Decision

Decision on the regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects

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Contents

Executive Summary

Significant investment in electricity transmission (ET) infrastructure is required to decarbonise the electricity system in Great Britain and facilitate the transition to Net Zero. This is to enable the connection of new renewable generation to the electricity system, and to ensure the transmission network has sufficient capacity to transmit clean power to where demand is located.

The (former) Energy System Operator (ESO) published its first transitional Centralised Strategic Network Plan (tCSNP1) in July 2022, which recommended a set of offshore and onshore network upgrades to facilitate the connection of up to 50GW of offshore wind generation by 2030. To support the expedited delivery of the upgrades recommended in this plan, we introduced the Accelerated Strategic Transmission Investment (ASTI) framework. In March 2022, the ESO published the "Beyond 2030" network plan (also known as the transitional Centralised Strategic Network Plan 2 or tCSNP2) that recommended further network reinforcements needed beyond 2030 to support the transition to Net Zero.

In August 2024, we consulted on a regulatory approval and funding framework for the projects recommended in the tCSNP2.

Since the publication of the tCSNP2, the Government announced a target to decarbonise the electricity system by 2030 – the Clean Power by 2030 mission ("CP2030"). At the time of our tCSNP2 consultation, the ESO was in the process of developing its advice to Government on how the CP2030 mission could be met. We said in our consultation that we would consider how we would apply our proposed regulatory framework once the ESO had published an updated network plan. The National Energy System Operator (NESO – established Oct 2024) published its CP2030 advice in November 2024, and this advice indicated that several projects that were recommended in the tCSNP2 would be needed for CP2030. The remainder of the projects in the tCSNP2 represent the next phase of network upgrades for net zero that follow after the delivery of CP2030.

Having carefully considered the feedback received and the NESO's CP2030 advice, we have decided to implement a new funding framework for the transmission network upgrades recommended in the tCSNP2. This framework will allow Transmission Owners (TOs) to progress the recommended upgrades without delay. Given that several tCSNP2 projects are also required for CP2030, the framework will support the delivery of the CP2030 mission. At the time of publishing this decision, the Government had not

published its CP2030 plan. We will take account of the Government's plan when implementing our framework through modifications to transmission owner (TO) licences.

The framework for tCSNP2 projects builds on the ASTI framework, but it also recognises the important differences between ASTI projects and those recommended in the tCSNP2. Our review of the ESO's tCSNP2 found that the economic benefits from delivering the recommended transmission upgrades are particularly sensitive to assumptions about the location and pace of renewable generation growth. There remains significant uncertainty around these assumptions, and ongoing initiatives like the Review of Electricity Market Arrangements (REMA) and Balancing Market (BM) reform could have a material impact on future generation growth. Furthermore, most tCSNP2 projects are at an earlier stage of development compared to ASTI projects, which means greater uncertainty about technical designs, routes, consentability, costs and timelines. The greater uncertainty means higher levels of risk to consumers.

Given these uncertainties and risks to consumers, we have decided to implement a multi-track funding framework with stage gates. The framework is designed to be flexible and agile, managing the exposure of consumers to the risk that projects could be updated, modified or even cancelled as the needs of the electricity system evolve as we progress towards Net Zero.

We are creating a development track funding route for less mature, higher value (>£60m) tCSNP2 projects (excluding those needed for CP2030). Projects in this track will immediately receive development funding allowance of 0.5% of forecast project cost for TOs on a "use it or lose it" (UIOLI) basis to carry out work to develop these projects further and submit them for re-assessment by the NESO by June 2025. We have decided that any projects in the development track that are recommended by the NESO in the next Network Options Assessment update (i.e. the tCSNP2 Refresh) to be completed by January 2026 will be moved to the delivery track. This will allow the TOs to undertake pre-construction activities without delay while we review and confirm our acceptance of the recommendations in the tCSNP2 Refresh.

We are creating a Delivery track funding route for more mature, higher value (>£60m) tCSNP2 projects, and all higher value (>£60m) projects needed for CP2030 irrespective of their current maturity status. Projects in this track will immediately receive Pre-Construction Funding (PCF) allowance of 2.5% of forecast project cost on a UIOLI basis. Further funding to progress the projects into construction will be available under the applicable RIIO-ET3 mechanisms once the necessary planning permissions are obtained.

We expect to set outputs, licence obligations and financial incentives for timely delivery in line with RIIO-ET3 policy.

Lower value tCSNP2 projects (<£60m) including those required for CP2030 will be immediately eligible for full project funding either through the relevant RIIO-ET2 reopener mechanism or through the applicable RIIO-ET3 mechanism (either baseline or an uncertainty mechanism).

We intend to publish our decision on the Advanced Procurement Mechanism (APM)[1] in Q1 of 2025. Our intention is that any project in the delivery track will be able to access the APM.

We will continue to work closely with the TOs, NESO, Government and other stakeholders to ensure that the regulatory framework supports the delivery of transmission investment needed for a decarbonised electricity system.

[1] Electricity Transmission Advanced Procurement Mechanism | Ofgem

1. Introduction

This section highlights the content of this decision, provides links to related publications, contains details of our decision-making process and how to provide feedback

1.1 In August 2024 we consulted on a regulatory approval and funding framework for projects recommended in the transitional Centralised Strategic Network Plan 2 (tCSNP2).2 We have undertaken further stakeholder engagement and carefully considered the responses to the consultation, which have informed our final decision.

1.2 This document sets out our decision to introduce a regulatory approval and funding framework for the onshore electricity transmission projects that were recommended in the tCSNP2. It also addresses our approach to competition for tCSNP2 projects and provides an update on the scope change governance process consulted on in our August consultation.

1.3 We use the following acronyms when referring to the incumbent Transmission Owners (TOs) throughout this document:

Table 1: TO abbreviations

Abbreviation	Licensee
NGET	National Grid Electricity Transmission Plc
SHET	Scottish Hydro Electric Transmission Plc
SPT	Scottish Power Transmission Plc

Context and related publications

1.4 Other documents relating to this area of work are:

- Consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects.
- NESO's tCSNP2 Beyond 2030 Report.
- NESO's advice to Government on achieving clean power by 2030.

[2] Consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects

- Offshore transmission network review - decision on asset classification for Holistic Network Design Follow Up Exercise (HND FUE).
- RIIO-ET3 Sector Specific Methodology Decision.
- Accelerating Strategic Transmission Investment decision.
- Government's Transmission Acceleration Action Plan.

Section 2: Our assessment of the tCSNP2

1.5 This section sets out how the tCSNP2 differs from previous publications and the additional complications, risks and challenges that are currently faced for the delivery of ET infrastructure.

Section 3: Framework for tCSNP2 projects

1.6 This section contains our framework decision for approving and funding projects recommended by the ESO in the tCSNP2. It sets out summaries of consultation responses, our consideration of these responses and rationale behind our decisions.

Section 4: Identifying suitable projects for early competition

1.7 This section sets out our approach to identifying projects from the tCSNP2 suitable to be tendered through onshore competition

Section 5: Scope Change Governance Process

1.8 Our consultation set out our proposals to introduce a scope change governance process for electricity transmission projects. As made clear in the consultation, this process is intended to be separate to the tCSNP2 funding framework decision.

1.9 This section sets out the background of this process and details how we will continue to develop this process in tandem with CSNP

Section 6: Community Response

1.10 In response to our consultation we received a large number of responses from various individuals and community groups.

1.11 In this section we have provided a summary of the responses and responded to the claims made within them.

Section 7: Next Steps

1.12 In this section, we set out the next steps for how we expect the tCSNP2 projects to progress through the regulatory framework.

Our decision-making process

1.13 In August 2024 we published a consultation document detailing our proposals on our "multi-track" approach for the treatment of projects recommended by the ESO in its tCSNP2 (also known as "Beyond 2030"). We received 99 responses from a range of stakeholders and have engaged with stakeholders since then to get a better understanding of their views.

Date	Stage description
01/08/2024	Stage 1: Consultation opened
13/09/2024	Stage 2: Consultation closes (awaiting decision), Deadline for responses
11/12/2024	Stage 3: Responses reviewed and published
11/12/2024	Stage 4: Consultation decision

General feedback

1.14 We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this report. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall quality of this document?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Are its conclusions balanced?
5. Did it make reasoned recommendations?
6. Any further comments

1.15 Please send any general feedback comments to stakeholders@ofgem.gov.uk.

2. Our assessment of the tCSNP2

This section sets out how the tCSNP2 differs from previous publications and the additional complications, risks and challenges that are currently faced for the delivery of ET infrastructure.

Questions asked in our consultation

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

2.1 Our August consultation sets out in detail the context for why we consider a new approach is needed for the delivery of the tCSNP2 projects and how this sits within the broader context of net zero targets, Ofgem's objectives as a regulator, the challenges faced by the TOs in the delivery of projects, and details of how the network planning process is changing for the electricity transmission sector.

What is the tCSNP2 and why a new regulatory framework is needed

2.2 The tCSNP2 is the ESO's plan for a coordinated onshore and offshore network design that can facilitate the connection of up to 86GW of offshore wind generation in support of the government's Net Zero obligations under the sixth Carbon Budget[3].

2.3 Under the current price control, RIIO2, there are two mechanisms for funding major ET projects (i.e. >£100m) that are not included in baseline funding. These are the Large onshore transmission infrastructure re-opener (LOTI) and the Accelerated strategic transmission infrastructure re-opener (ASTI).

2.4 The LOTI reopener was designed at a time when accelerated network build out was not as critical. It includes multiple stages and project-level assessments

[3] Sixth Carbon Budget - Climate Change Committee

before confirming any funding allowances. We consider that this re-opener, due to the time it would take to approve early funding such as Pre-Construction Funding (PCF), is not suitable for the timely delivery of the projects recommended in the tCSNP2.

2.5 The ASTI framework was designed to meet the challenges of delivering at pace and overcoming supply chain constraints for a specific set of projects required to deliver a government target to connect 50GW of offshore wind by 2030. When the ASTI projects were submitted for assessment in the tCSNP1, they were significantly more developed compared with the projects submitted in the tCSNP2. This meant we had greater confidence in the optimal design, estimated costs, and Earliest In Service Dates (EISDs - meaning the earliest possible date that a project may be completed by) for ASTI projects than we do for tCSNP2 projects.

2.6 The ESO[4] recognised this difference in the level of maturity of options submitted into the tCSNP2 compared to the tCSNP1 and recommended that further detailed network design work is required to develop the less mature options before being re-assessed in the future. In its response to our consultation, the ESO also pointed out that the planned tCSNP2 Refresh is an opportunity to provide greater confidence in the optimal network design for the future and broadly supported our proposed multi-track approach.

2.7 The ASTI re-opener also includes a high-powered Output Delivery Incentive (ODI) to reward timely delivery and penalise late delivery, based upon a proportion of the estimated constraint costs of delay. This can only be calculated where we have estimates of the impacts of delay, which is not the case for the tCSNP2 projects. Furthermore, the ESO's analysis of the optimal delivery dates suggests that pace of delivery is less critical for tCSNP2 projects compared to ASTI projects.

2.8 These factors listed above had led us to the view that it would not be appropriate to fund tCSNP2 projects using the ASTI framework. We have, however, set out to develop a framework that builds on the positive changes brought about by ASTI

[4]The ESO transitioned to become the National Energy System Operator in October 2024. As such when referring to it earlier than this date we use the term "ESO", any reference from after this date we use the term "NESO"

that accounts for the different balance of risks that we have observed in our assessment of the tCSNP2.

2.9 Responses to our consultation were in general agreement that projects submitted to the tCSNP2 were more immature than what we have seen with previous network plans. Two TOs made arguments that the tCSNP2 should not be described as "high-level" and that the need for projects is even more certain than as seen in previous network plans.

2.10 We consider that there is still much optioneering and development required on projects before we can have certainty of which options are most optimal. We do not consider that the tCSNP2 provides greater certainty of need for projects versus previous iterations of network plans. In many cases we have seen that projects have relatively low needs cases particularly sensitive to cost overruns.

Clean Power by 2030

2.11 Shortly after being elected in summer 2024, the Government asked the NESO to provide advice on the energy pathway towards realising their ambition for a zero-carbon electricity system by 2030. The NESO have produced a report setting out its advice on the energy mix required and an updated transmission network plan to deliver this ambition, this report is referred to throughout this document as the Clean Power by 2030 advice (CP2030 advice).

2.12 For the most part, the network plan does not overlap with the projects identified in the tCSNP2. This is because the tCSNP2 outlook is "beyond 2030" and therefore has had little interaction with the plan to deliver by 2030. At the time of our consultation, we did not know which, if any, of the tCSNP2 project would be included in the CP2030 advice, as such our consultation position did not account for this.

2.13 We now know there are 10 projects from the tCSNP2 that are also included in the CP2030 advice. Of these 10, there are two projects which provide boundary uplift by 2030 (VERE and EHRE) which are both in SPT's transmission region, the remaining eight are all works required for enabling connections of new generation to the grid by 2030[5].

[5] All but three of these 10 projects provide boundary capability uplifts in addition to enabling new generation connections.

2.14 Our consultation position for VERE and EHRE was that these projects should be included in the Small / Medium sized project track as they met the qualifying criteria.

2.15 Of the 8 enabling works, in our consultation one was listed as a delivery track project, another one was listed in the development track, with the remaining 6 in the Small / Medium sized project track.

