

# Consultation on the Electricity Transmission Advanced Procurement Mechanism

## *National Grid Electricity Transmission response*

This response to Ofgem's consultation on the "Electricity Transmission Advanced Procurement Mechanism" dated 20 November 2024 (the consultation) is from National Grid plc (NG), on behalf of our transmission business, National Grid Electricity Transmission plc (NGET), our distribution business, National Grid Electricity Distribution (NGED) and our electricity interconnector business, National Grid Ventures (NGV).

We welcome this consultation on Advanced Procurement from Ofgem who have worked at pace with transmission owners (TOs) over the last few months to develop the proposed mechanism for implementation early next year.

We support the introduction of an Advanced Procurement Mechanism (APM) that will allow TOs to procure critical equipment and services ahead of need and on a programmatic basis. This is a significant step change in how TOs are currently funded for procurement activities. Programmatic procurement will enable supply chains to be secured, allowing the supply chain to build up their workforce capacity and capability based on confidence in demand, and therefore support accelerated delivery of transmission infrastructure.

### **Driving consumer benefit through programmatic procurement**

The APM should build on the Accelerated Strategic Transmission Investment (ASTI) framework, which has facilitated early procurement activities to secure the market on a project-by-project basis through allowing for Early Construction Funding (ECF). The APM will enable TOs to secure capacity for critical equipment and services programmatically, allowing the full scale of our growth and investment plans to be leveraged.

**Consumers will benefit from the timely delivery of transmission infrastructure supported by programmatic procurement enabled by the APM**, as well as from reduced long-term upward pressure on supply-constrained pricing. Shifting from project-based equipment and skills demand forecasting to a programmatic view will allow critical capacity to be secured through initial programmatic reservations on a rolling basis. This will support TOs in providing the supply chain with greater certainty about the plan for the network and the equipment and services they will be contracted to provide with sufficient signals to stimulate investment for long-term growth. This means expanding equipment factories and construction service workforces in preparation for future workload, providing time for suppliers to innovate and standardise – ultimately delivering significantly more value for the consumer.

The shift to programmatic procurement reflects our long-term strategy for working with our supply chain and how we intend to stay ahead in the competitive market, utilising long-term strategic relationships. Our RIIO-T3 Business Plan ('T3 Plan') sets out our intentions to use competition to assure value as we set up strategic frameworks, allocating work to partners in an optimised programme. Our T3 Plan details why this approach is in consumers' interests in the long-term.

### **Benefits of a flexible and agile framework**

**The APM needs to be flexible and agile to maximise the value it can deliver, while also ensuring consumers are protected from the risk of stranded equipment or services procurement.**

**The scope of the APM should go beyond constrained equipment and services only.** Supply chain constraints across equipment types can change rapidly. Confining the scope of the APM will prevent TOs from being able to take full advantage of a fully flexible mechanism. It may also exacerbate existing capacity issues and will prevent TOs being able to act when emerging constraints arise very quickly. Where equipment is out of scope for APM, the GB consumer may lose out on an opportunity to have hedged prices earlier and to have leveraged TO size and scale to achieve more favourable commercial terms.

**The APM should support TOs in maximising the benefits for consumers through strategic programmatic procurement.** Enabling TOs to utilise the APM to procure programmatically and strategically, beyond items which are constrained can further support investment in supply chain growth. Attracting and retaining investment in the UK supply chain is crucial for making the UK market internationally competitive and helping to mitigate against future price shocks

ultimately passed onto consumers. We consider that where equipment types are highly flexible and fungible, the risk of stranded assets materialising is low, and the benefit of strategic programmatic early procurement outweighs this risk.

**The APM should ultimately extend beyond just equipment, given the global capacity challenges and competition for skilled workforce.** We consider that intervention is justified to address workforce constraints and that the APM can provide long-term certainty of demand and commitment to secure the construction services supply chain. When Ofgem has established confidence in the benefits the APM can deliver and protections for consumers, we look forward to the scope of the APM extending to de-risk and accelerate delivery, and support long-term workforce growth.

