

National Grid response to Ofgem's consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects

30 August 2024

This response to Ofgem's "*Consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects*" dated 1 August 2024 (the "consultation")¹ is from National Grid plc (NG), on behalf of our transmission business, National Grid Electricity Transmission plc (NGET).

Executive Summary

The second transitional Centralised Strategic Network Plan, published by the ESO in March 2024 ("tCSNP2")², represents a positive step towards a more coordinated and holistic approach to planning the onshore and offshore electricity transmission network. Developing and delivering these schemes at pace will be critical to maintaining the necessary momentum on the energy transition and unlocking the desired benefits for consumers and wider society. The new Government's target for a decarbonised electricity system by 2030 (also referred to as 'Clean Power Plan 2030' ("CPP2030")), rather than 2035, and formal commissioning of the ESO to advise on how CPP2030 is achieved, has further emphasised the focus on timely delivery of relevant investments.

We therefore welcome the consultation and support the overarching objectives and design principles set out within. We also appreciate Ofgem's collaborative engagement on the development of the proposals in the lead up to the consultation and we look forward to continuing to support with the final design of the tCSNP2 framework.

This Executive Summary sets out our key messages in response to the consultation. Our full responses to the questions raised in the consultation are set out in the Appendix to this document.

The importance of enabling delivery at pace

The continued scale and pace of network investment required to advance the energy transition is evident. The 'Beyond 2030' report signalled a further wave of investments for new and upgraded network against a clear set of system needs, adding to those already being progressed under the ASTI framework. These tCSNP2 schemes will support the foundations of a decarbonised electricity system, enabling the connection of additional offshore wind and renewable generation, which will in turn deliver cheaper, greener electricity to consumers. Any delay to the delivery of these schemes would fail to meet the system needs, reduce the intended benefits, and could lead to significant constraint costs flowing through to consumers.

Enabling the necessary delivery at pace requires an approach underpinned by (i) timely and appropriate funding to support tCSNP2 projects (and any other projects that are critical to meeting the Government's policy ambitions) (ii) a flexible regulatory framework with timely decision making, and (iii) clear governance and accountabilities:

(i) Timely and appropriate funding

We recognise that NGET needs to develop the tCSNP2 schemes³ robustly, but at pace, to ensure the schemes remain on track for delivery against relevant targets. This process is already underway, and we are taking active steps to ensure we have the necessary capacity and capability in place to develop all of the schemes to the end of ESO Level 2 maturity (strategic optioneering) in line with the required timelines. The scale of investment and development activity represents a significant increase in comparison to historic trends and requires a material uplift in capacity, resources, tooling, including the use of digital tools, platforms and new technologies across our business. This includes leveraging broader recommendations from the Electricity Network Commissioner's report (Winser Report)⁴ and the Transmission

¹ [Consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/consultation/consultation-on-the-proposed-regulatory-funding-and-approval-framework-for-onshore-transitional-centralised-strategic-network-plan-2-projects)

² <https://www.nationalgrideso.com/future-energy/beyond-2030>

³ [For the purposes of the consultation, this covers 31 of the 35 NGET tCSNP2 options that received an investment signal in the tCSNP2, plus AC9 (E2a to Richborough) identified by the ESO and allocated to NGET and SHET to develop. The remaining four of the 35 signalled schemes are provisional ASTI or deemed incorporated with existing ASTI schemes and do not form part of the tCSNP2 framework proposals.]

⁴ <https://www.gov.uk/government/publications/accelerating-electricity-transmission-network-deployment-electricity-network-commissioners-recommendations>

Acceleration Action Plan (TAAP)⁵, such as automated routing software and supporting the development of the Electricity Transmission Design Principles (ETDP) and will all ensure we are embedding enduring capabilities within our business. We look forward to working with Ofgem to ensure we do so, but it is also important that appropriate funding is available to support this important development activity.

The confirmation of the ‘use-it-or-lose-it’ (UIOLI) initial development funding (IDF) and intention to “allow TOs to access sufficient regulatory funding to meet their expenditure requirements when it is needed and in line with their delivery plans” is therefore welcome. The IDF enables us to commit the necessary resources with clarity over the funding available. However, the consultation only proposes IDF is made available to schemes that are forecast to cost more than £100m, leaving 18 schemes without upfront development funding. This leaves a funding gap for the development of these schemes, which can still require a significant level of development activity, as the level and complexity of development required does not always correspond to the size of capex spend. For example, to confirm a hotwiring scheme is the appropriate solution to meet the system need would require system outages and samples to be taken from the overhead line to carry out grease drip tests, which adds to the time and resources required.

The consumer benefit from ensuring TOs have access to funding to progress projects at pace applies to all tCSNP2 projects regardless of the estimated project costs. These have all been identified by the ESO as having important benefits which will reduce system costs for consumers. Indeed, the consumer benefit would apply equally to any projects identified by the ESO through the CPP2030 process. We do not agree with the application of an arbitrary project-cost based on historic thresholds to access IDF. It would be detrimental to consumers in terms of limiting the pace at which TOs can develop projects, given the overall volume of development work required in the coming years to decarbonise the electricity system.

We therefore ask that the upfront certainty of the IDF is provided across the full portfolio of tCSNP2 options (and subsequently, if necessary, for any projects identified out of the CPP2030 process), not just those forecast to be more than £100m. This will ensure we have full visibility of, and consistency in, the funding available to develop the portfolio to the end of ESO Level 2 maturity (strategic optioneering) at the pace needed, while the UIOLI basis of the IDF removes any risk to consumers of overfunding these development activities. We consider this would generate benefit for consumers by treating all projects which will support the Government’s decarbonisation ambitions equally by providing the required funding for them to be developed at pace. It would also reflect the current policy context of needing to develop and expand the electricity system at an unprecedented scale and pace.