2.16 Given that these projects have all been recommended as part of the CP2030 advice, we consider this to strengthen the needs case for each of them and increases the need to deliver them by their EISDs or earlier. As such, we have decided to place all CP2030 projects with an estimated value of greater than £60m in the delivery track. This means that they will be granted PCF at 2.5% and TOs are expected to prepare and submit consenting applications as soon as possible. For the four CP2030 projects less than £60m, we have decided to fund these in whole either through the RIIO2 MSIP re-opener, RIIO-3 Business Plans submissions, RIIO-3 re-openers, or volume drivers where applicable.

Other sources of uncertainty

2.17 Our consultation highlighted uncertainty due to the possible introduction of REMA and BM reforms, and we asked ESO to conduct analysis to understand the impact of this in the tCSNP2 Refresh. No respondents disagreed with our view that these potential reforms create uncertainty. Two respondents noted that these reforms could have detrimental effects on the transmission industry while a further two stated that these reforms should not be allowed to impact or delay the tCSNP2 recommendations.

2.18 As explained in our consultation from paragraphs 3.12 to 3.17, there are uncertainties with the Future Energy Scenarios (FES) assumptions used for the tCSNP2. It is possible that the design of projects recommended by the tCSNP2 may change if reassessed under the FES 2024.

Lack of information on benefits of accelerating delivery

2.19 The ESO's tCSNP2 economic analysis considered the economic benefit of delivering projects on the EISDs submitted by the TOs but does not quantify the benefit of delivering projects earlier than the EISD, which could indicate if there is a benefit to accelerating a project. We are also concerned that there is no clear

and transparent methodology for developing EISDs and that the EISDs provided by TOs for the tCSNP2 projects may be excessively conservative.

2.20 Given the lack of information on the benefits of acceleration and on how EISDs are set, we do not feel able to set balanced timely delivery incentives at this point. We intend to continue to work with the TOs and the NESO over the coming months to address these issues ahead of TOs submitting options to the tCSNP2 Refresh.

Additional risks identified by respondents

2.21 TOs, industry and political respondents shared various concerns with the proposed plans to re-assess tCSNP2 options in the tCSNP2 Refresh[6] expected in January 2026, such as that this could cause delays to certain projects, lead to delays on connecting generation or demand, create uncertainty in the interim period and impact investor confidence, and may negatively impact community acceptance of projects.

2.22 Proposals to mitigate these perceived risks included suggestions to not carry out the tCSNP2 Refresh (with many adding that the first CSNP should be brought forwards in its place); that projects which had received "Proceed" signals in the tCSNP2 or projects in the delivery track should not be reassessed; that projects enabling connections should have connection dates protected in the tCSNP2 Refresh or approval of any enabling works projects ahead of the tCSNP2 Refresh.

2.23 Several industry bodies also questioned why we are only concerned with a possible under-delivery of renewable generation; they ask why we don't also consider the possibility that delivery is exceeds predictions and therefore the tCSNP2 reinforcements are insufficient.

2.24 Some respondents argued that our view on the balance of risk when considering anticipatory investment is overly cautious. They argued we should give more weight to the possible impacts of delay more so than the weight given to the risk of possible stranded assets, over-investment or investing in suboptimal options.

Our consideration of the additional risks and challenges

[6] Paragraph 3.6 of our consultation, and further information in Chapter 3 of this document.

2.25 We consider that locking in the relatively immature tCSNP2 recommendations poses a greater risk to consumers than the perceived risks that conducting the tCSNP2 Refresh may create, such as delays to projects and connections, uncertainty for investors and negative impacts on community acceptance.

2.26 We disagree that re-assessing projects through the tCSNP2 Refresh is likely to cause delays to projects, as we are ensuring that TOs are provided with necessary funding and certainty to progress projects at sufficient pace without delay. The ESO set out in its Beyond 2030 report that their expectation was for most projects to undergo further detailed design work due to the relative immaturity of options compared to previous network plans. The ESO agreed with our consultation position that the tCSNP2 Refresh will be an opportunity to provide greater certainty of need for the tCSNP2 projects. They added that there is a need to strike the right balance between data accuracy and timely completion of analysis. We consider that we have struck the appropriate balance of these risks by enabling development of the more immature options through the "development track" (see Chapter 2) and have provided sufficient certainty to the more mature options by creating the "delivery track" (see Chapter 2) for such projects.

2.27 We do not consider it appropriate or necessary to assume that the amount of renewable energy deployment may exceed the levels assumed in the FES. Firstly, we consider the current targets for connection of renewable energy to be ambitious in the given timeframes, especially given the context of uncertainties created by REMA and BM reforms. Furthermore, if our expectations were to change and it became apparent that renewable generation rollout may exceed these assumptions there are frequent opportunities, e.g. through the tCSNP2 Refresh and the CSNP, for providing an updated view on the network required for such levels of generation. We do not consider it to be a prudent use of consumer funds to build an oversized network to meet future demands that are currently not forecasted in any scenario, especially given that there are real risks that suggest the assumed pace of generation rollout may not materialise.

2.28 We consider that the framework and proposals set out in this consultation strike the right balance of enabling anticipatory investments whilst delivering good value at a reasonable level of risk to consumers. It enables development at pace for all projects recommended in the tCSNP2 including those required for CP2030, taking lessons from the ASTI regime, such as the benefits of phased funding

release and funding projects on a portfolio basis rather than via individual assessments. It also provides for a reassessment of projects against the latest future energy scenarios to ensure the right network is built to meet future generation and demands. Furthermore, the more mature and in-flight projects are funded for accelerated delivery and are provided with up-front certainty of funding routes, and exemptions from delivery through early competition[7].

[7] See Chapter 4 for more details on early competition

3. Framework for tCSNP2 projects

This section contains our decision on the framework for approving and funding projects recommended by the ESO in the tCSNP2. It sets out summaries of consultation responses, our consideration of these responses and rationale behind our decisions.

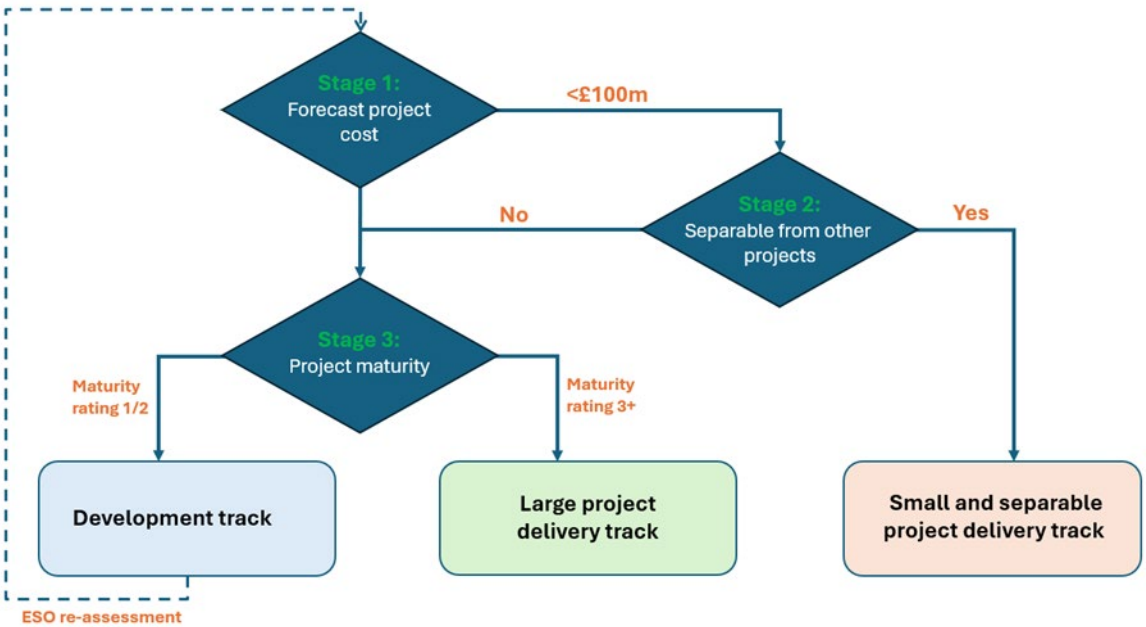
Questions asked in our consultation

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

Objectives of the framework

3.1 As stated in our August consultation, our overarching objective for the regulatory framework for tCSNP2 projects is to support the TOs in making progress towards the delivery of the necessary transmission network upgrades by their optimal delivery dates, recognising the uncertainties and particular circumstances of those projects, without exposing TOs and consumers to unnecessary risk. We also set out the design principles that we proposed to follow in developing the regulatory framework for tCSNP2.

Overview of our consultation position



3.2

Figure 1: Proposed tCSNP2 regulatory framework as per consultation

3.3 Our proposed regulatory framework was comprised of three funding tracks that were designed to meet the needs of projects of different maturity levels and sizes:

- **Development track:** For low maturity and high value (>£100m) projects that require further development. Projects in this track would receive immediate Initial Development Funding (IDF) to allow TOs to develop them to NESO maturity level 3[8] by June 2025. These projects would be re-assessed by the NESO through the tCSNP2 Refresh, which is expected to be published in January 2026.
- **Delivery track (large projects)**: For large projects currently at NESO maturity level 3 or above. Projects in this track would receive immediate Pre-Construction Funding (PCF) to take the project through consenting to the submission of planning applications. They would also have access to the advanced procurement mechanism (APM) once this is implemented. Full project funding would be available through the applicable RIIO-3 mechanism.
- **Delivery track (small and separable projects)**: For lower value (<£100m) projects with limited interaction with other tCSNP2 or ASTI projects. Projects in this track will be funded through existing RIIO-2 reopeners or RIIO-3 mechanisms. They would also have access to the advanced procurement mechanism (APM) once this is implemented. TOs should proceed to develop projects and request funding for these projects through such routes.

Overview of our decision

3.4 Our approach has adapted to a shifting policy landscape where targets for decarbonisation of the energy system have been a key consideration. We have also taken account of responses to our consultation and feedback from TOs in working groups. Our decision on the framework differs slightly from the consultation position to account for these factors, each are explained in more detail in relevant sections throughout this chapter.

3.5 We consider that this new framework (Figure 2) provides the right amount of funding at the right time, now also accounting for projects included in the NESO's CP2030 advice. We consider that this framework ensures projects have sufficient

[8] In the ESO's Beyond 2030 report it rated project maturity 1-6, with 3 being "Design/development and consenting"

funding so as not to cause undue delays, whilst also ensuring that consumers are not exposed to excessive risk on projects that may not ultimately go ahead.

3.6 The key changes from the position that we consulted upon are (i) that the materiality threshold for determining project track is reduced to £60m, (ii) there is a new criterion relating to CP2030 projects, and (iii) there is a clearer process for progressing projects beyond the tCSNP2 Refresh exercise expected in Jan 2026.

3.7 A complete list of all tCSNP2 projects along with their funding route is available in Appendix 2.

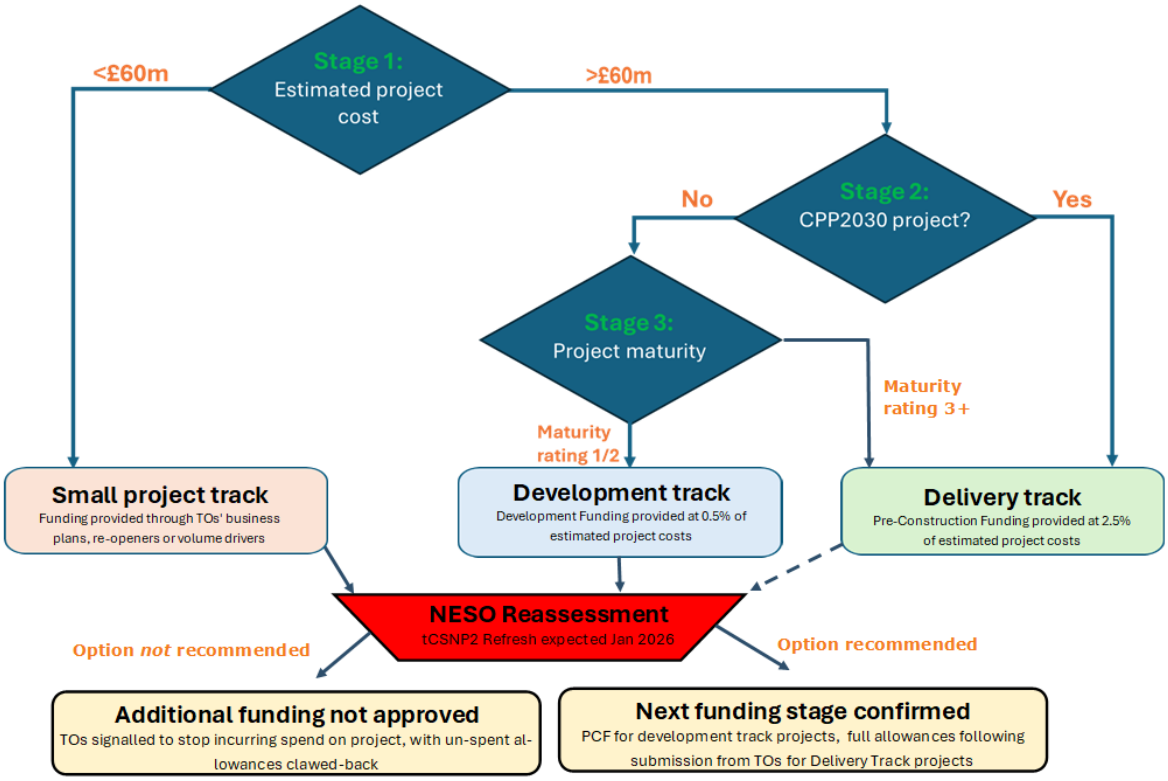


Figure 2: Final position on the tCSNP2 regulatory framework

Development Track

Background

3.8 As outlined in our consultation, the majority of projects recommended in the tCSNP2 require further design development before Pre-Construction Funding (PCF) or equivalent is allocated to them. These projects were relatively less developed at the time of publishing the tCSNP2 than would usually be seen historically in previous iterations of network plans, such as the tCSNP1 or

Network Options Assessments (NOAs). The ESO recommended in its tCSNP2 that these more immature projects enter a Detailed Network Design phase.

