

Dear Anna,

Further to your email dated 4 January 2016 I would like to take this opportunity to respond more fully in expressing a range of concerns relating to the proposed electricity transmission project for Dumfries & Galloway. While my comments relate specifically to the Strategic Wider Works (SWW) project proposed by Scottish Power Transmission Ltd (SPTL), or their parent company Scottish Power Energy Networks (SPEN), I think you will recognise that many of the issues can also be interpreted within the broader context of UK transmission infrastructure development.

Before going into detail, however, let me introduce the organisation I represent. DumGal Against Pylons is a campaign group which has been formed to oppose SPENs plan for a 400kV overhead line through an area of Dumfries & Galloway where none has existed before.

DumGal Against Pylons (DGAP) has gained support from local political parties across the spectrum at MP and MSP level and 50 Community Councils from the region have agreed to a common letter of objection to SPENs proposals. We believe this cross-party support has been helpful in persuading Dumfries & Galloway Council express their concerns about this project to SPEN at an earlier stage than might otherwise have occurred.

As a campaign group we have given presentations to many communities across the region to help them better understand what an infrastructure project will mean and we continue to campaign on their behalf. We have also been invited by Dumfries & Galloway Council to give a seminar to councillors to help them appreciate the impact of this project and the alternative options ahead of a similar session to be given by SPEN before the second round of consultation.

DGAP has actively engaged with a range of NGOs all of whom have expressed their particular objections to SPEN. We continue to collaborate with many of these groups, including the John Muir Trust, with whom I am aware you have communicated about this proposal.

Our management team is drawn from a wide range of professions, such as engineering and technology, management, legal, planning, education, farming and landowners. The President of DGAP is Dame Barbara Kelly who was formerly a main board director of SNH but who now works tirelessly on good causes associated with the protection of rural Scotland.

Having introduced who we are, I should point out that our objection to SPENs proposal does not lie with the need for a reinforcement project but rather the means by which it is being proposed; namely an overhead line approach. Added to this, however, the concerns of Community Councils and residents of the region have not been helped by the consultation process SPEN employed. For example, a survey we conducted indicates that up to 60% of residents within the preferred corridor report not having received the initial communication brochure entitled, 'Powering your Future.' Consequently, many people remained unaware of SPENs proposal up until a late stage in the consultation process. We believe the reason for this is because the brochure was sent out using commercial mail (in a cellophane wrapper) which many residents, including myself, mistook for 'junk mail' and consequently binned. Campaign groups in other parts of the UK report transmission operators (TOs) using similar practices, with similar results.

Beyond this rather simple example of poor practice there is also the issue of obfuscation. SPEN emphasise in their brochure that parts of the electricity system in Dumfries & Galloway are more than 80-years old and need to be replaced. People feel powerless to object to such an argument but the fact is that the age of the existing 132kV transmission network is a confounding variable. What is driving this strategic reinforcement project is the lack of capacity of the existing network to cope

with the anticipated growth in embedded renewable generation. Had the existing system only been 40-years old it would still need to be replaced as it is incapable, at a nominal 105MVA pre-fault summer rating, of being uprated to the required level.

Other examples of this practice include the great play SPEN make in being able to remove over 130km of existing transmission line when the new 170km overhead line is operational. What they fail to say is that the existing system is mounted on 22m tall pylons while the new system will utilise pylons up to 50m tall, which is hardly an equitable exchange in terms of visual impact. If another example is required here, SPEN discuss the subject of reducing the visual impact of this infrastructure project and the need to ascertain consumer willingness to pay for such mitigation. Consumer willingness to pay does not need to be established. As you are no doubt aware, a survey undertaken for the National Grid in 2012 clearly indicates that consumers are willing to pay, not only in National Parks and Areas of Outstanding Natural Beauty but also in rural areas, quite substantial additional sums on annual utility bills to mitigate the impact of overhead line and pylon infrastructures.

One final but important point in this theme concerns the TOs approach to planning major electrical infrastructure projects. Here, their starting position appears to be that economic, technical and environmental factors, including statutory duties and licence obligations drive them towards an overhead line approach. Consequently, with the project parameters framed at the outset by the term, 'lowest-cost,' less visually damaging alternative options can quickly be dismissed and eliminated from any further discussion simply because these alternatives have an associated higher capital cost. What, in our case, SPEN have chosen to ignore when communicating their intentions to residents of Dumfries & Galloway is the direction Ofgem provides to TOs in its Handbook for Implementing the RII0-T1 Model, dated 4 October 2010.

