

# Ofgem's statutory consultation to modify the special licence conditions in the electricity transmission licences: Advanced Procurement Mechanism (Special Condition 3.42 and APM Governance Document)

*National Grid Electricity Transmission response*

*17 April 2025*

**This response to Ofgem's statutory consultation on the proposed new special condition 3.42 of the transmission licence and the APM Governance Document, following Ofgem's decision to introduce the Advanced Procurement Mechanism (APM) published on 20 March 2025, is on behalf of National Grid Electricity Transmission (NGET).**

We welcome Ofgem's policy decision on the Advanced Procurement Mechanism (APM) in March 2025 and the pace at which Ofgem is seeking to introduce proposed special condition 3.42 and the APM Governance Document to govern the day-to-day operation of the APM and provide the TOs with clarity on how to use the APM.

The introduction of the APM is a step forward in enabling TOs to secure supply chain capacity for the RIIO-T3 period and beyond, giving the supply chain confidence in demand to scale up, and supporting the accelerated delivery of transmission infrastructure. However, while ASTI and APM are important and welcome moves toward anticipatory investment, critical reforms to planning and consenting, getting investment clarity on the tCSNP2 projects and connections projects and agreeing the regulatory framework for their delivery, and setting up the RIIO-T3 framework in the right way will all be critical activity to support TOs investing with confidence to support accelerated delivery.

The implementation of the APM decision through special condition 3.42 and the APM Governance Document is critical to achieving the policy intent and benefits Ofgem set out in its APM impact assessment. We consider that further clarity is required across several areas fundamental to the practical operation of the APM, and that these need to be addressed in the versions of special condition 3.42 and the APM Governance Document that are ultimately implemented to ensure TOs can best utilise the APM and have the assurance that spend on advanced procurement activity is recoverable via the APM in line with clear eligibility criteria. Without additional clarity and guidance, it is unlikely that TOs will be able confidently to utilise the APM in a manner that meets the full benefit as stated by Ofgem.

We are committed to working with Ofgem and the other TOs to develop the additional guidance and level of clarity needed for special condition 3.42 and the APM Governance Document prior to their implementation. We would also like to offer a senior-level bilateral meeting to clarify and discuss our key priorities.

We set out the key areas requiring further clarity below, with suggestions on how these can be resolved. We have also appended further detailed comments on special condition 3.42 (Appendix 1), the APM Governance Document (Appendix 2) and decisions made in our NGET APM Register (Appendix 3) for consideration.

## **Key areas requiring further clarity and consideration**

### APM as a UIOLI mechanism

Special condition 3.42 does not currently function as a use-it or lose-it (UIOLI) allowance, as there is no adjustment to account for any later clawback of unspent allowances (i.e. the "lose it" element) as is provided for in other special conditions which include a UIOLI adjustment. As currently drafted, the condition acts as a capped spending allowance, with replenishment back to the cap.

The policy intention is, as we understand it, that the spend of APM allowances, replenishment of allowances back to the cap and the APM Re-opener to adjust the overall cap are the only ways in which a TO's available APM allowance changes. There is no defined time in which Ofgem will assess APM spend to "claw back" unspent allowances. Instead, the APM Re-opener could be used to reduce the level of the cap, or the decision is taken to remove the APM entirely.

Given this policy, we do not consider it appropriate for the APM to be called a UIOLI allowance and therefore consider that Ofgem should reframe the APM to differentiate it from other traditional UIOLI allowances as currently defined in the licence.

### APM interaction with the PCFM and project-specific assessments

Part A of special condition 3.42 sets out the formula for calculating the APM Allowance term, which feeds into the licensee's Totex Allowance. As drafted, the formula assumes that project allowances, added to Totex Allowances through other conditions in the licence, include the allowed cost for assets or services that have previously qualified as eligible APM spend. To avoid double counting this allowance is therefore subtracted in the APM licence condition. We

would welcome clarity in the APM Governance Document on how the licence condition interacts with the Price Control Financial Model (PCFM), given the fundamental design principle the chosen approach will dictate for the APM's operation. For example, different capitalisation rates are used across different types of allowances which may introduce inconsistencies if not addressed upfront.