What we consulted on

3.9 We proposed to provide Development Funding[9] (DF) for TOs to develop projects in this track to ESO maturity rating 3 (Design development / consenting), ahead of a tCSNP2 Refresh, which is expected to be published in January 2026. Projects with a maturity rating 3 that receive a "Proceed" signal from the tCSNP2 refresh would progress from the development track into the delivery track.

3.10 We also recognised that under the NESO's CP2030 network plan some tCSNP2 projects may require further acceleration compared to currently recommended optimal dates in tCSNP2. We said that we would consider appropriate incentive and licence arrangements upon receipt of that plan.

3.11 A summary of our consultation proposals for the development track are set out in table 1 below.

Table 2: Development track summary of consultation position

[9] Referred to as Initial Development Funding (IDF) in our consultation

Criteria:	Output	Activities	Funding
Applies to Projects that: - have an estimated cost of greater than £100m - received a "Proceed" or "Hold" signal, or is an HNDFUE enabling work - have an ESO maturity rating of Level One or Two - Excludes projects that we consider should be delivered as part of existing projects.	Price Control Deliverable (PCD) to develop the project to ESO maturity rating 3 and submit a report to Ofgem with evidence to demonstrate the maturity status. To deliver PCD output by 30 June 2025 so that suitably developed options can be submitted to the NESO to be assessed as part of the tCSNP2 Refresh, which is expected to be published in January 2026.	Including but not limited to: - Pre-FEED[10] work - Early desk-based research and design - Optioneering analysis - Risk assessments - Site visits	- To be set at 0.5% of estimated project costs. - A flexible pot that can be spent across all projects in the development track. - Subject to a UIOLI adjustment.

Summary of consultation responses

3.12 The ESO stated in its response that they agree with our multi-track approach and that it aligns with their expectations for the delivery pipeline that will form part of the CSNP.

3.13 TOs broadly supported the introduction of a development track including a UIOLI, flexible allowance based upon 0.5% of estimated project costs. TOs requested further clarity on how projects will transition from the development track into the delivery track, with two of the TOs concerned that the proposed approach would result in a period of at least 7 months (from delivery of the development track PCD in June 2025 until the output of the tCSNP2 Refresh in Jan 2026) during which there is a lack of funding and certainty, possibly resulting in delays to project delivery.

3.14 Two TOs also argued that the current scope of activities funded in the development track is not sufficiently broad enough to cover all planned activities on projects required in the period before the tCSNP2 Refresh. They argued that not being able to conduct these activities may result in delay to projects.

3.15 All three TOs, as well as respondents from industry as well as MPs and Scottish Government argue that there is insufficient clarity on how projects that are

[10] Front-End Engineering Design

developed to the required level of maturity for the development track PCD would transition into the delivery track.

3.16 All three TOs requested that upon reaching sufficient maturity, projects should be allowed to transition into the delivery track without waiting for the outcome of the tCSNP2 Refresh, to avoid potential delays. The view that projects should automatically transition into the delivery track (without reassessment) was shared by several industry respondents including generators and technology companies.

3.17 TOs also asked for clarity on what would happen if projects do not meet the required level of maturity by the delivery date of June 2025, expressing concerns that this date may be challenging for certain projects. This view was supported by Energy UK, who proposed that there should be a plan to account for late delivery by TOs.

3.18 One TO argued that the tCSNP2 Refresh should be both brought forward, and the assessment process accelerated. This view was shared by many other industry respondents, with several of them arguing that there should be no Refresh exercise and that the first CSNP should be brought forwards in its place.

3.19 Two developers argued that as many of the tCSNP2 projects will include enabling works for generator connections there needs to be greater protection for generators against late delivery.

Decision and rationale

3.20 Given the supportive feedback from respondents on our proposed development track we have decided to proceed broadly in line with the position that we consulted on.

3.21 Key changes that we are making compared to the consultation position are:

i. Reducing the value threshold from £100m to £60;

ii. Expanding the scope of activities that DF can be used for (to include non-statutory engagements and consultations, FEED works and environmental surveys);

iii. Immediate transition to the delivery track on a provisional basis if projects have reached the required level of maturity (i.e. end of ESO maturity rating 2) by June 2025 and receive a "proceed" signal in the tCSNP2 Refresh, pending

confirmation of delivery track status by Ofgem following our assessment of the tCSNP2 Refresh recommendations.

Table 3: Development track final positions

Criteria:	Output	Activities	Funding
Applies to Projects that: - have an estimated cost of greater than £60m - received a "Proceed" or "Hold" signal, or is an HNDFUE enabling work in the tCSNP2. - have an ESO maturity rating of Level One or Two - Excludes CP2030 projects	PCD to develop the project to the end of ESO maturity rating 2 and submit a report to Ofgem with evidence (paragraph 3.29) to demonstrate the maturity status. Additionally for onshore projects: to submit suitably developed options that meet the NESO's minimum design criteria to the NESO by 30 June 2025 to be assessed as part of the tCSNP2 Refresh.	Including but not limited to: - Pre-FEED[11] work - Early desk-based research and design - Optioneering analysis - Risk assessments - Site visits -Non-statutory engagements -Environmental surveys -FEED works	- To be set at 0.5% of estimated project costs. - A flexible pot that can be spent across all projects in the development track. - Subject to a UIOLI adjustment.

3.22 We have decided to lower the value threshold from £100m to £60m following feedback from TOs, with some arguing that projects of all sizes should be included in the development track. TOs also argued that the original project costs estimates are highly speculative and are based on broad ranges at this early stage of development. This means that projects near the £100m threshold may exceed the threshold once the options are developed and more up-to-date estimates are produced, potentially making them ineligible for funding through the RIIO-2 MSIP reopener, which was one of the funding routes that we had proposed for smaller projects. We have now reviewed the cost estimate ranges and consider that £60m is a more appropriate threshold to use at this stage, giving us greater confidence that projects below this level would not exceed the £100m threshold as projects are developed. The effect of lowering the threshold has meant three additional projects are now included in the development track.

[11] Front-End Engineering Design

3.23 We consider that projects with a current estimated cost below £60m should be funded through the small / medium project funding track (as set out further below) using existing mechanisms either in the RIIO-2 price control, RIIO-3 Business Plans, or RIIO-3 mechanisms. In our view, the creating of a development track PCD and a DF pot for relatively low value projects would create unnecessary burden on both Ofgem and the TOs in terms of assessing and reporting requirements without countervailing benefits in terms of supporting the timely delivery of these projects.

3.24 Following feedback from TOs, we have extended the scope of activities that the development funding can cover. We have added non-statutory engagements, environmental surveys and FEED works to the list of approved activities. We have decided to include these additional activities as through engagement with TOs we understand this should reasonably close the perceived "funding gap" quoted by TOs and industry members in the consultation responses. The perceived "funding gap" refers to the period from June 2025 until publication of the tCSNP2 Refresh expected in Jan 2026.

3.25 We have also set out a clear route for how development track projects progress into the delivery track, which coupled with the expanded scope of activities further closes the perceived "funding gap" concern raised in response to our consultation. This is explained in the section below titled "Transitioning from development into delivery".

3.26 As stated in our consultation, the development funding pot will be set at 0.5% of estimated projected costs and will be a UIOLI allowance that can be spent flexibly across all projects in a TO's development track portfolio.

3.27 Given the broad support in response to our consultation, we have decided to maintain the proposal for development funding to be a flexible and UIOLI pot meaning the allowance can be spent across all projects in the development track, with any unspent allowances returned to consumers in full. This mirrors the approach taken for ASTI which has received strong support from the TOs, who say it allows greater flexibility of project development, particularly with a highly interlinked portfolio of projects. We consider this allowance provides sufficient funding for the TOs to undertake the relatively low cost, and primarily desk-based activities required for the development of projects to the end of NESO level two maturity. A UIOLI allowance also ensures that there is not an incentive to cut

corners at this critical stage of development. Also to note, this amount is slightly greater than the cost forecasts over this same period provided by TOs to the ESO in the development of the tCSNP2.

3.28 One TO expressed a concern that DF allowances based on 0.5% of estimated project cost may not be adequate to cover the cost of works needed on certain development track projects until January 2026. We accept that some projects could require expenditure in excess of 0.5% of estimated project cost before January 2026. However, the DF pot is being set on a substitutable basis and expenditure over 0.5% on a project could be set off against lower expenditure on other projects. We have not seen any evidence that the overall DF pot could be inadequate across the full portfolio of development track projects for each TO. We will keep this under review, and are open to increasing the size of the DF pot if evidence is provided that the overall level of expenditure across the full set of development track projects will exceed (or has exceeded) the size of the DF pot.

3.29 We have decided to set a PCD for each development track project to be developed to reach the end of ESO maturity rating 2. This is a change from our consultation, where we had proposed to set a PCD for projects reach ESO maturity rating 3. TOs argued that maturity rating 3 is a lengthy phase and not clearly defined, and we agreed that requiring projects to reach the end of maturity rating 2 provides a clearer definition.

3.30 Each development track PCD would also include a requirement for TOs to submit a project status report to Ofgem by June 2025. This report should include any expected impacts on projects following the implementation of the proposed new Connections Criteria in NESO's wider connections reform proposal.

3.31 The PCD will include a requirement for TOs to submit projects that have reached maturity rating 2 to the NESO for reassessment in the tCSNP2 Refresh, and each submitted project must meet the following minimum design requirements:

i. Identification of electrical solution(s) e.g. extend or upgrade substation A and B and install new circuit or reconductor existing circuit from A – B.

ii. Development of an indicative high-level substation layout drawing resulting from the assessment of site characteristics, including by checking existing layout drawings and Geographic Information Software (GIS), considering connectivity to existing assets, and identifying space to install new assets

including by extending substations. Also consider asset health drivers and the need to combine these with tCSNP projects where appropriate.

iii. Assessment of spatial characteristics including environmental limitations (for example river crossings, Areas of Outstanding Natural Beauty) and potential community impacts, largely by using GIS software and other specialised desktop-based routing tools, resulting in the identification of an indicative initial route corridor and site location for the purpose of costing and scoping.

iv. Development of a single line electrical schematic showing the proposed solution.

v. High-level specification of the required asset ratings and electrical parameters to meet network needs.

vi. Development of a high-level construction programme with demonstrably expedited delivery dates. This should include a description of the measures adopted by the TO to expedite delivery relative to historical timelines along with estimates of the impact of those measures on delivery timelines.

vii. Updated estimations of project costs.

3.32 There is one project in the development track (NHNC) that we have decided to set a different PCD for. This follows feedback from the TO, ESO and our own engineering assessment. The project NHNC when entered into the tCSNP2 was at the earliest conceptual stage of development and is a relatively large project with an EISD that's currently far into the future (i.e. 2038). The project's needs case is also dependent on the amount of renewable energy generation that comes online in its area. As such, we have decided that this project's PCD will not be to develop a single project to the end of level 2 by June 2025, but to develop multiple feasible options to be entered into the tCSNP2 Refresh, with a final preferred option only to be confirmed following assessment in the first CSNP expected in 2027.

3.33 There are 10 projects that are listed in both the tCSNP2 and the CP2030 advice, including some that we had proposed in our consultation to include within the development track due to their low maturity. We have decided that due to the urgency of delivery of such projects it is more appropriate that these are either funded through the delivery track or small project delivery track irrespective of their current maturity status.

Transitioning from development into delivery

3.34 In our consultation we set out our intention that projects which receive a "Proceed" recommendation from the ESO in the tCSNP2 Refresh, and projects required to meet government policy ambitions should have timely access to funding so that they can be progressed into consenting without delay.

3.35 Respondents to our consultation shared a range of views on the reassessment of options in the tCSNP2 Refresh. A common theme among responses was that there should be as little delay as possible in making funding available and providing certainty for projects, with some supporting the reassessment of options in the tCSNP2 Refresh and others stating that it should either be dropped completely or that the first CSNP should be brought forwards to replace it.

3.36 We disagree with the arguments that projects do not require reassessment, as per the reasons and risks set out in chapters 2. We do agree however, with the arguments that projects require funding and regulatory certainty as early as practicable to ensure that Ofgem remains off the critical path to project delivery in all cases.

3.37 As outlined in paragraph 3.23, DF activities have been expanded to manage the risk that there is a funding gap in the period between PCD submission (June 2025) and the tCSNP2 Refresh (Jan 2026).

3.38 We have also decided that projects will gain immediate access to PCF on a provisional basis ("Provisional PCF") if projects have met the minimum level of maturity required ahead of submission to the ESO (June 2025) for the tCSNP2 Refresh and are recommended with either a "Proceed critical" or "Proceed maintain" signal (or equivalent) in the Refresh.

