

Guidance

(Draft) Accelerated Strategic Transmission Investment (ASTI) Guidance and Submissions Requirements Document

Publication date:	(TBC)
Contact:	RIIO team
Team:	Networks
Telephone:	020 7901 7000
Email:	RIIOElectricityTransmission@ofgem.gov.uk

This document sets out the submission requirements and assessment process for applications made under the RIIO-2 Accelerated Strategic Transmission Investment (ASTI) Re-opener and ASTI Pre-Construction Funding Re-opener. It also sets out the operation of the ASTI Output Delivery Incentive (ODI). This document will take effect from (TBC)

This document is aimed at Transmission Owners (TOs) and other stakeholders with a general interest in the ASTI re-openers and ODI. It covers matters including the information that we require from the TOs and the process we expect to follow in approaching our assessments.

© Crown copyright 2023

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the [Open Government Licence](#).

Without prejudice to the generality of the terms of the Open Government Licence the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

Any enquiries related to the text of this publication should be sent to Ofgem at:

10 South Colonnade, Canary Wharf, London, E14 4PU.

This publication is available at www.ofgem.gov.uk. Any enquiries regarding the use and re-use of this information resource should be sent to: psi@nationalarchives.gsi.gov.uk

Contents

(Draft) Accelerated Strategic Transmission Investment (ASTI) Guidance and Submissions Requirements Document	1
1. Background	4
Context and related publications	4
2. Introduction	6
Scope of the ASTI Guidance and Submissions Requirements Document	6
Scope of the ASTI framework	6
Additional ASTI projects	7
3. ASTI Pre-Construction Funding	9
Purpose	9
LOTI PCF	9
ASTI PCF	10
ASTI PCF Re-opener	10
ASTI Pre-Construction Funding Price Control Deliverable	15
Provisional ASTI projects	18
4. ASTI Re-opener and Price Control Deliverable	20
Early Construction Funding (ECF)	20
Reporting requirements	23
Project Assessment Decision	25
TO submission requirements	25
ASTI Cost And Output Adjusting Events	38
5. ASTI Output Delivery Incentive	42
Penalty exemptions	42
Application of rewards and penalties	49
Appendix 1 – General requirements on TOs	50
The role of Ofgem, TOs and the ESO	51

1. Background

Context and related publications

- 1.1 The government’s Energy Security Strategy (ESS)¹ set out a series of steps to accelerate our transition away from reliance on expensive and environmentally harmful fossil fuels. The ESS set out ambitious targets to promote energy security, including connection of up to 50GW of offshore wind capacity by 2030, however the existing onshore transmission network cannot currently support this substantial growth in renewable electricity generation.
- 1.2 Given the scale and pace of the required investment, we looked at how the RIIO-ET2 regulatory framework could be adjusted to support strategic onshore electricity transmission (ET) projects being expedited to deliver the Government’s 2030 ambitions.
- 1.3 In December 2022 we published our decision to introduce a new Accelerated Strategic Transmission Investment (ASTI) framework². The new ASTI framework streamlines the regulatory approval process by reducing the number of regulatory assessment stages³ and allowing the TOs earlier access to project funding to accelerate delivery of ASTI projects. Our decision also introduced a strong Output Delivery Incentive (ODI) that rewards/penalises the electricity Transmission Owners (TOs) for early/late delivery respectively.
- 1.4 This document is intended to provide further information on the ASTI arrangements, specifically regarding the operation, requirements and governance of the ASTI Pre-Construction Funding (PCF) Re-opener and Price Control Deliverable (PCD),⁴ the ASTI Re-opener and PCD⁵, and the ASTI ODI.⁶
- 1.5 This document is to be read in conjunction with Special Conditions 3.17, 3.18 and 4.8 of each of the TOs’ electricity transmission licences and the following associated documents:
- **RIIO-2 Final Determinations ET annex** (This document sets out our RIIO-2 policy in relation to the LOTI re-opener):

¹ [British energy security strategy - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/british-energy-security-strategy)

² [Decision on accelerating onshore electricity transmission investment | Ofgem](https://www.ofgem.gov.uk/consult/condocs/ast/ast1220000/ast1220000.pdf)

³ Relative to the existing Large Onshore Transmission Investment (LOTI) framework currently used to assess and fund large ET projects.

⁴ Special Condition 3.17

⁵ Special Condition 3.18

⁶ Special Condition 4.8

https://www.ofgem.gov.uk/system/files/docs/2020/12/final_determinations_et_annex.pdf

- **LOTI Re-opener Guidance and Submissions Requirements Document** (This document sets out the detailed arrangements for the LOTI re-opener):
https://www.ofgem.gov.uk/sites/default/files/docs/2021/01/large_onshore_transmission_investments_loti_reopener_guidance_1.pdf
- **Decision on accelerating onshore electricity transmission investment** (This document sets out our decision to introduce a new ASTI framework and the associated policy):
<https://www.ofgem.gov.uk/publications/decision-accelerating-onshore-electricity-transmission-investment>
- **Special Conditions to the Electricity Transmission Licences** (these documents set out the existing Special Conditions where the ASTI framework will be inserted): [Licences and licence conditions | Ofgem](#)

2. Introduction

Scope of the ASTI Guidance and Submissions Requirements Document

- 2.1 This document provides additional detail regarding the function and operation, the Transmission Operator (TO) submission requirements and the Ofgem assessment and decision process for the following ASTI licence conditions:
- ASTI Pre-Construction Funding Re-opener and Price Control Deliverable (Special Condition 3.17) – see Chapter 3
 - ASTI Re-opener and Price Control Deliverable (Special Condition 3.18) – See Chapter 4
 - ASTI Output Delivery Incentive (Special Condition 4.8) – See Chapter 5
- 2.2 The ASTI licence conditions require that TOs complete any ASTI applications in accordance with the requirements set out in this document.⁷

Scope of the ASTI framework

- 2.3 As set out in the ASTI Decision document,⁸ the ASTI framework will apply to strategic onshore electricity transmission projects that meet the following criteria:
- meets the definition of a LOTI as set out in Special Condition 1.1 (Interpretations and definitions), Part B of the TOs' electricity transmission licences: "LOTI means the assets constituting an investment in the Transmission System, which investment:
 - (a) is expected to cost £100m or more of capital expenditure and
 - (b) is, in whole or in part, load-related;
 - needs to be operational by 2030 to meet the Government's ambition to connect 50GW of offshore wind generation; and
 - there is clear evidence that the expected consumer benefits of applying the accelerated delivery framework to the project exceeds the expected consumer detriment.

⁷ Link to licence ref

⁸ Paragraph 3.2

2.4 The ASTI framework will apply to an initial 26 strategic ET projects as detailed in Appendix 1 of the ASTI Decision document. The TOs must adhere to the guidance and submissions requirements set out in this document in the delivery of these projects.

Additional ASTI projects

2.5 There were several projects identified in the Holistic Network Design⁹ (HND) and Networks Options Analysis 7 Refresh¹⁰ (NOA 7 Refresh) that are required to deliver the Government’s 2030 Net Zero ambitions¹¹ that were not initially included within the ASTI framework as they were not sufficiently developed.

2.6 Specifically, projects LRN4 (New South Lincolnshire to Hertfordshire double circuit), PSNC (New North Wales to South Wales double circuit) and six projects identified as onshore projects following Ofgem’s asset classification decision.¹² We said in the ASTI Decision document¹³ that we would consider including these projects within the ASTI framework once the TOs had developed delivery plans for them.

Our assessment

2.7 When assessing whether *‘there is clear evidence that the expected consumer benefits of applying the accelerated delivery framework to the project exceeds the expected consumer detriment’* before including additional projects within the ASTI framework we would expect to consider the range of costs and benefits considered within the initial assessment (see the ASTI Decision document chapters 4-6), as well as any other additional industry or project-specific factors relevant to the decision.

Process

2.8 For any additional projects to be added to the ASTI framework, we will take the following steps:

- **Step 1 – TO submission:** TOs submit the necessary project documentation (we set out the submission requirements for adding additional projects to the ASTI framework in chapter 3 below)

⁹ [The Pathway to 2030 Holistic Network Design | National Grid ESO](#)

¹⁰ [Network Options Assessment \(NOA\) | National Grid ESO](#)

¹¹ [British energy security strategy - GOV.UK \(www.gov.uk\)](#)

¹² [Offshore Transmission Network Review: Decision on asset classification | Ofgem](#)

¹³ [Decision on accelerating onshore electricity transmission investment | Ofgem](#)

- **Step 2 – Ofgem assessment:** Ofgem assess the submission against the criteria in paragraph 2.4 above.
- **Step 3 – Consultation:** Ofgem will publish a consultation on accepting/rejecting the project’s inclusion within the ASTI framework.
- **Step 4 – Decision:** Ofgem will consider consultation responses and publish its Decision.
- **Step 5 – Licence modification:** Ofgem will publish a statutory consultation on modification to Special Condition 3.17 (ASTI Pre-Construction Funding Re-opener, PCD and Use It Or Lose It adjustment), Special Condition 3.18 (ASTI Re-opener and PCD), and Special Condition 4.8 (ASTI Output Delivery Incentive).
- **Step 6 – Licence implementation:** The required modifications will be made to the conditions in Step 5 and implemented in the TOs’ licences.

2.9 In Special Condition 3.17, we will add the project description, associated pre-construction allowance (to be determined following assessment of the submitted project delivery plan) and the delivery date to Appendix 2 (ASTI Pre-Construction Funding Price Control Deliverables) and modify the Total Allowance figure in Appendix 1 (ASTI Pre-Construction Funding Allowance table).

2.10 In Special Condition 3.18 we will add the project description and delivery date to Appendix 1 with no associated allowances and add the ECF allowance limit to Appendix 2.

2.11 In Special Condition 4.8 we will add the project description, the ASTI ODI Target Date, the daily reward/penalty, and the incentive cap.

