

# Decision

---

## **Yorkshire GREEN project – Early Construction Funding decision to proceed to statutory consultation**

---

Publication date: 09 February 2024

---

Contact: James Santos-Mansur

---

Team: Price Control Operations – Large Transmission Project Delivery

---

Telephone: 020 7901 7000

---

Email: [RIIOElectricityTransmission@ofgem.gov.uk](mailto:RIIOElectricityTransmission@ofgem.gov.uk)

---

Following our 30 October 2023 Early Construction Funding (ECF) consultation, this document confirms our decision to proceed to a statutory consultation in relation to National Grid Electricity Transmission plc's (NGET) ECF for the Yorkshire GREEN electricity transmission project under the Accelerated Strategic Transmission Investment (ASTI) mechanism.

© Crown copyright 2024

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the [Open Government Licence](#).

Without prejudice to the generality of the terms of the Open Government Licence the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

Any enquiries related to the text of this publication should be sent to Ofgem at:

10 South Colonnade, Canary Wharf, London, E14 4PU.

This publication is available at [www.ofgem.gov.uk](http://www.ofgem.gov.uk). Any enquiries regarding the use and re-use of this information resource should be sent to: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk)

## **Contents**

<b>Yorkshire GREEN project – Early Construction Funding decision to proceed to statutory consultation .....</b>	<b>1</b>
<b>Executive summary .....</b>	<b>4</b>
Decision and next steps .....	4
<b>1. Introduction .....</b>	<b>6</b>
Context.....	6
Overview of ASTI re-opener mechanism .....	6
Stages of our ASTI assessment.....	7
Related publications .....	8
<b>2. Yorkshire GREEN Early Construction Funding assessment.....</b>	<b>9</b>
Overview of Yorkshire GREEN .....	9
Consultation position, responses, and decision.....	10
ECF request.....	10
<b>3. Next steps .....</b>	<b>12</b>

## **Executive summary**

In October 2023, we consulted<sup>1</sup> on our minded-to position to adjust the allowances (ASTIA<sub>t</sub>) set out in the ASTI Confidential Annex that is referenced in Appendix 1 (ASTI Price Control Deliverable) of Special Condition 3.41 (Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIR<sub>t</sub>)) in National Grid Electricity Transmission plc's (NGET) electricity transmission licence to reflect NGET's Early Construction Funding (ECF) request for the Yorkshire GEEN project. In line with Special Condition 3.41.10, we stated that the amendment will be subject to a statutory consultation and any consequential modification of NGET's licence will be carried out in accordance with section 11A of the Electricity Act 1989.

## **Decision and next steps**

**This document confirms our decision to carry out a statutory consultation to approve and amend the allowances (ASTIA<sub>t</sub>) set out in the ASTI Confidential Annex as referenced in Appendix 1 (ASTI Price Control Deliverable) of Special Condition 3.41 (Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIR<sub>t</sub>)) in NGET's electricity transmission licence to reflect NGET's ECF request. For reasons of commercial sensitivity, details of the amended allowances are confidential but will be issued to NGET in the ASTI Confidential Annex issued.**

We are satisfied that NGET's ECF request:

- has not exceeded the stated threshold<sup>2</sup> of 20% of total forecasted project cost as set by Special Condition 3.41.8 and it therefore strikes the appropriate balance between assisting acceleration and protecting consumers from potentially excessive cost exposure in the unlikely event that a project does not progress;
- was pre-empted by a notice in writing of NGET's intention to make the application under section 3.41.7 at least 8 weeks before NGET made the application; and

---

<sup>1</sup> [Yorkshire GREEN project – Early Construction Funding consultation](#)

<sup>2</sup> [Decision to modify the special licence conditions in the electricity transmission licences: Accelerated Strategic Transmission Investment](#), Accelerated Strategic Transmission Investment Guidance And Submission Requirements Document, paragraph 4.6

---

**Decision** – Yorkshire GREEN project – Early Construction Funding decision to proceed to statutory consultation

---

- provided clear justification that the proposed early construction activities will accelerate project delivery and it is therefore in consumers’ interests to fund these activities ahead of our project assessment (PA) stage.

The next step is to provide notice of a statutory consultation on the proposal to adjust the allowances set out in the ASTI Confidential Annex that is referenced in Appendix 1 of Special Condition 3.41 of the electricity transmission licence held by NGET. Following consideration of the statutory consultation responses, any consequential modification of NGET’s licence will be carried out in accordance with section 11A of the Electricity Act 1989.

## 1. Introduction

### Context

- 1.1 The GB onshore electricity transmission network is planned, constructed, owned and operated by three transmission owners (TOs): NGET in England and Wales, Scottish Power Transmission Limited (SPT) in the south of Scotland, and Scottish Hydro Electric Transmission (SSEN Transmission) in the north of Scotland.
- 1.2 In December 2022, we introduced a new Accelerated Strategic Transmission Investment (ASTI) regulatory framework. This framework will assess, fund and incentivise the accelerated delivery of the large, strategic onshore transmission projects required to deliver the government's ambition to connect up to 50GW of offshore wind generation to the network by 2030.
- 1.3 In August 2023, we published our decision to modify the Special Conditions in the electricity transmission licences required to give effect to our ASTI decision, introducing new Special Conditions (SpCs):
  - 3.40 Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment (APCFt);
  - 3.41 Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIRt); and
  - 4.9 Accelerated strategic transmission investment output delivery incentive (ASTIIIt).