3.39 "Provisional PCF" means TOs will be remunerated for efficiently incurred expenditure of up to 2.5% of estimated project cost on Pre-Construction Works in the period between the publication of the tCNSP2 Refresh and Ofgem's official response to the plan (expected ~3 months after the publication of the tCSNP2 Refresh). Once Ofgem has conducted a review of the tCSNP2 Refresh we will confirm the need for projects and formalise PCF allowances, including remuneration for efficiently incurred expenditure while projects had access to Provisional PCF.

3.40 If Ofgem's review concludes that the project should not funded for pre-construction activities at that stage, we expect the TOs to stop incurring

expenditure on the project as soon as possible after they are notified of Ofgem's decision. In such cases, we will remunerate TOs for expenditure incurred efficiently up to that point. We may undertake a review of the TOs' incurred expenditure and decision-making in relation to that expenditure when forming a view on the appropriate level of remuneration for expenditure already incurred, including on projects that are stopped following Ofgem's review of the tCSNP2 Refresh.

3.41 Below we set out two possible routes that development track projects may take depending on whether or not they have met the required minimum level of maturity by the point of their submission to the NESO in June 2025.

3.42 **Route A:** project meets minimum design maturity by June 2025

i. Project at the end of ESO maturity rating 2 submitted to ESO by June 2025
ii. ESO commences tCSNP2 Refresh process
iii. DF can be used to continue work on projects between June 25 and Jan 26.
iv. NESO publishes its tCSNP2 Refresh in January 2026
v. Options that receive a "Proceed Critical" or "Proceed Maintain" signal in the Refresh get access to "Provisional PCF".
vi. Ofgem conducts their review of the tCSNP2 Refresh, producing a decision in Spring 2026.
vii. Needs case decision made by Ofgem in Spring 2026– at which point PCF is formalised too.
viii. TOs must stop incurring expenditure immediately on projects where Ofgem does not approve progression into the pre-construction stage, and subject to that requirement, TOs will be remunerated for efficiently incurred pre-construction expenditure while on the Provisional PCF status.

3.43 **Route B:** project *does not* meet minimum design maturity by June 2025

I. PCD not met by deadline & less mature option submitted in June 2025.
II. NESO assesses option regardless of maturity
III. DF can be used to continue development of project until end of RIIO-2 period, and there is no access to Provisional PCF.
IV. TOs can submit mature options (meeting the minimum design requirements) to the NESO and Ofgem any time until Jan 2026 (but they may not be assessed by the NESO if it is submitted too late)

V. Ofgem assesses these submissions (v.) alongside our review of the tCSNP2 Refresh.

VI. Ofgem confirm whether a) the now mature option submitted (at v.) *has not* changed significantly since original submission to ESO (at ii.) and therefore Ofgem may accept needs case, or b) option *has* significantly changed since submission (at ii) and therefore Ofgem would require a change control process or reassessment of the option in the CSNP before confirming the need.

VII. if a) occurs, PCF would be immediately provided along with Ofgem approval of the project need. And if b) occurs, PCF and needs case would only be confirmed subsequent to any scope change governance process (see Chapter 5 for more details) or CSNP reassessment of the option.

Delivery Track

Background

3.44 The delivery track is intended to fund the cost of pre-construction activities required for delivering the more mature tCSNP2 projects that are ready to progress into the consenting stage. The intention is to provide funding required for the early stage of project delivery, with further and full project allowances to be provided through the applicable RIIO-3 price control mechanism and potentially the Advanced Procurement Mechanism[12] (APM).

What we consulted on

3.45 We proposed to provide a flexible PCF pot for any projects included within the delivery track, with a PCD to submit planning applications. This mechanism was based upon the ASTI PCF model, that had been designed with TO input to enable acceleration of projects, whilst striking the right balance with consumer protection.

3.46 We also proposed that where there is demonstrable consumer benefit, either through acceleration against current optimal dates or avoided delay, TOs should have access to appropriate funding ahead of securing planning consents. However, we said that if funding is not required during the RIIO-ET2 period explicitly to accelerate projects or to avoid delays then future RIIO-ET3 funding arrangements should apply.

[12] See paragraphs 4.57 – 4.60 of our consultation for more details on the APM.

3.47 We noted that the intention is for RIIO3 to not include provision for Early Construction Funding[13] as in the ASTI regime, but to implement the APM[14] in its place. Our consultation stated that we consider any additional funding for delivery track projects beyond PCF should come from the APM or applicable RIIO-3 mechanisms.

3.48 We also said that due to the uncertainty around optimal delivery dates (ODDs), lack of information on the benefits of acceleration or the cost of delay we did not consider it appropriate to set Licence Obligations (LOs) with target dates for project delivery or ODIs for timely delivery at this point in time. We said that we expect to set LOs and ODIs following the tCSNP2 Refresh, or following the CP2030 network plan, and expect that target delivery dates and incentive arrangements to be set in accordance with the RIIO-ET3 Final Determinations policy decision for major project delivery.

3.49 A summary of our consultation proposals on the delivery track is set out in table 4 below.

[13] RIIO-3 Sector Specific Methodology Decision – ET Annex (ofgem.gov.uk) Paragraph 2.41
[14] RIIO-3 Sector Specific Methodology Decision – Overview Document (ofgem.gov.uk) paragraph 1.9

Table 4: Delivery track summary of consultation position

Criteria:	Output	Activities	Funding
Applies to Projects that: - have an estimated cost of greater than £100m - received a "proceed" signal, or is an HNDFUE enabling work - have an ESO maturity rating of Level 3+ - Excludes projects that we consider should be delivered as part of existing projects	PCD to submit planning application by dates that are consistent with initial delivery plans Additional outputs may be set at a later date when providing further project funding	For PCF, qualifying activities listed in SpC 1.1 definition of Pre-Construction Works	- PCF to be set at 2.5% of estimated projects costs. A flexible pot that can be spent across all projects in the delivery track Subject to a UIOLI adjustment Flexibility to access additional funding ahead of receiving planning consent[15] Full project funding to be provided under the applicable RIIO-3 mechanism[16]

Summary of consultation responses

3.50 All three TOs broadly supported our proposals for the delivery track as being a flexible pot of UIOLI funding set at 2.5% of estimated project costs with a PCD to submit planning applications.

3.51 Two TOs argued that there should be a re-opener for this allowance in case costs exceed 2.5% of estimated project costs.

3.52 One TO argued that sub-£100m projects should be included in this track once they meet the sufficient maturity level.

3.53 One TO argued that the PCD date should be set using the latest available project delivery information, rather than based upon the information provided to Ofgem ahead of the consultation.

3.54 All three TOs argued that there should be a mechanism available to them for the purchasing of land at an early stage (ahead of Project Assessment where full project allowances are granted). They generally welcome the introduction of the APM, though state that uncertainty remains around how it will work and what will be covered by it, arguing that land purchase should be included.

[15] Using to-be-introduced advanced procurement mechanism – see paragraphs 4.57 to 4.60

[16] RIIO-3 Sector Specific Methodology Decision – ET Annex (ofgem.gov.uk) page 25

3.55 TOs welcomed the proposed arrangements for funding early site works in RIIO3 (as per SSMD) but request that this is also included for delivery track projects undergoing delivery within RIIO2.

3.56 One TO argued that their EISDs assumed availability of Early Construction Funding (ECF) as per the ASTI framework[17], and that without it delays may materialise. Other TOs argued that if the APM does not include land purchases that ECF should be made available to delivery track projects.

3.57 Energy UK support the general proposals but add that there should be provision for Output Delivery Incentives (ODIs)[18] once projects are in the delivery track. They also urge Ofgem to provide forward guidance on how joint tendering within RIIO-ET3 will be treated regarding tCSNP2 projects ahead of final decisions in late 2025. They also ask whether there is an opportunity to integrate this large scale workstream (tCSNP2 projects entering the delivery track) with a wider Government industrial sector deal, such as with Great British Energy.

3.58 Other respondents from across industry provided general support for the approach outlined for the development track, with some reiterating concerns raised within question 2 on the development track proposals.

3.59 No respondents from industry, TOs or ESO expressed objections to exempting delivery track projects from consideration for delivery through the onshore early competition model. However some individual responses from community members expressed an objection to removing competition more broadly.

Decision and rationale

3.60 We have decided to lower the threshold for eligibility for the delivery track to £60m to align with an equal reduction to the development track threshold in response to feedback from TOs (explained above in paragraphs 3.21 to 3.22).

3.61 Following publication of the CP2030 advice we now know that there are 10 projects overlapping between the CP2030 and tCSNP2. We consider that inclusion of these projects within the CP2030 advice strengthens the needs case and signals greater urgency. As such, we have decided to place these projects within

[17] Paragraphs 5.28 – 5.35, Decision on accelerating onshore electricity transmission investment | Ofgem
[18] Paragraphs 7.4 – 7.9, Decision on accelerating onshore electricity transmission investment | Ofgem

the delivery track irrespective of their maturity rating. This ensures that TOs will have sufficient funding and certainty for these projects and can progress the projects to consenting as soon as practicable. However, we expect that any CP2030 projects that were not at maturity rating 3 when assessed in the tCSNP2 to be developed to the end of maturity rating 2 and submitted to the NESO by June 2025 in line with our expectations for development track projects

3.62 For projects not in the CP2030, the delivery track will only be for projects with a 'proceed' signal, or HNDFUE enabling works, that have a NESO maturity rating of three or higher and an estimated value of 60m. We consider these to be necessary thresholds to be met as until projects have met the required maturity there is high uncertainty about project design, costs and need. To fund PCF for the early-stage projects lower than NESO level 3 maturity would expose consumers to unnecessarily high risk of wasted expenditure. We also consider that the provisions set out in the development track ensure that the less mature projects can progress sufficiently in the period before the tCNSP2 Refresh.

3.63 PCF will be set at 2.5% of estimated project costs and is intended to be used to continue to develop these projects ahead of consenting, on approved activities as per the TOs' special conditions licence definition of Pre-Construction Works. We are maintaining the level at 2.5% of estimated project costs as our experience from the ASTI regime indicates that across a portfolio this amount is a reasonable level of funding for TOs to carry out necessary Pre-Construction Works, we also did not receive arguments that this level of funding is inappropriate.

3.64 The funding will be subject to a UIOLI adjustment, meaning any unspent allowances are returned to consumers in full. It will also be a flexible funding pot, meaning the total PCF awarded can be used on all tCSNP2 projects in a TO's portfolio of delivery track projects. These principles, which align with ASTI PCF, also received support from respondents and in our view ensure that the TOs have sufficient incentives and flexibility to conduct the Pre-Construction Works as best as possible and at good pace.

3.65 We are setting PCD delivery dates as per the latest delivery plan information provided by TOs. We consider these to be reasonable and achievable dates for submission of planning consents that will not result in delays to the overall project schedules.

3.66 We are setting the output of the PCD to be submission of all material planning consents. This aligns with our approach taken for ASTI projects and received support in responses to our consultation.

3.67 We are exempting all projects in the delivery track from consideration for delivery through the onshore early competition model.

Small / Medium Project Delivery Track

What we consulted on

3.68 For smaller or medium sized projects (sub-£100m) we said that there are existing mechanisms within the RIIO-ET2 framework that can fund these works. We set out in our consultation that we consider these existing mechanisms (e.g. the MSIP re-opener) to be suitable for the delivery of smaller or medium-sized projects, or that dependent on delivery timelines, some smaller projects of the tCSNP2 may be funded through RIIO3 re-opener mechanisms or baseline allowances through submission of TOs' RIIO-3 Business Plans.

3.69 We proposed that for projects to be funded through this track that they must have received a "Proceed" recommendation from the tCSNP2. However, we also stated that we would be open to providing funding for projects with a Hold signal where the TOs could satisfactorily demonstrate through a project delivery plan why earlier access to funding is required.

3.70 We also stated that we were cognisant of the fact that the majority of sub-£100m projects had EISDs on or before 2030 and therefore may form part of a deliverable CP2030 network plan. We stated that we intended to create an approach that would by sufficiently flexible to ensure that if projects were required for CP2030 TOs would have access to appropriate levels of funding without delay.

Summary of consultation responses

3.71 Two TOs generally supported the proposal. The third TO proposed that it would be more appropriate to allocate all sub £100m projects into the development track instead of funding via the options proposed in this route, arguing that it would provide greater certainty and a more flexible route into the delivery track. The TO expressed a concern that if sub £100m projects are not included in the development track that they might not be able to recover expenditure incurred within the RIIO2 period in RIIO3.

3.72 Two TOs raised concern with the timing of the final Re-opener window for MSIP (January 2025) with one stating that this may not be achievable for some projects and the other noting that they are concerned with the time it may take for Ofgem to assess reopener applications given the number of projects that might require funding.

3.73 There were eight further responses to this question in particular, all coming from industry members such as electricity generators, industry bodies and technology companies. All eight respondents showed general support for the small / medium sized project track. Additional points raised by these respondents included support for the APM, emphasis that project delivery is closely monitored, and a request for what further acceleration may look like in a world where ASTI style acceleration of transmission projects should be seen as the norm.

Decision and rationale

3.74 Taking into account views from the TOs about uncertainty of original project cost estimates and calls to include more projects within the development track, we have decided to lower the threshold for this track to any projects estimated to be less than £60m. This means that we can have a greater degree of confidence that projects will not exceed the maximum cost threshold of £100m for the MSIP re-opener.

