

Decision

Hackney Waltham Cross Upgrade Project (HWUP) - North London – Decision on Early Construction Funding and corresponding modification to Special Condition 3.41 of NGET’s electricity transmission licence

Publication date:	13 August 2024
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Following our consultation published in April,¹ this document confirms our decision on the Early Construction Funding (ECF) application for the Hackney Waltham Cross Upgrade Project (HWUP) - North London - electricity transmission project. This decision is taken in line with NGET’s electricity transmission licence (the Licence), Special Condition (SpC) 3.41 ‘Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIR_t)’.

This document outlines our consultation position, the responses to the consultation, our view of the responses and our final position. One response was received, however, the information in the response was commercially sensitive and thus will not be published. This decision document and corresponding Statutory Decision Notice of Modification published alongside it confirms our decision to proceed to modify the SpC and to adjust the ASTIA_t term and allowances referenced in Appendix 1 of SpC 3.41.

¹ [North London \(HWUP\) – Early Construction Funding and proposed modification to the special conditions of the electricity transmission licence | Ofgem](#)

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Executive summary

In April 2024 we consulted² on our minded to position to adjust allowances (ASTIA_t) set out in the ASTI Confidential Annex that is referenced in Appendix 1 of Special Condition (SpC) 3.41 ‘Accelerated Strategic Transmission Investment Re-opener and Price Control Deliverable term (ASTIR_t)’ Part C: Early Construction Funding (ECF). The consultation was carried out under National Grid Electricity Transmission plc (NGET) electricity transmission licence to reflect NGET’s ECF request for the North London (HWUP) electricity transmission project consists of (1) uprating 19.5km of overhead lines (OHL) between Hackney, Tottenham and Waltham Cross substation from existing 275kV to 400kV and (2) reconductoring of 29km route between Pelham-Rye house and Waltham Cross.

In our consultation we also included the statutory notice of our proposed modification to adjust the ASTIA_t term as referenced in Appendix 1 of SpC 3.41 to give effect to our minded to position.

Decision

This document confirms our decision to adjust the allowances set out in Appendix 1 (ASTIA_t) of SpC 3.41 ‘Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIA_t)’ in NGET’s electricity transmission licence to allow NGET’s ECF expenditure request. Following additional supporting evidence provided by NGET, we have updated the total allowance from 17% to 20.2%. The term will have the value given in the corresponding updated version of the ASTI Confidential Annex.

Next steps

In accordance with section 11A of the Electricity Act 1989, the license modification will take effect 56 days after the publication of the modification.

Based on our recent engagement with NGET, we expect an Accelerated Strategic Transmission Investment Project Assessment (ASTI PA) submission request in November 2024. We will undertake a full cost assessment, including ECF costs, at the ASTI PA stage and will review whether ECF expenditure was efficient.

² [North London \(HWUP\) – Early Construction Funding and proposed modification to the special conditions of the electricity transmission licence | Ofgem](#)

1. Context

- 1.1 This document confirms our minded-to position on NGET’s ECF request for the North London (HWUP) electricity transmission project. Chapter 2 summarises our consultation position, the responses we received and our views regarding those responses. The chapter also confirms our decision considering the consultation responses.
- 1.2 Chapter 3 sets out the next steps concerning the North London (HWUP) electricity transmission project.
- 1.3 Alongside this decision we are also publishing our Statutory Decision Notice of Modification to modify the SpC, to adjust the ASTIA_t term and allowances referenced in Appendix 1 of SpC 3.41 which will give effect to our decision. In accordance with section 11A of the Electricity Act 1989, the license modification will take effect 56 days after the publication of this decision to proceed with the making of modifications.