I found this Handbook particularly helpful, as well as reassuring, in so far as Clause 6.3 discusses outputs, one of which is the need for TOs to deliver long-term value for money, while Figure 15 emphasises the need to demonstrate the direct and indirect impact of network development, and Table 3 highlights the visual impact feeding into the output category. Perhaps the most reassuring of all though is Clause 7.21 which, amongst other things, calls for companies to consider not only the financial costs but also the cost to the environment and any social impacts that may result.

What this Handbook therefore conveys is the need for TOs to think beyond the immediate and to take account of longer-term benefits by making use of net present value calculations. However, in doing so there is also a need to take account of any dis-benefits arising from socio-economic factors related to the infrastructure project. This implies the need for a more holistic approach to assessing project options and that a simple capital cost comparison should not, in itself, drive decision making.

This guidance which SPEN appears not to have recognised has important consequences for Dumfries & Galloway. This region is relatively poor in economic terms with GVA growth rates predicted to increasingly lag behind that of Scotland and the rest of the UK; a trend that began prior to 2000 since which time the GVA/capita has fallen from 107% to 75% of the EU average - to the point where it is now classed as one of the 'less-developed' regions within the EU. On the other hand the area has an abundance of natural, historic and cultural assets and it is for this reason tourism is the only growth sector of the local economy; last year generating 11% of the economic wealth (the average for Scotland is 8.5%) and providing over 7000 full-time equivalent jobs in what is a predominantly rural area with few employment opportunities.

DGAPs concern, therefore, centres around the potential negative impact on the economy, employment and inward migration to the region if SPEN continue to pursue their current proposal, which are all factors we presume Ofgem recognise and therefore seek to caution against by including appropriate guidance for TOs in their Handbook for Implementing the RIIO-T1 Model.

We are, of course, also concerned for Dumfries & Galloway becoming another Beaulieu-Denny. The technical report to the B-D Public Inquiry (Scott, 2009, clauses 2.1.51 - 2.1.54) reminds us that the development is sufficient to increase the north to south boundary transfer to 2300MW and accommodate around 2800MW of renewable generation for a capital cost estimated at £350m. On the other hand, a recent BBC News bulletin (Miller, 2015, www.bbc.co.uk/news/uk-scotland-35146301), citing Ofgem, puts the current cost of construction at just over £820m while National Grid (2015, ETYS, Appendix C, GB Power Flow Diagrams, Gone Green) illustrates that the winter peak power flow on the B-D line is expected to be only 550MW in 2015-16, rising to just 1800MW by 2024-25.

This is suggestive of a practice of over-estimating capacity need when contemplating and proposing infrastructure enhancement projects resulting in the interests of existing and future consumers being compromised through the destruction of economic value. We recognise too that the above winter peak power flows are likely to be overly-high because National Grid (2015, Future Energy Scenarios) adopt the practice of utilising the Gone Green scenario in their modelling work. Given the changes in the external environment it is time they, National Grid, adopted a more realistic set of simulation parameters to reflect, more closely, GB economic growth rates, reduction in energy consumption and maximum demand as well as the slow-down in the growth of on-shore wind deployment. To this end we welcome the recent letter from your colleague, Kirsti Berge, to Julian Leslie of National Grid (Ofgem, 2015, Network Options Assessment methodology review and related direction, dated 8 December, 2015) in which she calls for changes to existing practice.

The cumulative outcome of this current approach results, on the one hand, in the sub-optimal provision of infrastructure capacity; something we appreciate Ofgem tries hard to avoid. On the other hand, however, local communities are likely to inherit infrastructure that may be much larger than necessary together with a level of blight that could have been avoided. We see the potential for this situation occurring in Dumfries & Galloway where SPEN have based their projections and design proposals on contracted connections and even though public subsidy for on-shore wind has now been removed this does not seem to have influenced their plans or caused them to reflect the reality of the present situation.

We, DGAP, believe that what is at stake is the whole future of the region. We urgently require a forum to debate the underlying issues and the options to which they give rise. In the words of Dame Barbara Kelly, "... does our future lie in the passive acceptance of a role assigned to us by exterior powers which have always tended to regard the region as an unimportant backwater; the ideal receptacle for developments that nobody else wants, or more in the hands of its inhabitants deciding for themselves in the light of an understanding of what others want and need, and the combination of services they wish to provide to the wider community?"

Ofgem talk at length about stakeholders and the need for TOs to demonstrate stakeholder involvement throughout the decision making process. Within Dumfries & Galloway, SPEN, under the chairmanship of the Scottish Government, have so far held five Stakeholder Liaison Meetings with a sixth planned for early February 2016 which they may claim demonstrates stakeholder involvement. Looking more closely, however, the only bodies represented at these meetings are statutory consultees. Wider stakeholder groups; i.e. the ones who become the 'receptacles for the unwanted development' are excluded and while it might be argued that wider engagement will occur at a later

stage we believe this will be too late. By then, the decision on the means of implementing the project as well as the specific route will have been taken and the wider stakeholder group will be left to pick up the pieces.