3.75 We expect TOs to submit funding requests for any projects listed in the Small / Medium sized project track either as part of their RIIO3 business plans, or in the January 2025 MSIP submission window. TOs will also be able to apply for funding through the RIIO-3 price control's Load Related Reopener (LRR).

3.76 We do not intend to change the January 2025 MSIP window. We consider that the current MSIP window and Business plan opportunities, as well as the availability of the LRR in RIIO-3 should give TOs sufficient opportunity to make submissions for project allowances in good time. Furthermore, given the potential high volume funding applications and the resultant timeframes associated with assessing projects, we do not consider that an additional MSIP window in the summer of 2025 would result in funding approvals being made materially sooner than through the use of the aforementioned routes for project assessment.

3.77 TOs will be able to apply for the recovery of efficiently incurred costs for these projects incurred within the RIIO-2 period once the need case for the projects has been accepted, either through MSIP, RIIO-3 Business Plans, or through the LRR

in RIIO3. As such, we consider the level of "at risk" expenditure for TOs in this period to be relatively small and no proportionally no greater than that under our standard project approval processes that have operated throughout RIIO-2.

3.78 Furthermore, TOs also have access to the Net Zero Use It Or Lose It re-opener, through which they can apply for development funding for small / medium sized projects ahead of MSIP / BP confirmation.

Projects with interactions with other schemes

Background

3.79 Our consultation identified that there were some projects that would sit outside of the proposed multi-track approach. We proposed that these projects were better defined as additions or modifications to existing schemes that are already in development such as ASTI projects, rather than standalone projects themselves.

What we consulted on

3.80 We proposed these projects are incorporated into the existing schemes to which they are linked by modifying the existing outputs, rather than delivering as discrete programmes of work.

3.81 We recognised that there should be consumer cost savings through not having to mobilise separate project teams as well as reduced environmental and community impact, provided there are no material delays to the original projects as a result of these scope changes which then lead to increased constraint costs.

3.82 We proposed that as these projects will then have access to any existing PCF or ECF under the ASTI or RIIO-2 mechanism granted to the project they are combined with, it will not be necessary to provide additional funding through a separate mechanism.

Summary of consultation responses

3.83 TOs informed us it was their preference that projects identified in our consultation that sit outside of the multi-track approach were delivered alongside existing schemes. We did not receive any views from wider respondents on this point from our consultation.

Decision

3.84 We have decided that the projects identified as having interactions with other schemes (four with ASTI projects, one with a T2 baseline project) should be delivered alongside the existing schemes. This can either be funded through a

modification to allowances for those existing schemes or TOs can make separate funding submissions for these projects, and following Ofgem assessment, project allowances may be approved through either RIIO-ET2 re-opener mechanisms such as MSIP, RIIO-ET3 Business Plan submissions, or via RIIO-ET3 re-openers, such as the LRR.

3.85 By considering these projects on a stand-alone basis, we can ensure the funding is allocated in the most appropriate way and in a timely manner. This process should not hinder the TOs' ability to deliver the projects in tandem, and thus still delivers the additional benefits of in-tandem delivery.

3.86 We have the option of granting PCF for these projects through upcoming licence modification decisions as part of the implementation of policy set out in this decision. The decision on whether or not to grant PCF will be informed by TOs application routes for full project allowances, as some routes fund projects in their entirety, as such a separate PCF allowance may not be required. We will also determine through engagement with the TOs whether ASTI PCF or the new tCSNP2 PCF route is the most appropriate way to fund these projects if PCF is required. In line with the RIIO-3 Sector Specific Methodology Decision[19], projects will not be eligible for Early Construction Funding (ECF) if they are added as new projects in the TOs licence. Instead, they will be eligible to access the APM.

Asset Classification Projects

3.87 In April 2024 we published a decision[20] that classified projects from the HND FUE as either offshore or onshore based upon power flow assumptions. As part of this exercise, we classified four additional projects as onshore projects. As part of our tCSNP2 consultation, we set out proposals on which TOs should be responsible for the delivery of these four projects (see table 5 below) as well as our view of which track each project should be funded through at this stage.

3.88 We proposed that three of these projects – Peterhead to E2B; E2B to E2A; E2A to Richborough - should be included in the tCSNP2 development track and treated as other such onshore projects at a similar level of project maturity. The fourth

[19] RIIO-3 Sector Specific Methodology Decision for the Gas Distribution, Gas Transmission and Electricity Transmission Sectors | Ofgem
[20] Offshore transmission network review: decision on asset classification for Holistic Network Design Follow Up Exercise | Ofgem

asset classification project – Shetland to Coachford – we proposed to put into the delivery track[21].

Table 5: HNDFUE Onshore "Asset Classification" projects consultation position

Circuit	Classification	TO responsible	Track
Peterhead to E2b	Onshore	SSE	Development
E2b to E2a	Onshore	SSE	Development
E2a to Richborough	Onshore	NGET + SSE Joint Venture	Development
Shetland to Coachford	Onshore	SSE	Delivery

Summary of consultation responses

3.89 The ESO considered that all four projects listed should be in the development track due to their immaturity. They welcome confirmation of which TOs will be responsible for delivery as offshore generation connection dates depend upon these projects.

3.90 NGET and SSENT supported our determination of which TO should be responsible for each of these four projects. They both argued however that the estimated total project costs used by Ofgem to calculate IDF and PCF for these projects was too low and requested that this is reviewed. SPT did not express a view on this topic as they do not expect to be involved in the development or delivery of these projects.

3.91 The majority of other respondents broadly supported our proposals for the asset classification projects. One respondent asked how material changes to designs following the Detailed Network Design would be treated. This responded added that the design of any onshore TO projects must consider how they interface with both non-radial OFTO and developer projects, where they exist.

Decision and Rationale

3.92 Following our consultation, we now understand that Asset Classification projects (other than the Shetland to Coachford link) are being assessed by the NESO in an offshore Impact Assessment. The outcome of this assessment is expected in

[21] Detailed reasoning for this proposal is set out in paragraphs 5.19 – 5.22 of our consultation.

February 2025 and will identify preferred designs for these Asset Classification projects.

3.93 Given that we now expect preferred designs to be identified as early as February 2025 we no longer consider it necessary or appropriate to put Asset Classification projects into the development track with a PCD.

3.94 Our decision is that the three Asset Classification projects that we consulted on putting in the development track should instead progress directly into the delivery track if they are recommended following the outcome of the NESO's offshore Impact Assessment process. Once the recommended options are identified, TOs should submit funding requests covering Pre-Construction expenditure to Ofgem, and include updated project delivery plans as supportive evidence. Provided sufficient evidence is provided, our intention is to place these projects into the delivery track with access to PCF.

3.95 For the Shetland to Coachford project, we consulted on immediately progressing this project into the delivery track. We remain of the view that this is the most appropriate course of action for this project, as this project is not being reassessed in the NESO's offshore Impact Assessment. As such we have decided to allocate this project into the delivery track and award PCF as part of this decision document.

3.96 We have decided that the TO allocation of projects is appropriate based on feedback received from TOs. However, as options are currently being reassessed in the NESO's offshore Impact assessment, final decisions on allocation will need to be made once the preferred solutions have been identified.

CP2030 Projects

3.97 There are 10 projects from the tCSNP2 that are also listed in the CP2030 (see Appendix 2 for further details on these projects)

3.98 We have decided that projects that overlap between both plans and have estimated costs of greater than £60m are to be allocated into the delivery track and receive 2.5% PCF. The projects that have an estimated cost of less than £60m will be funded through the small /medium project track.

3.99 The reason we are including them in the delivery, rather than development track is due to the added urgency of delivery due to their inclusion in the CP2030 advice. By including in the delivery track TOs are able to progress with consenting

applications without delay to ensure these projects stand the best chance of being delivered in time for 2030. The projects over £60m in estimated costs are all listed as enabling works in the CP2030 advice, but all of them provide wider system benefits beyond the year 2030 according to the tCSNP2. As such, this means even if the generation that they are expected to enable in CP2030 drops away the projects still have a positive needs case and the investment in pre-construction activities will not have been wasted so long as it is efficiently incurred.

3.100 There are three smaller CP2030/tCSNP2 projects that are solely enabling works, both in CP2030 and beyond 2030, these all are less than £60m in estimated costs. For these projects the needs case will not be approved until TOs can justify that they are either linked to a strategic network plan, or that the generation they are connecting is likely to meet the proposed new Connections Criteria in NESO's wider connections reform proposal, subject to Ofgem's decision in Q1 2025. Once TOs can justify the need for these projects we will consider any appropriate funding request.

3.101 There is one CP2030/tCSNP2 project less than £60m that is not solely an enabling work (NNNC). We have been informed by the TO that this project is best delivered alongside an existing ASTI project for delivery. As such it may follow the proposed route for such projects as outlined in the sub-chapter above titled "Projects with interactions with other schemes".

Provisional ASTI Projects

3.102 In our consultation, we noted that two projects – PSNC and LRN6 (referred to as LRN4 in the HND) – that were originally recommended in the HND were re-assessed for the tCSNP2 and both projects received a Proceed – Critical recommendation from the ESO. Following the HND, we had designated these projects as 'Provisional ASTI' projects, with an expectation that NGET, which is the responsible TO for both projects, is to develop these projects and Ofgem would consider providing PCF and setting outputs and incentives in the TOs' licences once a credible project delivery plan had been submitted.

3.103 We proposed that funding arrangements for these projects would remain as previously stated and they will not put in any of the tCSNP2 tracks being consulted on. We said that once a project delivery plan is received, we will

consider appropriate funding and delivery incentive arrangements in accordance with the ASTI Guidance and Submission Requirements Document[22].

3.104 In its response, NGET agreed with our proposed approach and said that it intends to submit delivery plans for these projects in the current financial year (i.e. 2024/25).

3.105 We confirm that our intention remains to provide PCF for these projects either through the tCSNP2 delivery track or application of ASTI PCF once credible delivery plans are received.

[22] Accelerated Strategic Transmission Investment Guidance And Submission Requirements Document

4. Identifying suitable projects for early competition

Section summary

This section sets out our approach to identifying projects from the tCSNP2 suitable to be tendered through onshore competition.

Questions (Question box text style)

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

Background

4.1 In our consultation we re-iterated Ofgem's intention to introduce competition into the design, delivery and ownership of onshore transmission projects. We consider that introducing competition can foster innovation in the sector and drive consumer savings as we seek to transition to Net Zero at the lowest cost to consumers.

4.2 We have been prioritising the development of early competition, which refers to a competition that happens before detailed design work has been carried out. NESO has been developing the early competition framework and has been seeking to identify the first onshore project to be competitively tendered, as per the ambition set out in the last government's Transmission Acceleration Action Plan (TAAP).[23]

What we consulted on

4.3 In our consultation we highlighted eight projects that NESO had identified as potential candidates for competition and stated that NESO intended to conduct further assessment of the suitability of these projects for competition.

4.4 We agreed with NESO's approach to identifying the first project for competition but highlighted some additional considerations including whether there is scope and quantifiable benefit in accelerating project delivery to ahead of the current

[23] Transmission Acceleration Action Plan: Government response to the Electricity Networks Commissioner's report on accelerating electricity transmission network build

EISDs, and whether that can be better achieved by a TO or through competitive tendering.

Table 10: Initial prioritisation of projects for competition

NOA code	Project description	EISD	Optimal delivery date	TO area
BKUP	Upgrade the existing network to a higher voltage between Blackhillock and Kintore	2034	2034	SHET
HGNC	New circuit between Harburn and Gala North	2036	2038	SPT
LRN6	New transmission capacity between the South Lincolnshire area to Hertfordshire	2034	2034	NGET
NHNC	New circuit from North East Scotland to the Central Belt	2038	2038	SHET / SPT
TWNC	New circuit between Wymondley and Waltham Cross and increase operating voltage of the network within the area	2033	2034	NGET
CLN2	New circuit across North West England	2036	2036	NGET
CMN3	New circuit between South East Scotland and North West England	2033	2035	NGET / SPT
WCN2	New circuit between South West Scotland and North West England	2037	2037	NGET / SPT

Summary of consultation responses

4.5 Of the consultation responses received, 15 provided feedback on NESO's approach to identify the first project for onshore competition. There was general support among stakeholders and industry for the use of competition to deliver onshore projects, provided the tender process itself does not result in delays to project delivery.

4.6 NESO and a TO responded that they consider CP2030 projects to be unsuitable for onshore competition because they are required urgently and that these projects should be exempted.

4.7 A number of stakeholders stated that they would like to see a clear pipeline of projects to be tendered as this would provide greater certainty to the market and potentially help a CATO to enter into long-term contracts with the supply chain.

4.8 TOs requested further information around NESO's project shortlisting process and highlighted concerns with the CBA, specifically that it should factor in system resilience after the introduction of a CATO, that constraint cost impact of a CATO delay should be considered, and that it should not compare debt costs for a CATO solution against a RIIO counterfactual that includes embedded debt costs. One TO requested that NESO shares the CBA methodology and assessments with the TOs.

4.9 A developer noted that TOs should be able to benefit from economies of scale in procurement, while a supplier stated that single-project procurement could lead to trouble engaging with supply chains. However, other developers expressed confidence that CATOs will have the ability to secure supply chains and expertise to deliver projects on time.

4.10 A developer responded that data exchange, interface arrangements and information sharing processes need to be robust, and a developer and industry body both stated that the tender process needs to prioritise organisations capable of delivering projects on time.

