

Governance

Advanced Procurement Mechanism (APM) Governance Document

Publication date:	20 March 2025
Response deadline:	17 April 2025
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The Advanced Procurement Mechanism (APM) is a regulatory funding mechanism designed to mitigate current and future supply chain constraints which would otherwise threaten delay to infrastructure projects on the electricity transmission network.

The purpose of this document is to set out the eligibility criteria that APM expenditure must meet and the requirements for the administration and delivery of the APM. It is the responsibility of each licensee to understand the provisions of this Governance Document and how those provisions apply to it.

This document is version 1 of the APM Governance Document referred to under Special Condition 3.42 of the Electricity Transmission licence. It will take effect from [TBC AFTER STATCON].

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1.Introduction

Context and related publications

- 1.1 The Advanced Procurement Mechanism (APM) is a regulatory funding mechanism designed to mitigate current and future supply chain constraints which would otherwise threaten delay to infrastructure projects on the electricity transmission network. The APM will advance funding that is likely to be granted at a later date to de-risk the Electricity Transmission Licensees ('the licensees') when booking supply chain capacity for equipment (and related services). To mitigate any consumer risk that the APM introduces we have implemented an extensive suite of mitigations, which are set out in this document, the APM licence condition and our APM decision document published on 20 March 2025.
- 1.2 Our decision to introduce the APM was published on 20 March 2025.¹
- 1.3 In this document we use the terms, 'Ofgem' and 'the Authority' as well as the terms 'we', 'us' and 'our' interchangeably. Ofgem is the Office of the Gas and Electricity Markets. The Authority is the Gas and Electricity Markets Authority and is the governing body of Ofgem, consisting of non-executive and executive members.

Compliance

- 1.4 The licensees are required by Special Licence Condition 3.42 to comply with this document.
- 1.5 This document in no way relieves affected parties, including the licensees, from the responsibility to ensure ongoing compliance with legislation including competition, data protection, environment and consumer protection laws.

Review

- 1.6 Ofgem may from time to time amend this APM Governance Document by direction, in accordance with Part K of Special Licence Condition 3.42.

¹ [TO INSERT LINK AFTER STATCON]

2. Eligible APM expenditure

Eligibility criteria

- 2.1 To be eligible for APM funding, expenditure incurred by the licensee must relate to booking supply chain capacity (ie placing deposits) for the procurement of equipment (and related services) that:
- Are defined as eligible APM Cost Categories within the APM Register;
 - Have been procured in a manner which is either:
 - (1) 'Fungible', as described at paragraphs 2.16 to 2.17 below;
 - (2) 'Flexible', as described at paragraphs 2.18 to 2.19 below; or
 - (3) Specifically approved by the Authority as 'bespoke', as described at paragraph 2.20 below;
 - Relate to contracts that were entered into no earlier than the publication date of the APM Consultation (20 November 2024); and
 - When considered alongside all APM Cost Categories in the APM Register do not cause the amount of APM expenditure committed to exceed an average of 20% of expected contract costs for all APM Cost Categories to date (using the expected contract costs as submitted at the time of reporting APM expenditure).
- 2.2 These criteria apply to services as well, because services will be tied to specific equipment types in the APM Register.
- 2.3 Expenditure that does not meet those criteria may be deemed as ineligible by the Authority and disallowed from licensee revenues as per Part J of Special Licence Condition 3.42.
- 2.4 For the avoidance of doubt, the APM must not be used on expenditure on cost areas such as cancellation clauses, legal fees or the costs of running tenders. It is for use on the deposits for the equipment and services alone.

Justification for inclusion in the APM

- 2.5 All licensee submissions that relate to requesting additional APM allowances or cost categories must satisfy the following eligibility criteria:
- requirement for APM funding;
 - mitigation of the risk of stranded procurement; and
 - transparency.

- 2.6 In each relevant sub-section below we set out how licensees should provide evidence against these areas.

