

The North Wales Wind Farms Connection Project

Funding Statement

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Executive Summary

This Funding Statement has been prepared to accompany an application by SP Manweb plc (SP Manweb) for a Development Consent Order (DCO) under section 37 of the Planning Act 2008 for a new 132,000 volts (kV) electricity distribution connection between the North Wales collector substation (near Clocaenog) into the existing SP Manweb network at St Asaph, this is known as the Proposed Development.

The purpose of the Funding Statement is to explain the resource implications and how the acquisition of the land necessary to build the Proposed Development will be funded and how the construction of the Proposed Development is funded.

SP Manweb considers that it is able to demonstrate that there is a high degree of certainty that the Proposed Development will receive funding to acquire the necessary rights in land and implement the Proposed Development for which the rights are being acquired.

SP Manweb owns and operates the distribution electricity network in North Wales, Mid Wales, Cheshire, Merseyside and parts of Lancashire and Shropshire. It has a duty under the Electricity Act 1989 to develop and maintain an efficient, co-ordinated and economical system of electrical transmission. Users of the distribution network pay a tariff to SP Manweb with the revenue used to maintain, improve and invest in the network. As there is a stable demand for use of the network there is a reliable revenue stream for SP Manweb.

SP Manweb policy with regards to securing land rights for new 132kV lines is based upon securing the rights in land which are necessary to construct, operate and maintain the Proposed Development by agreement.

SP Manweb has already committed significant resources to the Proposed Development to date and has therefore demonstrated its commitment to the Proposed Development. Negotiations for the land rights required for the Proposed Development are underway, and details of the progress of the negotiations will be available during the course of the Examination.

SP Manweb is fully confident that land acquisition costs and potential compensation claims for blight can be fully met from either the four wind farm developers or from its own sources as and when they fall due.

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Glossary

132kV Overhead Line	132,000 volts overhead line from the Collector Substation to the Terminal Point
Above Ordnance Datum (AOD)	Elevation of land above sea level (at Newlyn)
Agricultural Land Classification (ALC)	The classification system used by the Department for Environment Food and Rural Affairs based on its quality and versatility. The classification ranges from Grade 1 (the best and most versatile) through Grades 2, 3a, 3b, 3 c and 4, down to Grade 5 (least versatile)
Agri-environment scheme / agreement	A UK government undertaking in which farmers are paid to farm in an environmentally sensitive way
Alluvium	Material transported by rivers and deposited along its course
Air Quality Management Area (AQMA)	Declared by local authorities for areas where objectives specified in the national Air Quality Strategy are not predicted to be met
Air Quality Action Plan (AQAP)	Produced by local authorities for AQMAs, setting out measures to improve air quality
Ancient Semi-Natural Woodland (ASNW)	Woodland composed of native tree species that have not obviously been planted
Aquifer	A body of permeable rock that is capable of storing significant quantities of water; is undertaken by impermeable material, and through which groundwater moves
Area of Outstanding Beauty (AOB)	Non statutory designation to categorise sensitive landscapes - designated by Denbighshire County Council
Area of Outstanding Natural Beauty (AONB)	An area designated under the National Parks and Access to Countryside Act 1949 for its particularly attractive landscape and unspoilt character, which should be protected and enhanced as part of the national heritage
Area of Search	The term given to a wide area within which the route corridors are identified and for the purposes of the Proposed Development is shown on the Location Plan (document reference 2.1)
Assessment of the Significance of Impacts of Development on Historic Landscape areas (ASIDOHL)	A method of assessment of the effect of a development on Historic Landscapes
Associated Development	Development which is associated with a Nationally Significant Infrastructure Project as defined by the Planning Act 2008
Baseline	Existing environmental conditions which are described in the ES