**The value of the APM applied programmatically across TO procurement activity should be flexible.** A 20% cap on equipment costs provided by the APM will not allow TOs to secure supply chain capacity across all equipment types and does not recognise that further milestones with associated payments may be required following initial deposits to secure capacity and prevent the loss of equipment reservation. Flexible and fungible procurement where possible, and bespoke procurement where it is not, will offer protection to consumers. The enhanced reporting through the APM Register will allow for Ofgem to track spend through to project assessment as part of a project's overall assessment of efficient costs.

### **APM governance**

**The APM Governance Document will be an important document for setting out how the APM works in practice, including on an enduring basis across price controls.**

Refinement of the policy positions taken by Ofgem in its final decision on the APM will be key for developing the comprehensive APM Governance Document Ofgem note is required. To ensure a common understanding of how the APM will work in practice, and to give TOs confidence to utilise the APM to its full potential, further detailed design of the following areas is needed:

- The level of evidence Ofgem expects from TOs to demonstrate supply chain constraints and future constraint risks, including price increases and potential delays, and what this means for APM eligibility;
- The APM Re-opener process in its entirety, including the information required by Ofgem to assess eligibility of “bespoke” procurement in the APM; and
- The approach to cost assessment, including how APM costs will be “netted off” at project assessment and how these will be assessed, e.g. efficiency and disallowance principles.

### **Wider industry supply chain challenges**

We note that the same challenges cited in support of introducing the APM are similarly being faced by other industry participants, including Distribution Network Operators (DNOs) and Interconnector (ICs) businesses. Where relevant in our response to Ofgem's consultation questions below, we set out our National Grid plc position with this in mind.

We welcome further engagement with Ofgem and wider industry on support for regulated businesses in securing the supply chain critical for net zero delivery.

**Appendix 1**  
**Responses to the question raised in the consultation**

**Q1. Do you agree with our proposal to introduce the Advanced Procurement Mechanism to address supply chain constraints faced by the transmission owners?**

We agree with the proposal to introduce the APM to address supply chain constraints faced by TOs. Providing a mechanism for advanced programmatic procurement is critical for de-risking TOs when securing supply chain capacity in bulk at a much earlier point in the project development cycle than would otherwise be the case. Providing commitment and certainty to the supply chain will support TOs in securing delivery dates by managing long lead times effectively, while also providing the supply chain with the confidence to scale up to support an improved supply demand balance.

We support a flexible, agile and transparent framework which ensures appropriate risk allocation across the supply chain, TOs and consumers.

We support the APM as an enduring mechanism which is agnostic to price control periods. However, the APM Governance Document will need to set out the practicalities of carrying over a multibillion-pound fund into future price controls. This should include details as to how allowances spent during the current price control period, RIIO-T2 are recovered, e.g. whether through the close out of the RIIO-T2 price control or at a later stage. We consider that this should take into account the time TOs should carry the risk, balanced with the impact on consumer bills.

It is important to note that the same supply chain challenges cited in support of introducing the APM are similarly being faced by other industry participants, including developers of transmission and offshore infrastructure. An equivalent solution is not accessible in project-specific regulatory models and Ofgem should also consider how new support mechanisms can be incorporated into these regimes to support the delivery of key infrastructure as early and cost-effectively as possible, in line with the Government's target of Clean Power by 2030.

Much of the equipment types and services highlighted in the consultation as being at risk of being subject to significant constraints for the TOs are also fundamental to those used in offshore infrastructure, like point-to-point ICs, Offshore Hybrid Assets (OHAs) and offshore transmission. This is emphasised in the referenced supply chain readiness study commissioned by DESNZ.<sup>1</sup>