Requirement for APM funding

- 2.7 To set out why intervention is needed, licensees should provide evidence of the supply chain constraint and potential delay impacts of that constraint, and what impact this might have on consumers if it is not addressed.
- 2.8 There are no specific criteria for demonstrating evidence of supply chain constraint. Given the variety of constraints that licensees may be experiencing we do not want to limit licensees with narrow criteria and so ask that the licensees provide the evidence relevant to the particular circumstances. We provide an example below to allow the licensees to understand the types of evidence they may use and the level of detail we would expect.
- 2.9 Long lead times are often cited as evidence of a constraint, and it is important that the licensees place these in a context that enables us to understand why the lead time is a problem. The APM is focused on alleviating supply chain constraints that risk delays to overall project delivery and so lead times should be provided in the context of what is normal or tolerable for that type of procurement. For example:
- Equipment type 'A' would typically need to be delivered to the licensees by 18 months after we set allowances (eg Project Assessment in a LOTI) to enable construction to run to planned timelines. This is the 'tolerable lead time'.
 - For the purposes of the APM we would only consider this market to be constrained once the lead time is above that 'tolerable lead time', as this can reasonably be expected to lead to a delay in project delivery.
 - The licensees can then set out the lead times that they are experiencing or anticipating alongside an indication of usual lead times from recent years.
- 2.10 We recognise that in some situations licensees may not yet be experiencing extended lead times, but can observe limited remaining capacity in the supply chains. We are open to the licensees providing such evidence of anticipated delays. In these circumstances we ask the licensees to demonstrate why they anticipate the delay in procurement and how the potential delay in delivery of the equipment would put project delivery at risk or disadvantage consumers. For example, there may be increased lead times if the supply chain capacity is fully reserved before the licensee is able to place a contract, or prices may rise if there is high demand for remaining available capacity.

- 2.11 The largest potential cost of delay (resulting in higher consumer bills) would typically be constraint costs. While these are difficult to calculate, licensees should demonstrate constraint costs wherever possible, and in most cases this will involve referencing NESO calculations. For example, as part of Clean Power 2030 the NESO set out large potential constraint costs if certain projects are not delivered on time – the relevant licensees could reference relevant projects and the related constraint costs suggested by the NESO. While these references might not be to a level of disaggregation and robustness to allow a full cost benefit analysis, they can feed into an assessment of whether intervention (ie APM funding) is in the consumer's interests.
- 2.12 Licensees should also provide an explanation of why the APM is the right mechanism to address the supply chain constraint. As part of this, it would be appropriate for the licensees to set out if and why it believes the APM would be sufficient to address the supply chain constraint relevant for this proposed APM Cost Category, for example by demonstrating what a project timeline might look like with versus without the APM.

Mitigating the risk of stranded procurement

- 2.13 As per paragraph 2.1, all expenditure incurred through the APM must be on procurement that is fungible, flexible, fungible and flexible, or bespoke. More information on these terms is set out at paragraphs 2.16 to 2.20.

Transparency

- 2.14 Licensees must confirm that APM expenditure will be tracked internally and that the TO will be able to fulfil the reporting requirements set out in this governance document and in the Regulatory Reporting Pack (RRP) templates. This is a requirement for assurances that they can and will track APM expenditure. Once the licensees spend under the APM they will be committing to providing full responses to the relevant sections of the RRP, as we set out in our reporting requirements in Chapter 4.
- 2.15 On more complex contracting arrangements we expect the licensees to provide assurances that they will hold and be able to report to Ofgem sufficient detail to understand the goods and services being procured. For example:
- In the case of standalone services contracts, these are only permitted in the APM if they are linked to equipment. Therefore, the licensee must confirm that these are linked to equipment and are traceable as such, given our concerns that services contracts find it harder to reach this bar.

- Flexible procurement may include additional milestones and so a more complex contract than usual – and understanding those milestones may be important for understanding the potential risk of stranded procurement.

Fungible procurement

- 2.16 Fungible procurement focuses on the transferability of the procured asset. A highly fungible asset could be used on a variety of different projects, such that there is little risk of wastage if a large volume of assets is procured at an early stage.
- 2.17 This is included within the Flexible Procurement allowance and expenditure in the APM licence, but we make the distinction here and in the APM Register as it is useful to understand the different procurement approaches.

Flexible procurement

- 2.18 Under flexible procurement, when a licensee pays a deposit to reserve capacity with their suppliers, the licensee would need to give a high-level view of the equipment required but would not be required to provide a detailed specification until later in the procurement process, ie much closer to the delivery date agreed with the licensee. For example, a licensee could agree a high-level requirement for AIS with its supplier if the APM is active in 2025, but could wait to provide further specification until 12-24 months later, when it is certain which project the equipment will be used on.
- 2.19 We do not have specific criteria for what qualifies as flexible procurement, as we understand that approaches may differ, but we consider that the paragraph above provides a clear enough expectation on what type of procurement we consider would constitute 'flexible' procurement.

Bespoke procurement

- 2.20 Bespoke Procurement under the APM is procurement that we consider to be neither fungible nor flexible, but which we may permit to be used in the APM if a licensee can demonstrate that there is a strong possibility of supply chain constraints impacting project delivery timelines. Given this, for each bespoke request we ask the licensee to set out why the procurement cannot be flexible or fungible.

