

25th June 2025

Erratum Notice – Modification of Special Condition 3.43 of the Electricity Transmission Licence held by Scottish Hydro Electric Transmission and Scottish Power Transmission.

The Authority¹ issued a modification decision² under section 11A(2) of the Electricity Act 1989 introducing Special Condition 3.43 (Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APMt)).

We have subsequently identified a few typographical errors in the Schedule to the modification decision. The modification decision outlined the modified text following our Statutory Consultation³ on the proposed new Special Condition 3.43. However:

- In two instances (paragraphs 3.43.20(a) and 3.43.21(a)) we refer to “Commercial Information”. “Commercial Information” is not a defined term, and we instead intended to refer to Confidential Information. Confidential Information is already referred to in 3.43.30, 3.43.32, and 3.43.33, and is listed in the list of definitions at the end of Schedule 1 and Schedule 2 of the Modification Notification.⁴ The definition for Confidential Information includes a reference to “information that is commercially sensitive”.
- In paragraph 3.43.2(d) we refer to “ineligible APM expenditure” but as APM Expenditure is a defined term this should be “ineligible APM Expenditure”.
- We also correct minor typographical errors in paragraph 3.43.2(d).

We have amended the erroneous text in the attached Schedule and have shown the amendments in red – additions are underlined, deletions are struck through. The rest of the Schedule and modification decision remains as published on 4th June 2025. If you have any questions regarding this letter, please contact the team by email at RIIO3@ofgem.gov.uk

Steve McMahon

Director, Price Controls

Duly authorised on behalf of the Gas and Electricity Markets Authority

¹ The terms “we”, “us” and “our” and “the Authority” are used to refer to the Gas and Electricity Markets Authority.

² [Decision to modify the special licence conditions in the electricity transmission licences: Advanced Procurement Mechanism | Ofgem](#)

³ [Statutory consultation to modify the special licence conditions in the electricity transmission licences: Advanced Procurement Mechanism | Ofgem](#)

⁴ [SpC 3.43 APM Notice of Modification](#)

Schedule 1: Special Condition 3.43. Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM_t)

Introduction

- 3.43.1 The purpose of this condition is to calculate the APM_t, which contributes to calculation of the Totex Allowance.
- 3.43.2 The effect of this condition is to:
- (a) specify the APM Allowance;
 - (b) provide for an APM Allowance adjustment.
 - (c) require the licensee to submit specified information in relation to use of the APM Allowance;
 - (d) provide for disallowance of ineligible APM ~~expenditure~~Expenditure under the APM Allowance;
 - (e) set 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
 - (f) require the licensee to comply with the APM Governance Document.

Part A: Formula for calculating the APM Allowance term (APM_t)

- 3.43.3 The value of APM_t is derived in accordance with the following formula:

$$APM_t = \min \left((APMS_t - APMR_t), \max \left(\left(APMC_t - \sum_{2024/25}^{t-1} (APMS_t - APMR_t) \right), 0 \right) \right) - APMD_t$$

Where:

- APM_t means the APM Allowance term;
- APMS_t has the meaning given to APM Expenditure;
- APMD_t has the meaning given to APM Disallowances;
- APMR_t has the meaning given to APM Recovered Expenditure;
- and
- APMC_t has the meaning given to the APM Cap.

Part B: APM Re-opener of APM Cost Categories

- 3.43.4 The licensee may apply to the Authority to make amendments to the APM Governance Document by direction with respect to additions of new, or modifications of existing, APM Cost Categories.
- 3.43.5 Any application under this Part must be made in writing to the Authority and must include, for each proposed new APM Cost Category or amendment to an existing APM Cost Category:
- (a) an explanation of how the proposed inclusion or amendment of this APM Cost Category will help to avoid delays to project delivery or increased project costs;

- (b) whether the APM Cost Category is being proposed as Flexible Procurement or Bespoke Procurement, and evidence to justify any proposed categorisation;
 - (c) an explanation of how the licensee will undertake tracking of expenditure of any relevant APM Allowance (including as part of any complex contractual arrangements) to ensure that it can comply with the reporting requirements as set out in Part G; and
 - (d) any further information as may be required by the APM Governance Document.
- 3.43.6 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.
- 3.43.7 The Authority will make a direction adding new APM Cost Categories to the APM Governance Document for any proposed APM Cost Category for which it considers that the ~~requirement~~requirements under ~~paragraph~~paragraph 3.43.5 have been satisfied. The Authority will make a direction to modify existing APM Cost Categories where it considers that the updated APM Cost Category satisfies the requirements under paragraph 3.43.5.