Setting Values

2.12 In this document we refer to setting values for ASTI Pre-Construction Funding, ECF and ODI penalty / reward cap relative to estimated project costs. For consistency, we have used the estimates from our ASTI Decision.

3. ASTI Pre-Construction Funding

Purpose

- 3.1 ASTI PCF is for the purpose of delivering the Pre-Construction Works¹⁴ in relation to all ASTI projects specified with associated outputs in Appendix 2 of Special Condition 3.17 (ASTI PCF) in the licence.
- 3.2 Pre-Construction Works are the activities undertaken for the purposes of narrowing down design options in order to develop an ASTI project to the point of submission of all material planning applications. The activities that constitute Pre-Construction Works that the TOs are allowed to incur expenditure on are:
- surveys, assessments and studies;
 - project design;
 - engineering development;
 - stakeholder engagement and consultation;
 - tasks associated with wayleaves;
 - planning applications; and
 - tender activities.
- 3.3 For the avoidance of doubt, any funding request for ASTI PCF can cover costs already incurred at the point of application, as well as expected costs that will be incurred in the future. This allowance can only be used to cover costs incurred on projects listed in Appendix 2 of Special Condition 3.17 in the licence, and provisional ASTI projects listed in table 5 of this document.
- 3.4 Activities subject to other funding arrangements within the price control outside of ASTI will not be eligible for ASTI PCF.

LOTI PCF

- 3.5 As explained in our ASTI decision document¹⁵, projects that have already received PCF funding through the LOTI PCF framework¹⁶ are not eligible to receive any further PCF funding through the ASTI framework.

¹⁴ See special condition 1.1 (Interpretation and definitions) of the electricity transmission licence for the description of all defined terms included in this document.

¹⁵ [Decision on accelerating onshore electricity transmission investment | Ofgem](#)

¹⁶ Special conditions 3.13 and 3.15

- 3.6 For these projects, the PCF outputs will be modified from the current output “FNC approval” to “approval of all material planning consents”. The assessment, and funding arrangements remain unchanged and as per the LOTI Guidance and Submissions Requirements¹⁷ document and electricity transmission licence Special Condition 3.15.

ASTI PCF

- 3.7 The initial PCF allowance for the ASTI projects included in the ASTI Decision is calculated at 2.5% of the forecast value of each TO’s ASTI projects, as set out in the ASTI decision.
- 3.8 A re-opener to request additional PCF can be triggered where costs are expected to exceed the upfront allowance by more than the Materiality Threshold¹⁸ or where additional PCF PCDs are being added to the framework.
- 3.9 ASTI PCF activity is funded via a PCD, with potential adjustments to allowances for under delivery in accordance with the Price Control Deliverable Reporting Requirements and Methodology Document.¹⁹
- 3.10 Irrespective of whether the PCD has been fully or partially delivered, any unspent ASTI PCF allowances will be returned to consumers via a Use-It-Or-Lose-It (UIOLI) adjustment. ASTI PCF allowances would not be subject to cost sharing under the Totex Incentive Mechanism (TIM).

ASTI PCF Re-opener

- 3.11 Part C of licence Special Condition 3.17 (ASTI PCF Re-opener, PCD and UIOLI) details the process to apply for ASTI PCF.

Pipeline notification process

- 3.12 Special Condition 3.17 has no defined re-opener windows. This is intended to give TOs the flexibility needed to make requests for ASTI PCF at the most appropriate times without risking any delay to project delivery. The TOs must inform Ofgem of their intended submission dates and Ofgem will then direct a re-opener submission window.

¹⁷ [Large Onshore Transmission Investments \(LOTI\) Re-opener Guidance | Ofgem](#)

¹⁸ Set out in Special Condition 1.1 in the licence

¹⁹ [Price Control Deliverable Reporting Requirements and Methodology Document | Ofgem](#)

3.13 Where a TO would like a re-opener submission window to be set, it must make this request in writing to Ofgem no less than 2 months ahead of the requested date. Wherever possible we will confirm this date with the TO, or else arrange a follow up meeting to discuss potential dates.

Submission requirements

- 3.14 Where a re-opener is requested for adjustments to allowances, a submission must set out the total level of funding that is being sought by the TO. This cost must be broken down into the specific activities being carried out across each of the ASTI projects subject to the ASTI PCF arrangements. This breakdown should distinguish between costs already incurred and costs that are yet to be incurred. Where additional funding is required, clear justification must be provided for why the additional costs represent an efficient level of costs for the timely securing of planning applications for the relevant projects.
- 3.15 TOs may also request a re-opener where there has been no material change to the costs, but where there are changes required to the outputs of projects.
- 3.16 TOs may submit a re-opener request where costs incurred on ASTI PCF activities have exceeded, or are expected to exceed, the allowance for ASTI PCF for current ASTI projects by an amount that is greater than the Materiality Threshold (across the portfolio of ASTI projects included in Appendix 2 of Special Condition 3.17). Table 3 below sets out an example where a TO may request additional allowances where there are no additional outputs being added.
- 3.17 Where the ASTI Pre-Construction Funding submission relates to additional work for new projects, TOs must also provide a delivery plan for how the new project can be delivered by the ESO's optimal date as per the HND and NOA 7 Refresh process. Detail of the requested costs broken down by the relevant pre-construction activities must be provided alongside a technical summary of the work expected to be delivered in the construction phase.
- 3.18 In order for a project to be added to the ASTI framework, and therefore to receive ASTI PCF funding, it will also need to be added to the ASTI ODI (further details on the ODI are found in chapter 5). For this reason, an estimated annual constraint delay impact for these projects would be required to allow for the ODI

for the relevant project to be calibrated²⁰. This should be calculated by the ESO and submitted directly by the ESO to Ofgem alongside the TO's ASTI Pre-Constructing Funding reopener submission. If approved, this allowance will be associated with the relevant new output in Appendix 2 of Special Condition 3.17 (ASTI Pre-Constructing Funding).

- 3.19 Re-openers submitted for new projects do not need to meet the Materiality Threshold and the existing total ASTI PCF allowance set out in Appendix 1 of Special Condition 3.17 does not need to have been spent in full to trigger the re-opener in this circumstance.
- 3.20 An example of how a new project may have ASTI PCF awarded is set out below in Table 2.
- 3.21 Within each application, any additional ASTI Pre-Constructing Funding activities that increase costs should be clearly quantified and the benefits associated, including how the activities will accelerate project delivery, should also be quantified where possible. These activities are defined in paragraph 3.2 above.
- 3.22 Annual reporting requirements on ASTI PCF expenditure and activity will be set out in the RIIO-ET2 Regulatory Instructions and Guidance (RIGs).²¹

Ofgem assessment and decision

- 3.23 Ofgem's assessment will focus on the TO submission to determine whether the requested ASTI PCF activities are appropriate for the associated outputs and whether the relevant costs represent efficient value to consumers. We will also look at how the allowance has been spent across the TO's portfolio of ASTI projects so far to ensure that it has been spent on necessary activities.
- 3.24 The onus for making the case to provide the funding will sit with the TOs. TOs must submit the required information as outlined in this document. We will set up a supplementary questions (SQs) process as required for any necessary clarifications before consulting on allowance adjustments.

²⁰ Where an estimate of annual constraint impacts are not available at the time of setting the ODI we will apply a de minimis rate of 2% of forecast project costs annual, in line with our ASTI Decision paragraph 7.31.

²¹ [Decision on Regulatory Instructions and Guidance \(RIGs\), Transmission Glossary and Regulatory Reporting Pack \(RRP\) to apply during RIIO-ET2 | Ofgem](#)

- 3.25 Modification to the licences to adjust the outputs, delivery dates or associated allowances will be made in accordance with section 11A of the Electricity Act 1989 (the Act) and follow a consultation period of at least 28 days.
- 3.26 However, Ofgem’s assessment of PCD delivery and UIOLI adjustment will be done by direction, as outlined in paragraphs 3.33 to **Error! Reference source not found.**

Table 2: Re-opener for an additional output being added

Step	Example
TO Requests an increase to the ASTI Pre-Construction funding allowance for a new output (a new project).	New Project A which has estimated costs of £400m. TO requests £10m PCF. The constraint impact & ESO optimal delivery date must be calculated between TOs and the ESO.
Ofgem review the request and make a decision on an allowance.	Ofgem approves £10m PCF for new Project A.
Updating Special Condition 3.17: Appendix 1 and Appendix 2 in 3.17 are updated.	A new line is added to appendix 2 adding new Project A (Project Name, Output, Delivery Date, PCF allowance). Appendix 1 is increased by £10m
ODI, PCD and LO setting	Appendix 1 of Special Condition 4.8 setting the ODI for Project A is updated. Appendices 1 and 2 in Special Condition 3.18 are updated to include PCD and LO for Project A.

Table 3: Adjusting allowances for existing outputs

Step	Example
TO Requests additional ASTI Pre-Construction Funding by an amount that exceeds the Materiality Threshold.	A TO started with an initial pot of £200m ASTI Pre-Construction Funding for a portfolio of 10 projects.

The request includes details of the additional costs & associated outputs, including justifications.	On some projects they have spent less than the associated allowance, however on others they have exceeded it. Overall, they have exceeded the total allowance & expect to incur an additional £30m associated with 3 existing projects.
Ofgem review the request and decide on an allowance.	Ofgem approves the £30m allowance.
Updating Special Condition 3.17 Appendix 1 and Appendix 2 in Special Condition 3.17 are updated.	The associated allowances for the three projects are updated respectively. The total in Appendix 1 is increased by £30m

Substitutability of allowances

3.27 ASTI PCF is set as an overall pot of funding that can be used across qualifying projects. This aggregated total allowance is built up from the individual listed ASTI projects and is reflected in the $APCF_t$ term included in Appendix 1 of Special Condition 3.17. As explained in our ASTI Decision,²² the TOs can substitute ASTI PCF allowances between projects and therefore the total allowance in Appendix 1 of Special Condition 3.17 can be spent on Pre-Construction Works at the TOs' discretion in:

- delivering all outputs in Appendix 2 of that condition; and
- to develop the additional provisional ASTI projects that are specifically referenced in table 5 below.

