under RIIO-ED2, to “provide challenge to DNOs on whether their Business Plans addressed the needs and preferences of consumers” (page 56) – or whether both groups will exist and therefore how they will interact with each other. If these ISGs do replace the Customer Engagement Groups, then a review of the latter should surely be undertaken, so that any lessons learnt can feed into the terms of reference of the new ISGs. For information, ENW has four panels which are working well: business; vulnerable customers; environment and sustainability; digital futures. The chair of each panel then come together in an Oversight Group, which meets regularly with ENW Chief Executive (ENW stakeholder event, November 2024).

It is encouraging that Ofgem continues to want “network companies to keep consumers and other stakeholders at the centre of network business planning and in the delivery of outputs and outcomes” (page 56). But, there is no detail as yet on the process or structure of the new ISGs that are being proposed. At some point, FLD would like to see mention of wider stakeholders – specifically National Park Authorities, National Landscapes teams and multiple National Park Societies in the context of undergrounding. All these bodies work closely with DNOs in order to successfully select undergrounding schemes, on the basis of the visual impact of power lines on nationally important landscapes. Environmental organisations must continue to have a role and remit in RIIO-3, as has been the case since DPCR4 began twenty years ago.

***Qu.33 Should DNOs have a role in delivering energy efficiency measures to homes and businesses? What might the scope of these services be and how should they be funded? (page 64)***

YES, DNOs should have a *role* in delivering energy efficiency measures to home and businesses for the following reasons…

* Maximum coverage by DNOs – regional electricity companies should be able to reach all homes and businesses, as we all use electricity and they have a monopoly; whereas we believe local councils and charities will not reach everyone.
* More funding – as a private company, DNOs can potentially access significantly more money than local councils and charities.
* Existing experience & staff to expand on – we believe (from ENW stakeholder event, November 2024) that ENW, for example, already works with vulnerable customers, by helping them to pay their bills and giving low carbon advice. So, it seems sensible to expand that department in order to offer energy efficiency measures more widely.

In terms of the *scope* of these services, in Cumbria, for example, ENW should partner with those organisations that have a long experience of delivering energy efficiency, namely Cumbria Action For Sustainability (CaFS), Westmorland and Furness Council and Cumberland Council. The current model does rely on home and business owners approaching those organisations, rather than the charities and councils reaching out to all. This tends to favour more pro-active and better-informed people – as they have to actively search out the energy efficiency advice. If DNOs are given a role in delivery energy efficiency measures to homes and businesses, then they should be able to approach everyone (as we are all their customers). This way, many more people will find out about all the help and advice on energy efficiency that is available.

In terms of *funding* such services, we believe that a national scheme is needed to allow energy efficiency to reach homes and businesses across the country, whether through funding from DNOs or direct from government.

**SMARTER NETWORKS**

***Qu.52 How should network companies use AI to improve network insight and decision-making… and how should we be encouraging this through the ED3 framework? (page 90)***

Ofgem highlighted, in its Open Letter of 29th September 2022, that “digitalisation (will) offer new opportunities” (page 2). It is encouraging that, for example, Ofgem has “approved investment into the direct monitoring of the low voltage networks which, when used in combination with aggregated smart meter data, will give DNOs a greater understanding of the state and behaviour of their most granular networks” (page 86). Some companies are already offering the technology to detect underground electrical faults, and smart monitoring is being used to great effect in the water industry, for example, to detect and fix leaks. As a result, FLD wants to see DNOs using “AI to improve network insight and decision-making” (page 90) in the context of identifying faults on underground cables – thus removing one of the disbenefits of undergrounding (namely, the difficulty of locating faults on underground cables).

Assuming this is not already happening, we would like to see the ED3 framework getting those DNOs who have more experience of using technology to find faults on underground cables sharing their knowledge and lessons learnt with those DNOs who currently have less experience. That way all regions benefit from shared experience. This is in line with an Ofgem ambition for RIIO-ED3, whereby it is “keen to ensure that innovation is shared and deployed across different networks and that it is transformative” (page 91).

