

The Company Secretary
National Grid Electricity System Operator Limited
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Email:
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Date: 30 July 2024

CC: Dr Paul Wakeley,
Strategic Network Development Manager
National Grid Electricity System Operator Limited

Dear Company Secretary,

Decision and Directions allowing National Grid Electricity System Operator (ESO) Limited to submit the Network Options Assessment (NOA) methodology and the form of the NOA report to the Authority by 31 March 2025 and publish an updated NOA report by 31 January 2026.

Background

Standard Licence Condition SLC C27(5)(b) of the Licence requires ESO to submit a NOA methodology and form of the next NOA report, to the Authority for approval by 1 August of each financial year, or at such other date as directed by the Authority.

SLC C27(12)(b) of the Licence requires ESO to review the NOA report prepared and published in the previous financial year, and update and publish the NOA report by 31 January or such other date as directed by the Authority. This must be based on and include the latest NOA methodology approved by the Authority.

The ESO's Network Options Assessment (NOA) recommends reinforcements and additional interconnector capacity for the GB electricity system that could meet the needs identified in the Electricity Ten Year Statement (ETYS) and facilitate the development of an efficient, co-ordinated and economical system of electricity transmission. The ETYS is informed by the ESO's Future Energy Scenario (FES), which sets out energy generation and demand pathways towards meeting net zero. ESO and Ofgem have been progressing the development of the Centralised Strategic Network Plan (CSNP)¹, that will take a coordinated, and longer-term approach to network planning in GB, which will provide investor certainty and help expedite regulatory funding decisions for enhancing network capacity. This will support the government's net zero ambitions and is a significant evolution of the NOA process.

The interconnector element of the NOA Report is captured in a separate 'NOA for Interconnectors' report, the methodology for which is incorporated within the NOA Methodology as set out in SLC C27(5)(b).

¹ [Decision on the framework for the Future System Operator's Centralised Strategic Network Plan \(ofgem.gov.uk\)](#)

In March 2024, the ESO published an updated NOA report titled “Beyond 2030”.² This publication included the Holistic Network Design Follow-Up Exercise, which together with the NOA, recommended a coordinated offshore and onshore network design that could connect up to 86GW of offshore wind generation, and included network upgrades that would facilitate the connection of low carbon generation and demand to decarbonise the power sector.

In accordance with its licence conditions set out in this Decision, ESO is required to review at least once in each financial year the NOA report prepared and published in the previous financial year, and update and publish the NOA report based on the latest NOA methodology.

However, due to the reasons explained in this Decision, the ESO has requested a delay to the submission of the next NOA methodology and publication of the next NOA report.

ESO’s Request to the Authority

On 11 July 2024, the ESO wrote to the Authority³ to seek a direction pursuant to SLC C27(5)(b) of the Licence, for submission of the NOA methodology to the Authority by an alternative date of **31 March 2025** instead of 1 August 2024.

The ESO also included in its letter a request for a direction pursuant to SLC C27(12)(b) of the Licence, for publication of the NOA report by an alternative date of **31 January 2026** instead of 31 of January 2025.

ESO’s rationale for the delay request

Ofgem has indicated to the ESO and Transmission Owners (TO) that several projects recommended in the NOA report that was published in March 2024, are observed to be of a low level of maturity and should be developed further prior to the next NOA update. This will ensure that more robust project design, costs and delivery timescales can be used in the analysis. TOs have informed the ESO that they can provide more developed projects for the next update if they are given more time.

The ESO states that there is significant uncertainty in the future strategic energy planning landscape, as it transitions the NOA to the CSNP. This includes any change in Government Policy following the general election, the Clean Power 2030 Mission Control recently announced by DESNZ⁴, the timing and scope of the Strategic Spatial Energy Plan (SSEP) which is yet to be defined in the Commission from DESNZ⁵, the ongoing development of the CSNP methodology, and the assessment for offshore coordination for INTOG and the Celtic Sea generation connections.⁶ This uncertainty is causing the ESO significant challenges in the sequencing of work in the near term.

