

To: National Grid Electricity Transmission plc ('the Licensee')

Direction issued by Gas and Electricity Markets Authority ('the Authority') under Part C of Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable) of the electricity transmission licence held by the Licensee to permit the submission of a Pre-Construction Funding to the Authority request for the North West Wales Project before the submission of the Initial Needs Case (under Special Condition 3.13).

Whereas

1. The Licensee is the holder of an electricity transmission licence ('the Licence') granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ('the Act').
2. Under Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable) (Special Condition 3.15) of the licence, the Authority¹ may direct modifications to Appendix 2 of Special Condition 3.15 in order to specify the outputs that the licensee is funded to deliver, the delivery dates of those outputs and the allowances provided.
3. In accordance with Part C of Special Condition 3.15, the licensee has given notice that the licensee expects to incur costs for Pre-Construction Works that are not already specified as outputs in Appendix 2.
4. Paragraph 3.15.18 of Special Condition 3.15 provides that the Authority may by way of direction, permit the submission of a Pre-Construction Funding request before the submission of an Initial Needs Case for the Large Onshore Transmission Investment (LOTI) (Special Condition 3.13) project.
5. In accordance with Paragraph 3.15.8 of Special Condition 3.15 the Licensee has applied to the Authority for a direction that the Licensee may apply for Pre-Construction Funding from the Authority and may submit the Initial Needs Case at another time.
6. After careful consideration, we have decided to allow the submission of a Pre-Construction Funding request before the Licensee fulfills the Licensee's requirement to submit an Initial Needs Case. The licensee may submit the Initial Needs Case at another time. This decision has been made on the basis that the North West Wales Project, which consists of Network Options Assessment (NOA)² codes PTC1 and PTNO, has been classified as "essential option" under The Pathway to 2030 Holistic Network Design (HND)³. PTC1 and PTNO were also included in our proposed list of strategic onshore ET projects included in our recent consultation on proposals to

¹ The 'Authority', 'Ofgem', 'we' and 'our' may be used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the authority in day to day work.

² NOA Refresh 2021/22 [download \(nationalgrideso.com\)](https://www.nationalgrideso.com)

³ The Pathway to 2030 HND [The Pathway to 2030 Holistic Network Design | National Grid ESO](https://www.nationalgrideso.com)

help speed up the delivery of strategically important electricity transmission infrastructure. We note that unless we relieve the Licensee of the requirement to submit an Initial Needs Case alongside a Pre-Construction Funding request, there may be delays to the delivery of the project.

7. We consider that allowing for a Pre-Construction Funding request prior to submission of an Initial Needs Case will allow the licensee to have increased certainty for the deliverables included in the Initial Needs Case submission and will permit time for the Energy System Operator to generate a robust Cost Benefit Analysis (CBA) to support the Initial Needs Case review.
8. In accordance with 3.15.18 of Special Condition 3.15 of the Licence, the Authority hereby directs that the Licensee is permitted to submit the Pre-Construction Funding request for the North West Wales Project prior to submission of an Initial Needs Case for the Authority's approval. The licensee may apply for approval of the Initial Needs Case from the Authority at a later time.
9. This Direction gives notice of the reasons for the decision to issue this Direction as required by section 49A(2) of the Act.

Thomas Johns
Interim Head of Price Control Operations – Heavy Scrutiny Projects
Duly authorised on behalf of the Gas and Electricity Markets Authority

01 September 2022