**RESILIENT & SUSTAINABLE NETWORKS**

Before turning to specific questions posed by Ofgem, we want to say that we welcome the multiple references, in this ED3 Framework document, for the need “to strengthen the distribution system’s resilience to climate change” (page 20) – as “many more damaging storms (are) putting networks at risk” (page 10). Indeed, trends to “more frequent extreme weather events… (are) expected to continue due to historical and ongoing emissions” (page 20). We agree that “with increased demand and a greater reliance on electricity for essential services, including heating and transport, it will be critical that DNOs are focused on resilience in ED3 period and take a pro-active, risk-based approach to future proofing their networks” (page 7). Indeed, the Climate Change and National Infrastructure Committees have both recommended “urgent action to improve the resilience of the energy system to climate change” (page 95).

We are also pleased that, from RII-ED2, DNOs are now required “to submit Climate Resilience Strategy” (page 96). It is helpful that “detailed information on precipitation and flooding to justify future decisions” (page 95) already exists – but this now needs to be supplemented by modelled data for other “hazards like extreme heat” (page 95). Certainly, ENW has already started to consider extreme heat as an additional risk – both in terms of damage to overhead lines from wild fires and increased consumer demand (such as from air conditioning) (ENW stakeholder event, November 2024). In RIIO-ED3, we agree that there should be an emphasis on “how DNO climate resilient strategies…translate into action” (page 10). Key will be “effectively identify(ing) climate-specific needs and embed(ding) them into the investment decision process” (page 96).

***We welcome views as to how such future-proofed investments can be specified (page 96)***

Through the need for “DNOs to deliver climate resilient investments” (page 96), we see a great opportunity for regional electricity companies to substantially increase their undergrounding programmes, accompanied by a significant increase in funding to do so. As we said in our letter to Ofgem over ten years ago (FLD, 2012), when it was undertaking a strategy consultation for RIIO-ED1, the undergrounding allowance should be expanded to include…

* Other heritage sites (outside protected landscapes) – for example, registered commons and village greens, Conservation Areas (in villages), heritage sites (such as parkland of stately homes – as defined by Historic England et al) and Heritage Coasts
* Wider countryside – recognising landscape can still be of high amenity value outside of National Parks and National Landscapes
* New lines and existing overhead lines identified for refurbishment – paying the differential between the cost of undergrounding and overhead line only, not the full cost. Currently, if an overhead line is replaced, it is then not eligible for the undergrounding allowance for fifteen years.

Such widespread undergrounding will not only significantly enhance the visual amenity and landscape character of countryside across Britain but there will also be major benefits in terms of making the network more resilient to extreme weather.

*“We have already begun to experience the impacts of climate change and it will be crucial that networks continue to ensure a reliable service to consumers in the face of these ongoing challenges throughout the ED3 period…* ***We…welcome reflections on any additional challenges or changes to the relevant mechanisms that might be necessary (page 97).***

As just explained, we believe that there should be a significant expansion in the undergrounding programme, with an associated increase in funding, in order to help make the network more resilient to climate change.

***Qu.57 In the context of anticipatory investment decision, what do network companies and other stakeholders need to enable the planning and delivery of cost-effective network resilience measures against our changing climate” (page 97)***

To plan and deliver network resilience measures against climate change, DNOs need increased funding for undergrounding (whether as part of Undergrounding for Visual Amenity [UVA] and/or refurbishment programmes). They also need continued support from environmental stakeholders, such as National Parks, National Landscapes and National Park Societies (such as FLD). In the North West region, an excellent way of involving stakeholders in the UVA programme is the UVA Steering Group. This meets annually as a whole group and then ENW arranges more regular meetings with organisations involved in each specific protected landscape.

***Qu.58 How should we monitor progress on the delivery of climate change resilience? (page 97)***

FLD believes that annual reporting on: the total length of overhead line removed, the total length of cable undergrounded and the total cost at a number of scales (for example, by individual scheme, by each protected landscape and by each DNO) are useful key performance indicators in both monitoring progress on the delivery of climate change resilience and comparing that progress across protected landscapes and regional electricity companies.

***Qu.60 Do stakeholders agree with retaining and strengthening the main components of the environmental framework from RIIO-ED2? (page 103)***

We welcome the proposal by Ofgem for ED3 “to retain the main components of the environmental framework from RIIO-ED2” (page 99), namely developing an environmental action plan (EAP) and publishing an annual environmental report and key performance indicators on progress in implementing EAP. We accept that there will be a “need to increase network capacity significantly in ED3” (page 99), not least for heating and transport. However, we would not wish to see such an increase in network capacity requiring more overhead lines to be erected. Such wire clutter would have the effect of reducing visual amenity and have a negative impact on the landscape character of an area. Furthermore, it would make the network less resilient – as overhead lines are more vulnerable to extreme weather, such as high winds and heavy snow.