Best and most versatile (BMV)	Defined by the ALC as Grades 1, 2 and 3a. Provisional reclassification has removed sub-classifications within Grade 3, considering Grades 1 and 2 as 'Best and Most Versatile' (BMV) land
Biodiversity	The variety and abundance of species, their genetic composition, and the natural communities, ecosystems, and landscapes in which they occur
Biodiversity Action Plan (BAP)	A strategy for conserving and enhancing wild species and wildlife habitats in the UK. Now replaced by Country Biodiversity Strategies
British Trust for Ornithology (BTO)	
Broad Route Corridor(s)	Initial strategic corridors identified for the Proposed Development and shown on Figure 3.1 in the ES (document reference 6.16)
Cable	An insulated conductor designed for laying underground
Cadw	The historic environment service of the Welsh Government
Collector Substation	The new collector substation which will be located in the Clocaenog Forest and will connect the wind farms into the electricity distribution network
Conductor	Overhead wire(s) attached to wood poles which conduct electricity
Conservation Area	Designated by local authorities on account of their special architectural or historic interest, the character and appearance of which it is intended to preserve and enhance
Construction Environmental Management Plan (CEMP)	Sets out management measures required of contractors for any construction works associated with the Proposed Development
Construction phase	Is when preparatory works or construction works are taking place until commissioning of the Proposed Development
Consultation Corridors	100m wide corridor(s) within which 132 kV Overhead Line could be constructed and which were the subject of pre-application consultation pursuant to the Planning Act 2008
Consultation zone	For the purpose of the pre application consultation pursuant to the Planning Act 2008 a broad geographic consultation zone was defined and is shown in Appendix 7.1 of the Consultation Report (document reference 5.2.1)
Countryside and Rights of Way Act (CROW)	Act, dated 2000, which provides for public access on foot to certain types of land
Cumulative Effects	The effects of other development schemes (whether under construction, consented, or there are firm proposals for) assessed cumulatively with the Proposed Development and the Wider Scheme. These effects can be temporal (e.g. construction phases occur at the same time) or spatial (e.g. the same area is affected)

Decibel (dB)	The scale on which sound pressure level is expressed. It is defined as 20 times the logarithm of the ratio between the root-mean-square pressure of the sound field and a reference pressure ($2 \times 10^{-5} \text{Pa}$)
Decommissioning phase	The final phase of the Proposed Development covering all activities to remove the Proposed Development from the environment once it is no longer in operational use and the undertaking of restoration works
Designated area	Area designated and protected by national or international law for its landscape, biodiversity, or historic interest
Development Consent Order (DCO)	The order made when an application has been made pursuant to section 37 of the Planning Act 2008 for a NSIP and the Secretary of State determines that the order should be made
Distribution Network Operator (DNO)	Distribution Network Operators own and operate the electricity distribution network that brings electricity from the national transmission network to the consumer. SP Manweb is the DNO for North and Mid Wales, Cheshire and Merseyside
Easement	Allowing another person to use your land for a specific purpose, such as installing utilities
Ecological Impact Assessment (EclA)	Ecological Impact Assessment is part of an EIA and assesses the potential effects of a development on habitats and species, particularly those protected national and international legislation or considered to be of particular nature conservation importance
Electromagnetic Fields (EMFs)	Electric and magnetic fields generated by electricity
EN-1	National Policy Statements set out national policy against which proposals for major infrastructure projects will be assessed and decided by the Secretary of State. EN-1 is the Overarching National Policy Statement for Energy
EN-5	National Policy Statements set out national policy against which proposals for major infrastructure projects will be assessed and decided by the Secretary of State. EN-5 is the National Policy Statement for Electricity Networks Infrastructure
Environment Agency Wales (EAW)	Environment Agency Wales, now part of NRW, was the environmental regulator for Wales
Environmental Impact Assessment (EIA)	A statutory process whereby a project is assessed through the collection and consideration of environmental information with the aim of taking account of the predicted effects of the proposed development on the environment in the decision making process. The findings are published in an Environmental Statement
Environmental Statement (ES)	Report documenting the outcome of an Environmental Impact Assessment
Environmentally Sensitive Area (ESA)	An agricultural area which needs special protection because of its landscape, wildlife or historic value

Final Route Alignment	Current pole positions along the centreline of the Limits of Deviation identified following consultation, technical and environmental appraisal
Flood Consequence Assessment (FCA)	Required for developments in flood zones. It is an assessment of the potential impact of a development on flooding
Flood Zone (FZ)	Areas at risk of flooding, divided into subcategories / zones
Floodplain	The area that would naturally be affected by flooding if a river rises above its banks
Groundwater	Water flowing through or contained beneath the ground surface
Guidelines for Landscape and Visual Impact Assessment (GVLIA)	Guidelines for Landscape and Visual Impact Assessment (Third Edition) published by the Landscape Institute and Institute of Environmental Management & Assessment
Habitat Suitability Index (HSI)	A numerical index that represents the capacity of a given habitat to support a selected species. Most commonly used for great crested newts
Habitats Directive	EC Directive on the conservation of natural habitats of Wild Fauna and Flora (92/43/EEC)
Habitats Regulations Assessment (HRA)	Assessment undertaken of the impacts of a project on Natura 2000 sites in accordance with the requirements of The Conservation of Habitats and Species Regulations 2010
Heavy Goods Vehicle (HGV)	A good vehicle greater than 3.5 tonnes gross weight
Historic Environment Record (HER)	A register of known archaeological sites, monuments and finds
Holford Rules	A series of planning guidelines for the routing of overhead lines first developed in 1959 by Lord Holford, advisor to the then Central Electricity Generating Board (CEGB) on amenity issues. They were reviewed in the 1990s by National Grid
Institute for Archaeologists (IfA)	The Chartered Institute for Archaeologists
Insulator	Used to safely connect the conductors to wood poles or pylons
International Commission on Non-Ionizing Radiation Protection (ICNIRP)	Provides scientific advice and guidance on the health and environmental effects of non-ionizing radiation
kV	kilovolt (1000 volts)
LANDMAP	LANDMAP a tool developed by CCW (now NRW) to assess the diversity of all landscapes within Wales, identifying and