(ii) A flexible regulatory framework with timely decision-making

As recommended in the Winsor Report and the TAAP, and emphasised in the consultation’s design principles, regulatory decisions need to be removed from the critical path of the end-to-end process for project delivery. However, if implemented as currently described, the consultation proposals would lead to significant delays while decisions are taken. For example:

- the Development track proposals would require us to have developed the schemes to the end of ESO Level 2 maturity by June 2025 to be included in the tCSNP2 Refresh assessment, but the output from that assessment will not come until January 2026, creating a 7-month hiatus as a result of putting regulatory approvals back onto the critical path for project delivery.
- the June 2025 deadline will also fall either too early or too late for specific projects. CMN3 and FSU1 are already close to the end of strategic optioneering and will need to receive PCF shortly in order to maintain progress. Waiting to submit these schemes into the tCSNP2 Refresh in June 2025, and for a decision in January 2026, would lead to c.12+ months of delay. This runs counter to the principle of delivering at pace, because no meaningful progress can be made on those schemes until the outcome of the assessment is known.
- other complex schemes, such as R-Link, are unlikely to reach the required level of maturity until the end of 2025 and would therefore miss the proposed cut-off for the tCSNP2 Refresh assessment.

In the interests of delivering at pace there should be the presumption that the TOs develop the projects to the end of ESO Level 2 maturity (unless otherwise told to stop) ready for appropriate governance, and receive the appropriate regulatory funding to support this. We welcome the positive engagement with Ofgem in the lead up to the consultation and alignment on the need to develop the schemes to the end of ESO Level 2 maturity (strategic optioneering), to then go through appropriate governance and receive sign-off and funding to move into the next stage of delivery.

⁵ <https://www.gov.uk/government/publications/electricity-networks-transmission-acceleration-action-plan>

The proposals as they stand create artificial deadlines against which these development activities need to take place, such as the January 2025 window for schemes in the ‘Small/Medium delivery track’ to submit their MSIP re-opener, or the June 2025 deadline for schemes in the ‘Development track’ to be included in the tCSNP2 Refresh. It is important that sufficient time and opportunity is given for schemes to be developed to the requisite level of maturity, with greater focus on deliverability and operability, whilst also keeping them on target against expected delivery dates. **We therefore ask that a more flexible route to move schemes from development into delivery is put in place, supported by timely decisions with clear governance, to ensure progress can be achieved at the required pace.**

The need to remove regulatory approval from the critical path and provide funding to TOs to develop projects at pace is not unique to tCSNP2 projects. If the energy sector is going to be able to support the Government’s decarbonisation ambitions, the above principles need to apply to all investments the TOs are involved in planning, developing and delivering. **We would like to discuss how to achieve this in the T3 regulatory framework through the inclusion of equivalent approaches that enable TOs to invest in planning and developing projects to the appropriate levels of maturity, engage the supply chain and move to delivery at pace.**

We also note the government has now formally commissioned the ESO to provide “practical advice on achieving clean power by 2030 for Great Britain.”⁶ This further highlights the need for a flexible regulatory framework that enables the tCSNP2 projects and other schemes required to meet the target of a decarbonised electricity system by 2030 to move at pace.

(iii) Clear governance and accountabilities

While regulatory decisions need to be removed from the critical path, this cannot lead to ambiguity over, or an absence of appropriate governance, which is necessary to protect consumers and provide certainty for all parties involved in the transformation of the electricity system.

There needs to be greater clarity on the respective roles and responsibilities of Ofgem and the ESO in approving the need for the network investment and the preferred strategic option that comes out of the strategic optioneering. It is unclear from the proposals in the consultation where this responsibility sits, and if it differs depending on the size of the scheme and the regulatory framework applied.

For example, it is unclear if schemes progressed through the Small/Medium delivery track would also be subject to further re-assessment as part of the tCSNP2 Refresh, or if they would fall outside of the scope of that assessment. For the Development track, though Ofgem is seemingly deferring to the outcome of the tCSNP2 Refresh to determine the need for the investment, an accompanying report also needs to be submitted to Ofgem with evidence to demonstrate the maturity status of the scheme. This blurs the line between which body is ultimately approving the investment need and would create further delays and uncertainty.

We ask that a clear governance framework is put in place to ensure investment and regulatory decisions can be taken by the appropriate body in a timely way and ensure that Ofgem and the ESO can be resourced accordingly to meet these requirements. Ofgem should work together with the ESO, DESNZ and the TOs to develop this governance framework, with clarity on accountabilities and timeframes against which decisions will be made to avoid any ambiguity or delays. This principle of having clear and efficient governance to confirm investment needs, in particular *before* the full scope/design choice is locked down, is needed for all projects required to deliver the CPP2030 and not just tCSNP2 projects, if we are to minimise the risks to accelerating decarbonisation of the electricity system.

Managing Uncertainty

Successful delivery of the energy transition will also require the industry to navigate the inherent uncertainty in the pathway to net zero, whilst maintaining progress on low regret investments and taking necessary decisions in a timely manner to avoid delays and consequential impacts on consumers. The regulatory funding framework should support this challenge and recognise that investment decisions will need to be taken on the basis of the information available at the relevant point in time, without schemes needing to be developed to a point of perfection, in order to maintain the required pace of delivery.

It is therefore important for the framework to recognise that **decisions will need to be taken based on the information available at the relevant point in time, in order to maintain the required pace of delivery.** In this vein, the impacts of the CPP2030 target on the tCSNP2 portfolio will need to be assessed quickly so that any necessary changes can be reflected promptly as these schemes are developed. The outputs of the CPP2030 are

⁶ <https://assets.publishing.service.gov.uk/media/66cda5c1e39a8536eac0532e/sos-chris-stark-letter-clean-power-2030.pdf>

currently unclear. Therefore, once the ESO has completed its assessment of the CPP2030 target and published its view of the energy mix required and updated transmission network plan to support it in October 2024, **we ask that the ESO conduct a rapid re-assessment of need for tCSNP2 schemes and any other impacts based on the CPP2030 output and latest generation backgrounds**. This will ensure that the output of the CPP2030 is overlayed on the tCSNP2 portfolio, re-validating their need or confirming any change in scope (new dates, design requirements, etc.).

