

Consultation

RIIO-ET2 Informal Licence Drafting Consultation – Accelerated Strategic Transmission Investment

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We are consulting informally on proposals to modify the special conditions of the three Transmission Owners' (TOs) electricity transmission licences to give effect to our decision to introduce a new Accelerated Strategic Transmission Investment (ASTI) framework to fund and incentivise timely delivery of large strategic onshore electricity transmission projects in support of the Government's Net Zero ambition to connect up to 50GW of offshore generation by 2030. We are also consulting on the ASTI Guidance and Submissions Requirements document published as part of this consultation. We would like views from the TOs and stakeholders with an interest in the development of the onshore electricity transmission network. We would also welcome responses from other stakeholders and the public.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses and then publish a statutory consultation on the licence modifications required to give effect to our ASTI decision.

We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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1. Introduction

- 1.1 In December 2022 we published our decision to introduce a new ASTI framework.¹ Within this framework, Ofgem will assess and fund large, strategic onshore electricity transmission projects that are required to deliver the Government's ambition to connect up to 50GW of offshore generation to the electricity network by 2030.
- 1.2 Our decision set out our policy and process to provide pre-construction funding (PCF) and full project funding for ASTI projects, as well as the introduction of an output delivery incentive (ODI) to incentivise the timely delivery of these projects.
- 1.3 We created a licence drafting working group in December 2022 consisting of members of the Ofgem team and TO representatives. This group has met on a regular basis to review and develop the licence conditions. We also established an ASTI licence Issues Log where the TOs were able to provide detailed feedback on the proposed licence conditions as they developed through multiple iterations of drafting.
- 1.4 The draft conditions and ASTI Guidance and Submissions Requirements document included in this consultation are working drafts and we recognise that further work will be required to develop them.
- 1.5 This informal licence consultation invites views on our working drafts of our proposed modifications to the special conditions of the electricity transmission licence. The purpose of these modifications is to give effect to our decision to introduce the ASTI framework. We have included a blank response template alongside this consultation so that stakeholder responses can be provided on a consistent basis.
- 1.6 We will consider the responses to this informal consultation and also hold additional working group meetings before then carrying out a statutory consultation, which we are working towards taking place in April 2023.

What are we consulting on?

- 1.7 We are proposing changes to the following TO licences:

¹ [Decision on accelerating onshore electricity transmission investment | Ofgem](#)

Licensee	Licence
National Grid Electricity Transmission Plc	Electricity transmission licence – Special Conditions
Scottish Hydro Electric Transmission Plc	Electricity transmission licence – Special Conditions
Scottish Power Transmission Plc	Electricity transmission licence – Special Conditions

- 1.8 Special conditions are conditions that apply to a particular licensee. However, the wording is often the same for all licensees of a particular type and this is the case for each of the proposed modifications in this consultation. On this basis, we have only presented one draft condition, although it will be added to the special conditions of each licensee with the licensee-specific information relating to specific ASTI projects added.
- 1.9 We are consulting on introducing three new special conditions to the special conditions of the TO's electricity transmission licence:
- Special Condition 3.17: Accelerated Strategic Transmission Investment Pre-Construction Funding Re-opener, Price Control Deliverable and use it or lose it adjustment (APCFt)
 - Special Condition 3.18: Accelerated strategic transmission investment Re-opener and Price Control Deliverable (ASTIRt)
 - Special Condition 4.8: Accelerated Strategic Transmission Investment output delivery incentive (ASTIIIt)
- 1.10 We are also consulting on modifications to Special Condition 1.1 (Interpretation and definitions) of each of the TO's electricity transmission licence. These modifications will provide the meaning of the defined terms, which are capitalised throughout the new special conditions.²
- 1.11 Defined terms are capitalised in the electricity transmission licences to make is clear to the reader when they should refer to the Special Condition 1.1 for further information.
- 1.12 Alongside the new and modified licence conditions highlighted above we are also consulting on introducing an ASTI Guidance and Submissions Requirements

² Capitalised terms in this document may also be defined in these modifications to Special Condition 1.1.

Document (as referenced in the new special conditions). This document has been published as part of this informal licence consultation as a separate document and we welcome stakeholder feedback on its content.

Section 1: Special Condition 3.17 Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and use it or lose it adjustment (APCF_t)

- 1.13 This section includes our proposed special licence condition for ASTI PCF, which makes provision for a Re-opener, a Price Control Deliverable (PCD) and a “use-it-or-lose-it” adjustment.

Section 2: Special Condition 3.18 Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIR_t)

- 1.14 This section includes our proposed special licence condition for an ASTI PCD and Re-opener. It includes the process for applying for Early Construction Funding (ECF) and a full Project Assessment and details the process for ASTI Cost and Output Adjusting Events.

Section 3: Special Condition 4.8 Accelerated strategic transmission investment output delivery incentive (ASTII_t)

- 1.15 This section includes our proposed special licence condition for an ASTI ODI to incentivise the timely delivery of ASTI projects and the process for ASTI ODI Delay Events.