Part C: APM Re-opener of Bespoke Procurement Allowances

- 3.43.8 The licensee may apply to the Authority to make amendments to the value of the Bespoke Procurement allowance in Appendix 2 by direction.
- 3.43.9 Any application under this Part must be made in writing to the Authority and must include, for each project for which the licensee is submitting an application for a re-opener under this Part:
- (a) project details, including project timelines, to assist identification of the relevant investment and for understanding the need for APM funding and the likelihood that Equipment or Related Services are not used following their procurement;
 - (b) details of the relevant APM Cost Categories included in the request for Bespoke Procurement allowances, and details of how the eligibility criteria as specified in paragraph 3.43.5 are satisfied; and
 - (c) a spreadsheet setting out the licensee's calculation of the value of the proposed amendment. An APM Re-opener 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.
- 3.43.10 The Authority will make a direction amending the value in Appendix 2 where it considers that the requirements in paragraph 3.43.9 have been satisfied.

Part D: APM Re-opener of the APM Cap

- 3.43.11 The licensee may apply to the Authority to make amendments to the value of the APM Cap (APMC_t) in Appendix 1.
- 3.43.12 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 1:

- (a) details setting out why the APM Cap is insufficient to enable the licensee to procure effectively;
 - (b) details setting out why an amended APM Cap would be to the benefit of consumers or, if none, would not harm the interests of consumers;
 - (c) details regarding the progress towards regulatory approval of projects for which the APM Allowance has been used to procure; and
 - (d) any further information as may be required by the APM Governance Document.
- 3.43.13 An APM Re-opener 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 such other time as the Authority may direct.
- 3.43.14 A modification under this Part will be made under section 11A of the Act.

Part E: Authority-triggered Re-opener

- 3.43.15 The Authority may make amendments to any APM Cost Category by direction where:
- (a) with respect to the addition of a potential new APM Cost Category, it considers that the proposed amendment will help to avoid delays to project delivery or increased project costs;
 - (b) with respect to the modification of an existing APM Cost Category, it considers that the updated APM Cost Category will help to avoid delays to project delivery or increased project costs; or
 - (c) with respect to removal of an existing APM Cost Category, it considers that the inclusion of this APM Cost Category has ceased to help to avoid delays to project delivery or increased project costs.
- 3.43.16 Where an APM Cost Category is removed, any procurement undertaken prior to the date on which the Authority publishes a consultation to propose the removal of that APM Cost Category would remain eligible for APM Allowances.
- 3.43.17 The Authority may amend the value shown in Appendix 2 by direction where the licensee reports through the Regulatory Reporting Pack (RRP) that a portion of the Bespoke Procurement allowance specified in Appendix 2 has been allocated to the $APMR_t$ since the previous RRP submission. In such instances the amendment of the value shown in Appendix 2 directed by the Authority will be equal to the portion of the Bespoke Procurement allowance that has been allocated to the $APMR_t$ since the previous RRP submission.
- 3.43.18 The Authority may increase the value of $APMC_t$ in Appendix 1 by amendment under section 11A of the Act where it considers that such an amendment is required so that the licensee has sufficient $APMC_t$ available to make APM Expenditure at the scale required to avoid (i) delays to project delivery or (ii) increased project costs.
- 3.43.19 The Authority may decrease $APMC_t$ in Appendix 1 by amendment under section 11A of the Act where it considers that such an amendment is required so that $APMC_t$ is not significantly in excess of what is required to make APM Expenditure at the scale required to avoid (i) delays to project delivery or (ii) increased project costs.

Part F: Process the Authority will follow in making a direction

3.43.20 Before making a direction under Part B, Part C or paragraphs 3.43.15 to 3.43.17, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction, excluding any ~~Commercial~~Confidential Information;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.43.21 Before making a decision to refuse to make a direction under Part B or Part C, the Authority will publish on the Authority's Website:

- (a) the reasons for the decision not to make the proposed direction, excluding any ~~Commercial~~Confidential Information; and
- (b) a period during which representations may be made on the proposed decision to refuse the direction, which will not be less than 28 days.

Part G: Reporting requirements

3.43.22 To inform calculation of $APMS_t$, the licensee must report any expenditure it has incurred against the APM Allowance to the Authority through the RRP for each Regulatory Year. The information required in relation to $APMS_t$ through the RRP will include:

- (a) the relevant APM Cost Categories the expenditure has been incurred against;
- (b) the number of units procured against each APM Cost Category;
- (c) the relevant APM Allowance that has been spent to secure procurement, split by APM Cost Category;
- (d) the expected delivery date for the Equipment or Related Service, or range of delivery dates permitted under the contract(s);
- (e) the named project that the Equipment or Related Service is intended be allocated to, where known;
- (f) any given contractual commitments or milestones;
- (g) forecast final total cost for delivery of the relevant Equipment or Related Service; and
- (h) any other information which the Authority may require.