4.11 One TO considered that NESO had not applied the Electricity (Criteria for Relevant Electricity Projects) (Transmission) Regulations 2024 (the 'Criteria Regulations') correctly, and that no projects in its Transmission Area meet the separability criterion due to design interlinkages. The TO also stated that a lack of certainty on delivery partners risks its ability to delivery projects on time.

4.12 An industry body stated that CATOs should have the same opportunity as TOs to access initiatives such as the Advanced Procurement Mechanism.

Ofgem consideration of consultation responses

4.13 We agree that it is not appropriate to competitively tender projects that are required as part of the CP2030 due to the time taken to run a tender, identify a CATO and deliver projects on time. It should be noted that none of the projects identified by NESO as potentially the first onshore competition tender are included within the CP2030.

4.14 We recognise that the market wants to see a pipeline of projects in addition to the pilot project. Due to the general project needs case uncertainty surrounding the tCSNP2 projects as explained in the consultation, we cannot currently confirm which specific projects will be competitively tendered in future. However, we expect NESO to recommend further projects that meet the Criteria Regulations from the tCSNP2 Refresh. NESO also intends to assess whether the onshore 'asset classification' projects from the HND and HND FUE may be suitable projects for onshore competition.

4.15 We consulted[24] on the project identification CBA and published our decision[25] earlier this year, and this is the CBA that NESO has applied.[26] However, we will engage with NESO on the specific concerns raised and look to understand how sensitive the CBA output is to these ahead of making a decision to competitively tender a specific project.

4.16 We note the range of views from respondents around the ability of CATOs to secure supply chains and deliver projects on time, with some respondents confident CATOs are able to do this and others emphasising benefits of TO delivery. We consider this will be dependent on the specific project, the organisations in question and their access to different supply chains. The key is identifying a suitable first project that the market considers can be delivered by a CATO and we are currently consulting[27] on this (see Next Steps below).

4.17 We agree that data and information sharing are key factors in ensuring a robust tender process. We are currently engaging with NESO and TOs and developing an information sharing framework which we consulted on in December 2024.[28]

4.18 We have not seen evidence that NESO has applied the Criteria Regulations incorrectly; separability in the context of the Criteria Regulations refers to separate ownership and control of a project's electricity solution from the rest of

[24] Early Competition in onshore electricity transmission networks: policy update | Ofgem
[25] Decision on policy updates to Early Competition in onshore electricity transmission networks
[26] ESO has also previously consulted on the CBA: https://www.neso.energy/document/301776/download
[27] Onshore electricity transmission early competition: first project | Ofgem
[28] Modifications to the special licence conditions in the electricity transmission licences: Early Competition in Onshore Electricity Transmission | Ofgem

the transmission network, however we do note design interlinkages will always be a factor in an integrated network design.

4.19 Ofgem is still considering the scope of the Advanced Procurement Mechanism and we recently consulted on our initial proposals.[29] We want to ensure that the mechanism does not distort onshore competition and have sought feedback from stakeholders on how similar arrangements could also be applied to CATOs.

Next steps

4.20 Since publication of our tCSNP2 consultation, NESO has continued assessing recommended tCSNP2 projects for their suitability for competition. In November 2024, NESO formally requested a sub-component of WCN2 as the first project for onshore Early Competition.

4.21 On 3 December 2024, we published a consultation on NESO's request, which closes on 8 January 2025.[30] Further information on NESO's continued assessment and request can be found in that document and we welcome further stakeholder responses.

4.22 If NESO's request to tender a sub-component of WCN2 goes forward to tender under onshore Early Competition, we propose to accept the needs case for WCN2 as a whole, as all components need to be delivered to provide the required network benefit and achieve technical system compliance.

4.23 For the non-tendered component of WCN2, we propose that this is funded in accordance with the development Track decision as set out in Chapter 3.

4.24 If WCN2 does not proceed to tender, we propose that the full WCN2 project is put in the development track and funded and approved in accordance with this decision document. We will publish our decision on next steps for WCN2 following consideration of stakeholder responses to the consultation on NESO's request.

[29] Electricity Transmission Advanced Procurement Mechanism | Ofgem
[30] Onshore electricity transmission early competition: first project | Ofgem

5. Scope Change Governance Process

Section summary

Our consultation set out our proposals to introduce a scope change governance process for electricity transmission projects. As made clear in the consultation, this process is intended to be separate to the tCSNP2 funding framework decision.

This section sets out the background of this process and details how we will continue to develop this process in tandem with CSNP.

Questions asked in our consultation

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

Background

5.1 In our consultation we set out our proposals to introduce a scope change governance process for onshore electricity transmission projects, please see Chapter 8 of our consultation.

Summary of consultation responses

5.2 There was general support for the introduction of a more formalised scope change process from all respondents to the consultation.

5.3 A broadly shared response was that clearer guidance was required on our expectations of the TOs and ESO.

5.4 There was concern from TOs and industry respondents, that a window approach or an overly bureaucratic process may result in delays. Several respondents also considered that the wider industry in general have not sufficiently been considered in our consultation proposals. For example, one industry respondent suggested that 'protecting connection dates should be included as part of this process'. Energy UK emphasised the importance of considering the 'implications of scope change governance on existing connections contracts, something not mentioned in the consultation'. This point was also shared by several other industry respondents too.

5.5 While ESO supported our minded to position of a submission window, the consensus across industry, including TOs, was that an ad hoc approach would be

more appropriate. Their main concerns being that a submission window process could result in delays to projects that are critical for meeting net zero targets.

Decision and rationale

5.6 We will continue to develop the process for scope change for major onshore projects in tandem with the development of the CSNP. More immediately, we will also work with NESO to determine how best to formalise the process around how scope changes to ASTI projects and projects in the CP2030 should be considered and assessed ahead of the finalisation of the CSNP. The decision set out here will only apply until such a time that the methodology for the CSNP scope change governance process has been consulted on and published.

5.7 Once a complete and formal process has been finalised for the CSNP scope change governance process it will also apply to tCSNP2 and ASTI projects.

5.8 Until the CSNP's scope change governance process is finalised we expect the actions outlined in our consultation to be followed by NESO, TOs and Ofgem.

5.9 We recognise TOs' and industry's concerns of a burdensome process which may delay connections. Our experience from recent reviews of changes to major projects with involvement from all TOs would suggest that the main barrier to a streamlined and expedient process is identifying, collating and submitting the necessary information to Ofgem and NESO.

5.10 We are working with NESO, Government and the TOs to develop a shared data capture of project progress across critical projects. This should allow for a better shared understanding of the key delivery risks of projects and allow for an earlier understanding of where a material scope change is being considered and therefore facilitate a quicker assessment. This decision and corresponding consultation clarify the information Ofgem and NESO expects they will require to carry out scope change assessments. This should help enable the TOs to produce the information required upfront, as soon as a change is identified.

5.11 We note stakeholders' views that more clarity is needed on roles and responsibilities and will ensure that any process methodology developed is clear in our expectations from TOs, NESO and any other relevant stakeholders.

5.12 We are of the view that to ensure NESO is appropriately prepared to carry out any impact assessment of change, an application window would be beneficial.

This will ensure more structure to the process and will maintain incentive on TOs to collate and provide required information in a timely manner.

5.13 The additional benefit of having a window is that there may be several interacting projects that will need assessment, and it will be more efficient to carry out such assessments in one iteration. This is especially relevant if the projects interact with each other.

5.14 We recognise however that there may be circumstances, particularly with regards to any immediate scope change requests in the new year, where an ad-hoc assessment is needed to avoid a significant delay in delivery of projects in the CP2030. In such circumstances we will engage with TOs and NESO to identify a closer date for the NESO to carry out the IA.

5.15 We are of the view that once TOs have clear guidance on the information they need to submit (see above) to NESO and the timeline to do so, the IA will be carried out efficiently. Early indication of change will also allow NESO to prepare and assess resource needed to carry out the IA.

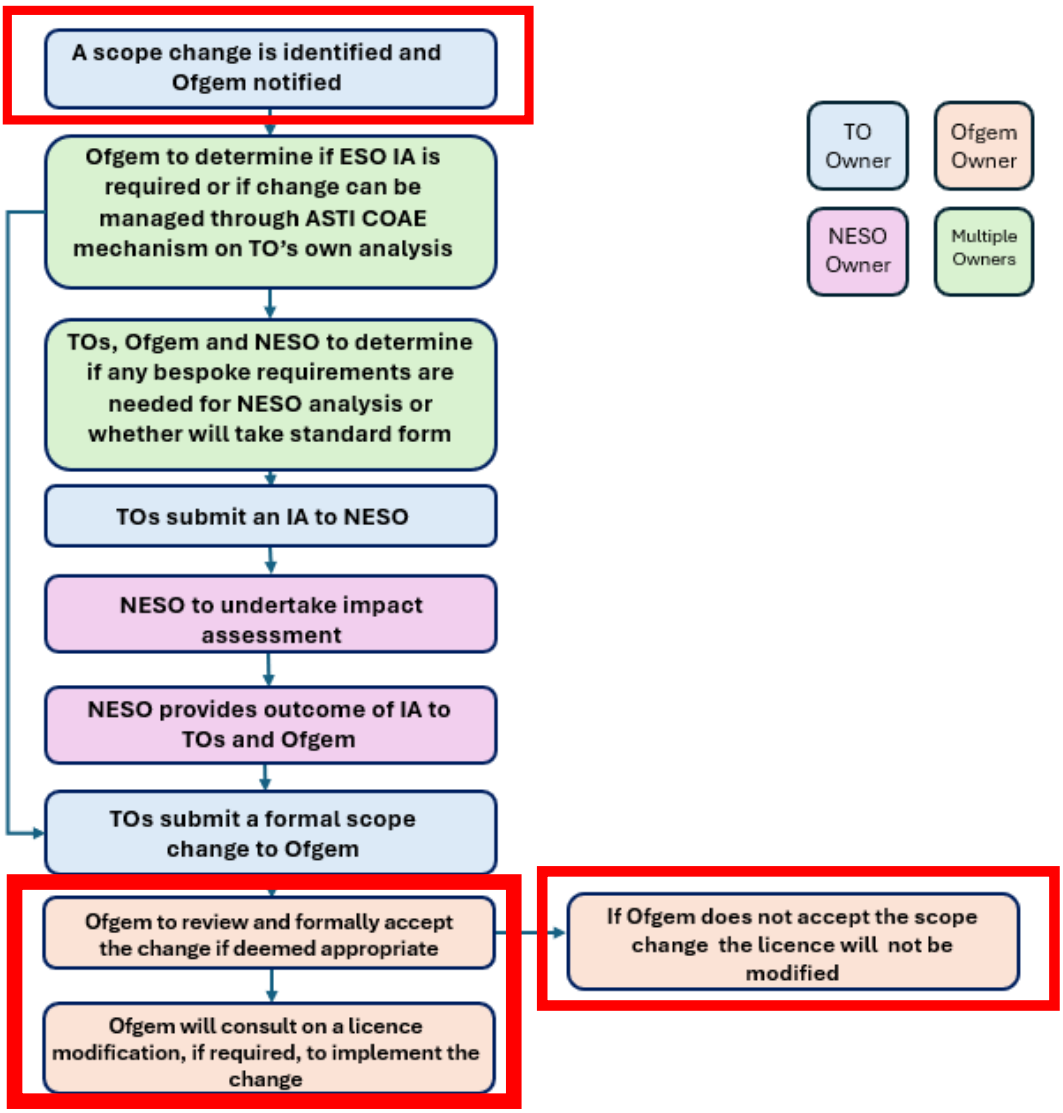
5.16 We will work with NESO and TOs to identify the optimum number of windows before and after the tCSNP2 Refresh (which in itself is an opportunity to reassess scope changes).

5.17 We are of the view that IA should not be carried out more than twice in a given year, on top of any annual iteration of options assessments i.e. the tCSNP2 Refresh or future CSNPs.

5.18 In response to feedback requesting that all parties roles are clearly defined, we have added an additional step to ensure that the responsibilities of TOs, NESO and Ofgem are clear. We have added another option to account for the possibility that Ofgem accepts a scope change where the licence does not require modification. We have also amended step one to account for the possibility that Ofgem or NESO may in some instances identify scope changes and we consider all parties should be able to trigger the process.

5.19 Figure 4 below is the updated process diagram:

Figure 4: Updated scope change governance process map



5.20 The additional step at Ofgem's acceptance stage is intended to make clear Ofgem's responsibility for accepting a scope change request or not. This may be due to a number of factors such as TOs causing delays or cost overruns due to poor project management, or price increases reaching a tipping point where a project no longer delivers net value for the consumer.

5.21 As stated in the consultation, this process was always intended to be developed to cover all major onshore projects that form part of the ESO's HND, tCSNP2, the tCSNP2 Refresh and future CSNPs.

5.22 We consider that it is necessary that more time is taken to develop the process. We will continue to engage with the TOs and NESO on its development, and any further changes to the process will be consulted on via respective consultations – such as CSNP governance document, CSNP methodology, or other relevant publications.

5.23 In paragraph 8.10 of our consultation we set out the thresholds we would consider need to be met for a change to a project to be considered significant and therefore trigger a scope change assessment. We consulted on a 50% increase in estimated costs being one of these criteria. We no longer consider that a 50% threshold for cost increase is the most appropriate value, primarily due to the range in possible project values, and different benefit to cost ratios that individual projects may have. E.g. some projects may still provide consumer benefit even if costs were to double, whereas others may not still provide benefit in such circumstances.