Ofgem should therefore also consider how this is managed in regulatory frameworks for those projects. For example, Ofgem's cap and floor regime for ICs and OHAs currently does not have any provision for funding or revenues before operation. Previously, it has typically taken ~10 years to deliver point-to-point interconnectors, between first expenditure on project development and the first returns on the asset investment. This regime characteristic already represents a cashflow challenge to the attractiveness of the investment. However, this problem is exacerbated in the current procurement environment, which requires significantly higher upfront costs to secure supply chain capacity, meaning developers need to commit high levels of capital at risk and/or risk incurring delays to project delivery. As such, the characteristics of the cap and floor regime should be reconsidered for projects in future windows to enable a form of development and construction cost underwriting and/or pre-construction funding. Failing to address these issues could present risks to project investments, delivery timescales and ensuring critical infrastructure is delivered at the lowest costs to consumers. We would welcome discussions with Ofgem and wider industry on this topic through our National Grid Ventures business.

Similarly, the regulatory framework should be carefully considered for onshore competition and OFTOs who will also face similar supply chain constraints.

We also recognise the similar constraints being faced by DNOs and welcome further engagement on both the impact the APM could have on the ability for DNOs to secure supply chain capacity, and the opportunity to consider how the regulatory framework can best support DNOs through the remainder of the current price control period, RIIO-ED2, and into the next, RIIO-ED3. We welcome engagement through our National Grid Electricity Distribution business on this topic.

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<sup>1</sup> [UK renewables deployment supply chain readiness study - Executive summary for industry and policymakers](#)

## **Q2. Do you agree with our proposed framework for evaluating eligibility?**

We do not agree with the proposal for the APM to focus on constrained equipment and services only as this limits the benefits the APM can deliver. We agree that most benefit can be realised in securing constrained equipment and services as this helps TOs to de-risk project delivery dates, and ultimately alleviate transmission network constraints. However, we would support eligibility criteria that provide opportunity for further benefits to be delivered where opportunity arises, for example the benefits of programmatically procuring larger volumes of non-constrained equipment types where there is opportunity for cost savings that can be passed on to the consumer.

Furthermore, limiting the scope of the APM to focus solely on constrained equipment and services presents a practical issue which could limit the APM's benefits. The evidence Ofgem is proposing TOs present to justify inclusion in the APM represents a snapshot in time in what is widely understood as a quickly evolving supply chain environment. This risks equipment and services being left out of scope of the APM, only to risk them becoming constrained shortly thereafter as competitors place contracts for large volumes/ orders. We consider that the re-opener process to adjust the APM's scope to include newly constrained activities could fail to solve this issue due to a lengthy process of compiling submissions for regulatory assessment and any required consultation and decision-making process. This would also signal to the market what a TO is intending to procure and where we anticipate there is market scarcity, creating inappropriate and unprecedented commercial exposure. The definition of "constrained" would need to be clarified as different commercial entities will have different constraints depending on the commercial frameworks and arrangements already set up prior to APM implementation.

We welcome further clarity in the APM Governance Document on the information required from TOs in relation to supply chain constraints and, in particular, how these constraints lead to project delays and/or increased costs. We encourage Ofgem to consider the programmatic approach supported by the APM and how requests for project specific information conflicts with the APM's design.

We support Ofgem's position that TOs should set out how the risk of waste should be mitigated. Ordering ahead of need confirmation is key to the APM enabling TOs to secure supply chains early. However, we recognise the risk associated with this approach should project need not materialise. We support TOs setting out the evidence base of assets which fit the fungible and flexible definitions as key routes to ensure consumers are protected. We would however welcome Ofgem's clarification that equipment does not need to be both fungible and flexible.

We expect TOs to be held accountable for reporting APM spend through the annual Regulatory Reporting Pack (RRP) and via project cost assessment processes to enable efficiency assessment and avoid double counting. However, we welcome clarity on the type of information Ofgem requests on "a full breakdown as to what will be included in the relevant supplier contract" and consider that only information relevant to supporting Ofgem's ex post efficiency assessment should be required: outturn deposits, additional milestone payments and overall equipment and services costs. Given that capacity reservation may take place at an early stage, where the specification for the relevant equipment is not yet known (in line with the "flexible procurement" principle), pricing may be determined by way of a pricing formula, ceiling cost or range based on specification maturity, rather than standard unit rates. This should be taken into account in the APM's design.