Related publications

- 1.4 Decision on accelerating onshore electricity transmission investment:
[Ofgem.gov.uk/publications/decision-accelerating-onshore-electricity-transmission-investment](https://www.ofgem.gov.uk/publications/decision-accelerating-onshore-electricity-transmission-investment)
- 1.5 Decision to modify the special licence conditions in the electricity transmission licences: Accelerated Strategic Transmission Investment:
[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)
- 1.6 Consultation on Early Construction Funding and proposed modification to the special conditions of the electricity transmission licence (Annex 1):
<https://www.ofgem.gov.uk/consultation/north-london-hwup-early-construction-funding-and-proposed-modification-special-conditions-electricity-transmission-licence>
- 1.7 Final Needs Case (FNC) consultation:
<https://www.ofgem.gov.uk/consultation/hackney-waltham-cross-upgrade-project-hwup-north-london-fnc-consultation>

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Consultation stages

Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Consultation open	Consultation closes (awaiting decision). Deadline for responses	Responses reviewed and published	Consultation decision/ Decision to modify the licence.	Modification decision comes into force - 56 days after the decision by virtue of S.11A(9)
23 April 2024	25 May 2024	July 2024	August 2024 ³	56 days after the decision (stage 4)

3

The publication of the decision was delayed due to the election period that was announced early June.

2. HWUP Early Construction Funding assessment

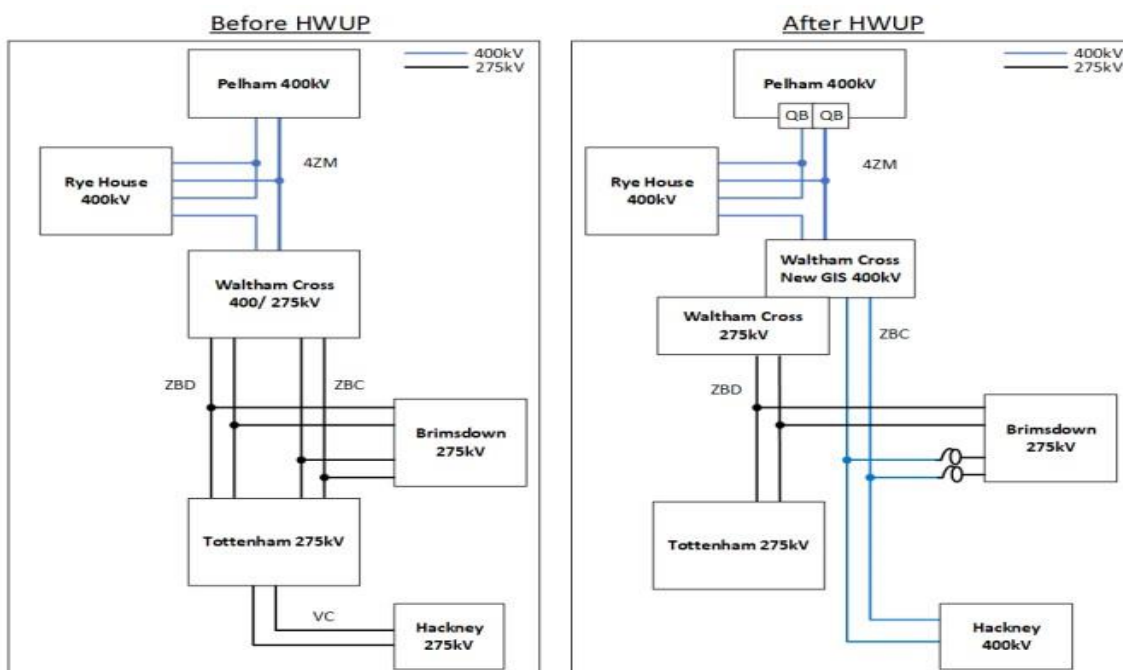
Section summary

This chapter summarises our April 2024 consultation position as well as the consultation responses and our decision following consideration of those responses.

Overview of HWUP

2.1 The North London project consists of (1) uprating 19.5km of overhead lines (OHL) between Hackney, Tottenham and Waltham Cross substation from existing 275kV to 400kV and (2) reconductoring of 29km route between Pelham-Rye house and Waltham Cross.