Section 4: Special Condition 1.1 Interpretation and definitions

- 1.16 This section includes our proposed new ASTI definitions and modifications to existing definitions related to ASTI.

Related publications

- [Decision on accelerating onshore electricity transmission investment](#)
- [RIIO-ET2 Final Determinations](#)

Consultation stages

- 1.17 This informal consultation is open from March 8th 2023 and will close on March 27th 2023. We recognise that this consultation period is slightly shorter than our usual consultation period of 28 days. This is due to:

- (a) the requirement to have the ASTI framework implemented in the TOs' licences as soon as possible so as not risk any delay to the delivery of the ASTI projects;
- (b) the TOs having been heavily involved in the development of the draft licence conditions that are being consulted on as part of this informal consultation; and
- (c) there being a formal statutory licence consultation to follow this informal consultation.

- 1.18 We will continue to carry out further licence working group sessions with the TOs to develop the draft ASTI licence conditions and the ASTI Guidance and Submission Requirements Document.
- 1.19 We will then consider the stakeholder responses to this consultation before publishing a statutory consultation on the licence modifications contained within this document before implementing them in the electricity transmission licence as per Section 11A of the Electricity Act.

How to respond

- 1.20 We want to hear from anyone interested in this consultation. Please send your response to the person or team named on this document's front page.
- 1.21 We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.
- 1.22 We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, data and confidentiality

- 1.23 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.
- 1.24 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you

to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.

- 1.25 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.
- 1.26 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

1.16. We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:

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

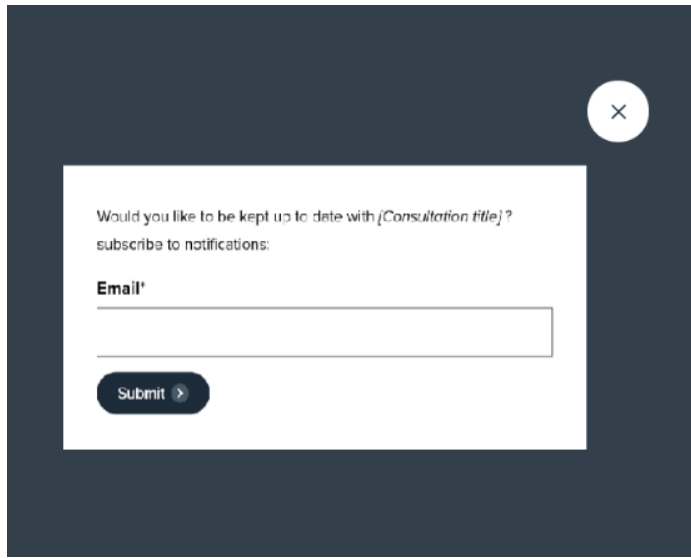
Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website.

[Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations)

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Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

Upcoming > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

2. Special Condition 3.17 Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and use it or lose it adjustment (APCF_t)

Questions

- Q1. Do you agree with our proposed drafting for the ASTI PCF Re-opener, PCD and Use-It-Or-Lose-It licence condition?
- Q2. Do you propose any modifications to the proposed licence drafting?

Introduction

- 2.1 Paragraphs 5.21 to 5.27 of our ASTI decision document³ made provision to provide PCF for ASTI projects that have not already received PCF through the Large Onshore Transmission Investment (LOTI) framework.⁴ Our decision initially set PCF allowances at 2.5% of the forecast total project costs for each of the licensee's eligible ASTI projects.
- 2.2 Our ASTI Decision set out that this PCF allowance would be substitutable between ASTI projects⁵, excluding projects for which funding has been, or will be, provided through the LOTI framework. It also set out that it would be a Use-It-Or-Lose-It (UIOLI) allowance with funding linked to a PCD output to submit a suitable planning application, with any unspent allowances being returned to consumers in full.
- 2.3 Our ASTI decision also made provision for a PCF re-opener mechanism so the TOs can apply for additional allowances if costs exceed their Materiality Threshold⁶. We said that this would include a mechanism for Ofgem to trigger the re-opener submission windows.

³ [Decision on accelerating onshore electricity transmission investment | Ofgem](#)

⁴ As set out in Special Condition 3.13 of the licence.

⁵ This was inclusive of the 6 additional projects following the Asset Classification Process (AC1-AC6) and projects LRN4 and PSNC (all listed in Appendix 1 of the ASTI Decision).

⁶ The materiality threshold is 0.5% of average annual base revenue for each TO, as set out in Special Condition 1.1 (Part B: Definitions) of each TO's respective licence.

- 2.4 The reason for introducing this condition is to give effect to our ASTI decision to have an ASTI PCF PCD, UIOLI allowance and to establish a re-opener related to ASTI PCF.
- 2.5 The effect is to:
- specify outputs, delivery dates and associated allowances for ASTI PCF PCDs;
 - establish a re-opener for licensees to amend and add/remove ASTI PCF PCDs and adjust outputs, delivery dates and associated allowances for existing PCDs;
 - provide for an assessment of the ASTI PCF PCDs; and
 - explain the process the Authority will follow when directing changes under the condition.

