



# Building a **Sustainable** Tomorrow

Making  
Possible

## Summary

BAM welcomes the opportunity to contribute to this consultation. The Electrical Transmission Advanced Procurement Mechanism (APM) will be essential to the UK's successful transition to net zero. Rewiring the country's electricity grid will enable renewable energy to connect and feed the UK's clean power needs.

We are working with SSEN under the Accelerated Strategic Transmission Infrastructure (ASTI) framework. BAM has been able to engage and commit to SSEN while engaging and securing our supply chain across the programme portfolio. Early regulatory approval of investment and access to Early Construction Funding (ECF) has allowed our success. Building on the success of the ASTI programme, we need to see the same progressive regulatory approach taken to enable the delivery required for clean power for 2030 and beyond.

The regulatory mechanism must be carefully designed to give TOs (transmission owners) the confidence to secure the supply chain in advance of projects without being exposed to significant financial risk or uncertainty. We believe this uncertainty would delay projects and lead to higher costs.

Our key message is that securing labour and supply chain capacity will be critical to delivery. Acquiring the needed materials alone will not be sufficient to ensure success. There are great pressures and incentives active within the resource pool. Effective planning and supply chain commitment will be key.

## Introduction

We are BAM. We deliver and enhance buildings and infrastructure across the UK and Ireland. Using the skills, knowledge, and experience found across BAM, we help our clients find the right solutions to their biggest challenges. BAM has the right people for the job. Backed by our specialist expertise, we explore every possibility and overcome any challenge with ingenuity and ownership.

Our vision is to build a sustainable tomorrow. Supporting the transition to renewable energy is a key priority for our business. At BAM, we've decided to support projects and partners that have sustainability at their core.

BAM has been working with SSEN since 2012. We have delivered substations, in partnership with Siemens, and HVDC convertor stations, in partnership with Hitachi, across the SSEN network. This partnership has successfully delivered grid upgrades and provided customer connections.

We are currently delivering several projects in the RIIO-T2 programme and EGL2, preparing to deliver ASTI onshore and ASTI offshore projects, and are now looking ahead to the T3 period and beyond. BAM has recently been successful on the RIIO-T2 National Grid Substation framework. This will extend the knowledge and experience gained with SSEN to support further nationally strategic grid upgrade work.

We have reviewed the questions provided and have attached our responses. We have provided what we believe are the most likely risks and opportunities associated with the proposed body of work. BAM has considered, in line with the questions, options to mitigate some of these risks as well as other important factors to take on board going forward.



# Ofgem Consultation Questions

## Introduction

### 1. Do you agree with our proposal to introduce the Advanced Procurement Mechanism to address supply chain constraints faced by the transmission owners?

BAM agrees with the proposal's principles. We note the initial focus on specific types of equipment and would encourage the scope to include a wider range of equipment and services.

The APM should be well designed to mirror or improve on the successful outcomes driven by the Early Construction Funding (ECF) under the ASTI framework. This will enable TOs to engage and secure the supply chain and sub-supply chain, with certainty, within compressed delivery timescales

The defence and energy markets are likely to experience sustained growth with Principal Contractors and sub-supply chain capacity stretched. Designing the mechanism to secure capacity and enable skills investment will be critical to successful project delivery.

## Scope of the APM

### 2. Do you agree with our proposed framework for evaluating eligibility?

We recognise the need for an eligibility criteria for the APM which demonstrates the need for inclusion, mitigates risk, and provides transparency of advanced procurement for equipment and supply chain services. The process will need to consider the maturity of the developments and a forecast of future supply chain pressures in the assessments.

### 3. Do you agree with how we have defined supply chain constraints?

The focus on equipment is a concern. While equipment is essential to project delivery, without a similar effort to secure the labour required for the installation and delivery of the project's civil engineering and building aspects there is an increased risk of project delay.

We anticipate an unprecedented amount of pressure will fall on the infrastructure works. The risk placed on supply will be experienced in the high-voltage equipment item listed in the table. As a civil engineering contractor in the energy sector, we also recognise significant pressure and risk on resources for preparing and delivering infrastructure projects, particularly in challenging locations. The sub-supply chain may become stressed due to the volume of work in the sector and the geographical challenges of the work. This sits alongside the challenges that occur through the traditional short procurement approach.

There are competing demands for resources. While energy transmission is currently seen as an attractive sector, there is a risk that the sub-supply chain is attracted to, for example, the defence sector since these opportunities are often located near large population centres.

We would need to build up capacity in the labour force. For example, cladding labour and project staff (safety, M&E staff, etc).

#### 4. What are your views on which equipment types are most constrained, which are at risk of future constraint, and which are less of a concern, and what are your views on the items we should include within the scope of the APM?

Recognising the lead times for sub-supply chain investment, we believe the focus needs to include lower-tech but essential project inputs. This includes Principal Contractor management, health and safety, sustainability and stakeholder professionals, quarry materials and labour in the building services, earthing and lightning protection, integrated security systems, fencing and large door supply chains. Our technical and design staff capacity will need consideration to ensure there is enough capacity to deliver projects. The design stage also represents a potential risk as a bottleneck at this stage could cause delays.

As the construction industry is geared toward 'just in time' procurement, the principal amount of materials is often not realised until they are required when placing the orders. For example, multiple projects starting at the same time requiring structural steelwork simultaneously. If a market spike occurs (which is highly probable) the market's ability to react effectively might be constrained.