### Overview of ASTI re-opener mechanism

- 1.4 The ASTI framework streamlines the regulatory approval process, compared with the Large Onshore Transmission Investment (LOTI) regime, by reducing the number of regulatory assessment stages. It also allows the TOs earlier access to project funding to accelerate delivery of ASTI projects.

**Decision** – Yorkshire GREEN project – Early Construction Funding decision to proceed to statutory consultation

---

1.5 The ASTI framework will apply to strategic onshore electricity transmission projects that meet the following criteria<sup>3</sup>:

- Meets the definition of a LOTI as set out in Special Condition 1.1 (Interpretations and definitions), Part B of the TOs' electricity transmission licences: "LOTI means the assets constituting an investment in the Transmission System, which investment:
  - (a) is expected to cost £100m or more of capital expenditure; and
  - (b) is, in whole or in part, load-related;"
- Has been identified by NGENSO as being needed to be operational by 2030 to meet the Government's ambition to connect 50GW offshore wind generation; and
- Satisfies the Authority that there is clear evidence that the expected consumer benefits of applying the accelerated delivery framework to the project exceeds the expected consumer detriment.

### **Stages of our ASTI assessment**

1.6 The ASTI mechanism is made up of three main stages:

1. **ASTI Pre-Construction Funding (ASTI PCF)** – The focus of our assessment at this stage is to determine whether the requested ASTI PCF activities are appropriate for the purposes of narrowing down design options in order to develop an ASTI project, and determining if the relevant costs represent efficient value to consumers. We also consider already incurred expenditure when deciding whether the costs represent efficient value in delivering the PCF outputs.
2. **Early Construction Funding (ECF)** – The focus of our assessment at this stage is to determine whether the requested ECF construction activities are eligible and are required to accelerate project delivery. We do not consider the efficiency of costs at this stage; that is carried out at the PA stage. We also conduct an engineering technical assessment where possible to scrutinise optioneering design

---

<sup>3</sup> [Decision to modify the special licence conditions in the electricity transmission licences: Accelerated Strategic Transmission Investment](#), Accelerated Strategic Transmission Investment Guidance And Submission Requirements Document, paragraph 2.3

---

**Decision** – Yorkshire GREEN project – Early Construction Funding decision to proceed to statutory consultation

---

choices and project specification so that delivery is optimal for consumers, and to raise any early concerns regarding the network solution being progressed.

3. **Project Assessment (PA)** – The focus of our assessment at this stage is the assessment of the proposed costs and delivery plan that the TO has in place for the project, with a view to specifying any required TO’s licence updates and setting the efficient cost allowances that can be recovered from consumers for delivery of the project.

## **Related publications**

- 1.7 RIIIO-2 Final Determinations – Core Document and NGET Annex – both REVISED: [Ofgem.gov.uk/publications-and-updates/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator](https://www.ofgem.gov.uk/publications-and-updates/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator)
- 1.8 Decision to modify the special licence conditions in the electricity transmission licences: Accelerated Strategic Transmission Investment, Accelerated Strategic Transmission Investment Guidance And Submission Requirements Document: [Ofgem.gov.uk/publications/decision-modify-special-licence-conditions-electricity-transmission-licences-accelerated-strategic-transmission-investment](https://www.ofgem.gov.uk/publications/decision-modify-special-licence-conditions-electricity-transmission-licences-accelerated-strategic-transmission-investment)
- 1.9 Yorkshire GREEN project – Early Construction Funding consultation: [Ofgem.gov.uk/publications/yorkshire-green-project-early-construction-funding-consultation](https://www.ofgem.gov.uk/publications/yorkshire-green-project-early-construction-funding-consultation)



## **2. Yorkshire GREEN Early Construction Funding assessment**

### **Section summary**

This chapter summarises our October 2023 consultation position as well as the consultation responses and our decision following consideration of those responses.

### **Overview of Yorkshire GREEN**

- 2.1 Yorkshire GREEN is an electricity transmission project to construct a new c.7.5km 400kV double circuit overhead line teeing off from the existing Norton to Osbaldwick line, a new 400kV substation in Monk Fryston, a new 275kV substation in York North, and various upgrades to existing 275kV infrastructure. The project is triggered by the need to increase the capability of major boundaries within NGET’s network in the North of England region (B7a and B8), to manage increasing power flows from North of England to the South.
- 2.2 The project progressed through Ofgem’s Large Onshore Transmission Investment (LOTI) re-opener mechanism under Special Condition 3.13. In 2022, the Electricity System Operator’s (ESO) Network Options Assessment (NOA) refresh, which now fully integrates the Holistic Network Design (HND)<sup>4</sup>, confirmed that delivering the Yorkshire GREEN project is essential to achieving the Government’s net zero ambitions. The project is therefore no longer being assessed under the LOTI framework and is now being assessed under the new ASTI framework<sup>5</sup>.
- 2.3 Our October 2023 ECF consultation<sup>6</sup> explains why ECF request was brought forward and our assessment of that request.

