

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Executive Member for Policy and Resources
Date:	9 April 2015
Title:	National Grid Interconnectors
Reference:	6582
Report From:	Director of Culture, Communities and Business Services

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1. Executive Summary

- 1.1. Interconnectors are transmission cables that allow electricity to flow between countries, and can be used to import or export power. Britain has four such links already representing around 5% of existing electricity generation capacity.
- 1.2. The UK government is signed up to the European Commission benchmark of achieving 10% interconnector capacity by 2020. This support is based on the premise that more interconnection would improve energy security, lower bills, and potentially allow the integration of low-carbon generation.
- 1.3. The National Grid is developing a number of potential interconnector projects and have formed a company – National Grid IFA2 Ltd (NGIL) to develop a proposed link between Normandy, in France, and Chilling, Hampshire. The project is being promoted jointly by Réseau de Transport d'Électricité (RTE), the transmission system owner and operator in France, and National Grid IFA2 Ltd (NGIL), a wholly owned subsidiary of National Grid Plc.
- 1.4. Following NGIL's own separate option appraisal process a County Council owned greenfield site at Chilling has been identified as their preferred site for the interconnector infrastructure building. They have now approached the County Council with this proposal.
- 1.5. The purpose of this report is to consider:
 - The background to the IFA2 project.
 - The national and local context.
 - The nature of the County Council's ongoing engagement with National Grid.
 - The Regulatory framework.

2. Background to IFA2 Project

- 2.1. The IFA2 project was conceived in 2008 and since this time various stages of commercial and technical feasibility have been undertaken by NGIL. The stage has now been reached where NGIL are looking to acquire the various consents and permissions required to achieve their planned completion by 2020, hence their relatively recent (late last year) high level engagement with the County Council.
- 2.2. NGIL has adopted its usual development process to establish an appropriate point of connection and identify, assess and select potential sites and routes for the necessary on-shore infrastructure. This background work, including site selection and evaluation, was undertaken independently and without engaging with the County Council.
- 2.3. Whilst points of connection between Devon and through to Kent were initially considered, the British connection zone primarily focused on the West Sussex, Hampshire and Dorset area. This wide area was narrowed down to three NGIL favoured connection points (Fawley, Chilling and Ninfield) based on many factors including:
 - Proximity of existing NG infrastructure (grid connexion)
 - Environmental designations
 - Planning policy and technical constraints including cable routes
 - Landfall locations
 - Land availability
- 2.4. NGIL have advised that their option appraisal concluded that the substation at Chilling was *'considered to provide the best location to connect to the GB electricity network on balance, considering network and developer costs, technical and environmental risks as well as the programme'*. On this basis it is understood that the connection agreement between NGET (National Grid Electricity Transmission Plc) and NGIL was signed on 7 August 2012 for a connection date of 31 October 2019.
- 2.5. Converter station siting

Having identified the substation at Chilling as their preferred point of connection location, NGIL then commenced a site selection process for the converter station building. The criteria for the assessment of the location for the converter station has been summarised by NGIL to include:

 - 1) Land requirements (e.g. within a reasonable distance from the point of connection (chosen as 8 km) with permanent land take of (4 ha), and temporary land take (up to 4 ha).
 - 2) Siting assessment criteria (e.g. environmental and social impact, planning policy, cost and technical feasibility).
- 2.6. Based on the above criteria, four potential sites (HCC owned farmland at Chilling; HCA owned Daedalus enterprise zone; land around Fawley Power

Station; and land at Botley Wood), together with the associated specific opportunities and constraints were considered by NGIL. The site selection process undertaken by NGIL concluded that part of the County Council's farmland at Bronwich, Chilling is the most appropriate site for the converter station.

- 2.7. While NGIL did engage with the County Council's County Farm Manager, a middle management position, towards the end of last summer it was to discuss a potential land sale. The County Council were not consulted or approached at the point NGIL commenced or concluded their site assessments for a converter station building.
- 2.8. The County Council's land forms part of Chilling Farm which is currently let as an arable farm, and forms part of the County Council's Chilling and Brownwich County Farms' estate as shown in the plan at Appendix 1. The converter station building would require 4 ha of land together with a temporary requirement for up to an additional 4 ha. NGIL's preferred site is close to the coastline which is designated as a Special Protection Area. The converter station would be up to 25m high and cover an area of land 200m by 200m (40,000 m²), about the size of 4 football pitches and a similar height to a six to seven storey building.
- 2.9. It is the view of officers that the construction of such a building on a coastal greenfield site would have a highly detrimental effect and impact on what is a beautiful and unspoilt area of coastline designated as a Special Protection Area (SPA).

3. National Energy Context

- 3.1. There are already four interconnectors between Great Britain linking us to France, Ireland, The Netherlands and Northern Ireland which together represent around 5% of electricity generation capacity. There is strong consensus and support for greater interconnection and the Government is signed up to the EU goal of achieving 10% connectivity by 2020.

'Interconnection has the potential to contribute to Government's energy security, affordability and decarbonisation objectives, including through facilitating the single European electricity market. Government supports an appropriate increase in interconnection capacity through projects that efficiently deliver on these objectives' (DECC, More interconnection: improving energy security and lowering bills, 2013).

- 3.2. The County Council, as part of its own Energy Strategy, is aware of and is addressing the risks relating to security of supply, affordability and carbon reduction and has a strong track record in this area (e.g. Smart Meters installed in schools). The County Council's strategy recognises the national picture relating to the low levels of spare capacity and long term concerns of individuals and businesses about not just future supply but prices too.

- 3.3. Greater interconnection would appear to offer a number of National benefits including the potential for sustainable lower energy prices and the possibility for environmental and economic benefits.
- 3.4. The County Council would wish to support projects that could lead to the achievement of the above together with the benefits to be derived from the greater integration and interconnection of European energy markets.