The chosen approach dictates that APM expenditure for equipment and services procured are allocated to a project at Project Assessment stage and funded through the relevant other regulatory mechanism, likely the CSNP-F Re-opener or Load Related Re-opener. This expenditure is then netted off the licensee's available APM Allowance to avoid double counting of funding across multiple mechanisms. Given that a vital part of a Project Assessment submission will therefore be the project-specific APM expenditure, the APM Governance Document should detail the information on APM expenditure that is expected to be included in these submissions.

The APM Governance Document must set out how APM expenditure will be assessed for efficiency as part of a Project Assessment. This must clarify how Ofgem will ensure that decisions are not taken based on an assessment which relies upon the benefit of hindsight, taking into account that a licensee's APM expenditure may have been incurred several years before a Project Assessment takes place and that a licensee's decision was based on information available at the time. The current supply chain environment is resulting in high and volatile prices, and we do not know how conditions will evolve. It is possible that prices secured at the time the APM is utilised for a particular project, e.g. to secure capacity and de-risk critical project delivery, are not comparable with present day pricing at the time of Project Assessment due to changes in the supply chain environment.

Further clarity is needed in relation to how ineligible APM expenditure is to be treated. It is unclear how APM expenditure considered to be ineligible and thus subject to potential disallowances impacts the replenishment of the cap on APM Allowances. Any disallowances should not lead to licensees' overall cap on APM Allowances being reduced, and we do not consider this aligns with the objectives of the APM. In addition, it should be made clear that expenditure considered to be ineligible under APM is not prohibited from being funded as part of a Project Assessment as ineligibility should only relate to the rejection of "advanced" funding allowed via the APM and is not an assessment of the efficiency of the relevant expenditure.

We welcome further engagement with Ofgem on these points ahead of any decision on special condition 3.42 and the APM Governance Document to ensure we are clear on the policy intent and have opportunity to comment.

#### APM and Early Construction Funding

We consider Ofgem's position, as set out in the proposed special condition 3.42 and the APM Governance Document, that it may consider APM expenditure ineligible where the licensee has also received Early Construction Funding (ECF) for a project, is a shift away from the APM policy decision and engagement during the APM policy consultation period.

We understood that Ofgem's position shifted since the RIIO-T3 Sector Specific Methodology Decision (ET Annex) publication in July 2024, which set out in paragraph 2.55 that "ASTI projects are already covered by ASTI ECF". The APM policy consultation in November 2024 did not consult on a change in position to bring ASTI projects in scope of APM eligibility. However, this was discussed extensively with Ofgem, and it was understood that ASTI projects would be eligible for APM funding where it is clear that no double counting would exist across APM and ECF, meaning that a single project could utilise both APM and ECF as long as expenditure can be clearly reported as either APM or ECF. For example, a project could secure land or early enabling works via ECF but could secure supply chain capacity early via the APM, with allowances tracked through to Project Assessment to ensure no double counting of spend. The APM Governance Document (paragraph 5.6) no longer supports this view.

We agree with Ofgem's position that no licensee should receive double funding across ECF and APM and acknowledge the overlap in scope of ECF and APM for early procurement activity. However, we consider that through clear reporting and a true-up at Project Assessment the risk of double funding licensees would be mitigated.

We consider that Ofgem's current position has unintended consequences which ultimately would limit our ability to protect consumers from risk. The most important of these is the limitation the position poses to our ability to manage stranded asset risk programmatically. As ECF represents a project-specific bespoke funding allowance for its defined activities, we will not be able to consider these projects for equipment or services reallocation where we might encounter a stranded procurement risk.

Restricting use of APM where ECF has been, or intends to be, used will result in the need to manage two separate portfolios of work which while funded differently, are attempting to secure the same supply chain for ensure delivery. We consider that it will be highly inefficient to separate procurement activity entirely across the two portfolios, but also extremely complex to bring together the requirements of the two portfolios to allow us to engage the market at the same time for equipment and services which are common across ASTI and wider T3 schemes. This complexity is in

part due to the bespoke nature of ECF per project, and also the timing of ECF approvals following lengthy processes for ECF involving a licensee submission and assessment before a decision is made. Whereas APM allows licensees to unlock funding to secure the supply chain at pace and without approval (with the exception of Bespoke Procurement requirements).

