

Decision

North-West Wales – Decision on Early Construction Funding and Modification to special conditions of the electricity transmission licence

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Following our consultation in February,¹ this document confirms our decision on the Early Construction Funding (ECF) for the North-West Wales (NWW) 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. Non-confidential responses are published alongside this decision. 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 West Wales \(PTC1 and PTNO\) – Early Construction Funding and proposed modification to the special conditions of the electricity transmission licence | Ofgem](#)

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Executive summary

In February 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-West Wales (NWW) electricity transmission project which consists of Pentir to Trawsfynydd cable replacement (Network Options Assessment (NOA) code: PTC1) and a second transmission circuit on the existing Pentir to Trawsfynydd route (NOA code: PTNO).

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. 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 towards the end of 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 West Wales \(PTC1 and PTNO\) – 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 NWW project which consists of Pentir to Trawsfynydd cable replacement (NOA code: PTC1) and a second transmission circuit on the existing Pentir to Trawsfynydd route (NOA code: PTNO). 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 NWW project.
- 1.3 Alongside this decision we are also publishing the amendments to 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 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)
- 1.7 Decision on Pre-Construction Funding for the NWW project:
[Ofgem.gov.uk/publications/decision-pre-construction-funding-application-north-west-wales-project-accordance-special-condition-315](https://www.ofgem.gov.uk/publications/decision-pre-construction-funding-application-north-west-wales-project-accordance-special-condition-315)

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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) |
| 12/02/2024 | 11/03/2024 | March 2024 | March-May 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. NWW Early Construction Funding assessment

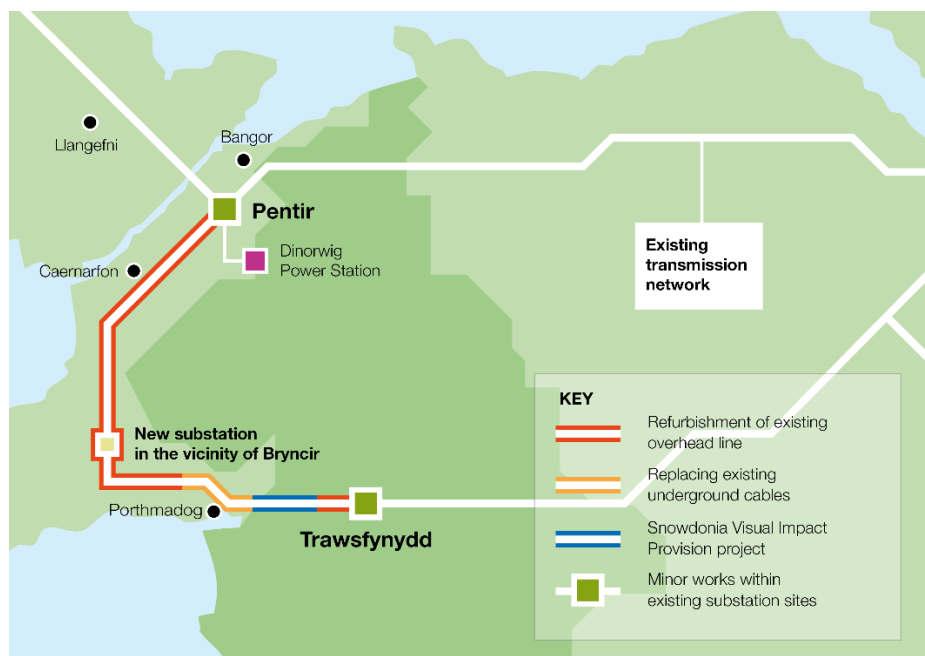
Section summary

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

Overview of NWW

2.1 The NWW reinforcement works includes PTC1 and PTNO which are projects that will enable the connection of key generation in the northwest as identified in the Electricity System Operator’s (ESO) Network Options Assessment (NOA)⁴ and the Holistic Network Design (HND) reports.⁵ These projects are noted as essential and form part of the wider network transmission upgrades required within the northwest region to enable a combined total of 5.48 GW of offshore generation to connect. Specifically, these projects will enable the connection of the new 700MW Awel Y Mor Offshore Wind Farm. The latter is an extension to the existing Gwynt Y mor windfarm.