Proposed licence drafting

Special Condition 3.17 Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment ($APCF_t$)

Introduction

- 3.17.1 The purpose of this condition is to calculate the term $APCF_t$ (the ASTI Pre-Construction Funding Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
- 3.17.2 The effect of this condition is to:
- (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
 - (b) establish a Re-opener for the licensee to trigger where it expects to incur costs for Pre-Construction Works in relation to an ASTI in addition to the allowances in Appendix 1;
 - (c) provide for an assessment of the Price Control Deliverable; and
 - (d) provide for a Use It Or Lose It Adjustment
- 3.17.3 This condition also sets out the process the Authority will follow when making any modifications under 3.17.6 and 3.17.10 or directing changes under 3.17.11.

Part A: Formula for calculating the ASTI Pre-Construction Funding Price Control Deliverable term $APCF_t$

- 3.17.4 The value of $APCF_t$ is derived in accordance with the following formula:

$$APCF_t = APCFA_t - APCFRA_t$$

where:

$APCFA_t$ means the allowances in Appendix 1

$APCFRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part D.

ASTI Pre-Construction Funding Outputs

3.17.5 Appendix 2 specifies the outputs the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part B: Scope of the ASTI Pre-Construction Funding Re-opener

3.17.6 The licensee may, in respect of any ASTI, apply to the Authority for a modification to the outputs, delivery dates or allowances in Appendices 1 and 2 where:

- (a) the licensee has incurred, or expects to incur, costs for Pre-Construction Works for outputs that are not already specified in Appendix 2, provided that no allowances for Pre-Construction Works have previously been provided under Special Condition 3.15 (Pre-construction funding Re-opener and Price Control Deliverable); or
- (b) the licensee expects that the total costs for Pre-Construction Works in relation to all outputs in Appendix 2 will exceed the total allowances in Appendix 1 by the Materiality Threshold; or
- (c) the licensee expects a material change to one of the outputs or delivery dates in Appendix 2.

3.17.7 The licensee may only apply to the Authority under paragraph 3.17.66 during such periods as the Authority directs and in accordance with the ASTI Guidance and Submission Requirements Document.

3.17.8 An application under paragraph 3.17.66 must be made in writing and include:

- (a) a breakdown of what Pre-Construction Works are expected to be undertaken;
- (b) a breakdown of the incurred and expected costs for Pre-Construction Works;
- (c) an overview of the ASTI to which the Pre-Construction Works and associated costs relate;
- (d) the specification of any additional outputs that the licensee considers should be added to Appendix 2;
- (e) a justification of why any additional Pre-Construction Works and/or additional allowances are required; and
- (f) any amendments requested to the outputs, delivery dates or allowances set out in Appendix 2.

3.17.9 A modification under this Part to the outputs, delivery dates and allowances in Appendix 2 and the allowances in Appendix 1 will be made under s. 11A of the Act.

Part C: Assessment of the Price Control Deliverable (APCFRA_t)

3.17.10 The Authority will direct a value for APCFRA_t where either of the following is appropriate:

- (a) an adjustment in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), where the licensee has not Fully Delivered an output in Appendix 2; or
- (b) a Use It Or Lose It Adjustment, which will be assessed after any assessment under sub-paragraph (a).

Part D: What process will the Authority follow in making a direction?

3.17.11 Before making a direction under paragraph 3.17.10 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.17.12 A direction under paragraph 3.17.11 will set out the value of the APCFRA_t term and the Regulatory Years to which the adjustment relates, and where the direction is under paragraph 3.17.11(a) will set out:

- (a) the delivery status of the output that has not been Fully Delivered; and
- (b) the methodology and data that has been used to decide the delivery status and value of any adjustments to the APCFRA_t term.

Appendix 1

ASTI Pre-Construction Funding Allowance table (£m)

	Total Value
TO	(Sum of allowances from Appendix 2, PCF Allowance)

Appendix 2

ASTI Pre-Construction Funding Price Control Deliverables (£m)

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Project Name	Output	Delivery Date	PCF Allowance
	Submission of all material planning consent applications for project X	31 st March 2026	Have the values given in the [TO] Redacted Information Document.

3. Special Condition 3.18 Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIR_t)

Questions

Q3. Do you agree with our proposed drafting for the ASTI Re-opener and PCD licence condition?

Q4. Do you propose any modifications to the proposed licence drafting?