3.28 The following example demonstrates how this might work in the circumstances where a TO spends more than the notional 2.5% of forecast project value on three projects and less on one project. If the overall allowance is not exceeded by the specified Materiality Threshold there would be no basis to trigger the re-opener for additional allowances on the three projects with an overspend as the overall allowance would be sufficient to fund all of the projects.

²² [Decision on accelerating onshore electricity transmission investment | Ofgem](#)

Table 4: Substitutability of allowances

Project	Allowance (£m)	Expenditure (£m)
Project A	10	14 (+£4m)
Project B	16	20 (+£4m)
Project C	12	14 (+£2m)
Project D	18	8(-£10m)
Total	56	56 (=)

ASTI Pre-Construction Funding Price Control Deliverable

- 3.29 The intention for ASTI Pre-Construction Funding PCDs is to ensure that all material planning consent applications are submitted, and to provide consumer protection by providing for a route for Ofgem to return allowances to consumers where the PCD is not fully delivered.
- 3.30 The PCD delivery dates are set at the end of the RIIO-2 price control period as a suitable point to review delivery of the relevant planning consent applications. The PCD has taken this approach, rather than specifying specific delivery dates for each project to avoid the prioritisation of meeting the specified date rather than ensuring that any planning application is suitably developed and robust. As such, there may be circumstances in which Ofgem will consider extending the delivery dates of PCDs if TOs can provide evidence to support this, particularly in the case of any new projects added to the ASTI condition (as referenced in paragraph 3.17 above).
- 3.31 TOs can also request a change to the output of a PCD if the scope of a project changes and this results in a change to the requirement for material planning consent applications.

PCD reporting

- 3.32 To make an assessment on PCDs and UIOLI Ofgem will require information on expenditure across a TO's portfolio of ASTI projects. Detailed reporting requirements will be set out in the RIIO-ET2 RIGs.

PCD assessment

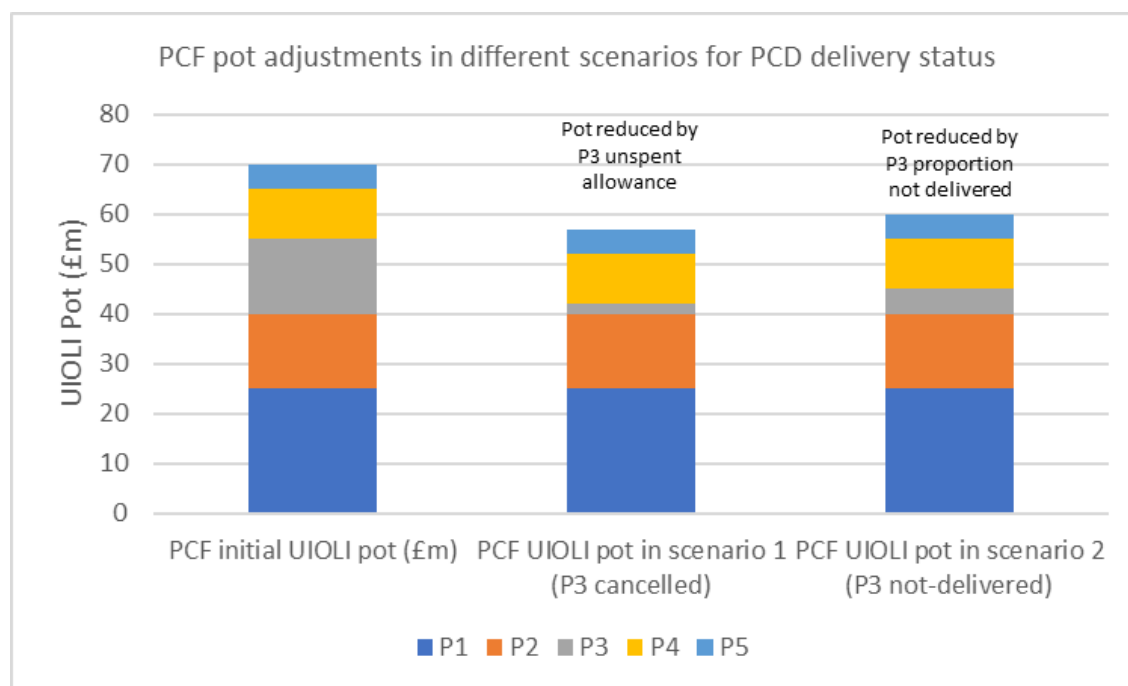
- 3.33 The assessment of ASTI PCF PCDs will be made in accordance with Special Condition 9.3 (Price Control Deliverable Reporting assessment principles and

reporting requirements and the Price Control Deliverable Reporting Requirements and Methodology Document²³. Any allowance adjustments made following our assessment will be made by direction following the process set out in Part E of Special Condition 3.17.

- 3.34 Whilst the ASTI PCF allowance is an aggregated pot of funding that can be used across all qualifying projects, this pot is made from 2.5 per cent of each project's value. This 2.5 per cent figure for each project provides a suitable figure on which to base our evaluative PCD assessment in cases where a project has been cancelled, or a required planning consent has not been applied for. This figure represents the maximum downward adjustment that would be made for a specific project if the ASTI PCF re-opener is not triggered, as consideration of efficiently incurred expenditure and the materiality of the UIOLI adjustment will also be important considerations in our assessment.
- 3.35 Where there has been a re-opener to increase associated allowances beyond 2.5% for a specific project, this increased value would become the upper limit of what could be returned to consumers through the PCD evaluation for that project. For example, if we approved a larger allowance of 4% of a project's estimated value (still substitutable across all ASTI projects) and this project was subsequently cancelled the maximum to be clawed back would be 4% of its estimated value.
- 3.36 The output for each PCD will be listed in Appendix 2 of Special Condition 3.17 (ASTI Pre-Construction Funding). Outputs are to be set as the submission of all material planning consent applications, however if a project has no requirements for any material planning consent application Ofgem will set a different PCD output on a case-by-case basis.

²³ [Price Control Deliverable Reporting Requirements and Methodology Document | Ofgem](#)

Figure 1: Approach to evaluative PCD adjustments where the status is 'not delivered' or 'partially delivered'



- The initial PCF pot is set in advance based on 2.5% of expected project Totex. The Pot is treated as UIOLI, so any unspent allowances are recovered by Ofgem. All PCDs are evaluative, so only expenditure that we agree is efficiently incurred costs are recoverable by the TOs.
- The first vertical bar in Figure 1 above shows the UIOLI pot of £70m for an illustrative set of 5 ASTI projects (P1-P5), each of which is set out in the licence condition as an evaluative PCD.
- In scenario 1, project P3 was cancelled. The TO had spent £2m on the project at the point it was cancelled. Ofgem assessed & determined that the expenditure had occurred efficiently. The pot is reduced by the allowance associated with P3 minus the £2m of efficient expenditure (£15m minus £2m = £13m). The overall PCF pot is now lower by £13m (i.e. £57m).
- In scenario 2, P3 PCD is assessed as not-delivered, and the ex-post evaluation concludes that a third of the expenditure incurred has been incurred efficiently. The TO had spent the full allowance associated with this project. The pot is reduced by two-thirds of the allowance associated with P3, which is £10m. The overall PCF pot is now lower by £10m (i.e. £60m). No UIOLI adjustment made as there was no underspend.

Use It Or Lose It Adjustment (UIOLI)

3.37 Part of Ofgem’s ASTI PCF PCD assessment is a UIOLI adjustment. Any unspent allowances will be recovered by Ofgem when making an assessment to determine the term APCFRA.

Cancelled projects

3.38 It is possible that a project might be cancelled after the TOs have received ASTI Pre-Construction Funding but before the PCD output has been delivered. This could be the result of a change of scope, or the network need for the project falling away.

3.39 In such a circumstance, TOs should stop work as soon as it is practical to do so in order to limit consumer exposure to costs on projects that will not be delivered. TOs are required to inform Ofgem of the project cancellation and submit details of any incurred expenditure through the Regulatory Reporting Pack (RRP). Unless set out in the TOs submission, and subsequently agreed by Ofgem, all costs incurred on activities that are not defined under paragraph 3.2 will not be funded.

Provisional ASTI projects

3.40 There were 8 projects listed in our ASTI decision²⁴ we said would be eligible for ASTI PCF once a delivery plan had been developed, but were not included in the initial list of ASTI projects. We explain why these projects have been included for ASTI PCF, but not the full ASTI framework in paragraphs 2.5 and 2.6 above. The projects are listed in table 5 below and referred to as “provisional ASTI projects” in this document.

3.41 The ASTI PCF allowance in Appendix 1 of Special Condition 3.17 may be spent on Pre-Construction Works associated with provisional ASTI projects. The intention is for the allowance to be spent on developing the projects to a point where we may make an assessment of whether to fund the project through ASTI. This early access to allowances should enable TOs to develop these options sooner than otherwise. Once a project is sufficiently developed, TOs may make a request for additional ASTI Pre-Construction funding to be allocated to such a project, as per the steps outlined in paragraphs 2.8 to 2.11.

3.42 It is possible that any of these projects may be cancelled before being added as an output in the licence. As these provisional projects will not have outputs, or

²⁴ [Decision on accelerating onshore electricity transmission investment | Ofgem](#)

allowances associated with them, we will not look to recover any efficiently incurred costs if the projects were to be cancelled.

- 3.43 TOs must report any expenditure on the provisional ASTI projects in the RRP. Expenditure on these projects will be assessed by Ofgem when making a re-opener decision. If we determine that costs have been spent inefficiently on these projects, we will net off these costs from any additional allowance approved at the re-opener stage.