Figure 1: Project overview



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Table 1: Works description of eligible early construction activities⁴

Project	Summary
Early Enabling works	<p>Diversion work of UK Power Networks (UKPN) assets in Pelham, Brimsdown and Tottenham substations.</p> <p>Temporary Diversion of Vodaphone fibre to allow the project to reconductor/uprate and install Optical Ground Wire (OPGW).</p> <p>Vegetation needs to be cleared at Waltham Cross, Pelham and Brimsdown substations in preparation for the Main Works Contractor (MWC) to start work.</p> <p>Demolishing a building to the north of the substation to make space for the new cable sealing end compound at Tottenham substation.</p> <p>Post-Development Consent Order (DCO) detailed design for the OHL and Substations and non SF6 Gas Insulated Substation (GIS) equipment.</p> <p>Discharge of DCO Requirements</p>
Early procurement commitments	<p>Procurement of four Super Grid Transformers (SGTs) for installation at Hackney and Brimsdown substations. The first SGTs are needed in April 2026 for installation during the 2026 outage.</p> <p>Procurement of two Quad Boosters (QBs) for installation at Pelham substation by the end of 2026 for installation in the 2027 outage.</p> <p>Procurement of non SF6-GIS equipment for Waltham Cross, Hackney, and Pelham substations for installation in the 2026 and 2027 outages.</p> <p>Procurement of overhead line conductor and fittings which are needed for installation in the 2026 outage window.</p>

2.2 The project progressed through Ofgem’s Large Onshore Transmission Investment (LOTI) re-opener mechanism under SpC 3.13. A Final Needs Case (FNC) was submitted in November 2022 and following consultation⁵ Ofgem published its decision⁶ in March 2023 and approved the need case.

2.3 As part of the original FNC submission NGET also submitted a Pre-Construction Funding (PCF) request, following our decision to allow this submission.⁷ However, the PCF request was withdrawn as the project was subsequently included in the ASTI programme as a project that is essential to facilitate the Government’s net

⁴ [Accelerated Strategic Transmission Investment Guidance And Submission Requirements Document \(ofgem.gov.uk\) §4.4](#)

⁵ [Hackney Waltham Cross Upgrade Project \(HWUP\) - North London FNC consultation | Ofgem](#)

⁶ [Hackney Waltham Cross Upgrade Project \(HWUP\) - North London FNC Decision | Ofgem](#)

⁷ [Direction to allow submission of Pre Construction Funding Request for Hackney Waltham Cross Upgrade \(HWUP\) North London reinforcement LOTI project | Ofgem](#)

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zero targets. The ASTI mechanism allows TOs to access PCF funding without applying for it on a project-by-project basis⁸ and hence there was no need to review the progress with the PCF request.

Consultation position

2.4 We considered NGET’s ECF request for an allowance of 20% of the total forecast project cost. Our analysis of this request identified that while all assigned costs (17%) were eligible an unassigned portion (3%) of the cost required further information to be considered for approval.

2.5 Our minded to position was to allow the allocated cost amount that was requested at 17% as it did not exceed the stated 20% threshold of total forecasted project cost as set by SpC 3.41.8.

2.6 Our view was that allowing 17% is striking the appropriate balance between assisting acceleration and protecting consumers from potentially excessive cost exposure from unassessed elements.

2.7 We required further information on the allocation of the remainder of the requested funding (3%).

2.8 The remainder of this chapter summarises NGET’s response and the additional information it provided, our views, and our decision to provide ECF for the HWUP project.

Consultation responses

2.9 We received one response to the consultation. NGET’s response incorporated an updated assessment of the previously unallocated costs as requested by Ofgem.

2.10 NGET also identified an error in their original ECF submission, bringing the original allocated ECF Percentage to 18.1%. This represented an administrative spreadsheet calculation error in the original ECF allocated costs table which has been verified by Ofgem.