Early Competition pilot

We support early competition where it delivers benefits for consumers and agree with the intended approach to select a competition pilot project to test the process and apply lessons learned. However, **we would welcome further clarity on how the proposals for the regulatory framework in the consultation align with the principles of early competition and the timing of the CPP2030 publication and tCSNP2 Refresh**.

Appendix
Responses to the question raised in the consultation

Q1. Do you agree with our assessment of the tCSNP2 and the risks that we have identified?

We agree with Ofgem's assessment that the tCSNP2 differs from tCSNP1 due to the number of projects at a low level of maturity. The schemes we submitted into tCSNP2 were, in the main, less developed and less mature than those considered in tCSNP1, which is reflected in the maturity ratings assigned to the schemes in the tCSNP2. However, while the schemes themselves are less mature, the system need that the schemes are intended to meet is more certain. The tCSNP2 schemes will support the foundations of a decarbonised electricity system, enabling the connection of additional offshore wind and renewable generation, which will in turn deliver cheaper, greener electricity to consumers. Any delay to the delivery of these schemes would fail to meet the system needs, reduce the intended benefits, and could lead to significant constraint costs flowing through to consumers. It is therefore important that we are able to develop the schemes to the greater level of maturity required, at pace, so that there is confidence in the strategic option taken forward to delivery and progress is maintained in the timeframes required.

As noted further in our response to question 2 below, in order to maintain progress, it is important that the tCSNP2 framework is flexible and allows schemes to move forward to delivery when they are ready. We therefore have concerns with Ofgem's decision that "*once the TOs have undertaken this further development and design work on recommended tCSNP2 upgrades, the more mature options for delivering those upgrades should be reassessed by the ESO as part of the next NOA update, and it should produce a refreshed tCSNP2 (the tCSNP2 Refresh) as part of this by 31 January 2026*". This singular approach to re-assessing the need, and proposed timeframes, could lead to material delays to the progress of certain schemes.

We therefore welcome Ofgem's intention to "*allow TOs to access sufficient regulatory funding to meet their expenditure requirements when it is needed and in line with their delivery plans*" - it will be important to ensure that the final design of the framework reflects this principle.

We recognise that there is inherent uncertainty in the pathway to net zero and that developments identified in section 3 of the consultation (such as FES'24, the Clean Power Plan 2030 (CPP2030), REMA, etc.) will all influence the shape of the energy transition. The industry will need to navigate these developments while maintaining progress on investments where the system need is clear. This will require decisions to be taken in a timely manner based on the best available information at the time to avoid delays and consequential impacts on consumers and wider society. The regulatory funding framework should support this and ensure that the required decisions are taken for schemes to progress at the appropriate time, without needing to be developed to a point of perfection.

It is therefore important for the framework to recognise that **decisions will need to be taken based on the information available at the relevant point in time, in order to maintain the required pace of delivery.**

In this vein, the impacts of the CPP2030 target on the tCSNP2 portfolio will need to be assessed quickly so that any necessary changes can be reflected promptly as these schemes are developed. It is currently unclear what will be delivered by the CPP2030. Therefore, once the ESO has completed its assessment of the CPP2030 target in October 2024 and published its view of the energy mix required and updated transmission network plan to support it, **we ask that the ESO conduct a rapid re-assessment of need for tCSNP2 schemes, and any other impacts based on the CPP2030 output and latest generation backgrounds.** This will ensure that the output of the CPP2030 is overlaid on the tCSNP2 portfolio, re-validating their need or confirming any change in scope (new dates, design requirements, etc.).

Q2. Do you agree with our proposals for the "Development track"?

We welcome the proposal for a Development track. The confirmation of the 'use-it-or-lose-it' (UIOLI) initial development funding (IDF) in line with the intention to "*allow TOs to access sufficient regulatory funding to meet their expenditure requirements when it is needed and in line with their delivery plans*" will provide upfront clarity over the funding available and enable us to commit the necessary resources to develop the schemes at pace for the benefit of consumers. This supports the presumption that the TOs develop the projects to the end of ESO Level 2 maturity (unless otherwise told to stop) ready for appropriate governance and receive the appropriate regulatory funding to support this. Whilst we welcome this element of the Development track, the proposal set out in the consultation presents practical challenges and could drive inadvertent delays, as noted below.

Timing for development of the schemes in the Development track

The proposals in the consultation take the January 2026 tCSNP2 Refresh recommendations as the key determinant of readiness for a scheme to be eligible for further funding and then move from the Development track into the Delivery track.

This requires a scheme to have reached the end of ESO maturity rating Level 2 (i.e. the end of Strategic Optioneering) by June 2025, with a Price Control Deliverable (PCD) applying to this target. The TOs will not then receive clarity on whether the scheme will continue to be recommended by the ESO and eligible for the Delivery track and further funding until at least the tCSNP2 Refresh is published in January 2026, a period of c.7 months. This is not conducive to meeting the recommendations in the Winser Report and the TAAP, which were also emphasised in the consultation's design principles (paragraph 4.7 of the consultation), that regulatory decisions need to be removed from the critical path of the end-to-end process for project delivery.

For some of the more urgent schemes allocated to the NGET Development track (e.g. FSU1 and CMN3 which are already close to the end of strategic optioneering and will need to receive PCF shortly in order to maintain progress), the resulting gap between the scheme reaching the end of ESO L2 maturity, and the publication of the tCSNP2 Refresh in January 2026, will likely result in delays to planned delivery timelines as pre-construction activities will not be able to commence promptly. For other urgent schemes (e.g. ESCF), while development is currently expected to reach the requisite level of maturity before the tCSNP2 Refresh output is finalised (January 2026), they are very unlikely to reach that level of maturity by the PCD date (June 2025), meaning they could miss being included in the Refresh assessment and left without a trigger to move into the Delivery track.