	explaining the characteristics and qualities
Landscape and Visual Impact Assessment (LVIA)	Assessment methodology used to assess the potential effects of a proposed development on the landscape
Landscape Character Assessment (LCA)	A standard methodology for identifying, describing, classifying and mapping what is distinctive about our landscapes
Landscape Institute (LI)	The Chartered Institute for Landscape Architects
Light Goods Vehicle (LGV)	Goods vehicles not exceeding 3.5 tonnes gross vehicle weight
Limits of Deviation (LoD)	Works 1A and 1B of the Proposed Development will be carried out within Limits of Deviation which are shown on the Works Plans. The LoD provide a degree of flexibility which is required because following the making of the DCO, micro-siting may take place in response to detailed technical survey information, particularly for unconfirmed ground conditions and / or minor alterations requested by landowners LoD have been defined laterally and vertically
Listed Building	A building of special architectural or historic interest which has been included on a list approved by the Secretary of State under the Planning (Listed Buildings and Conservation Areas) Act 1990 (known as the 'Statutory List of Buildings of Special Architectural or Historic Interest'). Buildings are classified in grades (I, II* and II) and to show their relative importance
Local Biodiversity Action Plan (LBAP)	A set of action plans for habitats and species
Local Development Plan (LDP)	A statutory document which guides future development
Local Nature Reserve (LNR)	A site with features of nature conservation interest controlled by a local authority
Local Planning Authority	Is defined by S.1 of the Town and Country Planning Act 1990 and, in the case of the Proposed Development is Denbighshire County Council and Conwy County Borough Council
Local Wildlife Site (LWS)	Sites identified and selected for their local nature conservation value
Magnitude of potential effect	The degree of change that a receptor is anticipated to experience as a result of the Proposed Development
Megawatts (MW)	Energy generated by wind farms is described in MW
Mitigation	Measures to avoid, reduce and offset environmental effects
National Grid Reference (NGR)	A system of grid references used in Great Britain

National Monuments Record (NMR)	Unscheduled archaeological sites and features recorded by Cadw
National Nature Reserve (NNR)	A protected area of importance for wildlife, flora, fauna reserved and managed for conservation
National Policy Statements (NPS)	Sets out national policy against which proposals for major infrastructure projects will be assessed and decided by the Secretary of State
National Vegetation Classification (NVC)	Classification and description of the plant communities of Great Britain
Nationally Significant Infrastructure Project (NSIP)	Means a project designated under the Planning Act 2008
Natura 2000 sites	A European-wide network of sites protected under the Habitats and Birds Directives, and made up of Special Areas of Conservation and Special Protection Areas
Natural Resources Wales or Cyfoeth Naturiol Cymru	An amalgamation of CCW, EAW and Forestry Commission Wales, operational from 1st April 2013
Nitrate Vulnerable Zones (NVZ)	Areas where land drains and contributes to the nitrate found in "polluted" waters
North Wales Wind Farms Connection	Means the Proposed Development and the Wider Scheme
NSP	Noise sensitive premises
Order Limits	Means the limits shown on the works plans within which the Proposed Development may be carried out
Palaeo-channel	Ancient relict watercourse
Permitted Development	Part III of the Town and Country Planning Act provides that the Secretary of State may grant planning permission by way of development order. The principal development order is the Town and Country Planning (General Permitted Development) Order 1995 which provides that planning permission for certain developments is granted subject to specified conditions. It provides specified permitted development rights for statutory undertakers
Persons with an Interest in the Land (PILS)	Section 57 of the Planning Act 2008 defines persons with an Interest in the Land which includes: (1) owners, lessees, tenants or occupiers of land; (2) persons with an interest in land or who have a power to sell land or to release land; and (3) persons who may be able to make a claim for compensation as a result of the DCO being made and implemented.. Land for these purposes means land to which the application for development consent relates
Photomontage	A collection of images used to create an overall image. The