Stranded procurement

- 2.21 Our decision to implement the APM accepted that there may be a risk in introducing the APM of funding licensees for procurement which is ultimately stranded, ie procurement which is not useable on any project.

2.22 Special Licence Condition 3.42 Part J sets out the circumstances in which we may consider expenditure under the APM to be 'ineligible' and thus subject to potential disallowances. For the reason set out at paragraph 2.21 above, stranded procurement is not listed specifically within Part J. However, where at any stage there are significant volumes of procurement that appear to be not useable on any project we will require evidence from the licensees as to the reasons for that. If we consider that that evidence indicates that any of the procurement that appears to be 'stranded' satisfies any of the tests under Special Licence Condition 3.42 Paragraph 3.42.25, we may modify the APMD_t in accordance with 3.42 Paragraph 3.42.27.

3.APM Re-opener

Introduction

- 3.1 In this section we set out how the APM Re-opener provided for in Special Licence Condition 3.42 will operate.
- 3.2 The APM Re-opener may be triggered with respect to any of the following areas:
- Additions or removals of APM Cost Categories, as specified in the licensee's specific APM Register.
 - Increases or decreases of the cap on APM Allowances (APMC_t).
 - Additional allowances for Bespoke Procurement.

Re-opener timings

- 3.3 The licensees can submit an APM Re-opener application during the first five working days of April, or at any other time agreed with Ofgem in writing.
- 3.4 We would expect a consultation on our views on the re-opener application to be published in the May directly following the re-opener window, but this might be affected by factors such as the quality of the licensee's submission(s), the volume of requests and any need for additional information from the licensee.
- 3.5 If the licensees' re-opener request is time-sensitive, we ask that the TO provide a clear statement of any deadlines and reasons for these as part of their application. For example, the licensee may have a time-limited contract offers from a supplier, and the APM re-opener changes that they are requesting would (if approved) enable the licensee access to APM funding to finalise that contract.

Additions or removals of APM Cost Categories

- 3.6 An APM Cost Category is a type of equipment for which the licensee may use its APM Allowance – this can include a deposit for the equipment itself, or for services directly related to that equipment.

APM-specific list of categories

- 3.7 All APM Cost Categories draw from the APM-specific list of equipment categories included in Appendix 1. Each equipment category in the APM-specific list consists of an APM-specific category and an APM-specific sub-category. Each APM Cost Category therefore consists of an APM-specific category and an APM-specific sub-category.
- 3.8 The list of APM-specific categories and sub-categories is included in each licensee's APM Register. Following the process set out below for either an

Authority triggered re-opener or TO-triggered re-opener application we will update each licensee's APM Register accordingly.

- 3.9 If the licensees submit a re-opener request to add an APM Cost Category that does not draw from the APM-specific list of categories and sub-categories, their application should set out how this proposed new category maps onto existing categorisation used in reporting elsewhere (eg RRP, BPDT, PCFM), and be aware that the updated APM-specific list of categories and sub-categories will be updated in all licensees' APM Registers. This is to ensure that we can retain transparency and consistency across the licensees and with wider reporting including RRP and PCFM.

APM-specific list of categories and the BPDTs

- 3.10 This APM-specific list of equipment categories is based on the list of Asset Possibilities as set out in Business Plan Data Template (BPDT) Sheet "1.8 Asset Possibilities" (as used in December 2024), as we have sought to align reporting of the APM scope and expenditure as closely to existing terminology as possible to assist tracking and transparency.
- 3.11 The licensees reported that it would not be possible to report APM expenditure using the asset possibilities list from the BPDTs, and so we have worked with the licensees to determine a list that aligns with the level of detail that is known to them at the point of procurement under the APM. This involves some groupings where appropriate to align to the licensees' early-stage procurement activities as intended through the APM – eg removing the distinction between indoor AIS and outdoor AIS.
- 3.12 An asset possibility sub-category from the BPDTs may technically appear twice in this list if it is offered at both a disaggregated level and as part of a grouping, eg AIS Earth Switches are offered as a single APM-specific sub-category, and could also be included in the wider AIS Bays APM-specific sub-category. This is to recognise different approaches to procurement by the licensees. Each item in the APM-specific list of equipment categories can still be mapped across to the relevant BPDT Asset Possibility category and sub-category, to allow tracking and identification of potential double funding.

TO re-opener application

- 3.13 To request inclusion of a new APM Cost Category, licensees should submit the information set out in Table 1 for each relevant cost category. The licensees should present the information in this format, and if any additional information is provided it should be summarised and clearly referenced in the relevant table.

3.14 A licensee may apply for the addition of any new, or modification of existing, APM Cost Categories.

3.15 To apply for this re-opener, the licensee must populate and submit the information specified in Table 1 below during the relevant re-opener window.