For those schemes that reach the end of ESO Level 2 maturity ahead of the tCSNP2 Refresh, we note that Ofgem suggests in paragraph 4.17 of the consultation that TOs should continue using available IDF to further develop the projects beyond the PCD date until the need is confirmed, or otherwise, following the tCSNP2 Refresh. However, to progress the scheme beyond 'strategic optioneering' would either move the scheme into delivery (for those that do not require consents) or into more detailed 'on the ground' design and consenting work (for those where consents are required). The implications of these actions have a more determinative nature to them and the costs of which are significantly higher than those of early development and may more rapidly exhaust the IDF allowance. We also do not consider it appropriate for TOs to continue development of a scheme and commence either construction (where no consents are required) or pre-construction activities, such as engagement with local communities (where consents are required), before the preferred solution has been agreed through an appropriate governance framework. This is supported in paragraph 4.23 of the consultation, which explicitly excludes such activities from the scope of the IDF.

Therefore, to maintain pace of development of the portfolio, relevant schemes need to be able to go through the appropriate governance channels, that are clearly outlined upfront, and progress from the Development track into the Delivery track ahead of the tCSNP2 Refresh, if required to keep them on target.

We therefore ask that a more flexible route to move schemes from development into delivery is put in place, supported by timely decisions with clear governance, to ensure progress can be achieved at the required pace. We welcome further engagement with Ofgem on how this recommendation could be implemented.

For schemes that are reassessed through the tCSNP2 Refresh, **we ask that Ofgem and ESO work collaboratively to assess how the time between submission of options into the tCSNP2 Refresh and its publication can be shortened.** This should ensure that schemes reassessed through the tCSNP2 Refresh are not subject to undue delay from the point of submission (currently proposed to be June 2025) and decision (January 2026).

We agree with Ofgem that plans set out in the CPP2030 output expected in October 2024 may change the need for, or timing requirements for, certain tCSNP2 schemes and it will be important to understand these implications promptly so that this can be reflected in the schemes as they are developed. However, at present the next documented opportunity to assess the need of schemes based on this updated context is the tCSNP2 Refresh. Therefore, as noted in our response to question 1, once the ESO has completed its assessment of the CPP2030 target and published its view of the energy mix required and updated transmission network plan to support it in October 2024, **we ask that the ESO conduct a rapid re-assessment of need for tCSNP2 schemes and any other impacts based on the CPP2030 output and latest generation backgrounds.** This will ensure that the output of the CPP2030 is overlaid on the tCSNP2 portfolio, re-validating their need or confirming any change in scope (e.g. new dates, design requirements, new schemes, etc.).

Price Control Deliverable (PCD)

As noted above, given the varied nature of the tCSNP2 portfolio, whilst there are some schemes that will reach the end of ESO Level 2 maturity ahead of the proposed 30 June 2025 PCD deadline, there are others that would not achieve that timeline based on our current forecasts.

This is consistent with our engagement with Ofgem prior to this consultation, where we set out our estimated best-case timelines to develop schemes to the end of ESO L2 maturity. In these estimates we had grouped schemes based on their relative maturity and complexity and showed that some schemes would not reach the target maturity until December 2025, and we continue to hold this view.

This applies to larger, more complex schemes which have undergone limited or no development in advance of tCSNP2 e.g. WCD4⁷. Similar complex schemes have historically gone through a multi-year optioneering process.

Therefore, **we ask that the Development track PCD deadline is decoupled from the submission date for the tCSNP2 Refresh and tailored to the relevant scheme**. The TOs, Ofgem and ESO should also work collaboratively to agree a suitable date for submission into the tCSNP2 Refresh. We appreciate this may still result in some schemes not yet being mature enough to have a preferred option assessed in the tCSNP2 Refresh and propose that these schemes could be assessed using the flexible mechanism referenced above to move into the Delivery track, or a T3 mechanism, as appropriate.

Scope of the Development track

As explained in our response to question 4, we do not agree that the Development track should only apply to projects with forecast capex spend of more than £100m. We welcome the upfront clarity that the Development track provides on the total IDF available to support development and believe this should be applicable and consistent across all 35 options we are developing.

Initial development activities

We welcome the positive engagement with Ofgem in the lead up to the consultation and alignment on the need to develop the schemes to the end of ESO Level 2 maturity (strategic optioneering), to then go through appropriate governance and receive sign-off and funding to move into the next stage of delivery. We recognise that the ESO maturity ratings are open to interpretation and welcome Ofgem's effort to bring more specificity to the requirements needed to reach the end of ESO Level 2 maturity (strategic optioneering) and readiness to move into the Delivery track. The activities that take place during the strategic optioneering phase varies depending on the type of scheme in question. For example, the tCSNP2 schemes range from hotwiring and power flow devices to re-conductoring and new circuits.

We would therefore welcome continued discussion and engagement with Ofgem on how we best define the activities required to meet the end of ESO L2 maturity, and on Ofgem's current proposals set out in paragraph 4.19 of the consultation and Table 3. There are certain requirements in this list, for example, the expectation of an "indicative initial route corridor" that are not appropriate to require for the end of the strategic optioneering phase, and the requirement to develop a high-level construction programme "with demonstrably expedited delivery dates" that we don't think is appropriate to require as standard for all schemes (as it may not be necessary or in consumers' interests to expedite all delivery dates).

We welcome the proposal to use IDF allowances flexibly, such as to accommodate innovation activity that improves the project development process so that we can embed enduring capabilities in the business. However, it is not clear from the consultation if the IDF can be used to develop options needed for SQSS compliance (e.g. N-2 compliance), including for tCSNP2 projects that did not receive a proceed or hold signal in the tCSNP2. We note that changing customer requirements may already be bringing some of the tCSNP2 projects that did not receive an investment signal back into play.

We would welcome clarity on how IDF can be used to develop options needed for SQSS compliance and for schemes that come back into recommendation due to changing circumstances.

Q3. Do you agree with our proposals for the "Delivery track"?

We welcome that projects in this track will immediately receive pre-construction funding allowance of 2.5% of forecast project cost on a UIOLI basis to be used flexibly on a portfolio basis. TOs can apply for additional ASTI pre-construction

⁷ Where we will also need to consider any interdependencies with the provisional ASTI projects AC5 and AC6.

funding if total costs for pre-construction works exceed allowances by more than the TO's materiality threshold. Such a re-opener could also be included for Delivery track pre-construction funding.