#### APM spend on securing construction services

We welcome the inclusion of services in the scope of the APM, given the global capacity challenges and competition for skilled workforce. It is understood from the APM policy decision and APM Governance Document that where the use of services can be “directly and transparently linked to the use of equipment procured under the APM” they are eligible for APM funding.

As a principle, if the APM is to allow licensees to manage supply chain constraints effectively, it must recognise that constraints can be more severe in relation to services in some areas compared to equipment. This can be for specific skilled labour associated with installing equipment types, or wider services activities such as design and plant procurement. The opposite can also be true, with constraints impacting equipment more – and the market we are operating in means that these constraints are changeable over time. We consider that restricting the APM scope to services only where a direct link exists to specific equipment limits our ability to best manage constraints, as we may be unable to apply the APM to where it has the potential to unlock additional value and drive supply chain investment and growth in areas it is most needed. We therefore request that Ofgem decouple services from equipment and allow licensees the flexibility to secure project services capacity via the APM.

It is unclear which services activities and forms of services procurement are within scope of the APM, and which are not. There are a range of ways in which licensees can contract with the supply chain to secure services delivery, the variety of services activities and the forms in which services can link or become linked to equipment.

For example, a licensee could contract with a major works contractor to deliver a broad range of activities associated with project delivery such as design, plant procurement, site preparation and access, equipment procurement, installation and testing. Alternatively, a licensee could contract with an equipment supplier and a separate construction services contractor who prepares the site and installs the equipment, or who only prepares the site if an equipment supplier also provides specific installation services. Within a single project, there may be complex contracting arrangements to support efficient delivery. There may also be alternative arrangements should licensees allocate portfolios of projects to major works contractors to support demand planning and scale up in services to ensure timely delivery, where equipment is either included or novated into the contract at a later point. All of these forms of contracting ultimately link a range of services with equipment to deliver projects. We request that Ofgem sets out a list of services activities that could be eligible under the APM, and examples of those not considered eligible. We also request that Ofgem sets out examples within the APM Governance Document of the forms of contract types considered to “directly and transparently” link equipment with services. This would help to remove the current ambiguity around what is considered in scope for APM eligible services. We welcome further engagement with Ofgem on this topic and will support to help refine these examples ahead of any direction to issue the APM Governance Document.

In setting out examples, Ofgem should detail how costs should be reported via the Regulatory Reporting Pack (RRP), including how licensees should report services activities against individual APM Cost Categories which demonstrates a “direct and transparent” link and avoids duplication where some activities are project holistic, or relate to a number of APM Cost Categories.

#### 20% average APM spend cap

We welcome the added flexibility of APM spend being capped at 20% on an average basis across APM expenditure for all APM Cost Categories. However, further clarity is needed within the APM Governance Document on how the 20% on average cap on APM expenditure works in practice and when this is assessed by Ofgem, taking into account that the APM is an enduring mechanism and proportionality in any assessment is needed.

We note that the APM Governance Document refers to licensees being eligible for APM funding where expenditure across all APM Cost Categories in the APM Register does not cause the amount of APM expenditure to exceed an average of 20% of expected contract costs for all APM categories to date. This suggests that deviation above 20% on average would result in this additional spend being ineligible under the APM, as set out in Part J of special condition 3.42 on ineligible APM expenditure.

We understand that the average of 20% is calculated cumulatively year-on-year, rather than a calculation relating to a licensee's APM expenditure in a single year. While we support a more cumulative approach rather than a single year calculation, it should be acknowledged that the impact of this will be felt most strongly in the first few years of the APM where there is less data contributing to the average.

The application of an average cap acknowledges that more than 20% of an estimated final contract value may be required to secure capacity in some instances, and some may require less than 20%. It is therefore likely that licensees may at some points find themselves with spend above the 20% on average cap, before placing further contracts that bring the average back below 20%. Ofgem's position should not have the perverse effect of causing licensees to delay procurement activity to purely avoid a breach of the average 20% cap due to timing of placing contracts and annual reporting cycles. We therefore consider that Ofgem should exercise proportionate flexibility by allowing for temporary breaches of the 20% average cap if the licensee can demonstrate planned procurement activity to bring its average back to 20% or lower.