	objective of a photomontage is to simulate the likely visual changes that would result from the Proposed Development, and to produce printed images of a size and resolution sufficient to match the perspective in the same view as would occur in reality
Planning Act 2008 (the Act)	The legislation for Nationally Significant Infrastructure Projects and the requirements for development consent
Planning Inspectorate (PINS)	The Planning Inspectorate administers the examination of applications for development consent
Planning Policy Wales (PPW)	The document that sets out the Welsh Government's policies on different aspects of land use planning
Preferred Route Corridor	Is identified as the preferred route corridor for the Proposed Development and is set out in the Route Corridor Study
Preliminary Environmental Information Report (PEIR)	The report of the initial environmental impact assessment findings for the Proposed Development
Prescribed Consultees	Means persons to be consulted pursuant to the Planning Act 2008 and set out in Schedule 1 of the Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009
Proposed Development	The 132kV Overhead Line together with required pedestrian and vehicular accesses, temporary construction compound, construction laydown areas, mitigation planting and other integral works
PRoW	Public Right of Way which is a footpath or track over which the public have a right of access
Ramsar sites	Wetlands of international importance designated under the Ramsar Convention (Convention on Wetlands of International Importance, especially as Waterfowl Habitats) (1971) and ratified in the UK in 1976). The convention was held in the town of Ramsar, Iran
Red Data book	The IUCN (International Union for Conservation of Nature) Red List of threatened bird species categorised as Extinct, Extinct in the Wild, Critically Endangered, Endangered, Vulnerable, Near Threatened or Least Concern
Regionally Important Geological Site (RIGS)	Designated sites of local, regional and national importance for geodiversity in the UK
Registered Park and Garden (RPG)	Parks and gardens which have been classified by grade to show their relative importance: Grade I – international historic interest, Grade II* - exceptional historic interest, Grade II – national historic interest
Reinstatement	The actions undertaken to return a temporary working area to its previous condition, as far as reasonably practicable

Requirement	A requirement in Schedule 2 of the Development Consent Order
Residual effects	Effects remaining after mitigation measures have been taken into account
Route corridor	Search area used to provide a degree of flexibility in which to develop a route alignment, usually approximately 1km wide and shown in respect of the Proposed Development in Figure 3.1 of the ES (document reference 6.16)
Route Corridor Study (RCS)	An appraisal to identify potential route corridors within a defined study area
Royal Commission on the Ancient and Historical Monuments of Wales (RCAHMW)	Records and interprets built and landscape heritage
Royal Society for the Protection of Birds (RSPB)	Large nature conservation charity
Scheduled Ancient Monument	An archaeological site of national importance, which is included on a schedule compiled by the Secretary of State for National Heritage under the terms of the Ancient Monuments and Archaeological Areas act 1979 (as amended by the National Heritage Act 1983)
Scoping	An early stage within the Environmental Impact Assessment (EIA) process where the scope of the environmental studies are determined
Scoping Opinion	A person who makes an application for an order granting development consent may ask the Secretary of State his opinion as to the information to be provided in an ES and this is known as a Scoping Opinion
Scoping Report	The scoping report prepared by SP Manweb and submitted to the Secretary of State to support its application for a Scoping Opinion
Screening	Initial process by which project proposals are assessed to decide whether they require a formal Environmental Impact Assessment
Secretary of State (SOS)	The Secretary of State for Energy and Climate Change
Significance	The significance of effects considers the value (or sensitivity) of the receptor and the magnitude and likelihood of potential effects
Site of Importance for Nature Conservation (SINC)	Sites of substantive local nature conservation value
Site of Special Scientific Interest	An area of land of special interest by reason of its flora, fauna, geology or physiographical features notified under Section 28

(SSSI)	of the Wildlife and Countryside Act 1981
Sites and Monuments Record (SMR)	List of known archaeological sites
Source Protection Zone (SPZ)	A zone surrounding an aquifer where the contamination of the groundwater flow due to surface spills could pollute the aquifer
SP Manweb	The DNO for North and Mid Wales, Cheshire and Merseyside. The promoter of the Proposed Development
Special Area of Conservation (SAC)	Sites chosen to conserve the natural habitat types and species of wild flora and fauna listed in Annex I and II of the Habitats Directive. They are the best areas to represent the range and variety of habitats and species within the European Union.
Special Landscape Area (SLA)	Non statutory designation to categorise sensitive landscapes - designated by Conwy County Borough Council
Special Protection Area (SPA)	Area designated under article 4 of the European Communities Council Directive on Conservation of Wild Birds for the protection of particularly sensitive bird species, or for regularly migrating birds: to help protect and manage areas which are important for rare and vulnerable birds because they use them for breeding, feeding, wintering or migration
St Asaph Substation	Means the substation located in St Asaph and which the North Wales Wind Farms Connection will connect into
Statement of Community Consultation (SOCC)	A statement setting out how the applicant proposes to consult the local community in respect of the Proposed Development and as required by section 47 of the Planning Act 2008
Statutory consultees	Organisations that SP Manweb is required to consult by virtue of the Planning Act 2008
Statutory undertakers	Companies with regulatory powers and duties, such as gas, electricity, water and transport providers / transmitters
Strategic Options Report (SOR)	Sets out the initial technical options for the Proposed Development, and an appraisal of each option identifying the preferred technical option for the Proposed Development
Strategic Search Area (SSA)	Associated with Welsh Government Technical Advice Note 8
Substation	Generated electricity is fed into the electrify distribution network through substations. Substations control the flow of power through the network by means of transformers and switchgear, with facilities for control, fault protection and communications
Technical Advice Note (TAN)	Welsh Government Technical Advice Notes provide supplementary guidance document on a number of planning policy matters. Welsh Government Technical Advice (TAN) 8: Planning for Renewable Energy (2005) sets out renewable energy, planning, technologies and design considerations
Terminal Point	Location at which the 132 kV Overhead Line terminates and is