Introduction

- 3.1 Our decision in relation to the ASTI framework in December 2022 made provision for a Re-opener and PCD to provide ECF⁷ and full project funding via Project Assessment Decision (PA)⁸ for the ASTI projects the licensees are required to deliver in support of the Government's 2030 Net Zero ambitions. We also stated in the decision that ASTI Outputs will be both PCDs and LOs, which are necessary as these mechanisms provide for specific, and separate functions.⁹
- 3.2 We decided that there would be an ASTI Cost and Output Adjusting Event (COAE) re-opener to potentially adjust outputs, target dates and allowances should there be material changes to the output that is required to be delivered, or where efficient outturn costs deviate +/- 10% from provided allowances.¹⁰
- 3.3 Our ASTI decision set out that the ECF allowance would:
- Be up to 20% of the forecast total project value provided the need for the activities proposed are accepted by us, with the option to potentially adjust allowances in excess of 20% where we consider doing so to be necessary in consumers' interests.
 - Have two re-opener windows, one in summer 2023 and the second in summer 2024, with provision for an Ofgem triggered re-opener should allowances need to be adjusted outside of these windows.

⁷ [Decision on accelerating onshore electricity transmission investment | Ofgem](#) paragraph 5.28 to 5.35

⁸ [Decision on accelerating onshore electricity transmission investment | Ofgem](#) paragraphs 5.36 to 5.40

⁹ [ASTI decision document](#), paragraphs 7.56 to 7.57

¹⁰ [ASTI decision document](#), paragraph 5.41

- Be overwritten in the licence with efficient costs following the PA.

3.4 Our ASTI decision set out that for the full Project Assessment we would:

- Not restrict timings by implementing windows for submissions and expect TOs to submit requests for full project funding any time after the relevant planning application has been submitted.
- Reflect our assessment of efficient costs rather than actual incurred expenditure

3.5 The reason for introducing this condition is to give effect to our ASTI Decision to have an ASTI PCD, ECF and to establish a Re-opener related to ASTI projects.

3.6 The effect is to:

- specify outputs, delivery dates and associated allowances for ASTI PCDs;
- establish a re-opener for licensees to amend and add/remove ASTI PCDs and adjust outputs, delivery dates and associated allowances for existing PCDs;
- establish a process for licensees to apply for ECF and a Project Assessment Decision;
- make provision for adjustment to the ASTI PCD outputs and associated allowances following an ASTI Cost and Output Adjusting Event;
- provide for an assessment of the ASTI PCDs; and
- explain the process the Authority will follow when directing changes under the condition.

Proposed licence drafting

Special Condition 3.18 Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIR_t)

Introduction

3.18.1 The purpose of this condition is to specify the value of the term ASTIR_t (the accelerated strategic transmission investment Re-opener term). This contributes to the calculation of the Totex Allowance.

3.18.2 The effect of this condition is to:

- (a) specify the ASTI Outputs, delivery dates and allowances for the Price Control Deliverable;
- (b) establish a Re-opener for the licensee to apply for an adjustment to the ASTI Outputs, delivery dates and allowances in Appendix 1;

- (c) provide for an assessment of the Price Control Deliverable; and
- (d) establish the ASTI Guidance and Submissions Requirements Document.

3.18.3 This condition also sets out the process the Authority will follow when making any changes to Appendices 1 and 2 as a result of the Re-opener.

Part A: Formula for calculating the accelerated strategic transmission investment Re-opener term ($ASTIR_t$)

3.18.4 The value of $ASTIR_t$ is derived in accordance with the following formula:

$$ASTIR_t = ASTIA_t - ASTIRA_t$$

where:

$ASTIA_t$ means the allowances in Appendix 1; and

$ASTIRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part G.

Part B: ASTI Outputs

3.18.5 The licensee must deliver the ASTI Outputs by the delivery dates specified in Appendix 1.

Part C: Early Construction Funding

3.18.6 The licensee may, in respect of any ASTI Output, apply for an ASTI Early Construction Funding direction to adjust $ASTIA_t$.

3.18.7 Unless the Authority directs otherwise, the aggregate allowances provided under paragraph 3.18.6 for any ASTI Output cannot exceed the value listed in Appendix 2 against that ASTI Output.

3.18.8 The licensee may only apply to the Authority under paragraph 3.18.6:

- (a) between 1 June 2024 and 30 June 2024; or
- (b) during such other periods as the Authority may direct.

Part D: ASTI Project Assessment Decision

3.18.9 The licensee may, in respect of any ASTI, apply for an ASTI Project Assessment Decision and an associated modification of Appendix 1 to specify or amend an ASTI Output, a delivery date and associated allowances.

3.18.10 Unless the Authority otherwise directs, the licensee may only apply for an ASTI Project Assessment Decision after submission of all material planning consent applications.