In addition, further clarity is needed to understand Ofgem's position on the definition of a "deposit". Paragraph 2.4 of the APM Governance Document states that the APM must not be used on cancellation clauses. We consider that this conflicts with the idea of a deposit, which is in effect a cancellation payment, i.e. should a licensee cancel, it would lose its deposit to the supplier.

It should also be recognised within the APM Governance Document that licensees may be required to pay more than a single deposit to secure supply chain capacity – and that as long as these do not cumulatively breach the 20% on average limit, licensees can utilise APM funding as necessary. Further, should a licensee require more than 20% of an estimated final contract value to secure supply chain capacity it should be able to utilise APM funding within the stated parameters (i.e. up to an average of 20%), and take on the remaining risk itself should the licensee consider it appropriate. This could provide for outright purchase of equipment or services at the licensee's risk.

#### Licensee APM Register decisions

In setting the overall value of c.£4bn APM ex ante allowances across all three licensees, Ofgem reviewed and assessed individual licensee data submissions which informed the sizing of the initial APM pot. In its assessment, Ofgem has removed some volumes and costs requested by licensees and has done so without consultation or discussion in advance of these decisions, thereby depriving licensees of the opportunity to comment on the proposal to remove them. We acknowledge that a change to these decisions would likely require the APM Re-opener to be triggered due to potential changes to the APM Allowance cap or Bespoke Procurement allowance. Further discussion and clarification of the rationale for these decisions is imperative; this should take place with all licensees present to ensure transparency, and due to nature of these decisions impacting individual licensees' APM Registers, which are confidential. We invite Ofgem to revisit its decisions in light of licensee feedback.

We discuss our views on these decisions in confidential Appendix 3 as we consider these to be commercially sensitive in nature.

## Appendix 1 – detailed feedback on special condition 3.42

Reference	Issue	Suggested wording
Introduction – general	This licence condition assumes that “Advanced Procurement Mechanism” is understood. We suggest this should be defined term in special condition 1.1 in alignment with how it is described (on the cover page) in the APM Governance Document.	
1.1.1	Conditions usually specify whether the term contributes to Totex Allowance.	Add “This contributes to the calculation of the Totex Allowance” as an additional sentence at the end of 1.1.1.
1.1.2 (b)	This condition provides for the APM Re-opener in Parts B-E but these are not UIOLI adjustment re-openers as stated in 1.1.2(b). There is no adjustment to account for any later clawback of unspent allowances (i.e. the “lose it” element) as is provided for in other special conditions which include a UIOLI adjustment.  If there is to be no UIOLI adjustment, then the title of the condition should be amended accordingly.	
1.1.2 (b)	Grammatical: should have a semi-colon rather than a full stop at the end.	
1.1.2 (e)	Alternative wording suggestion to make this clearer and aligned with other special conditions.	sets out the process the Authority will follow when directing any changes to the appendices to this licence condition and when issuing or amending the APM Governance Document; and
Part B - general	A Re-opener usually applies to a re-opening of the licence (i.e. to change outputs, allowances or delivery dates), not an associated document or other (in this case APM Register). We note this issue was considered and closed in the issues log, but we think this remains confusing and not aligned with what is understood as a “re-opener” as currently defined in special condition 1.1 of the licence.	Suggested title: Part B: Application for Amendment of APM Cost Categories
1.1.5	Alternative wording suggestion to make this clearer and simpler.	Any application under this Part must be made in writing to the Authority and must:
1.1.5 (a)	Alternative wording suggestion to make this clearer. Also, is the intention that this should refer to APM Cost Categories, not APM (which is not defined)?	describe how the proposed addition or amendment to the relevant APM Cost Categories can help to avoid delays to project delivery or increased project costs;
1.1.5 (b)	If a TO is proposing to amend an existing category, would this always be needed? Should this include an “as appropriate” or similar wording?	
1.1.5 (b)	Alternative wording suggestion	(b) set out whether the APM Cost Category is being proposed as ...
1.1.5 (b)	Is evidence not needed to justify the categorisation of procurement	