	shown on Work Plan Sheet 13 (document reference 2.3.13)
The Wider Scheme	The Wider Scheme incorporates the wind farms, the Collector Substation, underground cables from the Terminal point to St Asaph Substation, proposed works at St Asaph Substation, temporary storage areas within St Asaph Substation and the Collector Substation and diversions of existing lower voltage overhead line crossings
Traffic Impact Assessment	Examines the potential impact of a development on the surrounding transport network
Tree Preservation Order (TPO)	Made by a local planning authority if it appears that it is expedient in the interests of amenity to make provision for the preservation of trees or woodlands in their area in order to protect such trees, groups of trees or woodlands as may be specified in the order
Undergrounding	Electricity cables laid underground
United Kingdom Biodiversity Action Plan (UKBAP)	Describes biological resources and provides detailed plans for conservation
United Kingdom Habitat Action Plan (UKHAP)	Describes habitats and provides detailed plans for conservation
Vantage Point Survey (VPS)	A survey method designed to record flight activity of bird species
Wales National Monument Record (WNMR)	Cadw National Monuments Record of sites and events
Wind Farms	the four wind farms at Nant Bach, Derwydd Bach, Clocaenog Forest and Brenig
Wireframe	Computer generated line drawing based on a digital terrain model, that illustrates the three dimensional shape of the landscape and any features within it
Wood poles	Wooden poles used to support an overhead electricity line (either single or double)
World Health Organisation (WHO)	The United Nations public health arm
Written Scheme of Investigation (WSI)	A method statement setting out archaeological investigations
Zone of Theoretical Visibility (ZTV)	A map which illustrates the potential (or theoretical) visibility of a development

1.1 Introduction

- 1.1.1 This Funding Statement (the Statement) supports the application by SP Manweb PLC. (SP Manweb) under the Planning Act 2008 for the North Wales Wind Farms Connection Development Consent Order (the DCO). The DCO would grant powers to construct, operate and maintain a 17 kilometre 132 kV electricity distribution connection from the North Wales wind farm substation (near Clocaenog) into the existing SP Manweb network at St Asaph.
- 1.1.2 The whole project is known as the North Wales Wind Farms Connection Project. That part of the North Wales Wind Farms Connection Project that is the subject of the application for a DCO is known as the Proposed Development. The Proposed Development will carry the power from four proposed wind farms at Clocaenog Forest, Brenig, Nant Bach, Derwydd Bach due to be constructed in North Wales by 2017. The Proposed Development will provide the capacity necessary for the electricity distribution network in the area to transport increased power flows and meet predicted energy demand levels.
- 1.1.3 The DCO includes powers for the installation of approximately 17km 132kV 300mm² UPAS Wood Pole line and integral works, for example temporary access roads, highway works, temporary construction compounds, scaffolds, work sites and ancillary works.
- 1.1.4 This Statement explains the resources implications and how the acquisition of the land necessary to build the Proposed Development will be funded and how the construction of the Proposed Development is funded. This Statement should be read alongside the Statement of Reasons which justifies the powers of compulsory acquisition sought in the DCO.