For all the aforementioned reasons DGAP oppose SPENs current plans. However, one of the overriding reasons why we cannot accept SPENs proposal is because there is an alternative which will minimise the blight to the region as well as preserve the well-being of its residents. This alternative is innovative, something we appreciate Ofgem tries to both encourage and reward TOs for, but which is missing in SPENs proposal. I have attached a copy of our proposal for your consideration, but to describe it briefly here it is predicated on the fact that the majority of renewable generation will occur in the west of the region where it makes eminent sense to take this excess power directly off-shore to connect, ideally, into the Western HVDC Link or failing that via a dedicated sub-sea cable to a suitable point on the English coast.

With this larger source of excess renewable energy taken care of the remainder of the network, which National Grid (2015, ETYS, Appendix C, GB Power Flow Diagrams, Gone Green) shows has a winter peak power loading of only around 50MW in 2015-16, has ample capacity in the short term. This therefore presents an opportunity to phase this project in two parts, i.e., the west of the region as a more immediate strategic wider works project and the east of the region as an obsolescence replacement project with some modest uprating. It also provides an opportunity to maintain the current operating voltage for the east of the region at 132kV which will minimise the overall cost as well as provide a range of additional potential benefits that are discussed more fully in our proposal.

We recognise that DGAPs alternative is in accord with the guidance provided by Ofgem in the Handbook for Implementing the RIIO-T1 model, dated 4 October 2010 where Clauses 2.23 - 2.25 apply. In this instance you will note that DGAPs alternative argues for keeping options open and providing time to obtain more accurate estimates that may help deliver longer-term value for money.

Our estimate for the cost of the first alternative, namely connecting directly into the Western HVDC Link, in a similar manner to that proposed for the Eastern HVDC Link between Peterhead and Hawthorne Pit with an intermediate connection just south of Torness, will be approximately cost neutral in relation to SPENs overhead line approach. If a dedicated sub-sea cable is needed the cost will increase but when evaluated using NPV calculations over the 45-year infrastructure asset life and using industry standard figures for inflation and WACC this will still present a favourable present day return in relation to the alternative of a small negative impact on the tourism economy of Dumfries & Galloway. We are confident both these options will also overcome lengthy delays and associated constraint payments arising from protracted compulsory wayleave negotiations with landowners as well as the need for a public inquiry.

We welcome your feedback on the above comments as well as on our proposed alternative plan. In particular it would be helpful to appreciate your thoughts on;

- 1 The need for a best practice methodology by which TOs communicate with consumers and residents who may be affected by their proposals.
- 2 The need for TOs to make clear to consumers and residents what the primary driver is behind infrastructure projects rather than obscure the facts.
- 3 That TOs need to acknowledge from the outset of a major infrastructure project consumer's willingness to pay for mitigation measures. We assume that Ofgem already recognise this.
- 4 That TOs need to recognise in their proposals the difference between low-cost and long-term value judgements.

5 That TOs need, when considering the economic arguments, to take account of the benefits and dis-benefits arising from environmental and social impacts.

6 Cautioning TOs on the practice of over-estimating future capacity needs based simply on connection agreements.

7 Whether Beaulieu-Denny, based on the level of demand known to exist today, would present the same economic investment opportunity as it apparently did at the time of the Public Inquiry in 2007?

8 The need for TOs to take account of the changing external environment; with particular reference to the political landscape and public subsidy for on-shore wind, and the impact this will have on the scale, type and disposition of future renewable energy sources needing to be connected to on-shore transmission systems.

9 Concern for the absence of a forum by which the broader stakeholder groups, as opposed to statutory consultees, can participate and contribute to the formulation of infrastructure project proposals at the earliest opportunity.

10 The apparent lack of innovation in SPENs current proposal for Dumfries & Galloway.

In addition to these specific issues there are a number of other points I would like to raise which arise from the various documents you and your colleague, Grant McEachran, have kindly sent me and which have a bearing both on SPENs proposal for Dumfries & Galloway as well as the wider GB infrastructure context. These are:

11 We believe there would be less ambiguity for TOs and stakeholders if Ofgem's document, entitled, Guidance on Strategic Wider Works arrangements in the electricity transmission price control, TIIO-T1, dated 21 October 2013, were to be updated to reflect the enhanced role for National Grid Electricity Transmission (NGET) as the System Operator (SO) as described in a later document, Integrated Transmission Planning and Regulation (ITPR) project: final conclusions, Decision Statement, dated 17 March 2015.