5.24 We now consider that a favourable approach is to adopt a project specific assessment of when cost increases reach such a tipping point that would require a scope change assessment. We are continuing to engage with NESO to finalise this process.

5.25 As stated above, in paragraph 5.16, we are working with NESO and TOs to understand the most appropriate time to set the first application window, and will share an update on this via respective consultations – such as CSNP governance document, CSNP methodology, or other relevant publications.

6. Community Responses and commentary on issues not directly consulted on

In response to our consultation we received a large number of responses from various individuals and community groups that were not directly responding to the questions asked in the consultation.

In this section we have provided a summary of the responses and responded to the claims made within them.

Summary of consultation responses

6.1 A large number of responses from individuals and community groups expressed disapproval of the length of time given to respond to the consultation and some also suggested that the consultation had not been adequately promoted to encourage a sufficiently wide range of responses. Several respondents also said that the lack of promotion and short duration of this consultation means that the consultation has not upheld the 'Gunning Principles'[31]; they suggested that this therefore invalidates all consultation responses.

6.2 Some respondents felt that the proposals that we had suggested were writing a 'blank cheque' to the TOs and that the proposals were in breach of the Treasury's Green Book principles.

6.3 A few respondents highlighted criticisms of TOs' behaviour primarily in relation to community engagement. Similarly, a number of respondents provided objection to specific projects in their local area.

6.4 Some criticised a perceived lack of consideration for alternative designs for these projects, with many suggesting that they would be better served with offshore or underground solutions instead of overhead lines.

Our response to community feedback

6.5 The funding we are providing to TOs is to allow them to develop the indicative solutions that has been identified through the NESO's analysis into more mature

[31] The Gunning Principles.pdf

designs. As the designs mature TOs will be able to engage with local stakeholders to finalise any designs taken forward through the planning process.

6.6 In response to the complaint that our consultation period was too short we highlight our consultation policies[32] that set out that consultations are open for 'a proportionate amount of time relevant to the nature and impact of the decision being made without unnecessarily delay to policy developments'. We note that the original 4-week period aligns with the consultation period provided by Ofgem in consultations for policy proposals of a similar scope and impact. However, following receipt of this objection from several respondents we decided to extend the consultation by a further two weeks. This was by exception to our standard practice and was intended to allow for additional views, primarily from communities and individuals, to be heard. This was done in order to ensure that responses to our consultation were received from the broadest range of interested parties possible, including community groups and individuals.

6.7 All of Ofgem's consultations[33] are published on our website and are available to any member of the public. Any individual can sign up to receive updates on any consultation as it passes through the various stages.

6.8 Given the significant number of responses received within this 6-week period and the fact that the consultation was published publicly available for anyone to respond to, we do not agree that there has been a failure to conduct in accordance with the Gunning Principles. All responses to our consultation have been considered and recorded.

6.9 Some respondents stated that the proposals are in breach of the Treasury's Green Book principles. As the regulator for Great Britain's gas and electricity markets, transmission network projects fall within the remit of our regulation of the network companies through the RIIO price controls, and the HM Treasury's Green Book is not a mandated tool for such developments. We set price controls to specify the services and level of performance that the TOs must provide for users and consumers and to restrict the amount of money that the network companies can recover through network charges over the length of a price control period. As transmission projects are funded by energy consumers as a distinct

[32] Ofgem's consultation policy | Ofgem
[33] Consultations | Ofgem

entity from the taxpayer, and do not entail the use of public resources derived from tax receipts.

6.10 Ofgem's role is to consider the investment case for each project included in tCSNP2, when such projects are submitted to us by NESO and TOs, in accordance with the RIIO price control regulatory framework to ensure that only the efficient costs for the delivery of these projects can be recovered from energy consumers. This includes ensuring that the NESO and TOs provide a robust needs case for each project, including Cost Benefit Analysis, justifying why the output is required and demonstrating that they have completed a thorough assessment of the viable alternative options.

6.11 In response to criticisms of the behaviour of TOs and their community engagement, we stress that any issues or complaints with the behaviour of the TOs in regard to their community engagement should be raised directly with them in the first instance. Any issues or comments regarding the approval of planning consents should be raised directly with the relevant local authority.

6.12 This was not a project-specific consultation, therefore we do not consider this decision document to be an appropriate place to comment on community complaints on specific projects. We encourage any concerned parties to engage with the TOs responsible for fulfilling specific projects during community engagement stage of the process, and with ourselves during an project-specific consultations for any funding or optioneering specific concerns.

6.13 In response to the complaint that our proposals have not considered alternative options sufficiently we highlight that Ofgem is not the body responsible for designing the GB energy network and does not design projects or determine the type of network reinforcements required. The TOs and the NESO are responsible for designing projects and selecting which projects are needed to meet the network requirements.

6.14 Once the future network need has been established, the TOs develop a range of options that can meet the system requirements. The NESO then assesses the different options to reinforce boundaries across the network as part of the Network Options Assessment (NOA) and makes recommendations on a coordinated network design. For the Pathway to 2030 the ESO's Holistic Network

Design (HND)[34] recommended a network design that can connect 50GW of offshore generation to the network in a compliant, efficient and economic manner, in support of government policy set out in the British Energy Security Strategy (BESS).

6.15 Likewise, in March 2024 the ESO produced the Holistic Network Design Follow-Up Exercise (HNDFUE)[35] and Beyond 2030[36] NOA report to provide network design recommendations for a network design looking beyond the year 2030. These are collectively known as the tCSNP2. This decision sets the funding framework for the onshore projects recommended in the NESO's tCSNP2.

Summary

6.16 The responses that we received from the community groups and individuals did not respond to the questions that were asked in our consultation. We do not agree with the suggestion that we are in breach of The Gunning Principles or the Treasury's Green book for the reasons outlined above.

6.17 As explained above, Ofgem does not design projects or select which projects are submitted. Many of the responses were critical of aspects of the process that are not within Ofgem's remit of responsibility. We encourage individuals to actively participate with community engagement and raise their concerns directly with the TOs responsible for delivering the project and relevant planning authorities.

[34] A Holistic Network Design for Offshore Wind | National Energy System Operator
[35] Holistic Network Design Follow-Up Exercise (HNDFUE)
[36] Beyond 2030 | National Energy System Operator

7. Next Steps

In this section, we set out the next steps for how we expect the tCSNP2 projects to progress through the regulatory framework.

The tCSNP2 Refresh

7.1 We will implement the decisions set out in this document by modifying the Special Conditions of the licences held by the TOs using our powers under S11A of the Electricity Act 1989. We will commence work on drafting licence modifications in early 2025, with a view to issuing a statutory consultation in Spring 2025. The relevant licence modifications will include DF for each project listed in the development track and PCF for each project listed in the delivery track with associated PCDs for all projects receiving funding.

7.2 We understand that NESO will publish its methodology for the tCSNP2 Refresh in early 2025 and its recommendations by January 2026. We expect the TOs to engage fully with the tCSNP2 Refresh process and to make all reasonable efforts to provide the information required by NESO to carry out its analysis in a timely manner.

7.3 In relation to development track projects (with the exception of the NHNC project), we have decided to set PCDs for TOs to submit sufficiently mature options to NESO by 30 June 2025. This reflects the importance we attach to the use of sufficiently mature options in NESO's analysis. However, we expect TOs to submit all available options that meet the system requirements identified by NESO even if they are not at the required level of maturity by June 2025.

7.4 At this stage, we do not know which of the projects recommended in the tCSNP2 will be assumed as part of the baseline network in the NESO's tCSNP2 Refresh. There is a risk that less certain projects that were originally recommended in the tCSNP2 may no longer be recommended in future NESO assessments. In that case, we would expect TOs to stop progressing the project as soon as reasonably practical after the publication of the relevant assessment.

7.5 As set out in Chapter 2, any development track project that met the PCD requirement by June 2025 and receives a "proceed" recommendation in the tCSNP2 Refresh would have immediate access to "Provisional PCF".

7.6 We will confirm the needs case and confirm PCF for projects after we have completed our review of the tCSNP2 Refresh recommendations, which we expect to do by Spring 2026.

Offshore projects classified as onshore through asset reclassification

7.7 Our consultation position was that three of the tCSNP2 Asset Classification projects (Peterhead to E2b, E2b to E2a and E2a to Richborough) should be put in the development track with a PCD to submit more mature options by June 2025. Since our consultation NESO has started an offshore Impact Assessment that includes projects from the HND and HNDFUE (including these projects in question). This process is expected to conclude in February 2025 and will recommend preferred options for the offshore network, including recommendations for the Asset Classification projects.

7.8 Given this exercise is underway and will produce recommendations of more mature options we no longer consider it necessary to allocate these projects into the development track.

7.9 Instead, once NESO's offshore Impact Assessment has concluded, that TOs should submit to Ofgem requests for PCF along with project delivery plans. Subject to our assessment, we will then provide PCF for these projects, as per the proposals for the delivery track as set out in this document.

7.10 Asset Classification projects from the HND are also being assessed in NESO's Impact Assessment. These projects (referred to as AC1-6) in our ASTI decision, were listed as provisional ASTI projects. This meant that they had access to ASTI PCF to develop these options (though ASTI PCF allowances were not formalised in the licence for these projects), with the intention that TOs would submit delivery plans in the near future once initial development work had been completed. We expect the TOs to also make PCF requests (and submit delivery plans) for any recommended variations of these provisional ASTI projects too following the outcome of the offshore Impact Assessment.

Timelines (RIIO3, CSNP, SSEP)

7.11 We intend to publish our final decision on the RIIO-3 price controls by December 2025, with the price control decision taking effect from 1 April 2026. We expect that further funding to progress tCSNP2 projects into the next stages of delivery

will be provided through the applicable RIIO-3 mechanism. We also intend to set financial incentives for timely delivery of tCSNP2 projects through the applicable RIIO-3 mechanism.

7.12 tCSNP2 projects will be eligible for APM, which we expect to publish our decision on by end of Q1 2025.

7.13 The Strategic Spatial Energy Plan (SSEP), is a coordinated geospatial plan that focuses on identifying optimal locations, quantities, and types of energy infrastructure (specifically generation and demand), including electricity and hydrogen generation and storage. The first SSEP is expected to be published December 2026.

7.14 The Centralised Strategic Network Plan (CSNP) is a coordinated, long-term plan for energy network planning in Great Britain looking out to 2050. The CSNP will take the supply and demand recommendations from the SSEP to inform network investment decisions, ensuring that the necessary infrastructure is in place to accommodate low-carbon energy sources and demands. The CSNP seeks to optimise costs and enhance the efficiency of network development. The publication of the first CSNP will be in December 2027. It is preceded by a public consultation on the draft plan, from NESO, before June 2027. Licence Changes

Appendices

– The ESO's tCSNP2 network plan

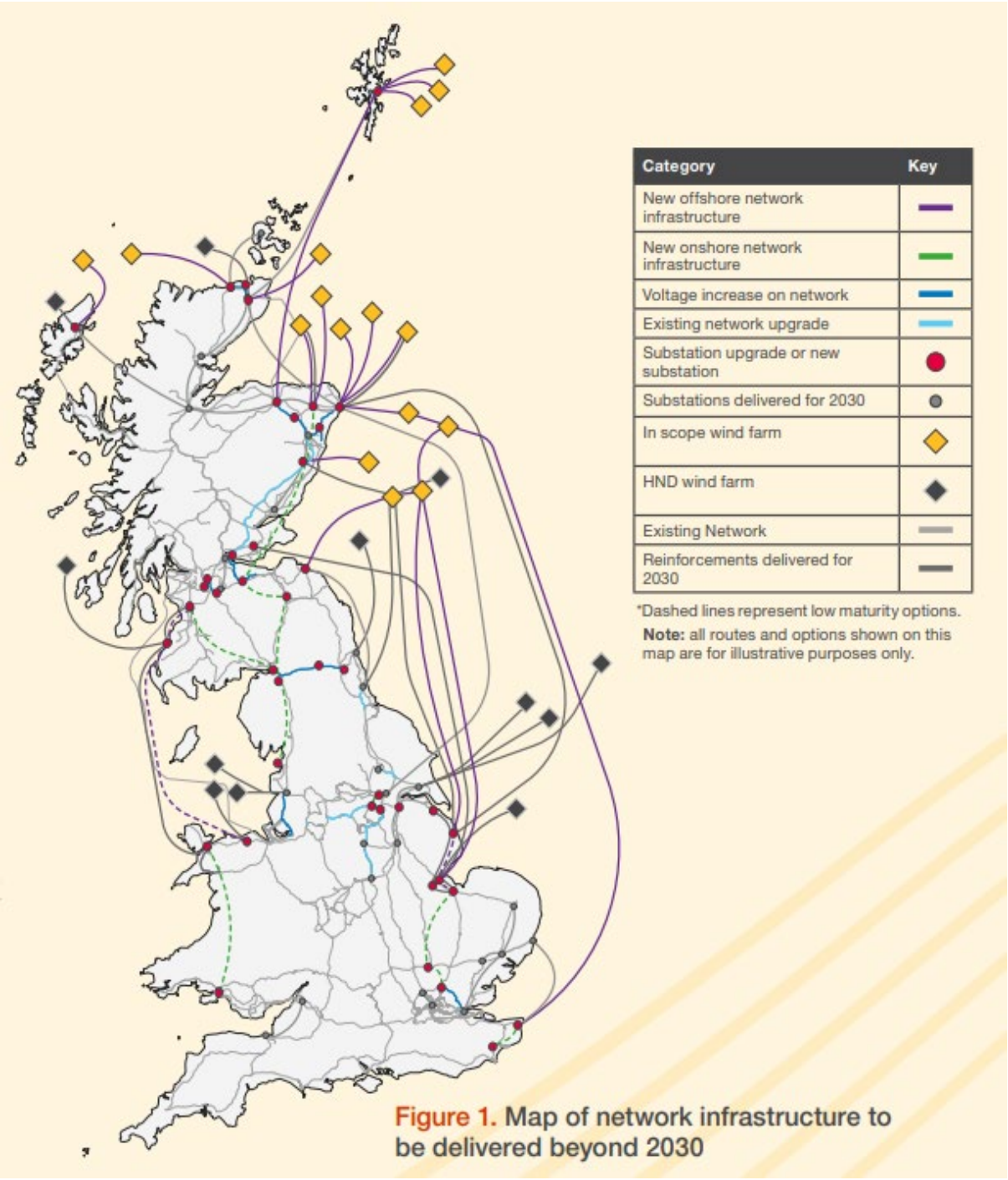


Figure 1. Map of network infrastructure to be delivered beyond 2030

ASTI and tCSNP2 projects

ASTI Projects

ASTI PCF Awarded in 2022 (to projects that did not already have PCF awarded) ECF and full project allowances available subject to TO submissions to Ofgem