1.2 Project Description

- 1.2.1 The Proposed Development includes the following principal elements, all of which are either the NSIP or form part of the NSIP:
- Construction of a 17km 132kV overhead electricity distribution connection between Clocaenog Forest and a terminal pole located south of Glascoed Road, B5381, near to St Asaph, both in Denbighshire;
 - A temporary construction compound at Broadleys Farm, A453, Denbighshire and temporary storage or 'laydown areas' along the alignment, without which the overhead line could not be constructed;
 - Access points for pedestrians and vehicles along the length of the Proposed Development for the duration of construction, without which the overhead line could not be constructed;
 - Mitigation planting, and;

- Other integral works such as site preparation and clearance, earthworks, alteration of existing services, vegetation removal/planting and minor street works.
- 1.2.2 The main component of the Proposed Development is a new 17 kilometre 132,000 volt (132kV) Overhead Line from the proposed North Wales wind farm Collector Substation near Clocaenog Forest and which terminates in a field to the south of Trebanog, Groesffordd Marli (which is south of Glascoed Road, B5381), which is located approximately 1.8 kilometres from St Asaph substation.
- 1.2.3 The Order Limits also includes the land from an un-named highway to the south of Trebanog, Groesffordd Marli to the terminal point of the 132 kV Overhead Line. The DCO includes the land rights to install (and keep installed), retain, use, inspect, maintain, renew, remove and relocate an underground cable in this land. The DCO application does not include the development consent for the underground cable.
- 1.2.4 The 132kV Overhead Line would comprise conductors supported by double wood poles. The wood poles are generally no larger than 470mm in diameter, and will range between 11m and 16.6m in length. Taking into account that the nominal depth of the poles is 2.5m and the steel bracings and insulators add typically 2.3m to the length, the net result is that the actual conductor height above ground (at pole positions) is about 0.2m less than the pole length referred to. The average span between poles is 79m.
- 1.2.5 The Order Limits for the Proposed Development contain a Limit of Deviation (LoD) within which the 132kV Overhead Line will be located. The LoD provides a degree of flexibility to ensure that any environmental constraints, technical constraints or landowner requests can be accommodated. The LoD varies between 20m in areas with good ground conditions and 40m in areas with poor ground conditions.
- 1.2.6 The EIA assesses the Proposed Development.

The Wider Scheme

- 1.2.7 The Proposed Development does not include all elements of the North Wales Wind Farms Connection and those elements not included within the Proposed Development are known as the Wider Scheme. This is because the following elements are considered to be "Associated Development", which, in Wales, cannot be included in an application for a development consent order. The Wider Scheme comprises:
- proposed works to St Asaph substation, including the development of an underground cable taking the connection point at St Asaph to the terminal point of the Proposed Development located in a field to the south of Trebanog, Groesffordd Marli (which is south of Glascoed Road, B5381)
 - a new 132 kV electrical substation at Clocaenog Forest to act as the collector substation for four consented wind farms;

- temporary storage areas within the existing St Asaph substation and the Collector Substation at Clocaenog Forest, and;
- diversions of existing of lower voltage overhead line crossings.

1.3 Legislation and Policy Background

1.3.1 This Statement has been prepared in compliance with the requirements of Regulation 5(2)(h) of the Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 (the "APR 2009") Further guidance on the requirements of a funding statement is set out below.

1.3.2 The Department for Communities and Local Government (DCLG) guidance 'Planning Act 2008: Application Form Guidance' (June 2013) states:

"Where an applicant intends to compulsorily acquire land, an interest in land or rights over land, information relating to this must be set out within a statement of reasons, a funding statement and a book of reference

The statement of reasons should set out the reasoning for why the compulsory acquisition powers being sought in the application are necessary to enable the proposed development to proceed. A funding statement must contain sufficient information to enable the Secretary of State to be satisfied that, if it were to grant the compulsory acquisition request, the proposed development is likely to be undertaken and not be prevented due to difficulties in sourcing and securing the necessary funding."

1.3.3 DCLG guidance 'Planning Act 2008: Guidance Related to Procedures for the Compulsory Acquisition of Land' (September 2013) (the "Guidance") provides guidance in relation to what a funding statement is required to demonstrate. It states:

"The applicant must have a clear idea of how they intend to use the land which it is proposed to acquire. They should also be able to demonstrate that there is a reasonable prospect of the requisite funds for acquisition becoming available. Otherwise, it will be difficult to show conclusively that the compulsory acquisition of land meets the two conditions in section 122."

It continues:

"In addition to establishing the purpose for which compulsory acquisition is sought, section 122 requires the Secretary of State to be satisfied that there is a compelling case in the public interest for the land to be acquired compulsorily.

For this condition to be met, the Secretary of State will need to be persuaded that there is compelling evidence that the public benefits that would be derived from the compulsory acquisition will outweigh the private loss that

would be suffered by those whose land is to be acquired. Parliament has always taken the view that land should only be taken compulsorily where there is clear evidence that the public benefit will outweigh the private loss.”