Table 1: APM Cost Category re-opener template

Area	Ofgem guidance to licensees
Proposed APM Cost Category	<p>APM-specific category or sub-category as specified in Appendix 1.</p> <p>If the licensee is submitting a proposal for a new APM Cost Category that does not exist in the APM-specific list of categories and sub-categories in the APM register, this application must include details of the proposed APM Cost Category (including category, sub-category, and units) and set out details of the relevant categorisation in the BPDT to facilitate mapping that will inform our tracking of this spend.</p>
Procurement type	Indicate whether the proposed APM Cost Category is proposed as fungible, fungible and flexible, flexible, or bespoke.
Estimated final cost	Estimate of final equipment spend per unit, the number of units, and total cost. This is the total equipment spend, including any deposit.
Eligibility criterion 1: APM requirement	Set out why the licensee believes that APM expenditure is required, ie the project delay and/or consumer detriment to be avoided and why APM funding is the right mechanism to achieve this. This relates to Special Licence Condition 3.42 Paragraph 1.1.5(a).
Eligibility criterion 2: APM risk mitigation	<p>Reassurance as to how the licensees will reduce the risk that this procurement becomes stranded.</p> <p>This includes setting out if and how the procurement is fungible and/or flexible, or bespoke.</p> <p>This relates to Special Licence Condition 3.42 paragraph 3.42.5(b).</p>

Area	Ofgem guidance to licensees
Eligibility criterion 3: APM transparency	Confirmation that the licensees can and will track expenditure on this APM Cost Category internally and report to Ofgem. This includes detail on the flexibility of the contract the licensee is looking to enter into. This relates to Special Licence Condition 3.42 paragraph 3.42.5(c).
Other	Any additional information the licensee wishes to include.

- 3.16 Ofgem will assess licensees applications based on their demonstration of requirement, mitigation and transparency as set out in the table above.
- 3.17 If we approve a licensee’s application for a new APM Cost Category, we will update the licensee’s APM Register. We will also update the overall list of APM Cost Categories in Appendix 1 of this Governance Document.
- 3.18 Approval of a new APM Cost Category or modification of an existing one does not qualify as an increase to the UIOLI allowance. For an uplift on their allowance, the licensee must submit a separate application under Part D of the licence condition and with the information set out in Paragraphs 3.41 to 3.44 of this Governance Document, or 3.33 to 3.34 for bespoke allowances.

Authority-triggered re-opener

Adding an APM Cost Category

- 3.19 We may choose to trigger a re-opener if we consider that a potential APM Cost Category satisfies the requirements as set out for the licensee re-opener application in paragraphs 3.13 to 3.15.
- 3.20 In this instance, we may request information from the licensee in line with the information requirements set out for the licensee re-opener application above in paragraphs 3.13 to 3.15.

Removing an APM Cost Category

- 3.21 We may choose to use this re-opener to remove an APM Cost Category. This would be done if we consider that inclusion of this area of expenditure in the APM is no longer to the consumers’ benefit.
- 3.22 The main justification for removing an APM Cost Category would be if the main eligibility criteria no longer apply:

- Requirement. For example, if market conditions improve and supply chain constraints ease, the consumer risk of non-APM procurement may fall such that it is no longer in the consumers' interest for us to provide advanced funding that would come with some stranding risk.
- Mitigation. For example, if the flexibility or fungibility of an APM Cost Category has transpired to be less than the licensee(s) suggested, this may increase the risk of stranding and we would need to re-consider whether APM spending is appropriate.
- Transparency. For example, if the reporting against an APM Cost Category or type of contract (eg standalone services) is consistently unsatisfactory, we may consider that the ability to track is too low (and risk of double funding too high) for APM inclusion.

3.23 A decision to remove an APM Cost Category would not prevent its reconsideration for inclusion in the APM again in future.

Contracts in development or live at the time of removal of an APM Cost Category

3.24 We are mindful that removal of equipment eligibility from the APM could have financial implications for the licensees if the removal occurs during live procurement activities.

3.25 A licensee's expenditure that otherwise meets eligibility requirements for APM spend should comply with the relevant APM Cost Categories at the time of signing the contract to be eligible for the APM allowance.

3.26 Any removal of an APM Cost Category would only be undertaken in line with Special Licence Condition 3.42 Part B and therefore would be subject to a minimum 28 day consultation period. This would allow the licensee an opportunity to finalise the entering into of any in-progress contracts that may be in relation to that APM Cost Category.