4. Regulatory Framework

4.1. Ofgem

It is the role of the Office of Gas and Electricity Markets (Ofgem) to determine whether the IFA2 project is in the interests of the Country's consumers. A public consultation by Ofgem is expected imminently. Ofgem also enforces business separation obligations which NGIL have been subject to in the same way as other commercial developers.

4.2 National Grid Electricity Transmission Plc (NGET)

NGET is the body responsible for determining the points of connection to the electricity market in this Country. NGIL signed an agreement with NGET in August 2012 to connect IFA2 to the electricity transmission network. This agreement contains a firm connection date of October 2019 and it is this date that is driving the programme and associated timescales.

4.3 European Commission

The IFA2 project was given the status as a Project of Common Interest (PCI) by the EU in October 2013. This designation is given to projects which 'are necessary for energy infrastructure priority corridors, where the potential overall benefits of the projects outweigh their costs'. This status entitles such projects to favourable planning and regulatory treatment. This status is supported by the Government.

4.4 Electricity Act 1989 (The Act)

Should it not be possible for NGIL (as Licence Holder, see 5.2) to secure voluntary permissions to access land, as a Licence Holder, it would have access to compulsory powers under The Act to purchase and access land, subject to the authorisation of the Secretary of State.

4.5 Town and Country Planning Act 1990 (Planning)

Based on current information, Planning Permission would be a matter for determination by Fareham Borough Council (FBC). It is understood that NGIL have already engaged informally with Officers from Fareham in respect of their preferred site for the converter station building. The FBC local plan shows the area around Chilling to be outside of the local strategic gap. Should NGIL make a planning application in relation to the County Council's

land at Chilling, as a landowner, the County Council would be a statutory consultee. The County Council could not determine planning permission itself as it is only a planning authority in relation to its own interests and operations.

4.6 Environmental Framework

NGIL would be required to apply for a Marine Licence from the Marine Management Organisation (MMO) subject to NGIL completing marine surveys and environmental impact assessments relating to the proposed marine cable routes. Approval via the MMO would also be required from the Crown Estate, as landowner, for the proposed work to the seabed.

The site adjoins the Solent and Southampton Water Special Protection Area (SPA). It is also within the impact zone for the Lee-on-Solent & Itchen and Titchfield Haven SSSIs. It would be the role of Natural England to advise on proposals and to issue relevant licences.

5. Options and conclusions

- 5.1. NGIL have recently sought engagement with the County Council at Director level and made a verbal offer to acquire 4 ha of the Council's farmland at Brownwich, Chilling (please see exempt Appendix 2 for amount). It should be noted that the County Council acquired its land at Chilling over 60 years ago in order to protect and preserve a significant area of coastline from future development. The County Council has, over many years, sought through its property policies to support the diversity of the County, its attractiveness and quality of environment. While this could be considered a fair financial offer based purely on agricultural land values, it is considerably below the value that would be required to compensate for the loss of this highly valued coastal greenfield site and part of the Council's tenanted farm estate. It is doubtful that any value would compensate for the wider ecological impact of constructing an interconnector station building and loss of amenity on the Solent coastline, an area, as previously noted, designated as an SPA. The offer from NGIL is considered to be insufficient to acquire alternative and comparable land in a coastal location. Indeed it is highly unlikely that such land would even be available in mitigation.
- 5.2. Should the County Council be minded to reject NGIL's offer to acquire its land it must be borne in mind that NGIL could still seek to purchase it compulsorily using powers under the Electricity Act. If this were the case the County Council could expect to receive reduced compensation based on existing use value only (please see exempt Appendix 2 for values). The reason for the difference between NGIL's offer and the likely compensation recognises the uplift applied by NGIL to partially compensate for the loss of a greenfield site in the particular location and its ongoing value to NGIL in terms of its own future profit from the proposed interconnector project. Given the Government's support for new interconnector projects it must be

assumed that there would be some support for this approach (compulsory purchase) particularly if the project were given planning permission.

- 5.3. The County Council, as evidenced by its own Energy Strategy, is supportive of the National and European position on taking action to achieve greater energy security and the best prices for consumers. Interconnection would appear, based on current knowledge, to be capable of making some contribution to these dual objectives. Based on the conclusion of NGIL's assessments that Hampshire represents the most favourable connection point the County Council may wish to work with them in identifying alternative, more suitable, brownfield sites for the construction of the converter station building. It is proposed that NGIL should be strongly encouraged to review their conclusions relating to the unsuitability of the brownfield sites at Fawley and Daedalus.
- 5.4. A new interconnector that would help to secure future power supplies for the nation is recognised as a desirable and, probably, essential part of modern-day energy infrastructure. It would be a great shame if such an opportunity were potentially lost due to NGIL's rejection of what are considered to be more suitable sites. It must be assumed that the development of an interconnector project would bring considerable financial benefits to NGIL for many years. The choice of site and its associated development costs should therefore be seen in the context of the proposed projects' long-term financial rewards to NGIL.

6. Recommendation(s)

- 6.1. It is recommended that:
 - a) The Director of Culture, Communities and Business Services be authorised to firmly reject the offer from NGIL to acquire 4 ha of the County Council's farm land at Chilling;
 - b) The Director of Culture, Communities and Business Services continues to engage with NGIL in order to identify brownfield sites (including those previously considered and initially rejected by NGIL) for the development of an Interconnector converter station building.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	no
Maximising well-being:	yes
Enhancing our quality of place:	yes

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

No Impact Assessment has been undertaken at this stage.

2. Impact on Crime and Disorder:

2.1 No Impact Assessment has been undertaken at this stage.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

N/A

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

N/A