1.3.4 The Guidance continues:

“Any application for a consent order authorising compulsory acquisition must be accompanied by a statement explaining how it will be funded. This statement should provide as much information as possible about the resource implications of both acquiring the land and implementing the project for which the land is required. ...

The timing of the availability of the funding is also likely to be a relevant factor [...]. Applicants should be able to demonstrate that adequate funding is likely to be available to enable the compulsory acquisition within the statutory period following the order being made, and that the resource implications of a possible acquisition resulting from a blight notice have been taken account of”.

2 The Funding Case

2.1 Funding

2.1.1 SP Manweb considers that it is able to demonstrate that there is a high degree of certainty that the Proposed Development will receive funding to acquire the necessary rights in land and implement the Proposed Development for which the rights are being acquired. The following sections of this Statement demonstrate the following:

- SP Manweb has connection agreements in place with the promoters of Clocaenog Forest Wind Farm (RWE Npower Renewables Ltd), Brenig Wind Farm (Brenig Wind Ltd), Derwydd Bach Wind Farm (Tegni Cymru Cyf) and Nant Bach Wind Farm (Vattenfall UK) to connect those wind farms to the national grid. The connection agreements provide a contractual obligation on SP Manweb to connect the wind farms into the SP Manweb distribution network at St Asaph via a new Collector Substation at Clocaenog Forest.
- All four wind farms have planning permissions or development consent orders in place and therefore can be constructed.
- The Secretary of State for Energy and Climate Change and Ofgem have a legal duty to ensure that the electricity distribution licence holder can finance its functions. SP Manweb is the electricity distribution licence holder for North Wales, Mid Wales, Cheshire, Merseyside and parts of Lancashire and Shropshire. The functions that must be supported by the Secretary of State and Ofgem include SP Manweb’s contractual obligation to connect the four wind farms.

2.2 Regulatory Mechanism for Distribution Network Operators

- 2.2.1 SP Manweb owns and operates the distribution electricity network in North Wales, Mid Wales, Cheshire, Merseyside and parts of Lancashire and Shropshire. It has a duty under the Electricity Act 1989 to develop and maintain an efficient, co-ordinated and economical system of electrical transmission. Users of the distribution network pay a tariff to SP Manweb with the revenue used to maintain, improve and invest in the network. As there is a stable demand for use of the network there is a reliable revenue stream for SP Manweb.
- 2.2.2 In 2013 Ofgem set out the RIIO (Revenue = Incentives + Innovation + Outputs) price control arrangements which puts into place all funding arrangements to allow SP Manweb to discharge its duties as distribution network operator and owner. This includes mechanisms to fund capital costs to construct new, efficient, co-ordinated and economical distribution equipment and also provides provision for associated costs for compulsory acquisitions and incidental costs.

2.3 Contractual Arrangements with Developers

- 2.3.1 Connection agreements with RWE (Clocaenog Forest), Brenig Wind Ltd (Brenig), Vattenfall (Nant Bach) and Tegni (Derwydd Bach) have been put into place. The terms are commercially confidential but can be summarised as providing a contractual requirement on SP Manweb to connect each wind farm to the 132kV distribution network at the new collector substation at Clocaenog Forest.
- 2.3.2 The Proposed Development is developer funded, which includes acquiring the necessary rights, and the terms of the funding for each developer is set out in their respective connection agreements.
- 2.3.3 The DCO provides the necessary powers to enable the Proposed Development to be delivered.

2.4 Land Acquisition and Capital Costs

- 2.4.1 SP Manweb policy with regards to securing land rights for new 132kV connections is based upon securing the rights in land which are necessary to construct, operate and maintain the Proposed Development by agreement. Where SP Manweb is able to acquire the necessary rights by agreement it will enter into an Option Agreement with landowners allowing SP Manweb to take a Deed of Grant for a permanent easement, which would permit it to construct, operate and maintain the Proposed Development. In agreeing the Option and Deed of Grant SP Manweb provides an Option Payment together with an easement consideration. This is based upon a capitalisation of enhanced wayleave guidance rates to produce a lump sum capital payment to compensate the landowner for the acquisition of the rights acquired. In the case of tenants SP Manweb offers an incentive payment for the tenant to be enjoined into the Option Agreement with the landowner.
- 2.4.2 SP Manweb has taken expert advice on the likely costs of implementing the Proposed Development, including the cost of construction and the funding of the acquisition of the interests in the land described in the Book of Reference.
- 2.4.3 The total cost of payments for rights acquisition, including option and easement payments, disturbance, injurious affection and related professional fees is estimated at £1.7m. Some of the payments are only triggered by the exercising of the option or taking access to land and these costs are limited to £1.3 million. Other sums are only triggered by the commencement of construction and these costs are limited to £0.4 million. These estimates are based on previous SP Manweb experience of compensation costs and associated professional fees in association with 132kV overhead line projects.
- 2.4.4 The total capital cost of the North Wales Wind Farms Connection Project is estimated at £32m. This includes the cost for the installation and procurement of all necessary plant and equipment required to achieve the 132kV circuit and associated controlling/transforming substation to connect the Proposed Development to the existing Electricity Distribution Network. The cost also included costs associated with pre and post consenting works, land acquisition, option and easement payments, disturbance, injurious affection and related professional fees.