3.27 We consider APM procurement, and therefore APM expenditure, to have taken place once the licensee has a legally binding commitment from its supplier that the capacity has been reserved for the licensee's use.

Publishing a decision

3.28 As part of our decision in relation to any re-opener to remove an APM Cost Category, we will update the licensee's APM Register to include an update to that licensee's list of APM Cost Categories, and if needed we will also update the Governance Document to include an updated list of overall APM Cost Categories (Appendix 1).

- 3.29 Addition or removal of an APM Cost Category does not affect any allowance set out in the Special Licence Condition 3.42.

Additional Bespoke Procurement allowances

- 3.30 In requesting additional Bespoke Procurement allowances, licensees must show how the request will meet all of the eligibility criteria set out in Chapter 2.
- 3.31 Given the lack of flexibility or fungibility to bespoke equipment, the licensees will need to provide an alternative approach to mitigating the risk of stranded procurement. This could include any information the licensee considers is relevant, such as the level of certainty that the project will go ahead, and whether the anticipated procurement would be required in all or only some of the project design options being considered.
- 3.32 The approved amounts for APM expenditure with respect to bespoke procurement are not flexible; the total amount is comprised of multiple project-specific allowances which may only be spent on specific APM Cost Categories for use on that project. This will only be permitted where Ofgem has made a direction in accordance with Part C of Special Licence Condition 3.42.

TO re-opener application

- 3.33 For each bespoke procurement request the licensee must provide:
- Table 2 to provide the relevant project details
 - Table 3 to provide the relevant APM Cost Category details, for each and every cost category included. This is similar to Table 1 but has additional detail relevant to bespoke procurement.
 - APM re-opener application spreadsheet, as introduced for the APM Re-opener Flexible Allowance.
- 3.34 The licensee should complete all entries in the relevant tables, and all columns in the APM re-opener application spreadsheet.
- 3.35 The purpose of this additional detail is to provide us with assurances as to the strength of the case for intervention and the mitigation of the risk of stranded procurement – together providing confidence that the bespoke procurement would be in the best interests of the consumer.
- 3.36 Gas Insulated Switchgear (GIS) is to be treated as bespoke, even if the licensee is able to procure this fungibly or flexibly. For any proposed GIS procurement under APM, we ask that the licensee sets out why it has concluded that GIS is the appropriate solution for that project.

Table 2: Project detail template for requests for a re-opener for bespoke procurement

Area	Ofgem guidance to licensees
Ofgem Scheme Reference (OSR)	<p>As entered in the APM re-opener application spreadsheet.</p> <p>As the licensee will use for BPDs. If there is not yet an OSR, please create an APM-specific reference (eg APM_ETO_001). Once the relevant OSR is available, the licensee must inform Ofgem of how any APM-specific references map onto OSRs.</p>
Project Title	<p>As entered in the APM re-opener application spreadsheet.</p> <p>Free-form project title.</p>
Project Portfolio	<p>As entered in the APM re-opener application spreadsheet.</p> <p>Indication of the portfolio that this project is being developed under, or if TBC then which portfolio(s) it may be developed under. For example, T3 baseline, ASTI, CPP2030.</p> <p>The licensee may provide additional detail here.</p>
Project delivery year	Estimated year of delivery/energisation.
Project location	<p>As entered in the APM re-opener application spreadsheet.</p> <p>The licensee may provide additional detail here, including indication of any relevant system boundaries.</p>
Project investment driver	<p>As entered in the APM re-opener application spreadsheet. The licensee may provide additional detail here.</p> <p>Motivation for the project, eg load, safety and network resilience.</p>
Project funding mechanism	<p>Confirmation of any funding mechanism this project is already applying for or has received funding from, or which the licensee intends to use.</p> <p>We ask the licensees to also indicate here whether they have requested or will request additional APM funding for this project, including for fungible or flexible procurement.</p>
Project high-level technical design	An indication of the type of project and asset that will be delivered.

Area	Ofgem guidance to licensees
Cost	Estimate of total delivery cost.
Timing	An indicative timeline for the project delivery including the expected timing for reaching key stages such as detailed design, achieving the needs case approval, and awarding key supply contracts.
Uncertainty	Set out the level of uncertainty around this project, including around the needs case and the design, to provide an understanding of how likely the project is to go ahead.
Other	Any additional information the licensee wishes to include, or which the Authority requests (eg which may relate to additional contract details).