12 Ofgem document, RIIO-T1: Final Proposals for SP Transmission Ltd and Scottish Hydro Electric Transmission Ltd, Final decision, Overview document, reference 58/12, dated 23 April 2012, introduces three phases in the assessment process – Eligibility Assessment, Needs Case Assessment and Project Assessment. While Clause 1.40 describes the timing and sequence of these steps under SWW, indicating, typically, a 12 month overall timescale, it provides no external input which trigger these steps. We suggest it would be helpful to all parties if Ofgem were to indicate, for instance, where the consent process lies within this overall timescale.

13 On the same theme, but referring to your email to Shiela Wren of the John Muir Trust dated 12 November 2015 you cite a new procedure for reviewing wider works projects in which you introduce the terms, Early Review and Final Consideration – with the latter presumably occurring after consent has been given. We find these terms confusing when read alongside the document referred to in 12 above, which introduces the 3-stage assessment process. Perhaps you could expand on this so as to remove any confusion.

14 Given NGETs first Networks Option Analysis (NOA) document will not be available until March 2016 (and even then it is unlikely it will meet all the requirements called for by Kirsti Berge in her letter dated 8 December 2015), can we assume that NGET will involve themselves in the proposed Dumfries & Galloway project in order to make recommendations on which option it expects to be the most efficient, effective and economic in meeting the system needs having taken into consideration the wider GB network developments and a range of alternative options that SPEN may not have considered?

15 How can you be sure that NGET, which also operates as a TO, will present a truly independent view in relation to their enhanced role described in 11 above to that put forward, for instance, by SPEN?

16 At what point in the 3-stage process described in 12 above do you see NGETs view feeding into Ofgem's deliberations on SPENs proposals, if at all?

17 Ofgem document ITPR project: Final Conclusions: Impact assessment – Supporting documents, dated 17 March 2015 introduces the benefits of competitive tendering to on-shore assets that are new, separable and high value, with Clause 3.27 ‘loosely’ defining high value as above £100m and worth up to £500m. As Clause 3.26 makes clear, many of the projects going out for competitive tender will be located in Scotland simply because many RIIO-T1 SWW projects are located in Scotland, and in this case can we assume that Ofgem will put SPENs proposal for Dumfries & Galloway out for competitive tender?

18 At what stage in Ofgem’s 3-stage process will the decision to go out, or not to go out, for competitive tender be taken?

19 Ofgem document, Guidance on the Strategic Wider Works arrangements in the electricity transmission price control, RIIO-T1, dated 21 October 2013 deals in detail with the assessment process. We have several questions here.

19.1 Under Clause 2.3 can you advise what the current value of constraint costs are in £/MWh?

19.2 Again, under Clause 2.3, in assessing whether the reinforcement is economic what method is employed by Ofgem to test the validity of the amount of contracted generation that may actually go forward to be consented, financed, built and ultimately made operational, and how does Ofgem test the accuracy and reliability of this process?

19.3 Clause 2.12 describes the project assessment stage but fails to say who carries out this exercise and whether the SO is involved.

19.4 Guidance given in Clause 2.16 in relation to cost benefit analysis (CBA) by the TO fails to mention the need for the TO needing to take a long-term view and this appears to negate the importance that was given to this topic in Ofgem’s Handbook for Implementing the RIIO-T1 model, dated 4 October 2010, Clause 6.27.

19.5 Clauses 2.20 - 2.21 discuss the involvement of stakeholder consultation in relation to the Needs Case but nowhere in this document, or in any of the other documents to which I have referred, does it describe who these stakeholder are. Who, therefore, are the stakeholders that Ofgem will consult?

19.6 Figure 1 shows an indicative timeline for SWW projects but provides no external reference points. Where on this diagram could one expect to find TO Consultation stages, the point where a planning application is submitted or consent granted?

19.7 Clause 3.18 discusses the Needs Case and Project Assessments. Will these assessments, when available, be made public?

19.8 Clause 3.20, which discusses Ofgem’s assessment of the TOs Needs Case, makes no mention of previously mentioned assessment criteria such as long-term value for money, the use of net present value or the cost to the environment and any social impacts. Is this an omission?

In conclusion I should add that we are hopeful that our MSP, Joan McAlpine, will be arranging a meeting with Kirsti Berge from your Glasgow office and the Secretary of State for Scotland, David Mundell MP, will organise a similar meeting with your London office. Any feedback you are able to offer at this stage on these points will, therefore, be helpful in informing and directing any future dialogue with Ofgem.

Kind Regards,

Alan