2.5 SP Manweb Funding and Implementation

- 2.5.1 SP Manweb has already committed significant resources to the Proposed Development to date and has therefore demonstrated its commitment to the Proposed Development. Negotiations for the land rights required for the Proposed Development are underway, and details of the progress of the negotiations will be available during the course of the Examination.
- 2.5.2 All funding required by SP Manweb from the four wind farm developers has been provided to SP Manweb so far. SP Manweb is satisfied that the remaining funding required to meet the estimated implementation costs will be made available by the four wind farms developers.
- 2.5.3 SP Manweb is the Asset company which holds the electricity distribution licence for North Wales, Mid Wales, Cheshire, Merseyside and parts of Lancashire and Shropshire. This is one of fourteen regulated electricity distribution network licence areas on the UK mainland. There are also three transmission network licence areas.
- 2.5.4 ScottishPower Networks Holding Ltd owns and operates SP Manweb, together with two other networks licence owning companies; SP Distribution plc and SP Transmission plc (both in Central and Southern Scotland), and a service provider business; SP PowerSystems Ltd.
- 2.5.5 SP Networks Holding operates its four main businesses under a brand name of SP Energy Networks. SP Energy Networks delivers electricity to 3.5 million customers across the network licence areas and has a workforce of 2,600 internal employees, spread across 34 locations, and is supplemented by around 2,500 contractors.
- 2.5.6 SP Energy Networks is part of the Iberdrola Group, one of the world's top five energy companies, a global company with distribution, generation, renewables and engineering operations in 40 countries worldwide.
- 2.5.7 SP Manweb has a regulatory asset value over £1.5¹bn and therefore it is confident that the costs referred to in section 2.4 can be met from its own financial resources. Further SP Manweb is part of the Iberdrola Group, which has a total asset value of over EUR 92.4²bn. SP Manweb is fully confident that land acquisition costs and potential compensation claims for blight can be fully met from either the four wind farm developers or from its own sources as and when they fall due.
- 2.5.6 SP Manweb's firm historic financial standing can be seen from the increasing regulatory asset value over the previous 5 years and the total equity of the company (Table 2.1). This establishes that the company is of a scale that has the financial strength to deliver the Proposed Development. This position of strength is reinforced by several OFGEM imposed license conditions which must be met by SP Manweb to allow it to continue operating as a distribution network operator.

¹ Source: 2013/14 Regulatory Reporting Pack submitted to Ofgem

² Source: Iberdrola's Balance Sheet at 30 September 2014 shows Total Assets of EUR 92,363 million

Table 2.1 Regulatory Asset Value for SP Manweb

SP Manweb £'m	2010	2011	2012	2013	2014
RAV Nominal	1106.4	1184.6	1281.9	1367.7	1491.9
Total Equity	789.3	871.6	884.9	635.7	750

- 2.5.7 SP Manweb is required to ensure that an investment grade credit rating is maintained to allow the company to be able to access funding as required. The importance of this condition can be demonstrated through the ability of SP Manweb to attract debt in the form of listed debt bonds. A bond listed on 20th September 2012 attracted bids from 66, mainly institutional, investors offering in excess of £1bn. On this occasion the Company only borrowed £350m from the bidders. These resources are being used to fund the existing investment programme.
- 2.5.8 In addition there is an OFGEM license condition that states that the ultimate controller of the distribution business (Iberdrola S.A) does not take any actions that will likely lead to a breach of the licence and failure to deliver the duties associated with a distribution network operator. The ultimate parent of SP Manweb is Iberdrola S.A (“Iberdrola”) which is listed on the Madrid stock exchange.
- 2.5.9 SP Manweb has reliable revenue streams from its operation and ownership of a distribution network and OFGEM’s license conditions, coupled with the financial strength of the Iberdrola Group, will ensure SP Manweb continues to hold an investment grade credit rating which will facilitate future access to debt markets are required. A company structure chart of SP Manweb’s internal trading relationships, illustrating where SP Manweb sits within the Iberdrola Group is included at Appendix 1 to this Funding Statement.

Appendix 1 – Company Structure

SP Manweb Internal Trading relationships: (as at 31 March 2014)