⁸ See section 3.7 onwards in the ASTI guidance document: [Decision to modify the special licence conditions in the electricity transmission licences: Accelerated Strategic Transmission Investment | Ofgem](#)

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- 2.11 NGET’s response provided allocations for the previously unallocated portion of the request and supplied updated costs.
- 2.12 The updates and additions bring the ECF Percentage to 20.2% of the HWUP ASTI estimate, which exceeds the stated threshold of total forecasted project cost as set by SpC 3.41.8.

Our views of NGET’s response

- 2.13 We welcome NGET providing further information on previously unallocated ECF costs as requested and providing a breakdown of updated costs.
- 2.14 We have reviewed a calculation error found in the approved allocations table, compared to the original submitted data and acknowledge the administrative correction to the updated figures which brings the original allocated items to 18.1%.
- 2.15 We note that the stated ECF Percentage now marginally exceeds 20% of total project costs by 0.2%.
- 2.16 The updated cost allocations incorporate a tendered value (estimate) for non-SF6 GIS (a cost required for the contract award payment to place the order for the GIS, design the GIS and place orders for the steel frame) and GIS Steel Frame (an item requested by the contractor to de-risk the programme). Also included is a tendered value for OHL conductor and insulators and OHL early design works, to allow detailed design to commence ahead of main works outages starting in 2025. We therefore consider that the updated cost allocations continue to incorporate approved activities, remaining within the eligible early construction activities, and that it is in the consumer interest to accelerate delivery by providing the requested ECF funding allocations take place ahead of our cost assessment as part of the PA process.
- 2.17 Our ASTI Decision⁹ stated that we would consider allowing ECF in excess of 20% in exceptional circumstances. Under these exceptional circumstances the expenditure must be justified and necessary in order to accelerate project delivery, or where not investing will increase the risk of project delay, and where we are satisfied the consumer benefit of providing additional allowances at this

⁹ [Decision on accelerating onshore electricity transmission investment | Ofgem](#)

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stage outweighs the increased risk to consumers should the project not ultimately secure planning permission.

- 2.18 We are of the view that an additional 0.2% is not material and hence the risk on consumers does not materially change.
- 2.19 We will undertake a full cost assessment, including early construction costs, at the ASTI PA stage. As part of the ASTI PA, we will form a view on whether the cost incurred at ECF stage was efficient, and we will consult on our view before setting the final allowance for the project. Stakeholders will have the opportunity, as part of the consultation, to provide their views on the cost assessment.

Our decision

- 2.20 After careful consideration of the response and the updated cost allocations submitted by NGET, we approve NGET’s updated ECF request of 20.2%, further to the provision of the detail requested. We find that this accords with our advice that an updated assessment may bring forward qualifying activities planned for 25/26, where this will help accelerate and de-risk the programme of works.
- 2.21 We note NGET’s full ECF request of 20.2% of total forecast project cost marginally exceeds the cap of 20% listed in the ASTI Confidential Annex, as permitted under SpC 3.41. However, we consider that on this occasion the marginal excess in early spend of 0.2% of project costs is justified and necessary in order to ensure accelerated project delivery in the interests of consumers, in line with the grounds for discretion set out in the Accelerated Strategic Transmission Investment Guidance And Submission Requirements Document, paragraph 4.8, and in doing so will de-risk the programme of works.

3. Next steps

Section summary

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

- 3.1 We are publishing alongside this decision the amendments to SpC 3.41 in accordance with section 11A of the Electricity Act 1989.
- 3.2 **Please note that other proposals that might affect SpC 3.41 currently being consulted on are not reflected in the drafting.**
- 3.3 The modifications to SpC 3.41 and the ASTI Confidential Annex will take effect on 8 October 2024, 56 days after this decision and modification is made.
- 3.4 Based on our recent engagement with NGET, we expect an ASTI PA submission request in November 2024. We will undertake a full cost assessment, including ECF costs, at the ASTI PA stage and will review whether ECF expenditure was efficient.