## **Q3. Do you agree with how we have defined supply chain constraints?**

We broadly agree with the definition for supply chain constraints and the focus on tolerable lead times and market capacity. However, we consider flexibility is needed in how the definition relates to the APM's eligibility criteria and the proposal for TOs to have to provide evidence of constraints to justify inclusion in the APM.

The focus on delays to individual projects, and the corresponding equipment lead times, risks TOs being unable to procure programmatically across portfolios impacting the benefits the APM can deliver through economies of scale. For example, if Asset A has a market lead time of two years and is impacting project delivery timelines for projects scheduled in 2026/27, and a TO knows that it needs Asset A for projects in 2026/27, 2027/28 and 2028/29 then the TO should be able to utilise the APM to secure Asset A for projects requiring the equipment beyond the lead time. We would welcome Ofgem setting out a clear position on this, and the impact on the definition of supply chain constraints, within its decision on the APM and in the APM Governance Document.

As per our response to Q2, limiting the scope of the APM to focus solely on constrained equipment and services presents a practical issue which could limit the APM's overall benefits.

**Q4. 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?**

*We have provided our response on which types of equipment are most constrained, which are at risk of future constraint, and which are of less concern in the confidential appendix.*

We align with the findings of Baringa's 2024 report "UK renewables deployment supply chain readiness study" on behalf of the Department for Energy Security and Net Zero (DESNZ).<sup>2</sup> However, we acknowledge that this report may need updating.

As set out in our response to Q2, we consider that the scope of the APM should extend beyond constrained equipment.

**Q5. 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 do not agree with Ofgem's proposal to exclude strategic procurement from the APM and believe there is consumer benefit in including additional flexibility into the APM design so that the APM could be used to secure equipment and services that are not currently constrained.

For equipment and services that are not considered to currently be constrained, or at immediate risk of becoming constrained, we consider that the APM can play a role in supporting delivery of additional benefit. As Ofgem recognise, there are benefits of strategic procurement. It would de-risk programmatic bulk purchase agreements, which can offer potential savings for procuring at scale. It would also provide suppliers with certainty even where no constraints currently exist, which could help to avoid future constraints which could later cause risks to project delivery, providing TOs with greater resilience to future supply chain shocks.

We consider that where an asset or service type is assessed to be highly fungible, where it can be easily transferred to another project even when constructed, the likelihood of stranded assets and costs associated (the "Value at Risk" (VaR)) is inherently low. We therefore consider that, as a minimum, all fungible equipment types, whether constrained or not, as well as those that remain flexible at an early stage before firming up design specification, should be included within the scope of the APM.

**Q6. 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?**

We support Ofgem's position that the APM needs to build in sufficient protections for consumers from the risk of stranded assets given that procurement activity may not be tied to specific projects initially.

We support the characterisation and treatment of "fungible procurement" in the APM use-it-or-lose-it (UIOLI) allowance. TOs are engaged in the standardisation working group convened by the Energy Networks Association (ENA) and consider that this work can support progress towards developing standardised equipment procurement which would be fungible across TOs. However, for some equipment categories there are constraints on the ability to achieve standardisation, so there is a question of the degree of fungibility required before equipment is categorised as bespoke procurement. For example, where equipment is procured from a particular supplier, the technical requirements relating to the equipment supplied could result in spare parts / replacement equipment needing to be procured from the same supplier. Subject to this restriction, the spare parts / replacement equipment could be considered fungible. The same can also be true for site extensions.

We support in principle the characterisation and treatment of "flexible procurement" in the APM UIOLI allowance. However, it is likely that in many cases suppliers will require the inclusion of further milestone payments following any initial deposit payment. These milestone payments can reflect the points that detailed design needs to be provided to ensure factories can engineer equipment appropriately and in a timely manner to support project delivery. The profile of milestones will differ in nature and timing across TO supply bases. This should be considered both for the treatment of

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<sup>2</sup> [UK renewables deployment supply chain readiness study - Executive summary for industry and policymakers](#)

“flexible procurement” and in relation to the proposed 20% cap for the APM. We discuss this point in further detail in response to Q9.