Table 3: APM Cost Category detail template for requests for a re-opener for bespoke procurement

Area	Ofgem guidance to licensees
APM Cost Category	Cost Category from the list specified in the licensee's APM Register.
Procurement type	Indicate whether the proposed APM Cost Category is proposed as fungible, fungible and flexible, flexible, or bespoke
Contract type	Equipment, equipment and services, services.
Estimated per unit final cost	Estimate of final equipment spend, including any deposit.
Eligibility criterion 1: APM requirement	Set out why the licensee believes that APM expenditure is required, ie the project delay and/or consumer detriment to be avoided and why APM funding is the right mechanism to achieve this.
Eligibility criterion 2: APM risk mitigation	Reassurance as to how the licensees will reduce the risk that this procurement becomes stranded, given the procurement is being requested before the project need is approved.

Area	Ofgem guidance to licensees
	This includes setting out if and how the procurement is fungible and/or flexible, or bespoke.
Eligibility criterion 3: APM transparency	Confirmation that the licensees will track this expenditure internally and report to Ofgem.
Other	Any additional information the licensee wishes to include.

Publishing a decision

3.37 As part of our decision in relation to any re-opener in this area, we will update the relevant licensee's APM Register to reflect:

- An updated bespoke allowances.
- An updated log of bottom-up calculations of licensees' anticipated APM procurement pipelines.

Changes to the overall cap on APM Allowances

3.38 The cap on APM allowances (APM_{Ct}) is not project-specific in that the licensee is able to spend the allowance on any of the APM Cost Categories that are labelled as flexible or fungible.

3.39 Any request for an increase to the cap on APM allowances must be in relation to the existing cap being insufficient to enable all procurement that the licensee is intending to undertake in relation to existing APM Cost Categories or be accompanied by a request for the addition of a new APM Cost Category that would correspond to an increase in the cap.

3.40 A portion of the cap on APM allowances may be used for Bespoke Procurement, as set out in Special Licence Condition 3.42 Part C and Appendix 2.

Licensee re-opener application

3.41 The licensee's application for a re-opener of the APM cap should include:

- A letter setting out why the current cap is not sufficient for their upcoming procurement requirements.
- Bottom-up calculation that sets out how the licensees have determined their requested adjustment to the cap on APM allowances. While the cap on APM allowances is not project-specific, for us to set any allowances we need to understand how the licensees intend to use these.

3.42 We provide an APM re-opener application spreadsheet for the licensees to submit the required bottom-up information. The required information includes, for each APM Cost Category and project:

- Project details including Ofgem Scheme Reference (OSR); and
- details of what is being procured, including APM Cost Category, whether it is fungible flexible or bespoke, and number of units per OSR.

3.43 For example, for an increase in the allowance, the licensee would set out a list of the relevant projects in their pipeline, alongside a list of the APM Cost Categories and how many units of each is required.

3.44 The APM re-opener application spreadsheet includes guidance on how to complete each column. The licensee should complete all columns unless otherwise agreed with Ofgem.

Authority-triggered re-opener

3.45 We will consider a re-opener in this area if we consider that an additional allowance is required to support the objectives of the APM, or if a reduction is required as a result of licensee mis-use of the APM or if market conditions improve and supply chain constraints ease, negating the need for the existing size of APM cap.

3.46 If we trigger a re-opener in this area, we would request evidence from the relevant licensee or licensees to inform our decision. This information would likely include those areas set out in paragraph 3.42 above.

3.47 Any modification to a licensee's APM cap would be made under section 11A of the Act.

Publishing a decision

3.48 As part of our decision in relation to any decision to increase or decrease a licensee's cap on APM Allowance we will update the Special Licence Condition 3.42 Appendix 1.

3.49 As part of our decision in relation to any re-opener in this area, we will update the relevant licensee's APM Register to reflect:

- An updated total allowance, and remaining allowance.
- An updated log of bottom-up calculations of licensees' anticipated APM procurement pipelines.

4. Reporting requirements

Reporting APM expenditure

- 4.1 Each licensee must report its APM spend as part of the Regulatory Reporting Pack (RRP) each financial year.
- 4.2 We consider APM procurement, and therefore APM expenditure, to have taken place once the licensee has a legally binding commitment from its supplier that the capacity has been reserved for the licensee's use.
- 4.3 There will be an update to the RRP to include a new sheet for reporting APM expenditure, and to the RIGs to provide accompanying guidance. This information should be reported for each contract and APM Cost Category, for example if the licensee has signed one contract that covers five different APM Cost Categories this would require five new rows in the APM expenditure sheet. Additional information required for each entry includes:
- A new unique reference number to facilitate later tracking of this expenditure;
 - the number of units procured against each APM Cost Category;
 - the total deposit placed for those units;
 - the total expected final cost for those units at the time of spending; and
 - whether the contract has been signed with a UK-based supplier.
- 4.4 In addition, alongside submitting its RRP the licensee must submit an APM Procurement Report setting out for all relevant new contracts (or changes to existing contracts):
- The relevant unique reference number used in the RRP;
 - any known projects that the licensee expects the units might be used for (and how many for each);
 - the expected delivery date, or range of delivery dates permitted under the contract; and
 - the key contractual commitments or milestones such as subsequent payments.