Table 5: List of provisional ASTI projects

Project	Description	TO	Optimal Date
PSNC	New North Wales to South Wales double circuit	NGET	2030
LRN4	New South Lincolnshire to Hertfordshire double circuit	NGET	2030
AC1	R4_2 to Lincolnshire	NGET	2030
AC2	R4_1 to R4_2	NGET	2030
AC3	Fetteresso to SW_E1a	SHET	2030
AC4	SW_E1a to R4_1	SHET & NGET	2030
AC5	Hunterston to T-point	SPT	2030
AC6	Pentir to T-point	SPT & NGET	2030

4. ASTI Re-opener and Price Control Deliverable

4.1 The ASTI Re-opener and PCD condition (Special Condition 3.18) allows the TOs to request construction funding to deliver ASTI Outputs as well as to apply for adjustments to the scope of the ASTI Outputs, allowances and delivery dates following an ASTI Cost and Output Adjusting Event (ASTI COAE), see below.

Early Construction Funding (ECF)

4.2 Part D of the ASTI condition covers the process for awarding ECF.

4.3 ECF refers to allowances in addition to ASTI PCF in relation to an ASTI Output to carry out permitted construction activities ahead of the project receiving planning permission and/or the final costs for the project are set at the Project Assessment (PA) stage.

4.4 Eligible early construction activities could include:

- strategic land purchases
- early enabling works
- early procurement commitments
- other activities approved in advance by Ofgem

4.5 We will only approve other activities where there is a clear justification for why it is in consumer interests to provide funding for the relevant activity to take place ahead of our cost assessment as part of the PA process.

4.6 TOs are able to apply for ECF for each of the ASTI projects. Unless otherwise confirmed by an Ofgem direction, the maximum level of ECF that Ofgem will award is 20 per cent of each project's forecast cost as indicated in the ASTI decision.

4.7 We consider that the 20 per cent cap strikes the appropriate balance between assisting acceleration and protecting consumers from potentially excessive cost exposure in the unlikely event that a project does not progress to being awarded planning permission.

4.8 Our ASTI Decision stated that we would consider allowing ECF in excess of 20% in exceptional circumstances. This would be where there is a clear consumer benefit in the specific additional costs being incurred, and that appropriate protections are in place with the TO contractors to limit the exposure to

consumers if the project in question does not proceed to secure planning consent and start construction.

- 4.9 For the avoidance of doubt, any funding request for ECF under ASTI can cover costs already incurred at the point of funding request, as well as expected costs that will be incurred in the future.
- 4.10 Activities subject to other funding arrangements within the price control outside of ASTI will not be eligible for funding under ASTI ECF.

TO submission requirements

- 4.11 Applications for ECF by the TOs can be made between 1 June 2024 and 30 June 2024 and at other times as directed by Ofgem.
- 4.12 The ASTI arrangements also allow for additional flexibility via an Ofgem direction indicating an alternative submission date.
- 4.13 Where a TO would like an alternative submission date to be set via an Ofgem direction, it must make this request no less than 2 months ahead of its required date. Wherever possible we will confirm this date with the TO, or else arrange a follow up meeting to discuss potential dates. Any ECF request covering costs beyond the 20 per cent cap should be clearly flagged at this stage.
- 4.14 An ECF submission must set out the total level of funding that is being sought by the TO. This cost must be broken down into the permitted activities, with clear explanation and justification for the request of any additional cost areas beyond those specified in the ASTI decision.
- 4.15 For each ECF permitted activity area (including any additional activities requested by the TO), TOs must set out the specific activities that it intends to carry out, the proposed year-by-year cost profile of the costs to be funded and justification for why it is in consumers interest for the costs to be incurred early.
- 4.16 In the case of strategic land purchases, we expect TOs to provide detail of where the land sits relative to the proposed route corridors and the implications for the delivery schedule of not funding this activity. This should include clear maps identifying the location of the relevant land and how it interacts with the phasing of the construction work. TOs should also set out their strategies for protecting consumers from funding the purchasing of land that, following the conclusion of the planning process, may no longer be required to facilitate the delivery of the project.

4.17 In the case of early enabling work, TOs must confirm that the relevant activities are able to progress ahead of the planning consent being granted (where relevant). TOs must also demonstrate how the relevant works interact with the phasing of the project's construction works and explain the consequences of the works not progressing on the rest of the project.

4.18 ECF requests relating to early procurement commitments should provide details of engagement with the relevant contractors to demonstrate the implications of the relevant funding not being provided.

4.19 In the case of all cost areas, TOs must set out the processes they will follow to pursue reimbursement of the relevant funding should the project not proceed, and the estimated level of funding they expect to be able to recover in such situation.

Ofgem assessment and decision

4.20 Ofgem's assessment will focus on the TO submission to determine whether the requested early construction activities are required to proceed ahead of the PA process.

4.21 The ECF process will not consider the efficiency of the costs requested. All costs funded at this stage will remain subject to the efficiency assessment that takes place at PA. TOs should not consider that an ECF determination represents confirmation that we consider the costs incurred, or expected to be incurred under the ECF funding, represent an efficient cost for carrying out these activities.

4.22 The onus for making the case to provide the funding will sit with the TOs. If the evidence requested within this guidance is not provided, TOs cannot expect that their requested level of ECF will be provided. We intend to limit our assessment to a limited number of clarification questions to ensure that TOs are incentivised to provide detailed submissions, and also to allow as quick a review process as possible.

4.23 Once we have reviewed and received answers to our clarification questions, we will consult on our proposed findings for a period of four weeks before considering all representations and publishing our final decision.

4.24 For the majority of ECF requests, we expect to reach a final decision within 3-4 months.

- 4.25 Adjustments to allowances in Appendix 1 of Special Condition 3.18 to reflect ECF will be made by direction, following the process set out in Part H of Special Condition 3.18.

Cancelled projects (when only ECF has been provided)

- 4.26 It is possible that a project might be cancelled between the point the ECF is finalised and when the project is expected to proceed to PA. This could be the result of a failure to secure planning consents, or the network need for the project falling away. In these cases we would expect all costs that can be returned to consumers, to be pursued by the TOs.
- 4.27 In such a circumstance, TOs should stop work as soon as it is safe and practical to do so in order to limit consumer exposure to costs on projects that won't be delivered. TOs are required to submit a PA submission with the limited scope of covering the costs efficiently incurred to date. Unless set out in the TOs submission, and subsequently agreed by Ofgem, we would expect any strategically purchased land to be sold, with the proceeds being returned to consumers. All costs incurred on activities that are not covered by the ECF decision will not be funded.
- 4.28 In such circumstances the PA will follow the same process as any other PA, except no outputs will be set for the project, and only efficiently incurred costs to date that have been incurred on permitted ECF cost areas up to the level funded in the ECF decision will be awarded.

Reporting requirements

- 4.29 Under the LOTI framework the Initial Needs Case (INC) and Final Needs Case (FNC) assessment stages provided Ofgem with a formal opportunity to scrutinise the TOs' optioneering and project design choices ahead of submission of an application for a Project Assessment Decision. Our ASTI decision streamlined the LOTI process by removing these assessment stages in order to accelerate delivery of strategic onshore projects, however although there is no longer a formal INC/FNC assessment, it is still important that Ofgem is able to scrutinise optioneering and design choice to ensure that:
- (a) the outputs and project specification being delivered are optimal and in consumers' interests; and

(b) any concerns around whether the network solution being progressed represents the optimal solution are raised as early as possible in the project's development to limit the scope for delays.

- 4.30 Where possible, we consider that the most opportune time to assess the optioneering is when the TOs make an application for ECF, as by this point, we would expect projects to be sufficiently developed that optioneering analysis has already been undertaken.
- 4.31 We recognise that there may be circumstances where this is not possible, and in these cases, we think the annual Regulatory Reporting Pack (RRP) submissions can be used for the TOs to report on the assessment that underpins what they are taking forward into the planning process, for example before any stakeholder consultation or planning application, depending on the stage of project development.
- 4.32 The INC under LOTI requires that the ESO provides a CBA to justify the option chosen by the TO, however our ASTI decision made clear that we approve the need in principle for the options proposed by the ESO in the Networks Options Analysis (NOA) 7 and Holistic Network Design, without endorsing specific design choices. As such, rather than a CBA we would expect to see instead a comparative economic assessment of different design options that justifies the option chosen by the TOs.
- 4.33 Where there is any trade-off between the cost of a specific option and delay impacts, we expect the TOs to use the established delay costs for the relevant projects that was used to set the ODI rather than triggering a wider piece of work for the ESO which would take a significant amount of time to develop and could impact project delivery timelines.
- 4.34 We also expect enhanced engagement with the TOs well ahead of any Project Assessment Decision application as the ASTI projects progress so that we are able to understand what consideration the TOs are giving to optioneering and project design as the pre-construction work develops.
- 4.35 Wherever possible we expect that our final decision on PA will align with the granting of material planning consents. This is to ensure that TOs and their contractors have confidence in the funding available for a project when they begin construction, and ensures our decision is able to consider the final decision of the planning inspectorate. As such, whilst we are comfortable receiving PA submissions once the material planning consents have been submitted, we would

expect to agree a mutually acceptable assessment timeline with TOs ahead of any submission.

