

SP MANWEB

Reinforcement to the North Shropshire Electricity Distribution Network



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Funding Statement

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November 2018

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The Planning Act 2008

**The Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009
Regulations 5(2)(h)**

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1 THE PROJECT

1.1 INTRODUCTION

- 1.1.1 This Statement supports the application by SP Manweb under the Planning Act 2008 for the North Shropshire reinforcement project Development Consent Order (“the DCO”). The DCO would grant powers to construct, operate and maintain a 22.5 kilometre 132kV electrical circuit between the existing Oswestry and Wem substations.
- 1.1.2 The whole project is known as the Reinforcement to North Shropshire Electricity Distribution Network. The Proposed Development which is the subject of an application for an order granting Development Consent comprises a new 132kV electrical circuit between the existing Oswestry and Wem substations in North Shropshire, together with associated construction works.
- 1.1.3 The DCO includes power for installation of approximately 1.2km of 132kV underground cable 21.3km of 132kV overhead wood pole line, works to the existing substations at Oswestry and Wem, undergrounding of a number of lower voltage overhead lines and other works, for example access tracks,, temporary laydown areas and vegetation clearance.
- 1.1.4 The Proposed Development forms part of SP Manweb’s business plan within the current Price Review period (known as the RIIO-ED1 Price Control period and covered further in Section 2), as agreed with the industry regulator Ofgem.
- 1.1.5 This Statement explains the resource implications and how the acquisition of the land necessary to build the Proposed Development and how the construction of the Proposed Development would be funded. This Statement should be read alongside the Statement of Reasons which justifies the powers of compulsory acquisition sought in the DCO.

1.2 THE PROPOSED DEVELOPMENT

1.2.1 The Proposed Development comprises a new 132kV electrical circuit between Oswestry and Wem Substations in North Shropshire, together with associated temporary construction works. The circuit would be a combination of underground cable and overhead line. Works are also required at the existing Oswestry and Wem Substations to accommodate the new circuit.

1.2.2 The Proposed Development includes the following elements:

- Works within the boundary of the existing SP Manweb Substation at Oswestry including underground cabling and the installation of electrical switchgear and associated equipment;
- Approximately 1.2km of 132kV underground cable between Oswestry Substation and a 132kV terminal structure at Long Wood (SJ 31132 29877);
- Approximately 21.3km of 132kV overhead wood pole line from the terminal structure at Long Wood to the existing SP Manweb Wem Substation; and
- Works within the existing Wem Substation including the installation of a new 132kV to 33kV transformer and associated equipment.

1.2.3 The Proposed Development also includes work to facilitate the new electrical circuit including:

- Undergrounding six short sections of existing SP Manweb lower voltage overhead lines in order to ensure safe electrical clearance for the new electrical circuit; and
- Temporary works required for the construction of the new electrical circuit including seven temporary laydown areas, welfare unit, security cabin, access tracks, vegetation clearance and reinstatement planting.

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 at sections 25 and 26:

“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 at sections 9, 12 and 13:

“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 at sections 17 and 18:

“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”.

1.4 NEED FOR THE PROPOSED DEVELOPMENT

1.4.1 SP Manweb holds an electricity distribution licence for North Wales, Mid Wales, Cheshire, Merseyside, and parts of Lancashire and Shropshire. As a Distributor Network Operator (DNO), SP Manweb has a duty under section 9 of the Electricity Act 1989, The Distribution Code and its Electricity Distribution License to develop and maintain an efficient, co-ordinated and economical system of electricity distribution.

- 1.4.2 As reported in the Further Updated Strategic Options Report November 2018 (**DCO Document 7.7**), Shropshire Council published its Shropshire Local Plan Review identifying planned housing growth 11% higher than the previous strategy on which SP Manweb's load forecast was based.
- 1.4.3 In anticipation of the increased demand on the SP Manweb's network due to the forecasted growth accounted for in the Local Plan Review allocation, SP Manweb is planning to invest £18m in order to reinforce the electricity distribution network by constructing the Proposed Development.
- 1.4.4 The Proposed Development will provide an increase in capacity to support development on land allocated for new jobs and homes in Oswestry, Whitchurch and Wem. The new 132kV circuit will support the existing distribution networks at 132kV, 33kV and 11kV by increasing the capacity available throughout the North Shropshire area.
- 1.4.5 SP Manweb has investigated a number of options for reinforcing the network and proposes that a new 132kV wood pole line and 132/33kV transformer in-feed is the most appropriate solution. Further information and a more detailed description can be found in the Further Updated Strategic Options Report November 2018 (**DCO Document 7.7**).