The ESO proposes that assessments related to INTOG and Celtic Sea generation connections, and the impact assessments of changes to previously recommended projects such as EGL3, EGL4, GWNC, LRN6, PSNC, AC6 and WCD4, should be concluded prior to the next NOA analysis. This will allow it to use the Future Energy Scenarios 2024 (FES), updated where appropriate with the outputs of these assessments, for the next NOA analysis.

In its next NOA update, the ESO proposes to incorporate options that have a recommended delivery date prior to 2030 and options from “Beyond 2030”, and assess them against an

² [Beyond 2030 | ESO \(nationalgrideso.com\)](https://www.nationalgrideso.com/beyond-2030/)

³ Published together with this Decision on our website.

⁴ [Mission Control to deliver clean power by 2030 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/mission-control-to-deliver-clean-power-by-2030)

⁵ [Electricity Networks Commissioner: companion report findings and recommendations \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/118444/electricity-networks-commissioner-companion-report-findings-and-recommendations)

⁶ <https://www.nationalgrideso.com/future-energy/projects/offshore-coordination-project/latest-news>

updated set of system needs determined from the FES. This may result in new options required to meet any new system needs. From this analysis, the ESO will identify those projects that are sufficiently mature to potentially enter the CSNP “delivery pipeline”⁷, which could establish the foundations for the first CSNP. Options needing further development can be identified in the subsequent CSNP.

The ESO has set out that delaying the submission of the next NOA methodology and NOA report will:

- allow it time to progress regional impact assessments on design changes to previously recommended and in-train projects, such as EGL3, EGL4, GWNC and LRN6 in the east coast, and PSNC, AC6 and WCD4 in the west coast, and carry out connection assessments for INTOG and Celtic Sea generation prior to the next NOA analysis.
- provide TOs time to develop reinforcement options to the maturity levels that will meet Ofgem’s expectations and will be set out in the NOA methodology update, which will allow Ofgem to expedite funding decisions for those options that meet these maturity levels.
- allow it to use the latest FES, updated where appropriate with the outputs of the assessments above, for the next NOA analysis.
- allow it to develop improvements to the NOA methodology, incorporating lessons learnt from the analysis for the Beyond 2030 plan, and building towards the CSNP methodology as per Ofgem's framework decision.

Rationale for our decision

In November 2023, Ofgem directed the ESO to publish an updated NOA report by 31 March 2024, instead of by 31 December 2023.⁸ This delay has resulted in less time for the ESO to consult, develop and submit to the Authority an updated NOA methodology by 1 August 2024, and to publish the NOA report by 31 January 2025. We believe that it is therefore reasonable to provide the ESO additional time to develop updates to the NOA methodology and publish the next NOA report.

Furthermore, to achieve the new Government’s ambition to achieve Clean Power by 2030, the Energy Secretary has asked the ESO to provide advice on the pathway towards the 2030 ambition, with expert analysis on the location and type of new investment and infrastructure needed to deliver it. This has a material impact upon the ESO’s resources, which impacts its ability to produce the next NOA update. We are working with Government and the ESO to understand the timing, scope and methodology for this advice and will ensure that the ESO has the time and capability required to deliver this ambition.

As this advice will also shape the next NOA update, our view is that by providing additional time to the ESO, it will be able to determine the impacts of the Clean Power by 2030 plan on the NOA methodology and the next NOA update.

We agree with the ESO’s proposed approach to potentially establish the foundation of the first CSNP with a potential set of transmission projects to form the “delivery pipeline”, which could include projects from prior NOA reports, recommendations in the Clean Power 2030 advice, projects from the Beyond 2030 report as updated in next NOA report, new projects recommended in the next NOA report and the CSNP itself. For any project to be part of the firm delivery pipeline, the next NOA report must exhibit sufficient robustness on the generation and demand backgrounds used, including sufficient sensitivity testing of the need to deliver the project if the background was to change, and the projects should be

⁷ As set out in our [CSNP Decision](#), the Firm Delivery Pipeline within CSNP identifies a 12-year pipeline of projects for transmission network development – projects receive development funding to ensure they can achieve planning consent and are developed to a stage where they can apply for full project funding.