Project Assessment Decision

- 4.36 TOs can apply for a PA Decision for the full efficient construction costs for ASTI projects:
- (a) at any time once ASTI PCF outputs have been delivered; or
 - (b) as agreed in advance by Ofgem
- 4.37 Where a TO intends to apply for a PA before the ASTI PCF output has been delivered, it must satisfactorily demonstrate to Ofgem:
- (a) Why it is appropriate to undertake a PA at this point;
 - (b) the consumer benefit in undertaking a PA at this point; and
 - (c) any risk to consumers or to project delivery timelines by not undertaking a PA at this point.
- 4.38 TOs must notify Ofgem no less than 3 months ahead of the intended submission of an ASTI Project Assessment Decision request. Where a request is being made before the ASTI PCF output has been delivered, this notification must also include information in accordance with paragraph 4.37. Ofgem will then confirm a submission date with the TOs.
- 4.39 The Project Assessment Decision determines the detailed output to be specified in the PCD, as well as the efficient allowance to deliver the project, including the efficient costs of construction, risk contingencies, project management and any other elements of delivery.

TO submission requirements

- 4.40 The PA under the ASTI framework remains consistent with PA under the LOTI framework and the same information submission requirements, as set out in Chapter 6 of the LOTI Re-opener Guidance and Submissions Requirements Document,²⁵ continue to apply.
- 4.41 TOs are required to provide the information and evidence in the format stipulated below.

²⁵ [Large Onshore Transmission Investments \(LOTI\) Re-opener Guidance | Ofgem](#)

- 4.42 As we progress with our assessment of the submission, we may require the TOs to provide us with additional information or documentation.
- 4.43 TOs must submit detailed plans and information showing the TOs' readiness to proceed with the proposed ASTI project and showing that the proposed costs of delivering the output are efficient. Moreover, TOs must submit details on the technical design, a delivery strategy, and details of how the TO will manage risk. All relevant information must be provided as part of a single submission, unless a staged approach to information provision is agreed in advance by Ofgem. As such, the TOs should include all relevant documents referred to within the submission.
- 4.44 The TOs must engage with Ofgem during the period leading up to a PA submission to help ensure that its submission will enable us to conduct an effective assessment.

Submission structure

- 4.45 The PA submission must be clearly structured and provide a robust case for the costs to be funded. The TO must provide the following at a minimum (additional information submitted beyond the items listed below must be relevant to the project and the TOs' case for cost allowances):
- A submission narrative
 - Main cost spreadsheet
 - Supporting cost spreadsheets, where relevant
 - A detailed Technical overview
 - Relevant procurement documents, such as evaluation reports and analysis
 - Where appropriate, all major signed contracts and details of final offers (immediately prior to signing)
 - Delivery and risk management strategies
 - Project risk register
 - Associated evidence, such as relevant cost benefit analyses

Submission narrative

- 4.46 The purpose of the narrative is to explain the structure of the submission, summarise the project costs and tender processes at a high level, and provide a general overview of the project. This document must provide a clear rationale for

all major project decisions that have been made, and any assumptions that impact project costs must be clearly explained in the narrative. Particular explanations must be made in areas that might drive costs away from industry benchmarks. It must be a clear document that provides complete transparency on the project's history and its costs.

4.47 The narrative may include, but need not be limited to:

- An overview of the project and its history, as well as expected project timelines;
- A detailed technical summary of the project, including justification for all major technical decisions;
- A summary of the tender process, the selection criteria for bidders and an overview of key procurement decisions that have been made to date;
- Details of land ownership;
- An overview of the project's risk mitigation strategy, including details on key project risks and key decisions regarding risk allocation (between contractors(s) and employer);
- An overview of the developer's resourcing estimates for the construction of the project;
- A detailed description of the project costs, including an overview of any assumptions that have gone into the costs;
- Evidence that the costs are efficient, e.g. through cost benchmarking, market testing, or competitive tendering;
- An explanation of any changes in costs from previous submissions to Ofgem;
- Clarity on which contracts have been awarded to date and a timetable for those which are to be awarded in the future;
- Details of the structure of the overall submission, including a comprehensive reference guide of any associated documents (e.g. studies) and their relevance in the submission; and
- information on the business structure, where relevant (e.g. establishment of subsidiary companies), including but not limited to:
 - Legal form of the ownership and operational vehicle, and how this fits within existing ownership and licensing framework;

- The currency that the project and company accounts will be denominated in; and
- Whether contracts are procured on a joint or individual basis between the TO and any associated developers.

The main cost submission

4.48 The TO must provide a breakdown of all costs and cost schedules associated with the project in spreadsheet form. This main cost spreadsheet should include a summary tab of the entire project construction costs and separate tabs/sheets with a cost disaggregation for each asset type (e.g. overhead line). These high-level costs should be indexed to supporting spreadsheets (or tabs in the same spreadsheet) to show the calculations and assumptions that have been used (including relevant units, price bases and time profiles). These supporting spreadsheets should cross refer to any supporting contract terms and quotes, studies, reports or other relevant documents that provide the evidence base. Any source data from the contractor should be provided to Ofgem in original format.

4.49 Within the main cost spreadsheet, a clear indication of the ‘firmness’ of each cost must be provided. Our classification for this ‘firmness’ is as follows:

Table 6: Cost information submission requirements

	Classification	Description	Supporting documentation required
1	Fixed	The cost has been incurred, is not subject to change and has supporting documentation matching the amount.	Contract/bill with supporting documentation of payment made. Fully auditable if needed.
2	Agreed, but re-measurable	The cost has been agreed or estimated, but is subject to change according to a clear and agreed variation process. Changes only driven by unforeseeable circumstances.	Contract/bill with supporting documentation of payment made/to be made. Fully auditable if needed.
3	Agreed, but will be re-measured based on known future	The cost has been agreed or estimated, but will be subject to change due to clarifying the scope of works or due to additional surveys and assessments being undertaken.	Contract/bill with supporting documentation of payment made/to be made. Rates auditable, volumes subject to change based on quantifiable and foreseeable factors.

	information received	As above, changes should follow a clear variation process.	
4	Estimated	Cost estimated on the basis of assessments and actual surveys and using experience and examples from other projects.	Spreadsheet with the calculations (methodology), assumptions and evidence base. Emails/minutes of meetings with specific mention of the variables that have been used in calculating these estimates, the person and company providing the calculations and information. List of surveys done as well as documentation of the surveys.
5	Early estimate	Costs estimated through modelling cost ranges from different projects and past experience.	Spreadsheet with the calculations (methodology), assumptions and evidence base. Emails/minutes of meetings with specific mention of the variables that have been used in calculating these estimates, the person and company providing the calculations and information. List of surveys to be performed to increase the confidence of the cost estimates.

Technical summary

4.50 A technical summary must be submitted detailing the scope of the project. For example, this would cover the route (e.g. maps, including of any known utility crossings etc.) and landing points. Each areas must be indexed to the supporting documentation.

4.51 At a minimum, the technical case should provide:

- A description of the construction works.
- Details of any changes in design since earlier submissions, with explanations and associated evidence, if appropriate.
- An appropriate level of detail on technical design (e.g. substation layout) and construction techniques to be used in the project, including an explanation and justification for all major technical decisions that have

been made for the project. We expect more detail would be provided if design and/or construction activity is technically challenging, novel, or a cause for divergencies in cost relative to industry benchmarks.

- Detail on any optional capability that is included in the technical proposal and justification for its inclusion.

4.52 TO s should also propose outputs for the project, to be considered by us for specification in the PCD, and a clear overview of the project scope.

Information on procurement and contracts

4.53 TOs must provide all relevant procurement and tender information that demonstrates the scope and efficiency of the procurements process(es) and the associated works and costs must be included as appendices or supporting documents. The information should present how many bids were received, on what terms and prices, and the process that was followed and justification applied for selecting a preferred bidder, as well as deselecting the others. The TO must also provide a clear document register that details all of the documents associated with the procurement process(es). The following information should also be provided:

- Project specifications (what was tendered).
- Original Invitation To Tender (ITT) issued. We may ask for full copies or parts of the tenders returned.
- Documents from any additional rounds of tendering, with description of any changes to the ITT or the tenders and a comparison table to clearly see a summary of the bids and how they changed.
- Outline of any relevant award criteria or negotiations in the selection process.
- Justification for the chosen contractor(s) in the form of a standardised and quantified comparison. Clear estimated value ranges have to be presented for “difficult to quantify” selection criteria.
- Any variation orders since signing major contracts.
- A summary table of the entire procurement process to show the chronological sequence of events and actions, including all the dates, actions taken or comments by the contractor and actions taken or comments by the developer.

- Signed contracts for all major construction sub-projects.

Delivery and risk management strategies

4.54 The TO must outline its approach to delivery and risk management. This should include:

- A description of the delivery model and a detailed delivery plan/schedule with key dates and critical paths clearly identified.
- Evidence of readiness to proceed, e.g. details of delivery team structure, roles and responsibilities.
- Details of the company's previous experience in managing similar projects and how learning from previous projects (if applicable) will inform proposal, e.g. lessons learned from previous risk mitigation strategies.
- The delivery risk profile of the proposed project, and an assessment of the key risks, and uncertain costs. An up-to-date risk register must be included along with details of how the risk register has been derived and the process for updating it (including audit trail).
- The risk mitigation strategy and risk sharing arrangements, including what costs and risks have been included in supplier contracts, and why this represents an efficient level. All incentives in the contracts to encourage the supplier to deliver on time and to budget must be highlighted, e.g. arrangements to pass through any potential regulatory penalties to the supplier through the contract.
- Details on the level of contingency risk that is included in the proposed costs and justification for why this is an appropriate level given other risk sharing mechanisms such as RIIO-T2 Totex Incentive Mechanism (TIM) sharing factor and the ASTI Cost and Output Adjusting Event provisions included in Special Condition 3.18.
- A summary of the insurance strategy and any signed or near-signed contracts. This should include what factors are insured against.
- Information should be provided on the TO's policies (and project policy, where different) for managing risks, hedging and foreign exchange, and cost overruns or delays.
- The project's risk register must display a clear indication of how the costs associated with this risk register informed the project's cost submission.

For each of the project’s risks, the risk register should demonstrate, as a minimum, the areas outlined in Table 7 below.