1.5 ESTIMATED COST OF THE PROPOSED DEVELOPMENT

- 1.5.1 The total cost of the Proposed Development is estimated at £18 million. This includes the costs:
- For the installation and procurement of all necessary plant and equipment required to construct the Proposed Development
 - To connect the Proposed Development to the existing electricity distribution network
 - For obtaining consent for the Proposed Development pursuant to the Planning Act 2008

- Associated with entering into voluntary agreements with landowners to construct and operate the Proposed Development

1.5.2 For exercising its powers to compulsorily acquire the rights needed to construct and operate the Proposed Development, where landowners are not willing to enter into voluntary agreements. The total cost of acquiring the land rights that SP Manweb needs to construct and operate the Proposed Development, whether on a voluntary or compulsory basis, is estimated at £1.13 million. This includes capital payments for the voluntary grant of land rights to install and maintain the Proposed Development, compensation for the compulsory acquisition of any land rights required to install and maintain the Proposed Development, any land disturbances costs properly payable to landowners, compensation for the felling and/or lopping of any trees, and all associated professional costs.

2 FUNDING FOR THE PROPOSED DEVELOPMENT

- 2.1.1 SP Manweb's distribution network is essential infrastructure, and owning and operating it requires significant investment. Ofgem currently regulate how much DNOs can earn and spend using the RIIO Price Control mechanism. This regulation takes the form of a revenue cap in which Ofgem determine the maximum revenue a DNO can collect from its customers. It also directs how much a DNO may spend on outputs, which it is obliged to deliver ("allowable expenditure").
- 2.1.2 Allowable expenditure levels are determined by Ofgem. DNOs submit a Business Plan which sets out the outputs it intends to deliver during the relevant Price Control period and the estimated costs of doing so. SP Manweb submitted their business plan, titled "SP Energy Networks 2015 -2023 Business Plan" in March 2014. This Business Plan sets out the Proposed Development as one of SP Manweb's intended outputs¹ during the RIIO-ED1 Price Control period. The Proposed Development is referenced as "Whitchurch".
- 2.1.3 After reviewing each DNO's Business Plan, Ofgem then issue their final determination of each DNO's allowable expenditure in respect of the relevant Price Control settlement. Ofgem's final determination for the RIIO-ED1 Price Control period was published on 28 November 2014 ("the ED1 Final Determination"). SP Manweb's allowable expenditure is included as part of Ofgem's ED1 Final Determination².

¹ Pages 13 and 38 of Expenditure Supplementary Annex:

https://www.spenergynetworks.co.uk/userfiles/file/201403_SPEN_ExpenditureSuppAnnex_PM.pdf

² £166.2m load related expenditure allowance for SP Manweb ("SPMW") set out in table CRC 3G, page 27 of this document: https://www.ofgem.gov.uk/sites/default/files/docs/2014/12/riio-ed1_final_determinations_detailed_figures_by_company_-_updated_front_cover_0.pdf

2.1.4 The Proposed Development will be funded from SP Manweb's allowable expenditure as set out in the SP Energy Networks 2015 -2023 Business Plan and confirmed in the ED1 Final Determination.

3 CONCLUSION

- 3.1.1 SP Manweb has a duty under section 9 of the Electricity Act 1989, the Distribution Code and its Electricity Distribution License to develop and maintain an efficient, co-ordinated and economical system of electricity distribution.
- 3.1.2 The Reinforcement to the North Shropshire Electricity Distribution Network is required to meet the economic growth in the area, as set out in the Strategic Option Report 2017 which has shown the Proposed Development to be the most efficient solution and that it is required for SP Manweb to meet its Electricity Distribution license requirements.
- 3.1.3 The Proposed Development is a project to be delivered during the RIIO-ED1 Price Control period and funded by SP Manweb's allowable expenditure as approved by Ofgem in the ED1 Final Determination.
- 3.1.4 SP Manweb has therefore secured sufficient financial resources to fund the Proposed Development.