We agree that where procurement cannot be flexible or fungible there is increased risk that if project need does not materialise an asset that has been procured early could no longer be required – exposing consumers to the risk of sunk costs.

However, we are concerned that case-by-case assessment for “bespoke” equipment through the proposed APM Re-opener limits the benefits associated with agile, flexible procurement which can be achieved through the UIOLI allowance. A re-opener process can slow TOs’ ability to act with pace in a constrained supply chain market. Ofgem’s consultation and decision on a re-opener would also signal to the market what a TO is intending to procure and, where there is market scarcity, create inappropriate and unprecedented commercial exposure.

Re-opener submissions should be light touch relative to submissions seeking project need confirmation as the APM is not intended to confirm project need. Further clarity is required on the treatment of “bespoke” equipment through a re-opener process, and this should be clearly set out within Ofgem’s decision and in the APM Governance Document. We support the guidance including the length of the re-opener process and the template for this submission, along with Ofgem’s assessment principles.

*We have provided our current view, based on our supply chain engagements of the equipment types we consider to be flexible, fungible and bespoke in our confidential annex as we consider this market sensitive information.*

#### **Q7. Do you agree with our proposed approach to funding services contracts through the APM?**

We ultimately support the extension of the APM beyond just equipment but consider that the immediate focus of the APM should be to provide commitment and certainty to the supply chain to secure equipment.

There is demonstrable evidence of workforce and skills capacity challenges, and these are a key risk to TOs’ project delivery timelines. We therefore consider that intervention to address workforce constraints is justified, and that the APM provides an opportunity to support TOs in providing long-term certainty of demand and commitment to secure the construction services supply chain and stimulate scale up in capacity.

However, while we consider there to be clear use cases for how the APM can be applied in a services context, we consider that these require considered transformation in how we work with our supply chain to deliver the benefit of intervention and protect consumers from risk. Once TOs have provided sufficient evidence to give Ofgem confidence in the benefits the APM can deliver in advance procurement of services and associated risk mitigation strategies to protect consumers, we look forward to the scope of the APM being extended beyond equipment.

As an overarching principle, we do not agree with the proposed approach to funding services contracts through the APM. The APM should not dictate or incentivise a certain procurement route or contracting approach. Ofgem’s categorisation of “direct procurement” and “indirect procurement” does not take into account the range of potential contracting approaches utilised by TOs. TOs should have flexibility in their chosen contracting approach for construction services and take the approach that is appropriate for programmatic procurement and drives the greatest benefit – taking cost, speciality, capability, capacity and risk into account.

*We have set out more information on our contracting strategy to provide further clarity on our points around direct / indirect procurement in our confidential annex.*

#### **Q8. Do you agree with our rationale for using a UIOLI mechanism for the majority of APM expenditure, rather than other regulatory tools?**

We agree with the proposed UIOLI allowance mechanism for the majority of APM expenditure. We agree with Ofgem’s rationale for not proposing a Price Control Deliverable (PCD).

We consider a UIOLI approach provides flexibility whereby TOs can draw down on the allowance programmatically as required, without being tied to specific projects.

We support use of the APM Register to track and report spend against the UIOLI allowance and consider this key to effective management of the allowance across TOs and Ofgem. However, we think the APM Register should allow for flexibility in case TOs want to reallocate spend from one equipment type to another following population of the first set of columns in the APM Register (“1. APM allowance”). For example, as TOs’ pipeline of projects matures they may

identify that more of “Item 1” is needed and less of “Item 2” is needed. The APM Register should allow for this form of reallocation.

Paragraph 3.16 of the APM consultation can be interpreted as a TO being required to report to Ofgem every time it makes a commitment to a supplier through the APM. We do not consider this to be the intent and understand the proposal to be that TOs report annually on APM spend through the Regulatory Reporting Packs (RRP), and at Project Assessment stage for the purposes of cost reconciliation. It would be helpful if Ofgem could confirm this understanding.