Table 7: TOs’ risk register

Item	Description
Project area	Which part of the project the risk relates to e.g. subsea cable.
Risk category	For example – weather downtime.
Description of risk	A description and rationale behind the risk, including: <ul style="list-style-type: none"> • An explanation of what the risk relates to. • Why it is appropriate for the risk to be included within the register/submission. • Whether or not the employer is solely responsible for this risk, or if it is shared with the contractors, as well as a justification for this decision. • If it is a shared risk, a reference should be made to the relevant contract clause.
Action	What actions have/will be taken towards the risk and how will the risk be monitored
Mitigations	What actions will/have been taken to mitigate the risk, with associated cost (estimates)
Risk identification date	Date when the risk was identified
Risk owner	Developer or shared
Risk owner rationale	Rationale why the party owning the risk has been identified as such
Risk expiry date	Date when the risk is due to materialise or expire
Associated costs	Minimum, most likely and maximum associated cost for the risk
Cost method	An explanation of the assumptions and/or calculations that have been used to derive the minimum, most likely and maximum cost values.
Probability	Probability of the risk occurring
Reference	Reference(s) to any supporting documents (or sections within documents) that will support the details set out within the risk register.

Associated documents

4.55 Alongside the the main documents mentioned above, as part of its submission the TO must also provide any supporting documents or evidence that it believes would help explain and justify its cost submission.

4.56 Any supporting documentation should cover, but not be limited to, the following:

- Project management details, including hours worked/to be worked and rates used.
- A summary table to provide references (name, date produced, supplier, report name and description of report objective) for any supporting third party reports, including:
 - Scope/technical drawings
 - Design and engineering studies
 - Site surveys and evidence of these being passed to relevant contractors
 - Technical equipment testing reports
 - Route and site selection reports
 - Any relevant consultant reports
 - Stakeholder engagement
 - Any cost allocations and the methodology used
 - Any related party margins (with linkages to the completed cost templates)
 - Any hedging (eg forex), or hedging gains/losses
 - Signed targets or forecasts of project internal rate of return (IRR).

Ofgem assessment and decision

4.57 We expect our PA process to usually comprise the following aspects.

4.58 *Communication and engagement* - discussions between the TO and Ofgem will be held throughout the PA process to ensure that we understand the rationale behind the submitted costs, as well as the project's scheduled activities. We require TOs to engage with us in the months leading up to their submission to ensure that the submission we receive is of the quality that we expect.

- 4.59 *Initial review* – an initial review of the PA submission to ensure the necessary information has been provided by the TO. If we believe that the TO has not provided all of the information necessary for us to carry out our assessment, we will engage with it to ensure that we receive all relevant information needed for us to complete our review.
- 4.60 *Full information review* – once we are satisfied with the TO’s submission, we will undertake a thorough review of the project’s costs, alongside its technical characteristics. This will include comparing the project’s costs to other projects, as well as multiple rounds of Supplementary Questions (SQs). The purpose of the SQ process is to capture any clarifications sought by us on project-specific issues to ensure a clear and complete basis for our assessment.
- 4.61 The above is an outline of the key aspects that we will consider as part of our PA, but other aspects may be included as appropriate.
- 4.62 As part of our assessment, we would expect to consider a number of issues, including but not limited to:
- Whether there is sufficient detail on the technical design to demonstrate that the costs are efficient and that any optional capabilities included in the proposal represent long-term value for money.
 - The robustness of the TO’s process for procurement and selection, and whether this process had been efficiently applied and could be expected to lead to an efficient market outcome.
 - The efficiency of the proposed costs, taking into account the conclusions on the above and any additional detailed cost assessment including benchmarking of specific elements where comparable data is available.
 - The evaluation of risks, and the appropriateness of the proposed risk management strategy including the allocation of risks and the associated costs.
 - The appropriateness of the construction programme and progress made towards being ready to proceed in the proposed timescales.
- 4.63 As mentioned above, our assessment will include undertaking detailed benchmarking analysis of the project’s costs.
- 4.64 The benchmarking exercise consists of comparing the TO’s submitted costs with those of comparable projects, ensuring that we take into consideration aspects

such as the technical characteristics of the project. The costs are disaggregated to enable us to analyse costs on an asset level e.g. onshore cable.

- 4.65 Our analysis demonstrates how the costs submitted by the TO for the various assets compares with comparable projects. This enables us to identify areas of the developer's submission where costs are higher than anticipated.
- 4.66 The main purpose of our benchmarking is to guide our assessment, rather than as an absolute determinant of allowable costs. Where this highlights specific costs as a concern, further analysis is conducted to determine whether these costs would be, or were, incurred in an economic and efficient manner. TOs are given the opportunity to explain why their costs may differ from industry averages derived from similar projects. In the absence of appropriate evidence to justify these differences, we may use benchmarking data to inform our view of economic and efficient costs.
- 4.67 In addition to the benchmarking of the project's assets, we also conduct further analysis to compare other aspects of the developer's submission to our datasets of historical projects. We will undertake high-level comparisons of aspects such as resource costs and risk budgets. We will also undertake comparisons of more granular costs, and discuss any concerns or issues with the developer.
- 4.68 We will consult stakeholders on the issues considered in our assessments. In general we will consult for a minimum of 28 days. We will consider stakeholder responses before finalising our views on the project.

Price Control Deliverable and Licence Obligation

- 4.69 After considering responses to the consultation we will publish the Authority's decision on the proposed project.
- 4.70 Any ASTI Output, delivery date and associated allowances will be implemented into the TO's electricity transmission licence as per the arrangements set out in paragraph X or Special Condition 3.18.
- 4.71 For the avoidance of doubt, the adjustment to the TO's RIIO-ET2 allowed expenditure determined through the ASTI arrangements will not include any associated Pre-Construction Works.
- 4.72 Decisions on allowances for ASTI projects will over-write any ECF allowances previously provided in Appendix 1 of Special Condition 3.18.
- 4.73 To profile allowances following a PA we will set allowances equal to actual incurred outturn costs for the years prior to the PA, and profile the remaining

allowances on a pro-rata basis based on the forecast cost profile submitted by the TOs.

- 4.74 Where a project has been delayed and we agree to an ODI Penalty Exemption following a Delay Event, we will modify the delivery date in Appendix 1 of Special Condition 3.18 to change the PCD delivery date by a period equal to the ODI Penalty Exemption Period. The TOs are not required to resubmit any additional information or request an adjustment to Appendix 1 through the ASTI COAE process (see below).

Alternative approaches to Project Assessment

- 4.75 We recognise that there will be a large volume of ASTI projects that will need to be assessed in a relatively short period of time in order not to cause delays to project delivery. We also recognise that TOs' procurement strategies to mitigate supply chain constraints may mean that we have to undertake a PA or cost assessment that departs from the approach detailed above.
- 4.76 We do not yet know what a different project or cost assessment may look like and are continuing to engage with the TOs to fully understand what they require in terms of the regulatory assessment and cost assessment approach and are open to adopting different approaches provided the TOs can demonstrate to us that doing so is in consumers' interest.
- 4.77 Until we know what form any alternative assessment would take or what any alternative cost assessment model would look like we cannot say what level of confidence we would have in the cost allowances provided to the TOs. Therefore, should we decide to adopt a different approach, we may also consider additional consumer protection measures, for example a reduced sharing factor under the TIM or an ex-post cost efficiency assessment.

Delivery of ASTI Outputs

- 4.78 The TOs are required through Standard Condition B15 (Regulatory Instructions and Guidance) to report annually during the construction phase on their expenditure and progress in delivering the ASTI Outputs. As part of this annual reporting the TO must provide an update on the status of the project delivery programme against the project delivery plan. This must include an explanation of the divergences in expenditure or project milestones or concerns that the TO has about delivery progress.

- 4.79 A TO may seek an adjustment to the allowed expenditure, ASTI Output or delivery date through the provisions in Special Condition 3.18 for an ASTI COAE. More information on the ASTI COAE process is set out below.
- 4.80 Ofgem will monitor progress against the ASTI Output based on information provided in the TOs' annual regulatory report.
- 4.81 Once the ASTI Output has been delivered the TO should confirm delivery of the ASTI Output as specified in Special Condition 3.18 and must provide evidence (through an independently verified report) to verify that the ASTI Output has been delivered and the exact date of delivery.
- 4.82 For the purpose of the ODI, we consider a project is delivered at the point at which the required capacity uplift of the project, as specified by the ESO, has been delivered. For the purposes of delivery of the ASTI Output against the Licence Obligation, for a project to be considered deliverable, it will need to be available and fully operational in line with the average availability of assets across the TO networks during its first 48 months of being in service. This will exclude outages required by the ESO or caused by third parties and scheduled maintenance.
- 4.83 We will review the TO's performance of the delivery of the ASTI Output. If a TO does not deliver an ASTI Output by the delivery date, we would expect the TO to proactively explain to us why and to provide plans for progression. Failure by a TO to deliver an ASTI Output by the delivery date could lead to a penalty under the ASTI Output Delivery Incentive (Special Condition 4.8, see below).
- 4.84 The ODI target dates have been set as a date designed to reflect an even, or better than even, chance of on-time delivery once relevant ODI protections/ Delay Events are considered.
- 4.85 For this reason, we would not automatically consider enforcement action, in the first instance, for projects being delivered after the ODI target date, even though delivery after that date is a breach of a licence condition. Instead, we would want to consider in more detail the reasons for that late delivery.
- 4.86 Factors that we would consider might include:
- Whether the failure to meet the licence obligations is the result of deficiencies in the performance of a licensee's project initiation and management processes;

- Whether such failure arose due to deficiencies in the performance of any contractor acting on a licensee’s behalf (for which the licensee would be held responsible); and
 - Whether it appears that a project has not been delivered by the ODI target date as a direct result of the licensee prioritising resources on other ASTI projects to inappropriately optimise their overall financial position under the ODI in a manner that does not serve consumers’ interests.
- 4.87 Having undertaken an initial assessment of the factors underlying the delay to delivery of the project and/or any other problems arising, where appropriate we would take further action, including referring the case for possible enforcement action. Any such enforcement action would, in line with our enforcement guidelines, take into consideration any penalties incurred via the ODI.
- 4.88 We consider that a licensee is responsible for all of its actions and their consequences, including where it engages third parties. Licensees are best placed to manage these risks rather than consumers. Therefore, we do not consider it appropriate to treat issues differently based on whether the licensee does the work in-house or uses an external contractor. This helps to ensure that the licensee takes appropriate care in the selection and oversight of their contractor(s).