3.18.11 Any modification under this Part will be made under section 11A of the Act.

Part E: ASTI Cost And Output Adjusting Event

- 3.18.12 The licensee may apply to the Authority for a modification to the outputs and allowances in Appendix 1 where it considers that there has been one or more ASTI Cost and Output Adjusting Events.
- 3.18.13 The licensee may only apply for an ASTI Cost And Output Adjusting Event decision under this Part to modify allowances in Appendix 1 where:
- (a) expenditure has been caused to increase or decrease by at least the percentage specified in, or in accordance with, paragraph 3.18.15, calculated before the application of the Totex Incentive Strength, relative to the relevant allowance in Appendix 1 by the event or if there has been more than one event:
 - i. by each event;
 - ii. if the Authority has directed that the events in relation to the relevant ASTI Output should count cumulatively towards the percentage threshold, by any one or more events; and
 - (b) the increase or decrease in expenditure is expected to be efficiently incurred or saved.
- 3.18.14 The licensee may only apply for an ASTI Cost And Output Adjusting Event decision under this Part to adjust the ASTI Outputs in Appendix 1 where there is a material change to the scope of the relevant ASTI project.
- 3.18.15 The percentage referred to in paragraph 3.18.13(a) is:
- (a) 10%; or
 - (b) such other percentage as the Authority may specify by direction.
- 3.18.16 An application under this Part must be made in writing and must:
- (a) include detailed supporting evidence that an ASTI Cost And Output Adjusting Event meeting the requirements set out in paragraphs 3.18.13, or where applicable 3.18.14, has occurred;
 - (b) set out any modifications requested to the ASTI Outputs or associated allowances in Appendix 1;
 - (c) explain the basis of the calculation for any proposed modification to the allowances in Appendix 1, which must be designed to keep, so far as is reasonably practicable, the financial position of the licensee the same as if the ASTI Cost And Output Adjusting Event had not occurred; and
 - (d) 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 modification to the ASTI Output or associated allowances fairly reflect the effects of the ASTI Cost And Output Adjusting Event.

3.18.17 The Authority may make a modification under this Part where:

- (a) there has been an application under this Part;
- (b) there has been an ASTI Cost And Output Adjusting Event in relation to the relevant ASTI;
- (c) the requirements of paragraphs 3.18.13 to 3.18.15, where applicable, have been met; and
- (d) the proposed modifications to Appendix 1 have the effect so far as is reasonably practicable of keeping the financial position and performance of the licensee the same as if the ASTI Cost And Output Adjusting Event had not occurred.

3.18.18 Any modification under this Part will be made under section 11A of the Act.

Part F: Modification of delivery date in Appendix 1 further to an ASTI ODI Penalty Exemption Period decision under Part B of Special Condition 4.8 (Accelerated Strategic Transmission Investment output delivery incentive)

3.18.19 The Authority will modify the delivery dates in Appendix 1 where it decides under Part B of Special Condition 4.8 (Accelerated Strategic Transmission Investment output delivery incentive) to make a modification to the ASTI ODI Penalty Exemption Period in Appendix 1 of Special Condition 4.8.

3.18.20 Any modification under this Part will be made under section 11A of the Act.

Part G: Assessment of the Price Control Deliverable (ASTIR_t)

3.18.21 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for ASTIR_t where the licensee has not Fully Delivered an output in Appendix 1.

Part H: What process will the Authority follow in making a direction?

3.18.22 Before making a direction under Parts C or G the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.18.23 A direction under paragraph 3.18.21 in respect of Part G will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the ASTIR_t term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the ASTIR_t term.

3.18.24 Any direction under Parts C or F will be made in accordance with the ASTI Guidance and Submission Requirements Document.

Part I: ASTI Guidance and Submissions Requirements Document

3.18.25 The licensee must comply with the ASTI Guidance and Submissions Requirements Document.

3.18.26 The Authority will issue and amend the ASTI Guidance and Submissions Requirements Document by direction.

3.18.27 The Authority will publish the ASTI Guidance and Submissions Requirements Document on the Authority's Website.

3.18.28 The ASTI Guidance and Submissions Requirements Document will make provision about the detailed requirements for Parts C, D, E, F and G.

3.18.29 The ASTI Guidance and Submissions Requirements Document will also make provision about the detailed requirements under Special Condition 3.17 (ASTI pre-construction funding Re-opener, price control deliverable and Use It Or Lose It Adjustment) and Special Condition 4.8 (ASTI output delivery incentive).

3.18.30 Before directing that the ASTI Guidance and Submissions Requirements Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed ASTI Guidance and Submissions Requirements Document;
- (b) the date on which the Authority intends the ASTI Guidance and Submissions Requirements Document to come into effect; and
- (c) a period during which representations may be made on the text of the proposed ASTI Guidance and Submissions Requirements Document, which will not be less than 28 days.

3.18.31 Before directing an amendment to the ASTI Guidance and Submissions Requirements Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended ASTI Guidance and Submissions Requirements Document;
- (b) the date on which the Authority intends the amended ASTI Guidance and Submissions Requirements Document to come into effect;
- (c) the reasons for the amendments to the ASTI Guidance and Submissions Requirements Document; and
- (d) a period during which representations may be made on the amendments to the ASTI Guidance and Submissions Requirements Document, which will not be less than 28 days.

Appendix 1

ASTI Price Control Deliverable

ASTI Output	Delivery Date	Allowance ECF/PA (£m)	
Project X	31 December 2029		
Project Y	31 December 2030	200	ECF
Project Z	31 December 2031	1000	PA

Appendix 2

ASTI Early Construction Funding cap

ASTI Output	ECF cap (£m)
Project X	X
Project Y	Y
Project Z	Z

4. Special Condition 4.8 Accelerated strategic transmission investment output delivery incentive (ASTII_t)

Questions

- Q5. Do you agree with our proposed drafting for the ASTI ODI licence condition?
- Q6. Do you propose any modifications to the proposed licence drafting?