There are many reasons (listed below) why we want to see the UVA programme - that has been running successfully in protected landscapes since 2005 – both retained and ideally expanded. All new and existing distribution lines in these designated landscapes should either run underground or avoid these areas altogether. The UVA allowance should continue to be determined and agreed at the beginning of the price control period – as this enables forward planning and partnership working with environmental stakeholders. At ENW, the UVA programme forms part of its EAP and the company reports annually on its EAP progress (eg. ENW Environment Report 2023-2024). There are multiple direct and indirect benefits to undergrounding…

* *Visual amenity* – manmade infrastructure, such as overhead lines, are detractors in the landscape. By removing them, protected landscapes that are important nationally (even internationally in the case of English Lake District WHS for example) are enhanced. According to ENW, 145 kms of overhead lines have been removed, as part of UVA programme, in the NW region alone in the last twenty years. This has been excellent for all those National Parks and National Landscapes.  <https://electricitynorthwest.opendatasoft.com/explore/dataset/uva_cable_installed/information/> Nevertheless, even with further undergrounding as part of RIIO-ED2, it will still amount to just 5% of all the power lines in the North West – hence our earlier suggestion on ways to expand UVA programme (see “we welcome views”, page 96, section above).
* *Climate resilience* – having cables underground is better protection against extreme weather events (which are increasing in severity and frequency), especially strong winds. Ofgem itself acknowledges that “the amount of above ground network owned and operated by the DNOs means that they face particularly acute challenges from the risks of extreme weather. In the period of September 2023 to August 2024 alone there were 12 named storms” (page 92). Similarly, ENW states that “the effects of climate change have led to some dramatic weather patterns in recent years… we are committed to making our network more resilient to climate change” (ENW, 2023/4 Environment Report, page 24). Being unaffected by rough weather and strong sunlight, underground cables can be sustained over a longer period of time and outages and maintenance requirements are reduced. Further information on the havoc wrought, across northern England and southern Scotland, by Storm Arwen in November 2021 is given below, by way of an example…
  + *Winds up to 98 mph, and widely over 69 mph, caused more than 9,700 faults in England and Scotland, with more than 1 million customers losing power and 4,000 customers were without power for more than one week. Ofgem’s own report stated that “a large number of customer faults (were) caused by high winds or trees being uprooted, falling into overhead lines and snapping or pulling poles down” (Ofgem, June 2022, page 20). In recognition of extensive damage of its network in the storm, ENW has just been awarded £30.4 million by Ofgem, through its RIIO-2 re-opener application process, for six projects, including one to deliver targeted HV undergrounding in order to strengthen the network.*
* *Strengthened legal duty* – reducing the visual impact of electricity infrastructure allows both Ofgem and DNOs to demonstrate that they are meeting their statutory duties towards designated landscapes. Their legal duty has been strengthened by 2023 Levelling Up and Regeneration Act – as relevant authorities (including Ofgem and DNOs) must now “seek to **further**” the statutory purposes of protected landscapes “in exercising or performing any functions.” In recently published guidance, DEFRA states that this is “an active duty” and the duty is to ensure that “the purposes for which Protected Landscapes are designated for are recognised in reaching decisions and undertaking activities that impact these areas” (DEFRA, December 2024). DEFRA explains that “the duty also applies to functions outside of the designation boundary which affects land within the Protected Landscapes” (DEFRA, December 2024). <https://www.gov.uk/government/publications/the-protected-landscapes-duty/guidance-for-relevant-authorities-on-seeking-to-further-the-purposes-of-protected-landscapes#:~:text=a%20relevant%20authority%20should%20be,operational%20procedures%2C%20estate%20management%20plans%2C>

***In summary***, we have shared our ideas and opinions on the following topics within Ofgem’s ED3 Framework Consultation: price control duration (Qu.20); cost benefit analysis; Independent Stakeholder Groups (Qu.27); energy efficiency (Qu.33); AI (Qu.52); climate change resilience (Qus.57 & 58); environmental framework (Qu.60).

We hope that all these comments are useful – and we look forward to reading Ofgem’s consultation decision in spring 2025.

Yours faithfully



Amanda McCleery

Policy Officer