Figure 1: Project overview



⁴ [Network Option Assessment \(NOA\) | National Grid ESO](#)

⁵ [The Pathway to 2030 Holistic Network Design | National Grid ESO](#)

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Table 1: Works description of eligible PTC1 and PTNO early construction activities⁶

| | Work description |
|---------------|--|
| PTC1 and PTNO | <ul style="list-style-type: none"> 4ZC PENT-TRAW “Glaslyn cables” – Uprate existing NGET 400kV cables and replace Scottish Power Energy Networks (SPEN) 132kV cables with a second 400kV cable circuit (6km), including interactions with the Snowdonia Visual Impact Provision project⁷ |
| PTNO | <ul style="list-style-type: none"> 4ZC PENT-TRAW: Replacement of existing OHL currently occupied by SPEN Bryncir substation: A new Grid Supply Point (GSP) provided for SPEN – facilitates the adoption of their 132kV Overhead Line (OHL) (strung on same towers as NGET’s existing 400kV OHL) Pentir substation: uprating existing cross site cables Trawsfynydd substation: uprating existing cross site cables and installation of a new shunt reactor |
| PTC1 | <ul style="list-style-type: none"> Pentir to Trawsfynydd cable replacement - required by 2029 |

2.2 The project progressed through Ofgem’s Large Onshore Transmission Investment (LOTI) re-opener mechanism under SpC 3.13. Ofgem published a direction in September 2022⁸ that allowed NGET to submit a Pre-Construction Funding (PCF) request under SpC 3.15 prior to submitting an Initial Needs Case (INC) under LOTI. The PCF request was subsequently submitted to Ofgem, and following a consultation,⁹ Ofgem published its decision¹⁰ in March 2023 to allow £11.08mn (in 2018/19 price base) in accordance with SpC 3.15.

2.3 In 2022 the ESO’s NOA refresh, which now fully integrates the HND, confirmed that delivering the PTC1 and PTNO projects (which form the NWW project) are essential to achieving the Government’s net zero ambitions. The NWW project will

⁶ [Decision to modify the special licence conditions in the electricity transmission licences: Accelerated Strategic Transmission Investment | Ofgem](#), Accelerated Strategic Transmission Investment Guidance And Submission Requirements Document, paragraph 4.4

⁷ Snowdonia project which NWW interacts with, was submitted to Ofgem in March 2021 as a new Enhancing Pre-existing Infrastructure (EPI) project and was granted funding in May 2023: [Decision on National Grid Electricity Transmission's Enhancing Pre-existing Infrastructure project in the Snowdonia National Park | Ofgem](#)

⁸ [Direction - North West Wales Pre-Construction Funding Request | Ofgem](#)

⁹ [Consultation on the Pre-Construction Funding application for the North-West Wales Project \(NWWP\) in accordance with License Condition 3.15 | Ofgem](#)

¹⁰ [Decision on the Pre-Construction Funding application for the North-West Wales Project in accordance with Special Condition 3.15 | Ofgem](#)

therefore no longer be considered under the LOTI framework and is instead being considered under the new ASTI framework.¹¹

Consultation position

- 2.4 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 agreed that ECF funding will help safeguard the overall earliest in-service date (EISD) for the project and will reduce the risk of incurring constraint costs for the consumer.
- 2.5 Our minded to position was to allow the full amount that was requested as it has not exceeded the stated threshold of 20% of total forecasted project cost as set by SpC 3.41.8 and therefore strikes the appropriate balance between assisting acceleration and protecting consumers from potentially excessive cost exposure in the unlikely event that the project does not progress.
- 2.6 The total ECF request was 6% of the total forecast project cost listed in the ASTI Confidential Annex.
- 2.7 The remainder of this chapter sets out stakeholder responses, our views on them, and our decision to provide ECF for the NWW project.

Consultation responses

- 2.8 Three stakeholders responded to our ECF consultation: One from Scottish Power Transmission (SPT) Ltd, one from partner companies Energie Baden-Württemberg (EnBW) and British Petroleum (BP) - partners in UK offshore wind, and one from a member of the public.
- 2.9 Two responses were non-confidential, and we have published those consultation responses alongside this decision
- 2.10 UK offshore wind partners EnBW and BP were supportive of our position, adding that both PTNO and PTC1 are highlighted as non-attributable work for Mona offshore windfarm enabling work.

¹¹ [Decision on accelerating onshore electricity transmission investment | Ofgem](#) (NWW NOA code: OPN2) and [Decision to modify the special licence conditions in the electricity transmission licences: Accelerated Strategic Transmission Investment | Ofgem](#), ASTI licence modifications (Special conditions 3.40, 3.41, and 4.9)

- 2.11 SPT supported our consultation position and flagged its importance in supporting the delivery of Net Zero.
- 2.12 A member of the public flagged the challenges in assessing the information without having actual cost data included in the consultation.
- 2.13 The respondent also pointed out the need to ensure that the new design is “future proof” to ensure no additional changes will be needed in the near future.
- 2.14 The respondent also asked for a detailed explanation on why the design had changed and what the cost of this change was. Specifically, the respondent queried why consumers should be billed for changes in design.