Whilst NGET does not currently have any schemes allocated to the Delivery track, our response to question 2 recommends that there should be a mechanism by which schemes can pass flexibly from the Development track into the Delivery track when they have reached the end of ESO Level 2 maturity and appropriate governance has been completed, to keep them on track for their target delivery date.

Similarly, our response to question 4 proposes that all schemes with low maturity (Level 1 or Level 2 ESO maturity) should be included in the Development track, including those currently estimated to be less than £100m. More detailed rationale for this is set out in our response to question 4. If all schemes are included in the Development track and can move into the Delivery track once they have reached the end of ESO L2 maturity, the >£100m threshold for inclusion in the Delivery track becomes obsolete. It should therefore be removed from the list of criteria in Table 4 of the consultation.

Finally, in paragraph 4.38 the consultation document proposes that the delivery date for the PCF PCD should be aligned to the TO's initial project plans. TOs do not have realistic plans for all very early-stage projects with which the PCF PCD could be aligned.

We propose that PCDs are instead set to align to the project plans at the point that the project is allocated to the Delivery track. The setting of PCDs should also account for any known risks to delivery and if they are expected to be 'hard' targets, should be set at an appropriate level of certainty (e.g. P90). This would allow for PCF PCDs to be set for schemes moving from the Development track to the Delivery track during the RIIO-T2 period.

With regards to the Advanced Procurement Model ("APM"), we welcome the proposal for the APM in the July 2024 Sector Specific Methodology Decision⁸ but note that it will not cover other early commitments such as land rights payments and enabling/third party works. We would welcome further discussion with Ofgem on how we can best utilise the APM for tCSNP2 projects. Based on the current proposals, the reliance on the tCSNP2 Refresh to confirm the need of the tCSNP2 schemes would prevent a realistic, probabilistic assessment of the likely volumes required. We need a flexible way of being able to apply the APM to progress key procurement activities. There is a risk that removing ECF at this stage will mean some activities are not funded in the APM. We think access to ECF should be maintained until it is clear whether activities covered under ECF are captured within it.

Q4. Do you agree with our proposals for the "Small / Medium Sized Project Delivery track"?

We understand that the Small/Medium Sized Project Delivery track has been proposed with the intention of providing flexibility to access funding through existing T2 mechanisms and to enable schemes to progress into delivery in advance of the tCSNP2 Refresh. This is on the basis that the <£100m schemes are most likely to need rapid development and delivery to meet the new government's CPP2030 target. However, we do not think this will have the desired effect in practice for the reasons set out below. Instead, **we ask that all tCSNP2 schemes (and subsequently, if necessary, for any projects identified out of the CPP2030 process) that were rated as Level 1 or Level 2 ESO maturity in the tCSNP2, regardless of size, have:**

1. **access to IDF and are developed through a single development track**, to ensure TOs can "access sufficient regulatory funding to meet their expenditure requirements when it is needed and in line with their delivery plan" (paragraph 4.7 of the consultation); and
2. **a more flexible route to move from development into delivery, supported by timely decisions with clear governance, to ensure progress can be achieved at the required pace, as described in our response to question 2.**

Combining all NGET tCSNP2 schemes into a single early development funding route with IDF allows for (i) certainty and consistency over the available funding to develop the portfolio when needed, while the UIOLI basis of the IDF removes any risk to consumers of overfunding these development activities; (ii) interacting schemes to be developed and assessed together; and (iii) reduced regulatory burden for both Ofgem and the TOs by removing the need to use multiple mechanisms to fund development costs and progress the schemes. We consider this would generate benefit for consumers by treating all projects which will support the Government's decarbonisation ambitions equally by providing the required funding for them to be developed at pace. It would also reflect the current policy context of needing to develop and expand the electricity system at an unprecedented scale and pace.

This approach would also move away from the application of the £100m threshold. Whilst the £100m figure is an established threshold, we do not consider it is appropriate to apply it to tCSNP2 schemes where both the solution and

⁸ [RIIO-3 Sector Specific Methodology Decision – ET Annex \(ofgem.gov.uk\)](#)

the accompanying capex forecast are of low maturity. In the NGET portfolio there are several upgrades to existing assets with estimated costs close to this threshold. This means that even the use of different years' price bases can push schemes in or out of consideration for the track. The size of capex spend does not always directly correspond to the level and complexity of development activity required. For example, to confirm a hotwiring scheme is the appropriate solution to meet the system need would require system outages and samples to be taken from the overhead line to carry out grease drip tests, which adds to the time and resources required. Furthermore, given the immaturity of the schemes we expect estimated costs to change multiple times as we iterate our designs which could again change the funding track. It would be impractical for schemes to move between funding mechanisms as they go through more detailed design and optioneering.

We also have a number of concerns with the requirement to use existing T2 mechanisms for schemes in this track. We anticipate that most schemes currently classified in the Small/Medium Sized Project delivery track would need to rely on the 'Medium Sized Investment Project' (MSIP) reopener. We have two main concerns with this reopener:

1. There is only one remaining assessment window during the RIIO-T2 period which falls in January 2025. Whilst we anticipate some of the small/medium tCSNP2 schemes will have reached sufficient maturity to be assessed by this point, it will not be the case for all of them. This is made more challenging by the higher level of maturity needed for MSIP assessment, e.g. requirement for tendered costs
 - a. There will only be one month between the submission of the T3 business plan (due in December 2024) and the MSIP submission window. If projects were nearing maturity at that stage, we may seek to include them in our RIIO-T3 baseline request, rather than use the MSIP. This supports our ask for a flexible mechanism that can be used for all tCSNP2 schemes (that are not already in the Delivery track) to move from development into delivery. We note that if IDF was not provided across the full tCSNP2 as recommend, and any of these are submitted in T3 under a new reopener, it is important that Ofgem clarify that any development costs incurred during T2 will be recoverable in T3, unlike the current MSIP arrangements for T1 costs.
2. There is currently a lag of at least 8 months between submission and approval of funding for projects through the MSIP mechanism. Six NGET projects were submitted during the most recent window in January 2024 and have yet to be approved. We are concerned that the addition of up to 18 NGET tCSNP2 schemes into this process alongside an increase in the number of non-tCSNP2 schemes going through the mechanism may result in delays to projects being approved, and therefore delays to delivery. The impact of delays to these projects could be compounded by any acceleration proposed in CPP2030 for small/medium projects that have EISDs before 2030.