Introduction

- 4.1 Chapter 7 of our ASTI decision document¹¹ made provision for an ODI that rewards or penalises the TOs in relation to the early or late delivery of ASTI projects relative to each project's ODI target delivery date.
- 4.2 Our Decision set out that the ODI would be set:
- With daily reward and penalty rates for each project set at 30% of the forecast constraint cost impact of a one-year delay divided by 365.¹² Aggregate rewards and penalties for each project capped at 10% of forecast totex for that project. In addition, daily rates are constrained so that¹³:
 - a. Rewards and penalties for each project in any 12- month period are capped at 5% of forecast totex.
 - b. Rewards and penalties for each project in any 12- month period are subject to a minimum of 2% of forecast totex.
 - Target delivery dates of the 31st of December of the year after the required-in-service year in which the project is required to be delivered in accordance with the Network Options Assessment 2021/22 Refresh¹⁴ by the National Grid Electricity System Operator.¹⁵
- 4.3 Our Decision also set out that:

¹¹ [Decision on accelerating onshore electricity transmission investment | Ofgem](#)

¹² [ASTI decision document](#), paragraph 7.27

¹³ [ASTI decision document](#), paragraphs 7.29 to 7.31

¹⁴ [download \(nationalgrideso.com\)](#)

¹⁵ [ASTI decision document](#), paragraph 7.32 to 7.43

- We would include a mechanism to allow TOs to apply for a time-limited exemption from ASTI ODI penalties for project delays caused by factors outside their reasonable control to the extent that they cannot be reasonably anticipated and mitigated through efficient management.¹⁶
- 4.4 The reason for introducing this condition is to give effect to our ASTI Decision that there should be an ODI to incentivise the timely delivery of ASTI Outputs.
- 4.5 The effect is to:
- reward or penalise the licensees’ performance in relation to delivery against the ASTI ODI target delivery date; and
 - establish a process for exempting the licensee from penalties for project delays that are outside of their reasonable control and they are unable to mitigate against.

Proposed licence drafting

Special Condition 4.8 Accelerated Strategic Transmission Investment output delivery incentive (ASTII_t)

Introduction

- 4.8.1 The purpose of this condition is to provide for the calculation of the term ASTII_t (the accelerated strategic transmission investment output delivery incentive term). The ASTII_t term contributes to the licensee’s RAV.
- 4.8.2 The effect of this incentive is to reward or penalise the licensee’s performance in relation to the ASTI ODI Target Date.
- 4.8.3 This condition also establishes a mechanism for the licensee to apply for a modification to the value of ASTI ODI Penalty Exemption Period in Appendix 1 following a Delay Event.

Part A: Formula for calculating the accelerated strategic transmission investment output delivery incentive term (ASTII_t)

- 4.8.4 The value of the term ASTII_t is derived in accordance with the following formula:

$$ASTII_t = \sum_{nl=1}^{nl} AnnualODIP_{nl,t} + \sum_{ne=1}^{ne} AnnualODIR_{ne,t}$$

¹⁶ [ASTI decision document](#), paragraphs 7.50 to 7.55

$$AnnualODIP_{nl,t} = -F_{nl} \cdot \min \left[\max[\text{Start Day of year } (t + 1) - \text{CalcD}, 0], \text{days in year } t, -\min \left[\frac{\text{CappedODI}_{nl} - \sum_{2021/22}^{t-1} AnnualODIP_{nl,t}}{F_{nl}} + PE_{nl}, 0 \right] \right]$$

$$AnnualODIR_{ne,t} = F_{ne} \cdot \min \left[\max[\text{Start Day of year } (t + 1) - \text{Delivery Date}_{ne}, 0], \text{days in year } t, \frac{\text{CappedODI}_{ne} - \sum_{2021/22}^{t-1} AnnualODIR_{ne,t}}{F_{ne}} \right]$$

where

$\text{CappedODI}_{nl} = [\max(\text{UncappedODI}_{nl}, \text{Cap}_{nl})]$; and

$\text{CappedODI}_{ne} = [\min(\text{UncappedODI}_{ne}, \text{Cap}_{ne})]$;

and

$\text{UncappedODI}_{nl} = -D_{nl} \cdot F_{nl}$; and

$\text{UncappedODI}_{ne} = -D_{ne} \cdot F_{ne}$;

where:

D_{nl}	equals ($\text{Delivery Date}_{nl} - \text{ASTI ODI Target Date}$)
D_{ne}	equals ($\text{Delivery Date}_{ne} - \text{ASTI ODI Target Date}$)
$\text{Delivery Date}_{nl}$	If Project nl is delivered late, or is expected to be delivered late, is the date that project nl is delivered, or forecast to be delivered if it has not yet been delivered
$\text{Delivery Date}_{ne}$	If Project ne is delivered early, or is expected to be delivered early, is the date that project ne is delivered, or forecast to be delivered if it has not yet been delivered
PE_{nl}	means the ASTI ODI Penalty Exemption Period in days for Project nl as set out in Appendix 1;
CalcD	means the ASTI ODI Target Date plus ASTI ODI Penalty Exemption Period in days
F_{nl}	is the Daily Reward/Penalty for Project nl set out in Appendix 1 of this condition

F_{ne}	is the Daily Reward/Penalty for Project ne set out in Appendix 1 of this condition
Cap_{nl}	is the Aggregate ODI Cap for Project nl set out in Appendix 1 of this condition
Cap_{ne}	is the Aggregate ODI Cap for Project ne set out in Appendix 1 of this condition
t	represents the regulatory year
nl	Represents each ASTI project that is delivered late, or is expected to be delivered late
ne	Represents each ASTI project that is delivered early or is expected to be delivered early

Part B: Applications for modifications to Appendix 1

- 4.8.5 If the licensee has notified the Authority under 4.8.7, the licensee may apply to the Authority for a modification to the ASTI ODI Penalty Exemption Period in Appendix 1 where there has been one or more Delay Events:
- (a) within 45 days of the earlier of:
 - i. cessation of the event or events that are the subject of the application;
 - ii. the notification to the Authority in accordance with paragraph 4.8.7; or
 - (b) by any other date directed by the Authority, which shall be no earlier than the relevant date under 4.8.5(a).
- 4.8.6 An application under paragraph 4.8.5 must include:
- (a) a description of the event or events that are the subject of the application along with evidence that demonstrates that the events are Delay Events;
 - (b) the requested modification to the ASTI ODI Penalty Exemption Period value along with supporting analysis and evidence; and
 - (c) any evidence available that the licensee took reasonable preventative and mitigation actions before and after the event or events to limit their effect.
- 4.8.7 The licensee must notify the Authority of its intention to make an application under 4.8.5 within 45 days of the later of:
- (a) the event or each of the events that are the subject of that application commencing;
 - (b) the licensee becoming aware of the event or each of the events having commenced; or

(c) this condition coming into effect.

4.8.8 The licensee must comply with the ASTI Guidance and Submissions Requirements Document when notifying the Authority or making an application under this Part.

4.8.9 Any modification under this Part will be made under section 11A of the Act.

Appendix 1

ASTI ODI Target Dates, Daily reward/penalty and ASTI ODI Penalty Exemption Period

Project	ASTI ODI Target Date	Daily Reward/ Penalty (£)	Aggregate ODI Cap (£)	ASTI ODI Penalty Exemption Period
Project (X)	31 st December 2029	XXXX	[redacted]	Zero days
Project (Y)	31 st December 2030	YYYY	[redacted]	Zero days
Project (Z)	31 st December 2031	ZZZZ	[redacted]	Zero days

5. Special Condition 1.1 Interpretation and definitions

Questions

- Q7. Do you agree with the proposed definitions related to the introduction of the new ASTI licence conditions?
- Q8. Do you propose any modifications to the proposed definitions?

Introduction

- 5.1 There are a number of new terms proposed in the licence conditions we are consulting on that require defining and also some modification to existing terms that interact with the new ASTI framework.
- 5.2 The reason for the modification of this condition is to amend or insert defined terms in line with our other proposed licence modifications.
- 5.3 The effect is to provide greater clarity to the interpretation and application of the licence conditions.

Definitions

Defined Term	Definition	New / Modified
STI Guidance and Submission Requirements Document	means the document of that name issued by the Authority in accordance with Special Condition 3.18 (ASTI Re-opener and Price Control Deliverable).	New
ASTI ODI Penalty Exemption Period	means the number of days after the ASTI ODI Target Date for which the Authority decides an ASTI output delivery incentive penalty will not apply following an application under Special Condition 4.8.5.	New
ASTI ODI Target Date	means the date from which licensees are not eligible for a reward under the ASTI output delivery incentive as stated in Appendix 1 of Special Condition 4.8 (Accelerated strategic transmission investment output delivery incentive).	New
ASTI Outputs	means the outputs included in Appendix 1 to Special Condition 3.18 (Accelerated strategic transmission investment Re-opener and Price Control Deliverable).	New
ASTI Pre-Construction Funding	means the funding required to complete Pre-Construction Works on an ASTI project.	New