⁸ [Decision allowing National Grid Electricity System Operator Limited to delay publishing NOA and ETYS to 31 March 2024 | Ofgem](#)

developed to a sufficient level of design maturity. These requirements will be defined in the next NOA methodology. We consider that the analysis for these projects may need to be updated as part of the CSNP, if there are significant changes to the need, such as changes to the generation or demand backgrounds in the SSEP compared to previous assumptions, or changes to project design, costs or delivery dates as they are developed further. However, having a ready set of projects to potentially enter the delivery pipeline will greatly benefit the quality of the first CSNP.

NOA methodology submission delay

We agree that the NOA methodology should be updated based on lessons learned from the Beyond 2030 analysis. Ofgem will work together with the ESO and TOs to provide its views on improvements that can be made to the methodology on the level of maturity required for projects to receive funding for delivery, the economic analysis, the change control process, ESO's role in checking projects submitted to it by TOs for design, cost and delivery schedules, the form of the report such that it clearly demonstrates input assumptions, alternatives considered, trade-offs, risks, and the reasons for choices to give the Authority all the information required to fund the projects, and the governance framework.

These improvements will bring the NOA methodology closer to the desired CSNP approach, enabling the projects recommended in the next NOA to be considered for inclusion in the CSNP delivery pipeline. The additional time will also allow for the methodologies for the next NOA report and the CSNP, to be developed simultaneously.

We are satisfied that the delay in the submission of the NOA methodology by the requested 31 March 2025, does not have any significant negative impacts on users of the NOA report, stakeholders, and consumers.

NOA report publication delay

We agree that the ESO and TOs should undertake regional impact assessments on design changes to previously recommended and in-train projects, such as EGL3, EGL4, GWNC and LRN6 in the east coast, and PSNC, AC6 and WCD4 in the west coast, and carry out connection assessments for INTOG and Celtic Sea prior to the next NOA analysis. This will allow the ESO to update the FES with the outputs of these assessments where appropriate, for the next NOA analysis, and will allow us to make informed regulatory funding decisions. We agree that additional time is required to carry out these assessments.

We also agree that it will be beneficial to provide additional time to TOs to develop Beyond 2030 reinforcement options to a level of maturity that will ensure that more robust project design, costs and delivery estimates can be used in the next NOA analysis. This level of maturity is currently being considered and will be defined in the NOA methodology. This will enable Ofgem to expedite funding decisions to ensure that projects are delivered at pace to support the government's net zero ambitions. It will also ensure that projects are able to be considered for early competition⁹ and are in line with funding frameworks set out in our RIIO-3 Sector Specific Methodology Decision¹⁰.

We are satisfied that a delayed NOA report which meets the requirements set out above, will allow for a more robust planning process.

Overall, on balance, we are satisfied that any negative impact of the delay on industry, stakeholders and consumers is outweighed by the benefits of focusing on the Clean Power 2030 advice prior to the next NOA report, and the benefits from the assessments and further development of projects as set out above. We are also satisfied that this delay will not cause a hiatus in the continued development of those projects that are recommended

⁹ [Decision on Early Competition in onshore electricity transmission networks: policy update | Ofgem](#)

¹⁰ [RIIO-3 Sector Specific Methodology Decision – ET Annex \(ofgem.gov.uk\)](#)

to proceed in the Beyond 2030 publication, as we will soon consult on our approach for providing funding to Beyond 2030 projects.

The Authority's decision

Under SLC C27(5)(b), we direct the ESO to submit to the Authority the NOA methodology by 31 March 2025, instead of 1 August 2024, for approval by the Authority.

Under SLC C27(12)(b), we direct the ESO to publish an updated NOA report by 31 January 2026, instead of by 31 January 2025.

This updated report shall also include the 'NOA for Interconnectors' report, which must be based on the latest NOA Methodology approved by the Authority pursuant to SLC C27(7).

If you have any questions in relation to this letter, please contact Kelvin Hui (kelvin.hui@ofgem.gov) or Konark Anand (Konark.Anand@ofgem.gov.uk).