Q5. Do you agree with our categorisation of tCSNP2 projects?

Notwithstanding the responses to questions 2, 3 and 4, we broadly agree that Ofgem's categorisation of the NGET tCSNP2 schemes based on the frameworks proposed in the consultation, as shown in Table 6 and Table 11 of the consultation, reflects the relevant characteristics.

There are two areas where the total IDF allowance for NGET, as shown in Table 7 of the consultation, should be increased:

1. Inclusion of the <£100m NGET schemes in the Development track as proposed in our response to question 4, thus increasing the total NGET IDF by an amount equal to 0.5% of the forecast cost of those 18 schemes.
2. The initial cost estimate for the 'E2a to Richborough' option was produced by the ESO and is lower than we would expect, based on our experience of other HVDC subsea cable schemes. We would therefore like to work with SSE, Ofgem and the ESO to agree a more appropriate estimate of project cost and ensure that the IDF is reflective of that updated estimate.

We also note that PTC2 and PTN2 are evolutions of two existing ASTI projects and are beyond the ESO L1 maturity rating given in tCSNP2. The current plan for these projects is to submit Project Assessments in early 2025.

Q6. Do you agree with our proposed approach for the tCSNP2 asset classification projects?

NGET is jointly responsible, with SSE, for the 'E2a to Richborough' HNDfUE option (also known as 'R Link'), which was classified by Ofgem in April 2024 as 'onshore transmission'. This scheme needs to be developed at pace to deliver value for consumers, primarily in connecting ScotWind generators. We agree with Ofgem's assessment that the high level of project immaturity means the project requires significant initial development work before there is sufficient certainty on project scope, cost and delivery date.

We welcome Ofgem's proposal that this project should be placed in the Development track, with an IDF allowance of 0.5% of forecast costs. However, as noted in our response to question 5 above, the estimated costs for the scheme provided by ESO appear to be significantly lower than our initial estimates, based on high-level comparisons with other HVDC subsea cable schemes. We would therefore like to work with SSE, Ofgem and the ESO to agree a more appropriate estimate of project cost and ensure that the IDF is reflective of that updated estimate.

We agree with Ofgem's approach to the 'Provisional ASTI' projects PSNC and LRN4/LRN6 ("LRN#"), which both received a Proceed – Critical recommendation in the tCSNP2 process. We are comfortable that funding arrangements for these projects remain as per the 2022 ASTI decision and they are not part of the tCSNP2 tracks. For completeness, the same applies to marine grid projects AC4 and AC6 from HND1, which also have Provisional ASTI status. We are hoping to submit delivery plans for all of these projects to Ofgem during the current financial year.

Q7. Do you agree with our approach to identifying a project for early competition?

We have not responded to this question because we understand from Ofgem that it was included in error.

Q8. Do you agree with our approach to identifying a first project for early competition?

We are supportive of competition where it can deliver benefits to consumers and agree with the intended approach of selecting a pilot project to test the process and apply lessons learned for future tenders. However, we are unclear how selecting a pilot project for competition at the end of this calendar year will align with the principles of early competition and the timing of both the CPP2030 publication and tCSNP2 Refresh.

If a pilot is to be run at the end of this calendar year and an NGET project is chosen, we would need clarity on what we would be required to do to develop that project in 2025 and assurance that we will be appropriately funded for this work. Furthermore, if a pilot project is selected this year, but the need is not confirmed until January 2026, this will create uncertainty for prospective bidders, and not fulfil the critical success factor of attracting a wide pool of bidders. **We would welcome further clarity on how the proposals for the regulatory framework in the consultation align with the principles of early competition and the timing of the CPP2030 publication and tCSNP2 Refresh.**

The benefits to consumers of the Competitively Appointed Transmission Owner (CATO) regime will be maximised by creating a framework which maximises the potential for organisations to participate in competitions. This critical success factor should be used to guide Ofgem decisions on the implementation of the competitive framework.

The Transmission Acceleration Action Plan ("TAAP")⁹ recognised that while many projects in the tCSNP2 could be eligible for competition, the majority will likely need to be exempted to achieve delivery dates of 2035, and we acknowledge that ESO has considered the potential for a competitive process to delay delivery of projects in its approach to selecting a pilot project through the prioritisation factors listed in paragraph 6.10. We also appreciate the acknowledgement in the consultation that the CPP2030 will increase the need for delivery at pace for certain projects included in the tCSNP2.

Competition and regulatory framework for tCSNP2

We understand that projects identified in the CPP2030 will be exempt from competition due to the need for fast delivery. However, aside from the selection of a pilot project, it is unclear when the delivery body will be confirmed for projects not included in the CPP2030.

We are also unclear on the practical implications of the consultation proposals when considered in the context of early competition. For example, paragraphs 3.29 and 3.30 describe the risks of locking in designs that have not been thoroughly tested through a tCSNP2 Refresh process in January 2026. We believe that this risk also applies to the selection of a pilot project where locking in a competition pilot by Q4 2024 may result in a sub-optimal assessment of that need if not considered holistically with other projects as part of an appropriate governance process. This could also have un-intended consequences on other projects within the tCSNP2 which should be avoided.