ASTI Project Assessment Decision	means a document of that name setting out the Authority's decision on an application by the licensee under Part E of Special Condition 3.18 (Accelerated strategic transmission investment Re-opener and Price Control Deliverable), in particular: a) on the ASTI Output, delivery date and associated allowances to be specified in Appendix 1 to Special Condition 3.18; and b) any additional events that are to be considered ASTI Cost and Output Adjusting Events for that ASTI; with any modifications to Special Condition 3.18 being made under section 11A of the Act.	New
ASTI	means the assets constituting an investment in the Transmission System, which investment: (a) meets the definition of LOTI; (b) Has been identified by the NGESO as being needed to be operational by 2030 to meet the Government's ambition to connect 50GW offshore wind generation; and (c) Where the Authority is satisfied that there is clear evidence that the expected consumer benefits of applying the accelerated delivery framework to the project exceeds the expected consumer detriment.	New
ASTI Cost And Output Adjusting Event	means events outside of the licensees' reasonable control and which the licensee could not have economically and efficiently planned a contingency for which have a material impact on the scope or cost of an ASTI Output.	New
ASTI Early Construction Decision	means the Authority's specification of ASTI Outputs, delivery dates and allowances in Appendix 1 of Special Condition 3.18	New
ASTI Early Construction Funding	means allowances in addition to ASTI Pre-Construction Funding in relation to an ASTI Output provided before an ASTI Project Assessment and related to: (a) strategic land purchases (b) early enabling works (c) early procurement commitments (d) other activities approved in advance by the Authority	New
ASTI Early Construction Funding	means allowances in addition to ASTI Pre-Construction Funding in relation to an ASTI Output provided before an ASTI Project Assessment and related to: (a) strategic land purchases (b) early enabling works (c) early procurement commitments (d) other activities approved in advance by the Authority	New

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ASTI Guidance and Submission Requirements Document	means the document of that name issued by the Authority in accordance with Special Condition 3.18 (ASTI Re-opener and Price Control Deliverable).	New
ASTI ODI Penalty Exemption Period	means the number of days after the ASTI ODI Target Date for which the Authority decides an ASTI output delivery incentive penalty will not apply following an application under Special Condition 4.8.5.	New
ODI Formula	means the formula to calculate the rewards/penalties under the ASTI output delivery incentive	New
Delay Event	means an event or events that: (a) individually cause, or are reasonably expected to cause, one or more ASTI projects to be delayed by at least 30 days; are outside the licensee's reasonable control; and (b) the event or events or the delay arising from them must not be attributable to any error or failure to reasonably mitigate the impact of the event or events on the licensee's part.	New
Pre-Construction Works	means: (a) surveys, assessments and studies; (b) project design; (c) engineering development; (d) stakeholder engagement and consultation; (e) tasks associated with wayleaves; (f) planning applications; and (g) tender activities undertaken for the purposes of developing a LOTI to the point where all material planning consents have been obtained and the project is ready to begin construction or developing an ASTI to the point of submission of all material planning applications	Modification
Price Control Deliverable	means the outputs, delivery dates and associated allowances in Special Conditions 3.2 to 3.4, 3.6, 3.7, 3.9, 3.10, 3.14, 3.15, 3.17, 3.18 , 3.20 to 3.25, 3.27 and 3.35.	Modification
Re-opener	means the mechanisms created by: (a) Special Conditions 3.8, 3.13, 3.16, 3.17, 3.18 , 3.31 to 3.34, and (b) Parts C and D of Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment), Parts C and D of Special Condition 3.3 (Cyber resilience information technology Re-opener and Price Control Deliverable), Parts C and D of Special Condition 3.4 (Physical security Re-opener and Price Control Deliverable), Part C of Special Condition 3.6 (Net	Modification

	<p>zero Re-opener and Price Control Deliverable), Part C of Special Condition 3.7 (Non-operational IT Capex Re-opener and Price Control Deliverable), Part D of Special Condition 3.10 (Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance), Part C of Special Condition 3.14 (Medium Sized Investment Projects Re-opener and Price Control Deliverable), Part C of Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable), Parts C and D of Special Condition 3.27 (SF6 asset intervention Re-opener and Price Control Deliverable), Part C of Special Condition 3.17 (Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and use it or lose it adjustment), Part C of Special Condition 3.18 (Accelerated strategic transmission investment Re-opener and Price Control Deliverable).</p>	
Use It Or Lose It Adjustment	<p>means an adjustment to allowances where they have not been spent, or have not been spent in a way that is efficient to:</p> <ul style="list-style-type: none"> (a) improving cyber resilience in relation to OT, including risk reduction or improved status of the licensee's network and information systems with respect to CAF Outcomes, in relation to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment), (b) developing projects in preparation for Re-openers in relation to Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance); (c) the delivery of capex substation auxiliary equipment in relation to Special Condition 3.26 (Substation auxiliary systems use it or lose it allowance); or (d) the licensee's stated aims of the allowance provided by Special Condition 5.6 (Net zero carbon Capital Construction use it or lose it allowance) as set out in the licensee's Environmental Action Plan which will not exceed the allowance provided. e) Delivering the outputs associated with ASTI Pre-Construction Funding in relation to Special Condition 3.17 (ASTI Pre-construction Funding Re-opener, Price Control Deliverable and use it or lose it adjustment). 	Modification

Appendix 1 – Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

We will not be sharing your personal data.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for twelve months after the consultation has closed.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services

- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information For more information on how Ofgem processes your data, click on the link to our "[Ofgem privacy promise](#)".