Yours sincerely,

Jack Presley Abbott

Deputy Director - Connections and System Planning

For and on behalf of the Gas and Electricity Markets Authority

Annex 1

For and on behalf of the Gas and Electricity Markets Authority

DIRECTION PURSUANT TO CONDITION C27(5)(b) OF NATIONAL GRID ELECTRICITY SYSTEM OPERATOR LIMITED'S ELECTRICITY TRANSMISSION LICENCE IN RELATION TO THE NETWORK OPTIONS ASSESSMENT PROCESS AND REPORTING REQUIREMENTS.

Whereas:

1. National Grid Electricity System Operator Limited ("NGESO") is the holder of an electricity transmission licence ("the Licence") granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ("the Act").

2. Standard Licence Condition ("SLC") C27(5) states:

"Following any consultation pursuant to paragraph 4 (develop proposals for the NOA methodology), the licensee must:

(a) by 1 October 2015, or at such other date as directed by the Authority, submit to the Authority a proposed NOA methodology and proposed form of the initial NOA report ("the initial NOA report"). The licensee must make reasonable endeavours to ensure the NOA methodology includes the information set out in paragraph 8. Where this has not been possible, the licensee must explain the reasons and how it proposes to progress outstanding issues; and

(b) by 1 August of each subsequent financial year, or at such other date as directed by the Authority submit to the Authority for approval the proposed NOA methodology and form of the NOA report.

3. SLC C27(5)(b) allows the Authority to direct NGESO to submit to the Authority a NOA methodology on a date other than 1 August.

4. In line with Standard Licence Condition ("SLC") C27(5)(b), following a request from NGESO, and for the reasons set out in the letter to which this Direction is attached, the Authority has decided to direct NGESO to submit to the Authority a NOA methodology by 31 March 2025 instead of 1 August 2024.

Therefore:

In accordance with SLC C27(5)(b), the Authority hereby directs NGESO to submit to the Authority an updated NOA methodology by 31 March 2025, instead of by 1 August 2024.

This Direction and the letter to which it is attached constitutes notice of the reasons for the decision pursuant to section 49A of the Act.

Jack Presley Abbott

Deputy Director Connections and System Planning

For and on behalf of the Gas and Electricity Markets Authority

30 July 2024

For and on behalf of the Gas and Electricity Markets Authority

DIRECTION PURSUANT TO CONDITION C27(12)(b) OF NATIONAL GRID ELECTRICITY SYSTEM OPERATOR LIMITED'S ELECTRICITY TRANSMISSION LICENCE IN RELATION TO THE NETWORK OPTIONS ASSESSMENT PROCESS AND REPORTING REQUIREMENTS.

Whereas:

1. National Grid Electricity System Operator Limited ("NGESO") is the holder of an electricity transmission licence ("the Licence") granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ("the Act").

2. Standard Licence Condition ("SLC") C27(12) states:

"Following publication of the initial NOA report the licensee must:

(a) review at least once in each financial year the NOA report prepared and published in the previous financial year and consider any improvements to better facilitate the development of an efficient, co-ordinated and economical system of electricity transmission; and

(b) publish an updated NOA report by 31 January or such other date as directed by the Authority in a form approved by the Authority. This must be based on and include the latest NOA methodology approved by the Authority pursuant to paragraph 7."

3. SLC C27(12)(b) allows the Authority to direct NGESO to publish an updated NOA report on a date other than 31 January.

4. In line with SLC C27(12)(b), following a request from NGESO, the Authority has decided to direct NGESO to publish an updated NOA report by 31 January 2026 instead of 31 January 2025.

Therefore:

In accordance with SLC C27(12)(b), the Authority hereby directs NGESO to publish an updated NOA report by 31 January 2026 instead of 31 January 2025. This must be based on and include the latest NOA methodology approved by the Authority pursuant to SLC C27(7). This updated report shall also include the "NOA for Interconnectors" report, which must be based on the latest NOA methodology approved by the Authority pursuant to SLC C27(7).

This Direction and the letter to which it is attached constitutes notice of the reasons for the decision pursuant to section 49A of the Act.

Jack Presley Abbott

Deputy Director Connections and System Planning
For and on behalf of the Gas and Electricity Markets Authority
30 July 2024