

Call for Evidence: RIIO-3 (Revenue = Incentives + Innovation + Outputs)

As part of the RIIO-3 price control process, the Electricity Transmission (ET), Gas Transmission (GT) and Gas Distribution (GD) network companies submitted their Business Plans (BPs) to Ofgem on the 11 December 2024. These plans set out the outputs the network companies propose to deliver for their consumers and network users, along with their proposed expenditure.

This Call for Evidence is seeking views and evidence from stakeholders on any aspect of the Business Plans.

Consultation material:

National Grid Electricity Transmission's Business Plan Business Plan - <https://riiot3.nationalgrid.com/document/30069/download> (sections 4.2 and 4.3 probably most relevant)

https://www.ofgem.gov.uk/sites/default/files/2024-12/RIIO-3_Call_for_Evidence.pdf

<https://riiot3.nationalgrid.com/>

Introduction

RIIO-3 is part of the regulatory framework used by Ofgem to determine how much money energy companies can earn. It sets the financial framework, performance incentives, and sets the revenue limits for energy companies from 2026 to 2031.

The key areas it focuses on include:

- **Revenue Limits:** It determines how much money energy companies can earn during the regulatory period based on their performance.
- **Incentives for Innovation:** Encouraging companies to invest in new technologies, improve processes, and reduce costs to benefit consumers and contribute to the energy transition.
- **Efficiency and Performance Targets:** Establishing clear metrics for companies to meet, covering areas like reliability, customer service, and environmental impact.
- **Decarbonisation:** Supporting the UK's net-zero ambitions by incentivising companies to reduce their carbon footprint and facilitate the shift towards low-carbon energy systems.
- **Risk and Reward Mechanisms:** Balancing the financial rewards for good performance with penalties for underperformance, to drive continuous improvement.

Historic England Response

The Historic Buildings and Monuments Commission for England (HBMCE), known as Historic England, is the Government's adviser on all aspects of the historic environment in England - including historic buildings and areas, archaeology and historic landscape – and have a duty to promote public understanding and enjoyment. HBMCE are an executive Non-Departmental Public body sponsored by the Department for Culture, Media and Sport (DCMS) and we answer to Parliament through the Secretary of State for Culture, Media and Sport.

We welcome the opportunity to respond to the consultation on the on framework for identifying and assessing transmission investment options.

We acknowledge that, as set out, the historic environment is a tangential factor in the RIIO-3 framework (which instead focuses on other priorities such as efficiency and customer service) However, in the development of RIIO-2 (the current phase), energy companies were encouraged to consider the impact of their operations on the historic environment, and we strongly commend that this important principle is maintained within RIIO-3.

Major renewable energy infrastructure developments have the potential to affect a range of designated and non-designated heritages and their settings. As part of the regulatory process, energy companies should take the UK's regulatory planning framework into account when planning projects to ensure that heritage can be addressed as early as possible in order to avoid delays further along the process.

RIIO-3 should include measures to encourage energy companies to avoid and mitigate any potential impacts on the historic environment, as part of their broader environmental and social responsibilities.

The protection and enhancement of the historic environment would also align well, in our view, with broader objectives under RIIO-3 in terms of delivering wider social value to communities. This approach would also demonstrate that energy network companies are carefully considering the impacts upon the heritage that local people value. While this would need to remain entirely separate from assessment and consenting mechanisms, the delivery of heritage benefits as part of the wide package being denoted here could establish a mechanism to help them understand and make them more receptive to change. This could be, for example the restoration of heritage assets and adapting them to new uses, improving physical access and interpretation. It would also include ensuring that they also deliver wider environmental benefits (e.g. as habitats). A fully sustainable approach to renewable energy generation needs to secure a balance between the benefits it delivers and the environmental costs it incurs.

Although related to transmission rather than generation infrastructure, we feel that National Grid's Visual Impact Provision (VIP) and Landscape Enhancement Initiative (LEI) programmes offer useful and effective models for mitigation and delivering wider social value. Funded by Ofgem, VIP has facilitated the undergrounding of existing transmission lines, whereas LEI has delivered projects to reduce the visual impact of electricity infrastructure and to enhance landscape quality. Historic England has supported both schemes, within which community engagement and benefits have also figured strongly. Given the extent to which heritage

underpins the character of landscapes and “sense of place”, but also evidences change over time, it has provided a particularly useful tool for discussions about the challenges we face, now and in the future.

Historic England therefore supports an approach to renewable energy generation which:

- Acknowledges the need for society to invest in a wide range of renewable energy generation technologies.
- Recognises the potential environmental impacts of different technologies, including their implications for the historic environment.
- Keeps the balance of environmental benefits and disadvantages of each technology under continual review.
- Continually seeks to limit and mitigate adverse impacts.
- In relation to protecting the environment, focuses on wider outcomes such as heritage in parallel with BNG to ensure greater benefits for nature and for communities.

Evidence

The Heritage Dimension of Commercial Renewable Energy Development in Planning (2021) available: <https://historicengland.org.uk/images-books/publications/heritage-dimension-commercial-renewable-energy-development-planning/>

The above is a review of renewable energy applications aimed at providing an overview of how heritage is considered within the planning process. The research reviewed the BEIS Renewable Energy Planning Database (June 2020) with regard to heritage implications.

The research analysed a sample of 458 applications from England focusing on solar photovoltaics, energy from waste (EfW) incineration, biomass and wind (offshore and onshore). In summary, it concluded that the heritage considerations in planning are not a barrier to renewable energy development, nor does it obstruct the process.

The research was carried out by DRP Archaeology on behalf of Historic England. We have commissioned a re-run of this work to develop a more up to date data set.

Historic England Advice Note 15: Commercial Renewable Energy Development and the Historic Environment (2021) available: <https://historicengland.org.uk/images-books/publications/commercial-renewable-energy-development-historic-environment-advice-note-15/>

This Historic England Advice Note is written for all of those involved in commercial renewable energy development, helping them to give appropriate consideration to heritage issues. The Advice Note includes consideration of Nationally Significant Infrastructure Projects (NSIPs). It also covers other large-scale proposals that do not meet the criteria for inclusion in the NSIP



regime, but which require assessment under Environmental Impact Assessment (EIA) regulations to determine what harm might be caused, including to cultural heritage, and whether this can be avoided or reduced.

Historic England
10 February 2025