Our views of the responses

- 2.15 We welcome EnBW’s and SPT’s support to our consultation position.
- 2.16 We recognise that there is a challenge in assessing information without having access to data such as costs. However, as flagged in our consultation (Executive summary - page 4), at this stage we have only taken a high-level assessment of the proposed early construction activities to determine whether the costs are reasonable, within the stated threshold of 20% of total forecast project cost and are in line with purpose of the mechanism. We did not undertake a detailed cost assessment as part of the consultation.
- 2.17 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.
- 2.18 We agree that design of any major infrastructure project should consider a range of potential future scenarios. When making design choices the risks of higher “upfront” costs to cover a range of scenarios is balanced against the risk of changing the design at a later stage of development, which may result in delay to delivery and/or higher costs to consumers. There is also a risk that due to time passed and early design choices (e.g. – purchase of land), only a few changes can realistically be made to accommodate certain scenarios.
- 2.19 Considering a range of future scenarios is not only important from an economic aspect, but also from the aspect of disruption to the environment and

communities. When assessing projects, we support designs that ensure the work will be carried out once and avoid revisiting the asset in the near future for additional work. Although this is not always possible, it forms part of our qualitative assessment.

- 2.20 This holistic approach was taken when assessing the Snowdonia Enhancing Pre-existing Infrastructure (EPI) project. When the project was designed, it was already clear that changes in the generation connections in the local and wider area will result in the need for the PTNO & PTC1 projects.
- 2.21 Whilst the number of new connections and capacity required by these connections was not known at the time of tendering the EPI project, it was seen as likely that enough new connections would emerge to require higher ratings than those that were required at the time of design.
- 2.22 NGET recommended that the most cost-efficient option for consumers was for cables capable of the higher ratings to be installed within the EPI tunnel, but the auxiliary systems (e.g. ventilation, protection and control etc) to be configured to cater for only the required ratings and contracted generation that was known at the time.
- 2.23 Ofgem’s satisfaction with this approach was communicated in our May 2022 consultation for the Snowdonia VIP project¹² and confirmed in our respective May 2023 decision.¹³ This approach ensured that the most significant items of scope (i.e. tunnel and cables) could be installed and used for their full design life, and as stated in our consultation, “*the cables within them will not become a limiting factor of the Pentir – Trawsfynydd circuit*”.
- 2.24 It is worth mentioning that supplementary costs are required to fund the additional works to accommodate the changes in the amount of generation and locations that the generators choose to connect into which have been confirmed

¹² [Consultation on National Grid Electricity Transmission's Enhancing Pre-existing Infrastructure project in the Snowdonia National Park | Ofgem](#), chapter 4.

¹³ [Decision on National Grid Electricity Transmission's Enhancing Pre-existing Infrastructure project in the Snowdonia National Park | Ofgem](#) and [Consultation | Ofgem](#)

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in July 2022, 15 months after the Snowdonia project was submitted to Ofgem for review.¹⁴¹⁵

- 2.25 The alternative would be to spend money at an earlier stage and risk overspending if the levels of generation connection did not materialise. We find funding the additional work represents the optimal balance of risk and do not consider the additional costs to be due to the change alone, but rather due to the need for certain solutions which have now been confirmed.
- 2.26 At the ASTI PA stage we may review the contractual arrangements for the auxiliary systems in Snowdonia to determine whether the licensee managed future contract changes in a way that protects consumers from extensive costs due to variation orders in the contract.
- 2.27 In terms of future proofing, we are currently engaging with NGET on the detailed design of the remainder of the project to ensure it will consider any future changes to generation and demand.

Our decision

- 2.28 After careful consideration of the responses, we are maintaining our consultation position to approve NGET's full ECF request of 6% of total forecast project cost listed in the ASTI Confidential Annex, as permitted under SpC 3.41.

¹⁴ Both PTNO and PTC1 received "delay" and "hold" signal respectively in the NOA 20/21 recommendation: [download \(nationalgrideso.com\)](https://nationalgrideso.com)

¹⁵ The need for the projects was only confirmed in the NOA 2021/2022 Refresh: [download \(nationalgrideso.com\)](https://nationalgrideso.com) – see table 3.10: "HND essential options for Wales and South West", page 36

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 the 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 towards the end of 2024. We will undertake a full cost assessment, including ECF costs, at the ASTI PA stage and will review whether ECF expenditure was efficient.