ASTI Cost And Output Adjusting Events

- 4.89 An ASTI COAE refers to an event that is outside of the TOs’ reasonable control and which they could not have economically and efficiently planned a contingency for which has a material impact on an ASTI Output’s scope or cost. The following (non-exhaustive) list of events could potentially be considered ASTI COAEs provided they meet the criteria explained in paragraph 4.89 below:
- delays in obtaining planning approval and consents
 - delays regarding seabed leasing
 - war, hostilities, or terrorist events
 - extreme weather conditions (lower than 1 in 10 probability)
 - contractor/supplier/manufacturer insolvency
 - livestock epizootic
 - significant protestor action
 - legal challenge to procurement process by prospective contractor

- unforeseeable changes in law, regulation, and the international treaties applicable to the UK
- availability of transmission system for Build, Testing and Outages (eg if ESO calls planned action at short notice)
- unforeseen ground or seabed conditions
- unavailability of equipment globally in supply chain
- unforeseen unexploded ordinance mitigation
- archaeological discoveries
- significant change to project scope
- correlated delay in delivery of interlinked projects
- actual efficient costs of project delivery are +/-10% of allowances

4.90 Where a TO considers there has been an ASTI COAE, it may apply to Ofgem to amend the allowance of a project if:

- the event has caused expenditure to increase or decrease by at least 10% (expenditure impact) relative to the allowance in Appendix 1 of Special Condition 3.18, or by at least such other percentage as the Authority may direct (calculated before the application of the Totex Incentive Strength); and
- the increase or decrease in expenditure is expected to be efficiently incurred or saved.

ASTI COAE application process

4.91 The TOs must make any ASTI COAE application to Ofgem as soon as is reasonably practicable after the ASTI COAE has occurred.

4.92 ASTI COAE applications must:

- be made in writing;
- include detailed supporting evidence that an ASTI Cost And Output Adjusting Event meeting the requirements set out in Paragraph 4.90 has occurred;
- set out any amendments requested to the ASTI Output or associated allowances in Appendix 1 of Special Condition 3.18;

- explain the basis of the calculation for any proposed adjustment to the outputs or allowances in Appendix 1 of Special Condition 3.18;
- include a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the ASTI Output, the proposed adjustments to the ASTI Output or associated allowances fairly reflect the effects of the ASTI Cost And Output Adjusting Event;
- include an update to the submission narrative provided in the PA submission;
- include an updated main cost spreadsheet;
- include updated supporting cost spreadsheets, where relevant;
- include a detailed technical overview of any changes to the project's technical scope;
- include an updated risk register; and
- detail updates to delivery strategy and risk management.

4.93 Any modifications to Appendix 1 of Special Condition 3.18 further to an ASTI COAE is to be made under section 11A of the Act.

Cancelled projects (after Project Assessment Decision)

4.94 It is possible that a project might be cancelled between allowances being provided following a Project Assessment Decision and the project's expected delivery date, for example if the ESO determines that the network need has fallen away.

4.95 In these cases, costs that have been efficiently incurred by the TO up until the point the project is cancelled are fully recoverable by the TO and any unspent allowances are to be returned to consumers.

4.96 Should a project be cancelled after the Project Assessment Decision the TOs must notify Ofgem as soon as is practicably possible and cease work on that project. Ofgem will then instruct the TO whether:

- (a) to submit an ASTI Cost And Output Adjusting Event application to remove the ASTI Output and adjust allowances; or
- (b) Ofgem will assess the PCD as 'Not Delivered/Partially Delivered' and make any necessary adjustments to allowances in accordance with the PCD Reporting Requirements and Methodology Document.

- 4.97 For any projects that are cancelled within 12 months of the delivery date in Appendix 1 of Special Condition 3.18 we would expect that any allowance adjustment following cancellation of an ASTI Output will be made through the PCD assessment. For projects cancelled more than 12 months before the project delivery date we would expect the TO to submit an ASTI COAE request.

DRAFT

5. ASTI Output Delivery Incentive

- 5.1 The ASTI ODI is a financial incentive that is intended to encourage the TOs to deliver ASTI projects in a timely manner. Under the ODI, TOs are eligible for financial rewards if ASTI projects are delivered before their target delivery dates, and are liable for penalties if those projects are delivered late.
- 5.2 This chapter provides guidance on aspects of this ODI, including the penalty exemption mechanism and the application of ODI rewards and penalties.

Penalty exemptions

- 5.3 The ASTI ODI includes a mechanism to allow the TOs to apply for an exemption from penalties for a limited duration if delays to the delivery of projects are caused by factors outside the TOs' reasonable control. This section provides guidance for TOs and other stakeholders on the operation of this mechanism.

Principles governing penalty exemptions

- 5.4 When making decisions in relation to ASTI ODI penalty exemptions, we will apply the following principles:
- The TOs would be exempted from ASTI ODI penalties for the duration of any delay that can reasonably be attributed to factors outside their reasonable control, adjusted for the impact of mitigating measures that a notionally efficient TO acting reasonably would have undertaken.
 - TOs' actions will be assessed against information that could reasonably have been known at the time of the action, rather than with the benefit of hindsight.
 - Penalty exemptions will only be made where delivery times have been materially impacted and following consideration of the underlying assumptions within the TO delivery plans used to confirm ASTI projects.

Delay Events

- 5.5 A Delay Event is defined in the licence as an event that meets the following criteria:
- The event(s) must cause, or be reasonably expected to cause, one or more Project(s) to be delayed;
 - The event(s) must be outside the licensee's reasonable control; and

- the event(s) or the delay arising from the event(s) must not be attributable to any error on the licensee’s part.
- 5.6 For the purposes of the first criterion, a delay is caused when the expected delivery date of an ASTI project, taking account of the effects of the event (or the discovery of the event) and the effects of any preventative and mitigating actions that an efficient licensee could be reasonably expected to take in connection to the Delay Event, is later than the expected delivery date of that project before the event (or the discovery of the event).
- 5.7 For the purposes of the second and third criteria, we will assess the licensee’s actions before and after the event has occurred (or has been discovered) by reference to actions that a notional efficient licensee could reasonably be expected to take and assumptions within the TO delivery plans. This includes anticipatory and preventative steps that could be taken before the event has occurred (or been discovered), and mitigatory and remedial steps that could be taken after the event has occurred (or been discovered).

Examples of events that may qualify as Delay Events

- 5.8 As part of our work to develop the ASTI framework, we asked the TOs to provide examples of events that, in their view, would warrant the application of an ODI penalty exemption. The TOs provided several examples in response to our request.
- 5.9 Following our initial review of the TOs’ responses, we agree that many of the events listed in the TOs’ responses *could potentially* qualify as Delay Events if they meet the criteria set out in Part B of SC 4.8. Whether or not they would qualify in practice depends on the relevant circumstances and the quality of supporting evidence put forward by licensees in their applications.
- 5.10 Examples of events that could potentially qualify as Delay Events include:
- Delays in obtaining planning approval and consents
 - Delays regarding seabed leasing
 - War, hostilities, or terrorist events
 - Extreme weather conditions (lower than 1 in 10 probability)
 - Contractor/supplier/manufacturer insolvency
 - Livestock epizootic
 - Significant protestor action

- Legal challenge to procurement process by prospective contractor
- Unforeseeable changes in law, regulation, and international treaties applicable to the UK
- Availability of transmission system for Build, Testing and Outages (e.g. if ESO calls planned outage at short notice)
- Unforeseen ground or seabed conditions
- Unavailability of equipment globally in supply chain
- Unforeseen unexploded ordinance (UXO) mitigation
- Archaeological discoveries
- significant change to project scope
- correlated delay in delivery of interlinked projects
- actual efficient costs of project delivery are +/-10% of allowances

Correlated delay risk

5.11 There are many interlinkages between ASTI projects, with some projects having to be delivered/sufficiently constructed for another to proceed, or where numerous projects are dependent on a particular outage being available. Therefore, there is a risk that should one project be delayed, this could lead to other projects also being delayed.

5.12 Where Ofgem agrees that a Delay Event has occurred on a project and the delay caused has a direct impact on the delivery of other projects that the TO is not able to mitigate, we are open to receiving further penalty exemption requests for the related projects that are impacted.

The process for applications for penalty exemptions

5.13 This section provides further information on the process for making applications for penalty exemptions under Part B of SC 4.8. It also sets out our expectations of the contents of those applications.

5.14 In line with Paragraph 4.8.7 of SC 4.8, before making an application for a penalty exemption, the Licensee must notify Ofgem in writing of its intention to make that application within 45 days of the later of:

- (1) The event(s) that is the subject of that application commencing;
- (2) the licensee becoming aware of the event(s) having commenced; or

(3) the condition coming into effect.