	considered to be Bespoke Procurement?	
1.1.5 (c)	Alternative wording suggestion	(c) explain how the licensee will undertake tracking of any APM Allowance (including as part of any complex contractual arrangements) to ensure that it will comply with the reporting requirements set out in Part G of this condition; and
1.1.5 (d)	Alternative wording suggestion	(d) include such further information as may be required by the APM Governance Document.
1.1.6	Alternative wording suggestion.	An application under this Part may only be submitted during the first five working days of April 2026, April 2027, April 2028, April 2029 or April 2030, or during such other periods as the Authority direct.
1.1.7	Alternative wording suggestion as this should also cover amending existing APM Cost Categories.	The Authority will make a direction adding new APM Cost Categories to the APM Governance Document, or amending existing categories, where it considers that the requirements in paragraph 1.1.5 have been satisfied.
Part C		
1.1.8	Alternative wording suggestion	...to make amendments to the value of the Bespoke Procurement allowance in Appendix 2 by direction
1.1.9	Alternative wording suggestion.	Any application under this Part must be made in writing to the Authority and must include, for each proposed amendment to the value in Appendix 2:
1.1.9 (c)	Alternative wording suggestion.	such further information as may be required by the APM Governance Document.
1.1.10	Alternative wording suggestion.	An application under this Part may only be submitted during the first five working days of April 2026, April 2027, April 2028, April 2029 or April 2030, or during such other periods as the Authority may direct.
1.1.11	Alternative wording suggestion.	The Authority will make a direction amending the value in Appendix 2 where it considers that the requirements in paragraph 1.1.9 have been satisfied.
Part D	Alternative title suggestion given that the APM cap is not currently defined.	Re-opener of the APM Allowance cap
1.1.12	Alternative wording suggestion.	The licensee may apply to the Authority to make amendments to the value of the APM Allowance cap (APMC <sub>i</sub> ) in Appendix 1.
1.1.13	Alternative wording suggestion.	Any application under this Part must be made in writing to the Authority ...
1.1.13 (b)	It is not clear from the licence or Governance Document what the objectives of the APM are. Can these be clarified or point to where they are – 2.16 of the APM decision?	
1.1.13 (c)	Alternative wording suggestion.	Details regarding the progress towards full regulatory approval of projects for

		which the APM Allowance has been used to procure; and
1.1.13 (d)	Alternative wording suggestion.	Such further information as may be required by the APM Governance Document.
1.1.14	Alternative wording suggestion.	An application under this Part may ...
Part E		
General	an amendment to an associated document (which is not a traditional re-opener) as well as an amendment to values in Appendices 1 and 2 (which is a traditional re-opener	Suggested title: Part E: Authority Amendment of APM Cost Categories and Re-opener
1.1.16 (a)	Repetition of "in".	
1.1.16 (a)-(b)	(a) and (b) cover the addition of new and removal of APM Cost Categories but do not cover the modification of existing APM Cost Categories as per 1.1.4, should this be added in?	
1.1.17	Alternative wording suggestion.	Where an APM Cost Category is removed, existing procurement undertaken prior to when the Authority consults on the removal of that APM Cost Category will remain eligible for APM Allowances.
1.1.18	We do not think the reference to Annual Iteration Process is correct here as licensees will report through the RRP (B15 RIGs). The Governance Document refers to RRP at 2.14	
1.1.19	Alternative wording suggestion.	The Authority may amend the value of APMC <sub>i</sub> in Appendix 1 ...
1.1.21	Alternative wording suggestion	Before making a decision to refuse to make a direction under Part B or Part C...
1.1.22	We do not think the reference to Annual Iteration Process is correct here as licensees will report through the RRP (B15 RIGs). The Governance Document refers to RRP at 2.14	
1.1.22 (c)	Should this refer to allowances spent rather than contract value? Full contract values may be much broader than what is covered by APM.	
1.1.22 (f)	We disagree with the inclusion of a requirement to report the key contractual commitments or milestones associated with APM expenditure. This will be complex to report as different assets and different suppliers will differ in approach, the same asset and supplier may also differ depending on times at which orders are placed.	
1.1.23	This obligation and the requirements should be detailed in the APM Governance Document and other relevant re-opener guidance.	
1.1.23	Alternative wording to align with how Appendix 1 is described elsewhere in this condition.	...using APM Allowances specified in Appendix 1, ...