There will be a risk with the civils scope and potentially an opportunity to procure:

- Office accommodation and welfare facilities.
- Preliminary attendance for remote working in the highlands. This could be high-demand plant such as tower lights, silt mitigation, de-icing (salt), and bunkabins, etc.
- The Permanent scope. This is difficult to future-proof ourselves as the civils industry is geared towards 'just in time' procurement. This means there is a difficulty for suppliers to stockpile key materials (copper earthing, certain types of HV ducting, troughing, reinforcement, mesh, etc).
- Manufactured large doors (bi-fold / roller shutter doors), large louvres, high-security fencing and gates.
- Important materials such as steel and cladding are risk items

Another example of the risk from long lead times would be quarries. The process of gaining consent to expand existing quarries can be delayed by stakeholder resistance. There is also the prospect of the offshore wind industry beginning to build concrete bases (floating or gravity) within Scotland. This could greatly increase demand for aggregates in the areas surrounding fabrication yards.

#### 5. What are your views on our intention to exclude strategic procurement from the APM, and the potential benefits of later expanding the APM to include it?

We would emphasise the opportunity for early sub-supply chain commitment. This would secure capacity and skills. These can be deployed on various projects, so we would need a mechanism that allows investment independent of the project assessment of each particular scheme.

We believe a constrained supply chain would not be limited to high-voltage equipment. The APM should allow for early contractor engagement with the supply and sub-supply chain. Early allocation of TOs, supply chain, and sub-supply chain will enable capacity growth, investment, and the stocking of materials.

In consultation with our sub-supply chain, the visibility of the pipeline, early engagement and allocation are seen as a route to success. To deliver the work in the north of Scotland we are looking for people to relocate and for businesses to relocate and grow. A more detailed ten to twenty year work forecast will help provide confidence for investment. Furthermore, if we can get involved earlier in the project lifecycle, we can bring greater certainty to the programme and cost outcomes. It would provide more opportunities to find the innovations and drive value throughout the programme.

6. Do you agree with how we have characterised fungible, flexible and bespoke procurement, and our proposed treatments of each of these? Do these definitions reflect real world contracting and engineering realities?

Yes. We would encourage expanding the definitions to civil engineering and building materials and components.

Achieving standard designs to enable the most cost-effective manufacture and installation is a great advantage. Too many projects go for bespoke solutions. There is a win-win if the APM mechanism can incentivise all parties to achieve greater standardisation. This would enable a greater proportion of spend to be fungible. Many material shortfall risks could be mitigated by developing an improved early engagement plan and the allocation and security of the supply chain, alongside standardised designs and pre-stocking.

Examples can include: pre-cast troughs and lids, fencing, underground earthing tape and fittings, modular components of building management and integrated security systems. Even pre-cast foundations for AIS equipment could be standardised and stockpiles built-up.

There is the potential to focus early on sustainability benefits. Early investment can enable investment in lower-carbon production equipment and processes. The resulting capacity is then fungible between particular projects.

7. Do you agree with our proposed approach to funding services contracts through the APM?

We would strongly support funding services contracts. This would enable Principal Contractors to allocate resources to 'core teams' and develop efficiencies through a programme portfolio management approach rather than hand-to-mouth projects.

Principal Contractors can then enlist sub-supply chain capacity. Many of the skills involved can be transferred between projects with improved efficiency and a reduced learning curve. As mentioned, the risk is that if the transmission industry does not secure limited capacity by becoming the client of choice, other sectors such as defence and offshore wind may secure that capacity first.

TOs can secure Principal Contractors. But unless the mechanisms enable Principal Contractors to make meaningful early commitments to the sub-supply chain, then there is a risk that they:

- Commit their future capacity elsewhere
- Are unable to invest in their capacity and capability
- Make many indicative commitments to keep the option open, rather than one solid commitment, with downstream risk to several projects

## APM Design

8. Do you agree with our rationale for using a UIOLI mechanism for the majority of APM expenditure, rather than other regulatory tools?

We have limited experience in regulatory mechanisms. However, the mechanism must be designed to give TOs the confidence to secure the supply chain in advance of projects without being exposed to significant financial risk or uncertainty. Otherwise, we believe this would delay projects and lead to higher costs.

**9. Do you agree with our proposal for the APM allowance to be capped at 20% of the estimated equipment cost?**

The need for a cap in APM allowances should be balanced with the financial risks and uncertainties held by the TOs. There must be confidence in the mechanism to allow for advanced procurement. This would ensure the allowances released are proportionate to the financial commitments required to secure the supply chain, address abortive costs, and not be limited to equipment but also include wider supply chain constraints.

**10. Do you agree with the use of a re-opener to update the APM in-period?**

The mechanism must be designed to allow TOs the confidence to secure the supply chain in advance of projects early without being exposed to significant financial risk or uncertainty. Otherwise, we believe this would delay projects and lead to higher costs.

**11. What are your views on our proposed approach to cost reconciliation?**

We do not have a view on this mechanism.

## Governance

**12. What are your views on how we should approach in-period updates to the APM?**

We do not have a view on this mechanism. However, we recognise the need for the TOs to remain confident to proceed with early procurement in a dynamic marketplace.

**13. Do you agree with our proposal regarding retrospective application of the APM?**

We do not have a view on this proposal. However, we recognise the need for the TOs to remain confident to proceed with procurement in a dynamic marketplace.

**14. Do you agree that the publication of detailed APM costs and volumes could be commercially detrimental to TOs, and by extension consumers? If so, why?**

We do not have a view on this mechanism. However, we recognise the need for the TOs to remain confident to proceed with early procurement in a dynamic marketplace.



# Contact us

We welcome the opportunity to discuss any of the points we've raised with you further. **Please feel free to contact us.**

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## Ian Steele

Client Account Director

**e:** [ian.steele@bam.com](mailto:ian.steele@bam.com)

**t:** +44 (0) 7736 630 641



[ukandireland.bam.com](https://ukandireland.bam.com)