Allocation of APM procurement to a project

- 4.5 Each licensee must report any allocation of APM-procured equipment to a project as part of the RRP each financial year. There will be an update to the RRP to include a new sheet for reporting APM Project Allocations, and to the RIGs to provide accompanying guidance.
- 4.6 Information required for each entry includes:

- Ofgem scheme reference
- Project reference and scheme name;
- Relevant funding mechanism and licence condition;
- APM contract reference;
- APM cost category;
- the number of units procured against each APM Cost Category; and
- the total deposit placed for those units.

4.7 The full required information is set out in the RRP APM Additions spreadsheet, and the licensee would be expected to populate every column for each APM contract with some units being allocated to a referenced project. If one project is making use of five APM contracts, this would involve five new entries in the RRP.

APM Register

- 4.8 To track the allowances and expenditure under the APM, we intend to maintain a confidential APM Register for each licensee. The APM Register will be a spreadsheet, and is the main place for Ofgem and the licensee to find:
- APM UIOLI amounts available to spend, including flexible and bespoke;
 - for approvals in relation to bespoke procurement, which projects and APM cost categories the licensee is allowed to spend its allowance for bespoke procurement on and relevant per-project caps;
 - APM UIOLI amounts spent in the past, and on which APM Cost Categories; and
 - APM expenditure allocated to projects and thus recovered through an alternative mechanism.
- 4.9 The APM Register will be informed by the following main inputs:
- The licensee's applications for the original APM and any APM re-opener, and Ofgem's assessment of these (ie to account for non-approved requests).
 - The licensee's reporting on procured contracts, submitted as part of the annual RRP.
 - The licensee's reporting on procurement allocated to projects, submitted as part of the annual RRP.
- 4.10 The APM Register will be updated by the Authority to reflect the latest information available to Ofgem, including the licensee's:

- list of approved APM Cost Categories, including which of these are flexible or fungible and which are bespoke only;
 - APM cap ($APMC_t$) including which allowances are specifically for Bespoke Procurement;
 - expenditure registered as incurred in the APM, which determines the 'APM expenditure' term $APMS_t$; and
 - allowances initially incurred under $APMSt$, which cannot be a value greater than $APMSt$, that have now been added to Allowed Revenue (eg through baseline allowances or re-openers) ($APMR_t$).
- 4.11 All three licensees' APM Registers would also be updated following any additions to the APM-specific list of categories and sub-categories.
- 4.12 We will provide the relevant licensee(s) with an updated version of the APM Register following any update, once we have finalised the spreadsheet internally.

5. Interaction with related regulatory frameworks

Competitively Appointed Transmission Owners (CATOs)

- 5.1 Under the Energy Act 2023, new transmission infrastructure projects can be competitively appointed to an alternative Transmission Owner (TO), known as a Competitively Appointed Transmission Owner (CATO).

Exclusion of CATO spend from the APM

- 5.2 There is a focus on the development of an early model of competition under the CATO regime, and so successful CATOs should be able to engage with the supply chain sufficiently early to avoid project delays. As the licensees can compete against other parties to be appointed as a CATO, it is important that the APM does not create any undue advantage for the licensee as part of that competitive tender process.
- 5.3 Therefore, the licensees are not permitted to use the APM to procure goods and/or services for any project that has been designated as a CATO project. For this reason, procurement of goods and services in relation to a project that has already been designated as a CATO project at the time of procurement is counted as ineligible spend in the Special Licence Condition 3.42 Part J.
- 5.4 If a licensee is submitting a tender for any CATO project, it cannot include any intention to make use of goods or services for which the licensee has used its APM allowance to fund a deposit or capacity reservation.

Accelerated Strategic Transmission Investment (ASTI)

- 5.5 For ASTI projects, the licensees are able to apply for early procurement costs as part of Early Construction Funding (ECF).²
- 5.6 A licensee cannot make use of both the APM and ECF for any single project. Therefore, the APM cannot be used to procure equipment for an ASTI project for which the licensee has applied for, or will apply for, ECF. This is to avoid double funding.

² [Decision on accelerating onshore electricity transmission investment](#)

Appendix 1 APM Cost Categories

A1.1 Table 4 sets out the APM-specific list of equipment categories and sub-categories.

A1.2 In this table we set out whether each APM-specific category and sub-category is an APM Cost Category, including which are bespoke only.