1.1.23	Alternative wording suggestion.	As part of any re-opener application to the Authority under Chapter 3 of this licence for allowances to deliver a project that will use equipment procured in whole or in part using allowances specified in Appendix 1, the licensee must report to the Authority as part of that re-opener application.
1.1.23(a)	Is this the “final cost of the equipment” – what if this isn’t yet fully known? It may be the most recent cost forecast.	
1.1.23 (b)	This relies upon licensees having sufficient sight of the APM Register, taking into account that this is to be owned and updated by Ofgem using information reported by licensees through RRP.	
1.1.24	We suggest it is clearer to distinguish that APM spend will later link to project specific allowances, and that it may not at the time of spend.	No determination of an allowance specified in Appendix 1, 2 or 3 constitutes approval of any project in respect of which the allowance has been used to procure equipment or services.
1.1.25	Alternative wording suggestion.	The Authority may modify the value of $APMD_t$ in Appendix 3 ...
1.1.25 (b)	It would be clearer to use “APM Cost Category” instead of “cost area” as these two things mean the same in this context.	
1.1.25 (c)	What is meant by “un-used” here? We would support an assessment to identify if services/equipment are allocated to a project which has undergone project cost assessment and has high certainty of going ahead – and this APM expenditure remaining eligible. Also, what is the rationale for five years and 25%?	
1.1.25 (g)	In what circumstance does Ofgem envisage licensee’s financially benefiting from novating/ transferring procurement to another party?	
1.1.25 (i)	This needs to be tightened to understand in what situations this could arise outside of the points already set out in 1.1.25.	
1.1.26	Should “receive” be “recover” instead? See also other comments on 20% average covered in our response above.	
1.1.31 (b)	“which the licensee must meet” is not needed and can be removed.	
Definitions	We suggest all terms are defined in SpC 1.1.	
Definitions	Advanced Procurement Mechanism should be a defined term and included in SpC 1.1 as per first comment.	
Definitions	The definition of APM Re-opener should change to exclude Parts B and E as per our previous comments.	means the Advanced Procurement Mechanism Reopener, established by Part C and Part D of Special Licence Condition 3.42.



Flexible Procurement	For the purpose of the licence the definition for “Flexible Procurement” should cover both “flexible” and “fungible”. The definition currently only covers what is “flexible”.	
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## Appendix 2 – detailed feedback on APM Governance Document

Reference	Issue	Suggested wording
Cover page	<p>We do not consider “It is the responsibility of each licensee to understand the provisions of this Governance Document and how those provisions apply to it” is needed. This wording is not used in other governance documents and suggests that any ambiguity is the licensee’s problem.</p> <p>Part K of special condition 3.42 obliges the licensee to comply with this document when incurring expenditure against the APM Allowance and this is sufficient.</p>	
Cover page	Suggest “v.1” is used instead of version 1, as per other governance documents.	
Cover Page	In the final paragraph, as this is the document referred to in special condition 3.42 of the ET licence it may be helpful to clarify which licensees the document applies to in order to confirm its scope.	
General	It might be worth including a footnote somewhere to say that unless otherwise stated, capitalised terms used in the Governance Document are as defined in the licence. Alternatively, this could be added under paragraph 1.3	
1.5	We don’t consider 1.5 is needed as the Governance Document cannot relieve licensees from other responsibilities. This does not exist in other governance documents / associated documents established under the licence. Also, it is unclear who other than the licensees could be “affected parties” given this document only applies to the onshore TOs.	
1.6	Licensees can also apply for changes to the APM Governance Document under Part B of special condition 3.42 which should be acknowledged here	
2.1	Alternative wording suggestions	Are listed as eligible APM Cost Categories within the APM Register; Have been procured in a manner which is:
2.1 (1)	Fungible does not feature in the licence condition and therefore introduces some confusion. We suggest that only “flexible” is used and that fungible forms part of the definition for this term in the licence and as part of this governance document (as is acknowledged in paragraph 2.17).	
2.1	Include a footnote with link to the APM Consultation noted in the third bullet.	
2.1	“an average of 20% of expected contract costs” – it is unclear whether this is a rolling average or resets annually so annual spend has to be 20%. 2.1 also does not detail at what point this is calculated.	
2.1	It is unclear whether “expected contract costs” refers to the licensee’s February 2025 submissions to inform the size of the APM pot, or whether these are reported in RRP based	