We agree that the point at which a project is ready for competition is when there is sufficient certainty on the high-level strategic design and how it will interact with the wider network. However, the expectation for TOs in terms of continuing with development work until the delivery body for a specific project is known, is unclear. Paragraph 3.33 in the consultation describes the expectation that TOs continue to refine the options in the tCSNP2, including '*optimising the designs further, determining routeing, technology choices and where other onshore and offshore assets should be*

⁹ [Transmission Acceleration Action Plan: Government response to the Electricity Networks Commissioner's report on accelerating electricity transmission network build \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1000000/transmission-acceleration-action-plan-government-response-to-the-electricity-networks-commissioner-s-report-on-accelerating-electricity-transmission-network-build.pdf)

located. We agree that these activities are important to allow project delivery to continue at pace but should only be carried out after appropriate governance of the strategic design. It is also not aligned with the EC-I update¹⁰ published by the ESO in February, which states that for a project selected for early competition, the detailed design will be conducted by a successful bidder. Where a TO does undertake further development work it is unclear whether the expectation is that CATOs take that initial work and continue to develop it, moving the framework away from the early competition model envisaged and potentially limiting opportunities for innovation, or if it is anticipated that the work would be redone by the CATO thus creating additional costs for consumers.

Under the current proposals, aside from the outputs of the CPP2030 and the pilot project selection, it is unclear when the delivery body will be confirmed for other tCSNP2 projects. Clarity on this is vital if TOs are expected to continue with development work beyond strategic optioneering. Conversely, if TOs are expected to wait until the delivery body is confirmed this will lead to a hiatus in development for some projects, which will ultimately cause a delay to delivery.

Identifying a first project for early competition

We agree that the approach for identifying projects should be an iterative process that evolves over time to incorporate lessons learned. Whilst we agree with the ESO prioritisation factors listed in paragraph 6.10 of the consultation, we would welcome further clarity and transparency around the assumptions used by the ESO in their shortlisting assessment. We would also appreciate visibility of the categorisation of projects referenced in paragraph 6.9.

We think that the combination of both quantitative and qualitative assessment is essential in selecting an appropriate project for competition. We welcome Ofgem's approach to further qualitative assessment of the recommended pilot project and consider engagement with the TOs is vital to provide a qualitative view of projects from a delivery perspective, supporting the process by applying knowledge and expertise of delivering network infrastructure projects and understanding the impacts on the existing network (as well as future planned works like customer connections). This will ensure the approach to identifying an appropriate project for competition takes a whole system perspective.

We welcome the ESO continuing to undertake further studies before a recommendation is made and we have already provided further information to Ofgem on two recommended NGET projects (TWNC and LRN6 ("LRN#")). We are ready to support the ESO and Ofgem and look forward to engaging further and providing a qualitative view of the projects shortlisted.

However, we still have concerns that, as it stands, the CBA cannot effectively identify projects that will deliver benefits to consumers through competition. We do not think that CBA methodology in its current form is fit for purpose. As a result, there is a risk that the CBA selects projects to be competed that do not deliver the expected benefits to consumers or conversely, does not identify those that could deliver the greatest benefit to consumers. We understand that there are limited examples and data available to build a robust CBA and acknowledge the commitment to use the CBA as part of the assessment alongside further qualitative processes. However, there are aspects of the methodology that we think can be improved at present. For example, the methodology inappropriately compares a current cost of debt for a competition solution with a debt allowance under a RIIO counterfactual that includes embedded debt costs. We also note that the evidence previously presented to support assumptions of savings through competitive delivery is relatively limited and often of limited relevance.

It is also important to note that application of the CBA to tCSNP2 projects at their current level of development could provide misleading results where schemes could change significantly during the optioneering process or may be impacted by the CPP2030. We would welcome confirmation that where schemes evolve from those published in the tCSNP2, that up-to-date information on schemes will be reflected in assessments and publications.

It is also important that the CBA process for identifying projects considers the overall security and resilience of the GB system. For example, introducing further parties who may own and operate infrastructure on the network may have implications on how the Electricity System Restoration Standard (ESRS) will be achieved. This may lead to a greater risk of mis-coordination in a restoration event and so interfaces will need to be appropriately considered and managed. Furthermore, we consider a CATO would also need to adhere to the TO requirements as set out in the ESRS.

We would welcome further engagement with Ofgem and the ESO on the CBA to work through our concerns and recommendations in detail and to make refinements to the CBA methodology.

¹⁰ <https://www.nationalgrideso.com/document/301786/download>

Supply Chain impact(s)

We agree that central to the selection of suitable projects from tCSNP2 for competitive tender is the consideration of their attractiveness to potential bidders. We agree that the ESO's assessment should consider supply chain constraints in the near term when recommending the pilot project and we welcome transparency around how this information will be used as part of the ongoing assessment.

Competition in the near term will increase the number of parties seeking to secure supply chain slots and could artificially inflate demand where this supply chain is being secured for the same project. We are already experiencing challenges with constraints in the supply chain in relation to overhead line workers.

This is likely to increase costs for consumers, may create additional delay risk and may also reduce the number of bidders. In the absence of a strong pipeline of projects, CATOs will not be able to offer long term contracts to suppliers like the Great Grid Partnership which has been recently confirmed by National Grid and multiple suppliers.

Q9. Do you agree with our expectations for the TOs and ESO?

Initial development work

We recognise that NGET needs to develop the tCSNP2 schemes robustly, but at pace, to ensure the schemes remain on track for delivery against relevant targets. This process is already underway, and we are taking active steps to ensure we have the necessary capacity and capability in place to develop all of the schemes to the end of ESO Level 2 maturity (having completed strategic optioneering and identified an indicative preferred solution to take forward) in line with the required timelines. The scale of investment and development activity represents a significant increase in comparison to historic trends and requires a material uplift in capacity, resources, tooling, including the use of digital tools, platforms and new technologies across our business. This includes leveraging broader recommendations from the Winsor Report and the TAAP, such as automated routing software and supporting the development of the Electricity Transmission Design Principles (ETDP), and will all ensure we are embedding enduring capabilities within our business.

However, for the reasons set out in our preceding answers, we do not think it is appropriate to require, or expect, all tCSNP2 schemes to have reached the end of ESO L2 maturity by June 2025. Schemes should be developed and progressed to the next stage of delivery at the pace required to keep them on track for their target delivery dates.