Table 4: Full list of APM-specific categories and sub-categories, and which are APM Cost Categories

APM-specific category	APM-specific sub-category	APM Cost Category	Bespoke only
AC Circuit Cable	Cable <=33kV	Yes	No
AC Circuit Cable	Cable 132kV	Yes	No
AC Circuit Cable	Cable 275kV	Yes	No
AC Circuit Cable	Cable 400kV	Yes	No
AC Circuit Cable	Cable kV Unknown	Yes	No
AC Circuit Cable	Submarine Cable	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	AIS Bays <=33kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	AIS Bays 132kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	AIS Bays 275kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	AIS Bays 400kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	AIS Bays kV Unknown	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Circuit Breaker	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Circuit Breaker 132kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Circuit Breaker 275kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Circuit Breaker 33kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Circuit Breaker 400kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Disconnecter	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Earth Switch	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Earth Switch <=33kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Earth Switch 132kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Earth Switch 400kV	Yes	No

APM-specific category	APM-specific sub-category	APM Cost Category	Bespoke only
AIS Switchgear (Incl. Circuit Breakers)	Other Switchgear 132kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Other Switchgear 275kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Other Switchgear 33kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Other Switchgear 400kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Surge Arrestor	Yes	No
Batteries	Batteries	Yes	No
FACTS	FACTS Equipment	No	n/a
GIS Switchgear (incl. Circuit Breakers)	Busbar (GIB)	Yes	Yes
GIS Switchgear (incl. Circuit Breakers)	GIS Bays <=33kv	Yes	Yes
GIS Switchgear (incl. Circuit Breakers)	GIS Bays 132kV	Yes	Yes
GIS Switchgear (incl. Circuit Breakers)	GIS Bays 275kV	Yes	Yes
GIS Switchgear (incl. Circuit Breakers)	GIS Bays 400kV	Yes	Yes
GIS Switchgear (incl. Circuit Breakers)	GIS Bays kV Unknown	Yes	Yes
GIS Switchgear (incl. Circuit Breakers)	GIS Bushings	Yes	Yes
GIS Switchgear (incl. Circuit Breakers)	GIS Bushings	Yes	Yes
HVDC	HVDC Cable	Yes	Yes
HVDC	HVDC Converter	Yes	Yes
HVDC	HVDC Converter Transformer	Yes	Yes
HVDC	HVDC OHL	Yes	Yes
HVDC	HVDC Other	Yes	Yes
Instrument Transformers	Instrument Transformers <=33kv	Yes	No
Instrument Transformers	Instrument Transformers 132kV	Yes	No
Instrument Transformers	Instrument Transformers 275kV	Yes	No
Instrument Transformers	Instrument Transformers 400kV	Yes	No
Instrument Transformers	Instrument Transformers kV Unknown	Yes	No
LVAC	Diesel Generators & LVAC Boards	No	n/a
LVAC	LVAC cabling	No	n/a

APM-specific category	APM-specific sub-category	APM Cost Category	Bespoke only
LVAC	Substation Auxiliary Supplies at substations	Yes	No
Other Switchgear	Capacitor	Yes	No
Overhead Pole Line	Pole	Yes	No
Overhead Pole Line	Pole Line Conductor <=33kV	Yes	No
Overhead Pole Line	Pole Line Conductor 132kV	Yes	No
Overhead Tower Line	OHL Conductor 132kV	Yes	No
Overhead Tower Line	OHL Conductor 275kV	Yes	No
Overhead Tower Line	OHL Conductor 400kV	Yes	No
Overhead Tower Line	OHL Conductor kV Unknown	Yes	No
Overhead Tower Line	OHL Earth Wire	Yes	No
Overhead Tower Line	OHL Earth Wire Fittings	Yes	No
Overhead Tower Line	OHL Fittings 132kV	Yes	No
Overhead Tower Line	OHL Fittings 275kV	Yes	No
Overhead Tower Line	OHL Fittings 400kV	Yes	No
Overhead Tower Line	OHL Fittings kV Unknown	Yes	No
Overhead Tower Line	OHL Insulators	Yes	No
Overhead Tower Line	Steel Towers	Yes	No
Protection & Control	Protection & Control	Yes	No
Wound plant	Quad Booster	Yes	Yes
Wound plant	Series Reactor	Yes	No
Wound plant	Shunt Reactor	Yes	No
Wound plant	Tertiary connected reactor	Yes	No
Wound plant	Transformer 132kV	Yes	No
Wound plant	Transformer 275kV	Yes	No
Wound plant	Transformer 400kV	Yes	No
Wound plant	Transformer kV Unknown	Yes	No