	on the licensees' best knowledge at the time of reporting / when the contract is placed. The Governance Document needs to be clear on this point	
2.2	2.1 confirms services are covered ("and related services") so this is not needed.	
2.3	This is unclear as to what ineligible expenditure will be deducted from – suggest adding that deductions will be from APM allowances the licensee is able to recover.	
2.4	We consider that further discussion is required across the TOs and Ofgem on this point to ensure there is common understanding and that this aligns with standard procurement practices. Cancellation clauses are in effect deposits placed to secure equipment/services – the deposit can be lost if the agreement is cancelled. Further discussion is required on what is meant by "deposit", as these can be multiple payments which are needed to retain the supply chain capacity.	
2.5	Suggest amending "cost categories" to "APM Cost Categories" in alignment with the licence and as used elsewhere in the Governance Document.	
2.13	Fungible does not feature in the licence condition and therefore introduces some confusion. We suggest that only "flexible" is used and that fungible forms part of the definition for this term in the licence and as part of this governance document (as is acknowledged in paragraph 2.17).	
2.14	Reference to "TO" and "they" should be changed to "licensees".	
2.14	Special condition 3.42 refers to reporting via AIP – need to ensure consistency across licence and APM Governance Document. See also our comments in relation to 3.42 on this issue.	
2.14	Alternative wording suggestion	...as set out in the reporting requirements in Chapter 4.
2.15	It is not clear what is meant by "given our concerns that services contracts find it harder to reach this bar", can an example be given here?	
2.16 and 2.17	See comments above re "fungible procurement". We suggest that this forms part of "flexible procurement" as that term is defined in the licence.	
2.18	AIS should be set out fully here as it not mentioned previously in the document (as per GIS in 3.36).	
2.18	In 2.20 we use the defined term as per the licence for Bespoke Procurement, but here we do not for flexible procurement – suggest using the defined terms throughout.	
2.20	"bespoke request" should be "Bespoke Procurement request"	
3.1	As per our comments on special condition 3.42 a Re-opener usually applies to a re-opening of the licence (i.e. to change outputs,	

	allowances or delivery dates), not an associated document or other (in this case APM Register). We note this issue was considered and closed in the issues log, but we think this remains confusing and not aligned with what is understood as a “re-opener” as currently defined in special condition 1.1 of the licence.	
3.2	The bullet covering “Additions or removals of APM Cost Categories” should also apply to modifications of existing APM Cost Categories, as per the licence (3.42.4).	
3.2	Alternative wording suggestion.	Increases or decreases to the cap on APM Allowances (APMC <sub>i</sub> )
3.3	Alternative wording suggestion.	A licensee can submit an APM Re-opener application during the first five working days of April, or during such other period as Ofgem may direct.
3.5	Alternative wording suggestion to refer to “licensee” as used elsewhere in the document.	If the licensee’s re-opener request is time-sensitive, we ask that the licensee 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.
3.6	We consider that further discussion is required across the TOs and Ofgem on this point to ensure there is common understanding and that this aligns with standard procurement practices. Further discussion is required on what is meant by “a deposit”, as these can be multiple payments which are needed to retain the supply chain capacity.	
3.9	Alternative wording suggestion	If a licensee submits a re-opener request to add an APM Cost Category that does not draw from the APM-specific list of categories and sub-categories, its application should set out how this proposed new category maps onto existing categorisation used in reporting elsewhere (eg RRP, BPDTs, 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 with the PCFM.
TO re-opener application title	This should be “Licensee re-opener application” in line with the language used in this document.	
3.13	This references “inclusion of a new APM Cost Category”. The licence provides for licensees to apply to modify an existing APM Cost Category too – which should be picked up here.	
3.14	The licence (3.42.4) provides for licensees to apply to modify an existing APM Cost Category too – which should be picked up here.	