- 5.15 We acknowledge that some events may not have a clear commencement date, and in other cases, the commencement of the event may not be immediately apparent to the relevant TO. The deadline for notification reflects this by defining the second milestone, which is the date that the licensee has become aware of the event having commenced. We expect that a TO acting in line with its statutory and licence obligations would have robust processes in place to ensure that potential Delay Events are identified and brought to its notice as soon as reasonably practical.
- 5.16 In the event that a potential Delay Event has commenced, or a TO has become aware of the commencement of that event, before the SC 4.8 has come into effect, the licensee may notify Ofgem within 45 days of the condition coming into effect.
- 5.17 Paragraph 4.8.8 of SC 4.8 allows the TOs to make an application for a modification to the value of the ASTI ODI Penalty Exemption Period if it considers that one or more Delay Events have occurred. An application under this paragraph must be made within 45 days of the earlier of:
- (1) cessation of the event(s) that is the subject of the application;
 - (2) the notification to the Authority in accordance with paragraph 4.8.7; or
- 5.18 Ofgem may by direction allow licensees to make applications after this date has passed. It is expected that such a direction would only be issued in circumstances where the relevant licensee has provided compelling evidence that the 45-day application window could not be complied with.

Contents of the application

- 5.19 Paragraph 4.8.6 of SC 4.8 sets out the licensees' obligations in relation to the contents of an application for penalty exemptions. This section provides further guidance on our expectations in relation to those obligations.
- 5.20 Paragraph 4.8.6(a) requires the TO to provide a description of the event along with evidence that supports the TO's claim that the event meets the criteria for a Delay Event as set out in Paragraph 4.8.10.
- 5.21 We expect that such evidence would include:
- The expected delivery date for the project according to the most recent project plan prepared before the event(s) commenced or the licensee became aware of the event, or the expected delivery date that is consistent with a

reasonable set of 'baseline' planning assumptions relating to the occurrence of the event along with supporting information on how that date was estimated.

- Whether the Delay Event was anticipated within the TO's original delivery plans submitted in September and December 2022, and if so, what underlying assumptions of the relevant impact were reflected in those delivery plans.
- The expected delivery date taking account of:
 - (1) the effects of the event(s) that is the subject of the application; and
 - (2) the effects of any reasonable anticipatory, preventative and mitigatory steps that a reasonable and efficient licensee might take in relation to that event.
- A detailed explanation of how the event(s) and the steps taken by the licensee have caused or contributed to the revision in the expected delivery date of the project.

5.22 We would expect the application to include such supporting information and evidence as may be reasonably required to assess the reasonableness of the expected delivery dates (both before and after the event).

5.23 We would also expect the licensee to provide evidence that the delay is outside the reasonable control of the licensee and not attributable to any error on the part of the licensee. In assessing whether a delay is outside the licensee's reasonable control, we will look for evidence that the effects of the event could not have been anticipated, prevented or mitigated by an efficient licensee acting reasonably. We would also look for evidence that the effects of the event exceed any reasonable contingency period that might be built into the project plan by an efficient licensee to take account of the potential occurrence of the event.

5.24 Paragraph 4.8.6(c) requires the licensee to provide evidence that it took reasonable preventative and mitigating steps before and after the event to mitigate its impact on project delivery. Such evidence could include comparisons with best practice in infrastructure projects of a comparable nature both within and outside the UK.

Determination of the penalty exemption period

5.25 The ASTI ODI Penalty Exemption Duration term in Appendix 1 of Special Condition 4.8 is set to zero for all projects. Following our assessment of a penalty exemption application submitted by a TO, we may decide to modify the ASTI ODI Penalty Exemption Duration term for the relevant ASTI project.

- 5.26 In line with the first principle set out in paragraph 5.4 of this guidance, the purpose of the modification is to exempt the TOs from ASTI ODI penalties for the duration of any delay that can reasonably be attributed to factors outside their reasonable control, adjusted for the impact of mitigating measures that a notionally efficient TO acting reasonably would have undertaken.
- 5.27 In determining the value of the modified ASTI ODI Penalty Exemption Period, Ofgem will have regard to:
- the duration of any actual or expected delay that can be reasonably attributed to the Delay Event; and
 - the effect on the duration of any actual or expected delay of preventative and mitigating actions that an efficient licensee could be reasonably expected to take in connection to the Delay Event.
- 5.28 Ofgem will come to its own view of the duration of the actual or expected delay, taking account of:
- estimates of the delay period provided by the TO as part of its application.
 - our assessment of the expected delivery dates (both with and without the Delay Event); and
 - our assessment of the proportion of the delay that could reasonably be attributed to the Delay Event.
- 5.29 Our ASTI Decision set out that penalty exemptions will only be granted where delivery times have been materially impacted. For the purposes of the ODI mechanism under ASTI, we consider that 30 days is an appropriate point at which a delay would be considered material. We would therefore not make modifications to licences to grant penalty exemptions of fewer than 30 days.

Worked examples of the penalty exemption mechanism

- 5.30 Table 8 below sets out some examples of how the ASTI ODI Penalty Exemption mechanism could work in practice.

Table 8: Examples of the ASTI ODI Penalty Exemption mechanism

Illustrative scenario	Possible outcome of the penalty exemption mechanism
<p>Example 1 ASTI ODI Target Date: 31/12/2031 Expected delivery date without taking account of the event: 31/12/2031 Expected delivery date taking account of the impact of the event and TO’s actions: 31/01/2032 Requested penalty exemption duration: 31 days</p>	<p>Ofgem accepts the expected delivery dates. Licence modification to increase the value of the ASTI ODI Penalty Exemption Duration for the project by 31 days.</p>
<p>Example 2 ASTI ODI Target Date: 31/12/2031 Expected delivery date without taking account of the event: 30/06/2031 Expected delivery date taking account of the impact of the event and TO’s actions: 30/09/2031 Requested penalty exemption duration: 92 days</p>	<p>Ofgem accepts the expected delivery dates. Licence modification to increase the value of the ASTI ODI Penalty Exemption Duration for the project by 92 days.</p>
<p>Example 3 ASTI ODI Target Date: 31/12/2031 Expected delivery date without taking account of the event: 30/06/2031 Expected delivery date taking account of the impact of the event and TO’s actions: 31/03/2032 Requested penalty exemption duration: 276 days</p>	<p>Ofgem accepts the expected delivery dates. Licence modification to increase the value of the ASTI ODI Penalty Exemption Duration for the project by 276 days.</p>
<p>Example 4 ASTI ODI Target Date: 31/12/2031 Expected delivery date without taking account of the event: 30/06/2031 Expected delivery date taking account of the impact of the event and TO’s actions: 31/03/2032 Requested penalty exemption duration: 276 days</p>	<p>Ofgem rejects the TO’s expected delivery dates and its own view based on the available evidence is that the delay period that can reasonably be attributable to the Delay Event is 150 days and not 276 days. Licence modification to increase the value of the ASTI ODI Penalty Exemption Duration for the project by 150 days.</p>

No financial benefits to the TO in the event of a delay

- 5.31 It is our intention that TOs should not benefit financially from a delay to an ASTI project.
- 5.32 If a project is delivered after the ASTI ODI Target Date, or if a penalty exemption is granted under Special Condition 4.8, we may modify the totex allowance profile associated with the project to match the profile of actual expenditure. Such modifications would be made under Section 11A of the Act.
- 5.33 We expect that any payments or credits received by the licensee and provided by a supplier or contractor as a consequence of a delay to a project (e.g. delay charges, penalties etc) that is in excess of the actual ASTI ODI penalty applied in respect of that project to be passed onto consumers.

Application of rewards and penalties

- 5.34 Aggregate rewards and penalties determined under the ASTI ODI in any year would be applied as an adjustment to the licensee's RAV in that year.
- 5.35 The calculation of the RAV, including any adjustments, is set out in the RIIO-2 PCFM. We do not expect any rewards or penalties to be applied under the ASTI ODI before the end of the RIIO-2 period, and therefore do not consider that the RIIO-2 PCFM needs to be modified at this stage. We will incorporate the ASTI ODI financial incentive term in the calculation of the RAV within the PCFM for the next price control period.

Appendix 1 – General requirements on TOs

TOs must include up-to-date information at the time of each submission. This includes information from third parties, such as the ESO, other licensees, contractors or stakeholders.

It is ultimately the responsibility of the TOs to decide what information is necessary to make a robust case for a proposed project and to provide us with all relevant information to inform our assessment. As each project is unique, the information required will vary between projects.

Prior to each submission the TO may engage with us to help it to consider what information is necessary to make a robust case.

In instances where a TO considers it is unable provide information set out in this document, for example because of the nature of a project, it must explain to us why.

A TO Must:

- keep us updated about its expected submission schedule and advise us of any changes to the timetable that the TO has previously indicated;
- engage early with the ESO, in parallel with discussions with us, where the ESO's analysis is required;
- identify whether there will be any joint working with other TOs, Distribution Network Owners (DNOs) or other relevant parties in the delivery of the proposed project and identify how work and responsibility on the project is to be shared across such parties;
- provide complete and navigable submissions that do not rely on the cross-referencing of information provided previously to Ofgem (for example for some other purpose or given in a previous submission that was subsequently withdrawn);
- maintain an assurance system for the quality and completeness of information submitted to us (eg senior management sign off on all submissions);
- clearly identify and justify the validity of assumptions used in supporting analysis;
- inform us as and when changes are made to key assumptions and provide a log of the impacts of such changes on the supporting analysis and results;

- respond in a timely manner to requests for further information, ensuring that the information provided is complete, accurate and addresses the issue or question being raised; and
- proactively engage with stakeholders including other TOs, seeking their views and providing them with timely updates on changes to its plans in relation to the proposed ASTI project.

The role of Ofgem, TOs and the ESO

Ofgem does not design projects or plan how projects should be built or what routes they should take. This is the responsibility of the TOs, in accordance with the obligations placed on them by planning regulations and the relevant planning authorities and in accordance with their wider duties in the legislative framework.

As economic regulator, we consider the investment case for transmission projects presented to us and the efficient costs that can be recovered from consumers for delivering these projects. We will take into account the outcome of the planning process in assessing the costs that network companies are allowed to recover from consumers for projects.

The TOs are responsible for developing network investment plans and for obtaining the relevant consents from the planning authorities.