

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

Direction issued by the Gas and Electricity Markets Authority ('the Authority')¹ under Part C of Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable) of the electricity transmission licence ('Licence') held by the Licensee to amend Appendix 2 of Special Condition 3.15 to provide Pre-Construction Funding (PCF) for the North-West Wales Project (NWWP).

Whereas

1. Licensee is the holder of a Licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ('the Act').
2. The NWWP is an electricity transmission infrastructure project to upgrade the existing 400kV circuit between Pentir and Trawsfynydd and to build a second 400kV circuit between Pentir and Trawsfynydd in the north west of Wales. The project is expected to cost above £100m and is, in whole or in part, load related and therefore meets the definition of large onshore transmission investment as define in Special Condition 1.1 (interpretation and definitions) of the Licence.
3. Under paragraph 3.15.8 of Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable), the Licensee may only apply for PCF when submitting an Initial Needs Case (INC)² to the Authority, unless the Authority directs that the Licensee may apply at another time. On 1 September 2022, we made a direction under paragraph 3.15.8 of Special Condition 3.15 allowing the Licensee to apply for PCF prior to the submission of its INC for NWWP.
4. In September 2022, the Licensee made an application under paragraph 3.15.7 of Special Condition 3.15 of the Licence for a direction amending the outputs, delivery

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

² Special Condition 1.1 (Interpretation and definitions) defines Initial Needs Case as: Initial Needs Case means a document that sets out the licensee's initial view on the need for a LOTI and, in particular, compares alternative options.

dates or associated allowances in Appendix 2 of Special Condition 3.15 to fund Pre-Construction Works³. In accordance with paragraph 3.15.12 of Special Condition 3.15, on 11 January 2023 the Authority published on its website the text of the proposed direction and stated that representations must be made on or before 15 February 2023.

5. We received one non-confidential representation which was from the Licensee and have placed it on our website alongside this publication. Following an assessment of the information provided to us by the Licensee, we remain of the view that PCF is essential to ensure the timely delivery of the North-West Wales Project and avoid unnecessary delays and therefore potential detriment to consumers. We also remain of the view that 20% of the PCF applied for should not be allowed. Further detail on the reasons for this direction can be found in our consultation⁴ and decision which is published alongside this direction relating to the Licensee's Pre-Construction Funding application for the NWWP.
6. This direction gives notice of the reasons for the decision to issue this Direction as required by section 49A(2) of the Act.
7. In accordance with Special Condition 3.15.7, the Authority hereby directs that Appendix 2 of Special Condition 3.15 is amended as set out in Annex 1 to this direction with the new text show in underline.

James Dunshea

Head of Price Control Operations – Heavy Scrutiny Projects

Duly authorised on behalf of the Gas and Electricity Markets Authority

22 March 2023

³ Special Condition 1.1 (Interpretation and definitions) defines Pre-Construction Works as: (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

⁴ [Consultation on the Pre-Construction Funding application for the North-West Wales Project \(NWWP\) in accordance with License Condition 3.15 | Ofgem](#)

Annex 1

Appendix 2

| Pre-Construction Funding Price Control Deliverable (£m)Output | Delivery date | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | Total |
|--|----------------------|----------------|----------------|----------------|----------------|----------------|--------------|
| LOTI Final Needs Case approval of E2DC: Torness - Hawthorn Pit; Eastern subsea HVDC link | 31 March 2026 | 7.46 | 7.61 | 6.40 | 5.18 | 0.89 | 27.55 |
| LOTI Final Needs Case approval of E4D3: Peterhead - Drax; Eastern subsea HVDC link | 31 March 2026 | 10.67 | 10.90 | 9.16 | 7.42 | 1.28 | 39.42 |
| LOTI Final Needs Case approval of E4L5: Peterhead - South Humber; Eastern subsea HVDC link | 31 March 2026 | 8.88 | 9.05 | 7.62 | 6.16 | 1.06 | 32.78 |
| LOTI Final Needs Case approval of CGNC: Creyke Beck - South Humber; new 400 kV double circuit | 31 March 2026 | 17.87 | 18.23 | 15.33 | 12.42 | 2.14 | 65.98 |
| LOTI Final Needs Case approval of GWNC: South Humber - South Lincolnshire; new 400 kV double circuit | 31 March 2026 | 21.71 | 22.15 | 18.63 | 15.08 | 2.60 | 80.17 |
| LOTI Final Needs Case approval of TKRE: Tilbury - Grain and Tilbury - Kingsnorth upgrade | 31 March 2026 | 2.42 | 2.47 | 2.07 | 1.69 | 0.29 | 8.94 |
| LOTI Final Needs Case approval of TLNO: Torness - north east England; AC onshore reinforcement | 31 March 2026 | 21.66 | 22.10 | 18.59 | 15.05 | 2.60 | 80.00 |
| LOTI Final Needs Case approval of OPN2: Osbaldwick - Poppleton; new 400 kV double circuit and relevant 275 kV upgrades | 31 March 2026 | 6.38 | 6.51 | 5.48 | 4.43 | 0.77 | 23.57 |
| LOTI Final Needs Case approval of SCD1: South London - south coast; new 400 kV transmission route | 31 March 2026 | 9.21 | 9.40 | 7.90 | 6.40 | 1.11 | 34.02 |
| LOTI Final Needs Case approval of Norwich Main - Bramford | 31 March 2026 | 14.72 | 15.02 | 12.64 | 10.23 | 1.76 | 54.37 |
| LOTI Final Needs Case approval of Harker upgrade works, including the double interbus SGT replacement. | 31 March 2026 | 0.53 | 0.54 | 0.45 | 0.37 | 0.06 | 1.95 |
| <u>LOTI Final Needs Case approval of North West Wales project</u> | <u>31 March 2026</u> | <u>0.55</u> | <u>2.77</u> | <u>5.54</u> | <u>2.22</u> | <u>0</u> | <u>11.08</u> |