Developing realistic and robust delivery dates

Whilst we agree with the principle of a consistent approach for agreeing EISDs across TOs, there are likely to be significant practical challenges in reaching a common approach. In our view, the focus of the approach to setting EISDs should be the robustness of the inputs, rather than overall consistency. The approach is likely to vary across different asset types within TO portfolios as well as across the TOs.

The consultation refers at paragraph 7.3 to several intended features of an agreed approach. We have reproduced these below with our commentary:

Issue	Ofgem view	NGET commentary
QSRA	Quantitative schedule risk analysis (QSRA) to understand the probability distribution of potential delivery dates, and provide for instance p20, p50 and p80 estimations	We support the use of QSRA and other such risk management tools, but it is important that undue importance is not attached to them given the relative immaturity of the inputs at an early stage in the process. This is especially the case given that the analysis is likely to be skewed by a handful of highly uncertain risks (e.g. on supply chain performance).
Standard assumptions	Standardised assumptions for consenting timings, and construction durations (for equivalent assets)	Our current approach already includes standard assumptions for various activities (e.g. DCO planning process) and we are working with the Scottish TOs on joint-cross border projects. However, there may be limited scope for standardisation across TOs in other cases given the different consenting regime in Scotland and the asset types typically involved.

		Looking at case studies and examples of large construction projects in other sectors and industries and the level of risk and uncertainty in date projections may also provide useful insights.
Commencement after consents	Assumption that construction can start as soon as consents are approved (unless otherwise justified)	<p>Such an assumption would need to be carefully thought through. It is typical for programmes to assume that some degree of secondary approval process follows the primary consent (in NGET's case, either DCOs or TCPA planning permissions). DCOs may involve approvals of, for example, substation design, especially in sensitive areas. Planning permissions may be granted on an 'outline' basis, with 'reserved matters' such as converter station scale, layout, appearance etc. following later. This has two benefits:</p> <ul style="list-style-type: none"> • Ensuring that second order issues of detail do not slow the approval process for the overall principle of development. • Leaving flexibility for TOs and contractors to introduce innovation of flexible design changes in the delivery phase. <p>The consequences of fixing these details at an early stage to ensure that construction begins immediately after consent might therefore include delays in the consenting phase (to resolve issues that would otherwise be dealt with in delivery) and difficulties for contractors caused by additional constraints on their design.</p>
Outages	Standardised assumptions about outage windows and their duration	We support standardised assumptions about outage windows and durations. In practice, we think that these would need to be considered in the context of a wider portfolio rather than project by project.

We are also concerned to ensure that the intention to “have regard to the TAAP and SPS” does not seek to ‘bake in’ timing efficiencies of these initiatives before they are realised. For example, it would not be reasonable to assume that changes to the planning system to result in faster approvals will result in acceleration until any such reforms are implemented, and their applicability to relevant projects established.

Electricity System Operator

We note that the consultation proposed that the ESO will produce a tCSNP2 Refresh by January 2026 and that Ofgem considers it necessary for the ESO to refresh the tCSNP2 analysis with updated TO submissions to ensure that there is a strongly justified needs case before Ofgem commits to materially funding the projects. We have set out reasons in our preceding answers as to why relying solely on the tCSNP2 Refresh, with a c.7 month gap between submission (June 2025) and the outcome of the assessment (January 2026), is not conducive to moving at pace and could lead to delays and harm to consumers. A more flexible mechanism is required, and this may therefore impact on the scope of the tCSNP2 Refresh and the methodology that is applied.

The current proposals in the consultation are also unclear on the respective roles and responsibilities of Ofgem and the ESO in approving the need for the network investment and the preferred strategic option that comes out of the strategic optioneering. The consultation seems to suggest this may differ depending on the size of the scheme and the regulatory framework applied. For example, we are not clear if schemes progressed through the Small/Medium delivery track would also be subject to further re-assessment as part of the tCSNP2 Refresh, or if they would fall outside of the scope of that assessment. Reassessing schemes that have already moved into delivery could create unnecessary uncertainty and risk for those schemes and the communities hosting them. For the Development track, though Ofgem is seemingly deferring to the outcome of the tCSNP2 Refresh to determine the need for the investment, an accompanying report also

needs to be submitted to Ofgem with evidence to demonstrate the maturity status of the scheme. This blurs the line between which body is ultimately approving the investment need.

We therefore ask that a clear governance framework is put in place to ensure investment and regulatory decisions can be taken by the appropriate body in a timely way and ensure that Ofgem and the ESO can be resourced accordingly to meet these requirements. Ofgem should work together with the ESO, DESNZ and the TOs to develop this governance framework, with clarity on accountabilities and timeframes against which decisions will be made to avoid any ambiguity or delays.

Q10. Do you agree with our proposals to introduce a scope change governance process for onshore transmission projects?

We support the need for a scope change governance process that is proportionate and facilitates delivery at pace. We would be keen to support and engage with Ofgem on this in advance of the proposed consultation later this year.

We do not agree with the proposal outlined in paragraph 8.13 with regards to a “submission window” approach. We think the approach should be pragmatic and flexible to ensure that the process can be ongoing throughout the year. We are keen to ensure that where delivery at pace is key for maximising consumer benefit, the scope change process does not cause delays and consumer detriment.

We think a robust scope change process should include the following, whilst underpinned by efficient decision making in the interests of consumers:

- Clear roles and responsibilities between parties,
- Clear criteria for submitting a scope change request (including information requirements),
- Clear decision-making authority and an efficient and proportionate approvals process,
- A clear and communicated process,
- Appropriate escalation routes where the TO and ESO do not agree.

We note that the consultation references “unexpected consenting difficulties” though in practice public consultation responses are not strictly unexpected and it is rather the discovery of unexpected information during the public consultation process which may cause issues. For example, if scope change drivers emerge late in a project’s development, (i.e., during public consultation), there may be limited time (a few months) between discovering that scope change is required and the point at which TOs will need to engage the supply chains based on new scope. In this circumstance, the proposed process may result in delay to a project which will lead to an increase in constraint costs. Interrelationships with other works (for example, via system outages) may mean that the extent of the delay is non-linearly linked to the delay due to scope change.