Code	Project Description	TO	EISD	ASTI ODI Neutrality date	Funding Regime
AENC	Norwich to Tylbury (North)	NGET	2030	Dec-31	ASTI
ATNC	Norwich to Tylbury (South)	NGET	2030	Dec-31	ASTI
BTNO	Bramford and Twinstead	NGET	2028	Dec-29	ASTI
CGNC	North Humber to High Marnham	NGET	2031	Dec-31	ASTI
E2DC	Eastern Green Link 1	SPT & NGET	2027	Dec-28	ASTI
E4D3	Eastern Green Link 2	SHET & NGET	2029	Dec-30	ASTI
E4L5	Eastern Green Link 3	SHET & NGET	2031	Dec-31	ASTI
EDEU	Brinsworth to High Marnham	NGET	2027	Dec-29	ASTI
EDN2	Chesterfield to Ratcliffe	NGET	2032	Dec-31	ASTI
GWNC	Grimsby to Walpole	NGET	2031	Dec-31	ASTI
HWUP	Hackney, Tottenham to Waltham Cross	NGET	2027	Dec-28	ASTI
OPN2	Yorkshire GREEN	NGET	2027	Dec-28	ASTI

PTC1	Pentir to Trawsfynydd cable replacement	NGET	2027	Dec-29	ASTI
PTNO	North Wales reinforcement	NGET	2028	Dec-30	ASTI
SCD1	Sea Link	NGET	2030	Dec-31	ASTI
TGDC	Eastern Green Link 4	SPT & NGET	2031	Dec-31	ASTI
TKRE	Tilbury to Grain and Tilbury to Kingsnorth	NGET	2028	Dec-29	ASTI
BBNC	Beauly to Blackhillock	SHET	2030	Dec-29	ASTI
BDUP	Beauly to Denny	SHET	2029	Dec-31	ASTI
BLN4	Beauly to Loch Buidhe	SHET	2031	Dec-31	ASTI
BPNC	Peterhead to Blackhillock	SHET	2031	Dec-31	ASTI
PSDC	Spittal to Peterhead	SHET	2030	Dec-31	ASTI
SLU4	Loch Buidhe to Spittal	SHET	2030	Dec-31	ASTI
Western Isles	Arnish to Beauly - Western Isles	SHET	2032	Dec-31	ASTI
DWNO	Denny to Wishaw	SPT	2028	Dec-29	ASTI
TKUP	East Coast Onshore	SPT & SHET	2032	Dec-31	ASTI

Provisional ASTI Projects

PSNC and LRN4: We expect TOs to submit more developed options to the ESO ahead of the tCSNP2 Refresh. We expect TOs to submit delivery plan for these projects once ready.

AC1-6: The NESO's offshore Impact Assessment concluding February 2025 will recommend preferred options. TO's to apply to Ofgem for PCF either through the ASTI or tCSNP2 regimes once the offshore Impact Assessment has concluded.

Code	Project Description	TO	EISD	tCSNP2 Status	Funding Regime
PSNC	New North Wales to South Wales double circuit	NGET	2037	Proceed Critical	ASTI / tCSNP2
LRN4	New South Lincolnshire to Hertfordshire double circuit	NGET	2033	Proceed Critical	ASTI / tCSNP2
AC1	R4_2 to Lincolnshire	NGET	n/a	n/a	ASTI / tCSNP2
AC2	R4_1 to R4_2	NGET	n/a	n/a	ASTI / tCSNP2
AC3	Fetteresso to SW_E1a	SHET	n/a	n/a	ASTI / tCSNP2
AC4	SW_E1a to R4_1	SHET & NGET	n/a	n/a	ASTI / tCSNP2
AC5	Hunterston to T-point	SPT	n/a	n/a	ASTI / tCSNP2
AC6	Pentir to T-point	SPT & NGET	n/a	n/a	ASTI / tCSNP2

Development track projects and PCDs

Code	Description	TO	EISD	PCD	PCD Delivery date
THRE	Reconductor of Hinkley Point Taunton 1 & 2 and Hinkley Point - Taunton - Exeter	NGET	2029	See Ch. 3	30 June 2025
TMCF	Thorpe Marsh reconfiguration	NGET	2032	See Ch. 3	30 June 2025
LTRE	Reconductoring of Lackenby – Thornton 400kV double circuit (A33A and A33B)	NGET	2030	See Ch. 3	30 June 2025

LCU2	Establish a 400kV single circuit corridor south from Kincardine North, on existing OHL routes, towards the Strathaven - Smeaton (XH/XJ route) corridor west of Edinburgh and Currie/Smeaton substation	SPT	2033	See Ch. 3	30 June 2025
EDN3	Reconductoring Brinsworth to Thorpe Marsh, Brinsworth to Chester Field and Chesterfield to Ratcliff	NGET	2032	See Ch. 3	30 June 2025
E4L6	Three ended HVDC link between Lincolnshire, Walpole and either the north end of TGDC or north end of E4L5 (Third Leg only – TGDC/E4L5 for description of other ends)	NGET	2033	See Ch. 3	30 June 2025
HGNC	Establish new 400kV double circuit from Harburn to Gala North	SPT	2036	See Ch. 3	30 June 2025
TWNC	Waltham Cross- Wymondley new double circuit	NGET	2033	See Ch. 3	30 June 2025
MRU2	Mersey Ring Upgrade - Stage 2	NGET	2033	See Ch. 3	30 June 2025
MRU1	Mersey Ring Upgrade - Stage 1	NGET	2031	See Ch. 3	30 June 2025
CMN3	Establish a new 400kV double circuit OHL from Gala North to Carlisle	NGET, SPT	2033	See Ch. 3	30 June 2025
CLN2	New double circuit between North West England and Carlisle	NGET	2036	See Ch. 3	30 June 2025
FSU1	Upgrade Fourstone 275kV network to 400kV and reconductor lines between Harker – Fourstones – Stella West (B37F, B37C and B37E)	NGET	2035	See Ch. 3	30 June 2025
WCN2	Establish a new 400kV double circuit from Kilmarnock South to Glenmuckloch and Carlisle	NGET, SPT	2037	See Ch. 3	30 June 2025

RANC	New 400kV double circuit and Infrastructure within the Kent area	NGET	2036	See Ch. 3	30 June 2025
WCD4	Proposed amendment to HND1 Western Multi Terminal HVDC to provide 4GW North to South Capacity (North Wales)	NGET, SPT	2036	See Ch. 3	30 June 2025
NHNC	New Deer 2 (SSEN) - Tealing (SSEN) - Harburn (SPT) 400kV New Double Circuit	SHET, SPT	2038	See Ch. 3	30 June 2025
PPUP	Peterhead - Persley – Kintore - Kincardine 400kV Upgrade	SHET	n/a	See Ch. 3	30 June 2025

TO	**Provisional view of DF to be awarded (£m 2018 prices)**
NGET	31.176
SSENT	9.015
SPT	11.575

Delivery track projects and PCDs

Code	**Description**	**TO**	**EISD**	**PCD**	**PCD Delivery date**	**In CP2030?**
FMR2	Feckenham to Minety 400kV A589 Circuit Reconductoring	NGET	2029	Submission of all material planning consents	31st March 2026	Yes
PCR1	Reconductoring of Carrington - Penwortham & Padiham - Penwortham 400kV circuits	NGET	2030	Submission of all material planning consents	30th April 2026	Yes
VERE	Reconductor the ZV route between Strathaven and Elvanfoot with HTLS conductor	SPT	2030	Submission of all material planning consents	*	Yes

EHRE	Reconductor the ZV route between Elvanfoot and Harker with HTLS conductor	SPT	2030	Submission of all material planning consents	*	No
ESCF	Reconfigure Stalybridge - Thorpe Marsh 400kV circuit	NGET	2033	Submission of all material planning consents	30th June 2026	No
NOR6	Reconductor double circuits Norton Osbaldwick (A347 & A355)	NGET	2029	Submission of all material planning consents	28th February 2026	No
DSUP	Replace the existing 275kV double circuit OHL from Dounreay - Thurso - Spittal with a new 400kV double circuit OHL. Install new 400kV substations at Dounreay and Thurso with 2x400/275kV SGTs at each site to connect to the existing 275kV substations.	SHET	2034	Submission of all material planning consents	31st December 2027	No
BKUP	Blackhillock - Cairnford - Kintore 400kV Upgrade	SHET	2034	Submission of all material planning consents	31st December 2027	No
PKUP	Peterhead - Persley - Kintore 400kV Upgrade	SHET	2033	Submission of all material planning consents	31st December 2027	No
Shetland to Coachford	HNDFUE AC project: Shetland to Blackhillock	SHET	n/a	Submission of all material planning consents	31st December 2027	No

TO	Provisional view of PCF to be awarded** (£m 2018 prices)
NGET	9.270
SSENT	68.430
SPT	4.101

*Date to be set following further engagement with SPT

** Figures do not include the three Asset Classification projects not included in the delivery track at the outset.

Small or medium sized projects and PCDs

Code	Description	TO	EISD	In CP2030
DCR4	Uprating of Carrington – Daines 400kV circuit (A252)	NGET	2027	No
JTHW	Hotwire Thurcroft to West Melton 275kV circuit (B380)	NGET	2027	No
OTHW	Hotwire Osbaldwick – Thornton 400kV 400kV circuits (A34D and A348)	NGET	2027	Yes
ECSC	Installation of Series Compensation East Anglia Coastal Node-Tilbury 400kV Circuit	NGET	2027	No
ETRE	Reconductoring of Eggborough Thorpe Marsh 400kV single circuit (A358) 2x700 Conductor	NGET	2029	Yes
SNRE	Reconductor Spennymoor Norton double circuit	NGET	2029	No
CVUP	Establish a 400kV single circuit corridor south from Clydes Mill to Strathaven on existing OHL routes, with associated substation development at Clydes Mill, Strathaven and near East Kilbride	SPT	2031	No
BTR2	Reconductoring of Brinsworth - Thorpe Marsh 1 400kV circuit (A342) 3x700 Conductor	NGET	2027	No
TMC2	Thorpe Marsh reconfiguration and Keadby circuit open stand by	NGET	2032	No
SGRE	Reconductor Grendon to Sundon 400kV double circuit (A486 & A487)	NGET	2029	No
TMPC	Thorpe Marsh - West Melton 1 275kV circuit.	NGET	2030	No
HNRE	Reconductoring of Hawthorn Pit – Norton 400kV double circuit (A322 and A306)	NGET	2029	Yes
TDP4	Additional power control technology along the Drax – Thornton 1 (A34C) 400kV circuit and install devices along the Drax – Thornton 2 (A332) 400kV circuit	NGET	2030	No
SPRE	Reconductor Spennymoor Stella West 400kV double circuit(A321&A314)	NGET	2029	No

7.15

tCSNP2 recommended projects delivered alongside existing projects

Code	Description	TO	Linked project	In CP2030?
NNNC	Third cable circuit between New Deer – Greens (New Deer 2) 400kV	SHET	BPNC (ASTI)	Yes
KKRE	Reconductor the 30% of the Kintore – Fetteresso – Alyth – Kincardine 400kV double circuit OHL that is due to be strung with twin Totara as part of RIIO-T2 project ECUP with triple Upas	SHET	ECUP (RIIO-T2 Baseline)	No
PTC2	Replace the conductors on the existing circuit between Pentir and Trawsfynydd with a higher capacity than was previously recommended	NGET	PTC1 (ASTI)	No
PTN2	New circuit in North Wales with a higher capacity than was previously recommended	NGET	PTNO (ASTI)	No

Asset Classification projects from tCSNP2 / HNDFUE

Circuit	Classification	TO responsible	Track
Peterhead to E2b	Onshore	SSE	Delivery (once Offshore IA is concluded)
E2b to E2a	Onshore	SSE	Delivery (once Offshore IA is concluded)
E2a to Richborough	Onshore	NGET + SSE Joint Venture	Delivery (once Offshore IA is concluded)
Shetland to Coachford	Onshore	SSE	Delivery (immediately)