We understand from Ofgem’s position in the RIIO-ET3 Sector Specific Methodology Decision that the UIOLI allowance represents “slow money” added to the RAV. As set out in our response to Q1, we welcome clarity on how Ofgem proposes to ensure the UIOLI allowance is in place across multiple price control periods, noting the intention that the time between drawing down on the APM funding and allocating spend to a specific project will be between three and seven years.

**Q9. Do you agree with our proposal for the APM allowance to be capped at 20% of the estimated equipment cost?**

We do not agree with the proposal for the APM allowance to be capped at 20% of the estimated equipment cost. The rationale for proposing a cap of 20% is based on TOs’ views of deposit costs alone, which can invariably differ across the supply base. As set out in our response to Q6, a deposit alone may not be sufficient to secure the delivery of equipment as further milestone payments may be required by suppliers. If these milestone payments are required in advance of project need being confirmed by Ofgem, TOs will need to carry this risk if it is not accommodated in the APM allowance.

Given the need to send clear signals to support the supply chain in scaling for future delivery, we consider that there is an alternative approach to protecting consumers from risk associated with the APM. We consider that the following options could be more appropriate:

- Removing the APM equipment cap for deposits and future milestone payments, allowing for spent APM allowances to be reconciled as part of project cost assessment, aided by the enhanced reporting process through the RRP.
- Raising the cap to a level that accounts for future milestone payments with flexibility to account for additional risk TOs may need to carry for some equipment types where larger downpayments might be required.
- Basing the APM on VaR (as described in our response to Q5) – if an asset is flexible and/or fungible, the likelihood of stranded assets and costs associated is inherently low.

*We have provided our current view, based on our supply chain engagements of deposit and milestone payments in our confidential annex as we consider this market sensitive information.*

**Q10. Do you agree with the use of a re-opener to update the APM in-period?**

We agree that a re-opener is needed to enable periodic updates to APM allowances as new projects enter TO project pipelines.

We recommend, as set out in response to Q2, that all equipment is within scope of the APM from its implementation. Therefore, this removes the need for a re-opener to allow new items to be added or removed from the APM Register.

We set out our views on the treatment of “bespoke” equipment through a re-opener process in our response to Q6. We are concerned that a re-opener process consisting of a TO submission, Ofgem assessment, consultation and decision can take several months. For items that become constrained quickly and require TOs to act quickly, these may be impacted and the benefit of the APM would be reduced.

Clear guidance on what is required in the form of submissions to Ofgem, including how submissions will be assessed and how change to the APM will be applied is needed.

We do not agree with Ofgem’s proposal for a single one week-long re-opener window in April each year. This does not signal an agile and flexible framework reflective of the evolving supply chain market TOs are operating in. Once per year may restrict our ability to act in advance of market changes, or in the most timely manner when constraints begin to impact our supply base. Ofgem’s position therefore risks TOs individually requesting the ability for Ofgem to trigger the APM Re-opener at different stages of the year in addition to the re-opener window. We see this as a particular issue for “bespoke” equipment APM requests where TOs may need to act quickly to secure capacity. Given the APM is



a new mechanism, we propose that two re-opener windows are available each year and Ofgem assesses utilisation of these following the first two years of the APM.

**Q11. What are your views on our proposed approach to cost reconciliation?**

We support the proposal to undertake cost assessment for APM related costs alongside wider project costs at the project assessment stage. APM costs, having already been incurred and recovered through allowances, should be netted off when setting project level cost allowances.

To manage the risk to TOs, and therefore maximise the use of the APM and the consumer benefit it will bring, there must be clarity through the APM Governance Document on the approach Ofgem will take to assess retrospectively the costs incurred in using the APM. TOs must have clarity on the evidence expected to demonstrate efficiency of the costs incurred.