Table 1	Eligibility criterion 1: APM Requirement – the wording is different here to in the licence (3.42.5(a)) – the licence requires licensees to explain how the APM can help avoid delays to project delivery or increased project costs.	
Table 1	See comments above re use of “fungible”. We suggest that this is incorporated into the Flexible Procurement term as defined.	
Table 1	Eligibility criterion 1: APM transparency – this does not align with 3.42.5(c) which requires evidence of how the licensee will track expenditure, not confirmation that it will do so.	
3.16	Alternative wording suggestion	Ofgem will assess whether the licensee’s application meets the criteria in Table 1 above.
3.17	Alternative wording suggestion, and amendment to include reference to the APM Cost Category modification allowed through the licence.	If Ofgem approves a licensee’s application for a new APM Cost Category, or a modification to an existing APM Cost Category, we will update the licensee’s APM Register accordingly. We will also update the list of APM Cost Categories in Appendix 1
3.18	Is the cap on APM Allowances being referred to here where this point refers to allowance?	Approval of a new APM Cost Category or modification to an existing one does not qualify as an increase to the cap on a licensee’s APM Allowance. For an uplift to its cap on APM Allowance, the licensee must submit a separate application under Part D of special condition 3.42 which includes the information set out in Paragraphs 3.41 to 3.44 of this Governance Document, or 3.33 to 3.34 for Bespoke Procurement allowances.
3.21	Alternative wording suggestion.	...this area of expenditure in the APM is no longer in consumers’ interests.
3.22	Alternative wording suggestion.	Requirement... that is no longer in consumers’ interests ...
3.26	Reference to Part B should be to Part E.	Any removal of an APM Cost Category would only be done in accordance with Part E of Special Condition 3.42
3.28	Will the Authority also update the APM Register when an APM Cost Category is added?	As part of our decision in relation to any re-opener to add or remove an APM Cost Category...
3.30	Alternative wording suggestion.	In requesting additional Bespoke Procurement allowances, the licensee must show...
3.31	Alternative wording suggestion	... the licensee will need to provide ...
3.32	Bespoke procurement is a defined term – suggest changing to Bespoke Procurement	
3.33	Bespoke procurement is a defined term – suggest changing to Bespoke Procurement	
3.35	Bespoke procurement is a defined term – suggest changing to Bespoke Procurement	
Table 2 and Table 3 title	Bespoke procurement is a defined term – suggest changing to Bespoke Procurement	
3.37	The licence uses Bespoke Procurement allowance – we suggest the same wording is used in the APM Governance Document.	An updated Bespoke Procurement Allowance
3.37	Should this also reference the update needed to Appendix 2 of special condition 3.42?	
3.38	Alternative wording suggestion.	... in that a licensee is able to ...
3.39	APM allowances should be APM Allowances as this is a defined term (same applies in 3.40 and 3.41)	

3.41	Alternative wording suggestion	Bottom-up calculation that sets out how the licensee has 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 licensee intends to use these.
3.45	It is unclear how Ofgem will make the assessment of the market conditions it describes, and what information will be considered as part of this. Further detail is required.	
3.47	APM cap should be APM Allowance cap.	
3.49	Further clarity is needed to explain what the remaining allowance is. E.g. after the Authority's decision to increase or decrease a licensee's cap on APM Allowances.	
4.1	We think reporting via RRP is correct but Special condition 3.42 refers to reporting via AIP – need to ensure consistency across licence and APM Governance Document. See also our comments in relation to 3.42 on this issue.	
4.3	It would be helpful if the timing of the update to the RRP could be clarified.	
4.6	APM cost category is a defined term so should change to APM Cost Category.	
4.7	Is the reference to RRP APM Additions spreadsheet correct? In the APM Register shared there are tabs 4.1 Expenditure RRP and 4.2 Recovered RRP.	
4.8	APM UIOLI amounts should change to APM Allowances as per the licence. "Bespoke procurement" and "APM cost categories" should be capitalised.	
4.11	Alternative wording suggestion to align with the rest of the document.	A licensee's APM Register would also ...