---

<sup>4</sup> [Electricity System Operator’s \(ESO\) Network Option Assessment \(NOA\) refresh](#)

<sup>5</sup> [Decision on accelerating onshore electricity transmission investment](#) (Yorkshire GREEN NOA code: OPN2) and [Decision to modify the special licence conditions in the electricity transmission licences: Accelerated Strategic Transmission Investment](#), ASTI licence modifications (Special conditions 3.40, 3.41, and 4.9)

<sup>6</sup> [Yorkshire GREEN project – Early Construction Funding consultation](#), chapter 2

**Decision** – Yorkshire GREEN project – Early Construction Funding decision to proceed to statutory consultation

---

## **Consultation position, responses, and decision**

- 2.4 Two stakeholders, Scottish Power Transmission Limited (SPT) and Transmission Investment Services Limited, responded to our ECF consultation. All responses were non-confidential, and we have published the full consultation responses on our website<sup>7</sup>.
- 2.5 The remainder of this chapter sets out our consultation position, stakeholder responses, and our decision on the project’s drivers, optioneering and cost benefit analysis (CBA).

### **ECF request**

#### *Consultation position*

- 2.6 We considered that the ECF request specified eligible activities to be carried out, the proposed yearly cost profile for ECF funding, and the justification for why it is in consumers interest for the costs to be incurred early. We agree that ECF funding will help safeguard the overall earliest in-service date for the project and reduces the risk of incurring constraint costs for the consumer.

#### *Consultation responses and our views on them*

- 2.7 SPT agreed with our consultation position. Transmission Investment Services Limited suggested two points that we should reconsider.
- 2.8 The first point queried our position that “ECF funding should be seen as an ‘advance’ to accelerate project delivery ahead of the full PA under ASTI where we will set efficient costs allowance for the project”<sup>8</sup>. They stated that a true-up allowance could be allowed through the PA assessment, and it is therefore unclear why Ofgem would advance an allowance for this contingency as this leads to an increase in bills now for consumers. They suggested that the TO bears this risk instead as this is better for consumers and then use the PA assessment stage to adjust the ECF.

---

<sup>7</sup> [Yorkshire GREEN project – Early Construction Funding consultation](#), ‘Response documents’ – Yorkshire GREEN ECF consultation responses

<sup>8</sup> [Decision on accelerating onshore electricity transmission investment](#), paragraph 5.33

---

**Decision** – Yorkshire GREEN project – Early Construction Funding decision to proceed to statutory consultation

---

- 2.9 We considered this point in detail but ultimately decided that it was prudent to not put project delivery at risk given that we are driving TOs to accelerate their delivery. The ECF value is in the billions and having ECF gives TOs the confidence to deliver projects at pace, including the Yorkshire GREEN project, in order to deliver projects to their earliest in-service date and book necessary supply chain slots within a constrained market. The risk of not providing ECF and the TOs not bearing the risk of these accelerated projects given the costs involved would lead to project delays, acceleration not happening, and ultimately constraint costs increasing thereby leaving consumers worse off.
- 2.10 The second point was to disagree with our minded-to position of providing explicit project funding for “Type registration of overhead line conductors and super grid transformer units”, noting that it would appear to risk duplicating funding in the RIIO settlement and that these are not project-specific costs but rather costs that provide wider benefits to the TO.
- 2.11 We queried this point with NGET who clarified that the reason they introduced a new type registration is to provide a solution that would work on the existing 275kV XC towers. There is no existing type registered conductor that could have achieved the required rating and that can be accommodated on the existing line. NGET noted that its Yorkshire GREEN project is based on being able to re-use as much of the existing infrastructure as possible and, as such, upgrading the existing XC overhead line.
- 2.12 We were satisfied with NGET's explanation.

*Decision to carry out a statutory consultation following our policy consultation*

- 2.13 Having considered the consultation responses, our decision is to now carry out a statutory consultation to approve the ECF in order to de-risk the project thereby supporting the project's timely delivery to help meet the government's ambition to connect up to 50GW of offshore wind generation to the network by 2030.
- 2.14 The ECF process has not considered the efficiency of the costs requested. All costs funded at this stage will remain subject to the efficiency assessment that takes place at PA stage. NGET should not consider that our ECF determination represents confirmation that we consider the costs incurred, or expected to be incurred under the ECF, represent an efficient cost for carrying out ECF activities.

**Decision** – Yorkshire GREEN project – Early Construction Funding decision to proceed to statutory consultation

---

### **3. Next steps**

#### **Section summary**

This chapter sets out the next steps in our assessment under the ASTI framework.

- 3.1 The next stage of the ASTI assessment process is to provide notice of a statutory consultation on the proposal to adjust the allowances set out in the ASTI Confidential Annex as referenced in Appendix 1 of Special Condition 3.41 of the electricity transmission licence held by NGET, and any consequential modification of NGET's licence will be carried out in accordance with section 11A of the Electricity Act 1989.