To assess the efficiency of costs retrospectively, Ofgem should seek to understand TOs' procurement approaches and how these maximised value for the consumer at the time of incurring expenditure. An efficiency assessment should look at costs incurred to determine whether they were genuinely efficient under the prevailing market conditions.

We do not consider benchmarking to be an appropriate test of efficiency. Comparing equipment rates across the three TOs to create a cost benchmark will require acknowledgement that TOs will be tendering at different times using different procurement frameworks and contracting strategies, which will impact prices in the changeable supply chain environment. We have also previously provided evidence of price swings in equipment costs from one purchase to the next due to changing constraints. We have acknowledged that standardisation in equipment may not always be possible, differences in engineering design of particular equipment across TOs could also impact ability to benchmark. We also consider that it would be difficult to create a cost benchmark that takes into account performance internationally due to these factors.

The APM Governance Document must set out in as much clarity as possible what this assessment process means in practice. Leaving cost reconciliation to a more open assessment of efficiency without any guardrails would create a more significant ex post disallowance risk and could drive a more risk averse approach to using the APM across TOs.

In relation to Ofgem's periodic review of APM expenditure outside of project assessments, we agree that this will be needed to understand the rate of APM spend and how spent allowances yet to be allocated to specific projects are being managed by TOs. However, we consider that further information requested by Ofgem should not duplicate information provided as part of project assessments and take into account the 'live' nature of the APM whereby assets are being deployed flexibly through portfolio management. We consider that an annual review where Ofgem has the opportunity to ask for further information following RRP submission would be too frequent. It may be more appropriate to conduct reviews at the end of price control periods. Conducting this review as part of close out processes would not be appropriate as the next period will have already begun.

**Q12. What are your views on how we should approach in-period updates to the APM?**

We support the proposed re-opener route to update APM allowances. Given that initial APM allowances are to be set out confidentially per TO, with the magnitude of the overall pot shared publicly for transparency with stakeholders and consumers, we consider that the same approach should be taken for future updates to individual TO licences and the APM UIOLI allowance overall.

We have set out our response on the proposed approach to the APM Register / equipment and services list in our response to Q10.

**Q13. Do you agree with our proposal regarding retrospective application of the APM?**

We agree with Ofgem's proposal for the APM to apply retrospectively to a period prior to the APM being formally activated (following the licence change and 56-day statutory standstill period).

However, we consider that Ofgem should take a flexible approach to determining eligibility of past procurement activity for the APM. Due to the absence of the APM, TOs will be required to manage risk under the assumption that spend can be recovered at close out for RIIO-T2.

As part of TOs' APM applications in early 2025, we propose that past procurement activity can be proposed for APM eligibility. As evidence, TOs could provide equipment costs and deposits related to projects that have not had project need confirmed for assessment by Ofgem and inclusion in the APM Register.



**Q14. 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 agree that this is commercially confidential information which should not be published. If it were made publicly available, there is a clear risk that the information could be used by potential suppliers to guide pricing and distort bids submitted into relevant tender processes. This principle is similarly true for the outcome of procurement processes related to specific projects (interconnectors, CATOs, OFTOs), which must remain confidential. There is an additional risk that publishing this information further constrains supply chains as global competitors react to this signal from GB TOs.

As set out in our response to Q2, we consider these risks also apply to Ofgem's proposed APM Re-opener whereby TOs may be required to provide information to Ofgem on constrained items which would then form part of a public consultation.

However, it is important to note that, given the increased flexibility facilitated by the longer lead times with supply chain, and opportunity to benefit from economies of scale of procuring for a portfolio of projects, the pricing achieved by TOs in these processes is likely to be more favourable than an individual project developer can achieve. Therefore, at an itemised asset level, this detail should not be used within Ofgem as a benchmark for the ex-post cost assessment processes of individual projects (i.e. interconnectors and OHA, OFTO, CATO). The APM represents a fundamental difference in opportunity to engage with the supply chain, between TOs and asset-specific developers, so the results of procurement processes would not be comparable on a like-for-like basis.