3.43.23 To inform the calculation of $APMR_t$, the licensee must report any allocation of APM-procured Equipment or Related Service to a project to the Authority through the RRP for each Regulatory Year. The information required through the RRP in relation to $APMR_t$ in the RRP will include:

- (a) Ofgem scheme reference;
- (b) project reference and scheme name;

- (c) relevant funding mechanism and licence condition;
- (d) APM contract reference as given in the APM Register;
- (e) APM Cost Category;
- (f) the number of units procured against each APM Cost Category;
- (g) the total APM Allowance that was spent to secure those units; and
- (h) any other information which the Authority may require.

Part H: Status of expenditure

3.43.24 No determination of an allowance specified in Appendix 1, 2 or 3 constitutes approval by the Authority of any project in respect of which the allowance has been used to procure Equipment or Related Service.

Part I: Ineligible APM Expenditure

3.43.25 The Authority may modify the value of $APMD_t$ in Appendix 3 to disallow APM Expenditure where the licensee:

- (a) procured Equipment or Related Services using its APM Allowance in a manner which did not constitute Flexible Procurement or Bespoke Procurement;
- (b) procured equipment or services which do not fall within the definitions of Equipment and Related Services because, at the time of the procurement, they did not fall within an APM Cost Category;
- (c) has not used 25% or more of the Equipment or Related Services it procured in the five-year period since the APM Expenditure was incurred, and where the Authority considers that the procuring of Equipment or Related Services was significantly in excess of what it was reasonable to expect the licensee to have procured given the information available to the licensee at the time it incurred the APM Expenditure;
- (d) procured services for which use of the services was not possible to link to an APM Cost Category;
- (e) procured Equipment or Related Service for a project which had, at the date of procurement, been designated as a CATO Project;
- (f) procured Equipment or Related Service for a project where the licensee has also received Early Construction Funding as provided for in Special Condition 3.41;
- (g) is able to benefit financially from novating or otherwise transferring procurement undertaken through the APM to another licensee or a third party;
- (h) has made use of APM Expenditure for which it has not provided the Authority with, either through RRP or upon request, sufficient information for the Authority to achieve confidence that the licensee has not already received Authority funding for these activities; or
- (i) has already received funding, of which the Authority has become aware, for the same activity as the Authority might otherwise have allowed under the APM Allowance.

3.43.26 The licensee is only eligible to recover, on average (arithmetic mean) across the portfolio of APM Cost Categories, 20% of the expected cost of the Equipment or Related Services procured using the APM. The Authority may disallow expenditure above 20%. This average will be calculated for a period of three Regulatory Years, using data submitted through the RRP. The Authority will review licensee performance against this requirement following submission of RRP following the end of each Regulatory Year.

3.43.27 A modification under this Part will be made under section 11A of the Act.

Part J: APM Governance Document

3.43.28 The licensee must comply with the APM Governance Document when incurring expenditure against the APM Allowance.

3.43.29 The Authority will issue and amend the APM Governance Document by direction.

3.43.30 The Authority will publish the APM Governance Document on the Authority's Website, excluding any Confidential Information.

3.43.31 The APM Governance Document will make provision about the governance and administration of the APM Allowance and APM Re-opener, including:

- (a) the eligibility criteria in respect of expenditure incurred in relation to the allowance provided by this licence condition and what evidence the licensee should provide to show that the criteria are satisfied;
- (b) the operation of the APM Re-openers including what information the licensee should provide when applying for any APM Re-opener;
- (c) the reporting obligations in respect of expenditure incurred in relation to the APM;
- (d) information and guidance with respect to interactions with CATO Projects, ASTI, and any other related regulatory frameworks as specified in the APM Governance Document; and
- (e) the list of APM Cost Categories, including a specification as to which APM Cost Categories relate only to Bespoke Procurement.

3.43.32 Before the Authority directs that the APM Governance Document comes into effect, the Authority will publish on the Authority's Website:

- (a) the text of the proposed APM Governance Document, excluding any Confidential Information;
- (b) the date on which the Authority intends the APM Governance Document to come into effect; and
- (c) a period during which representations may be made on the content of the APM Governance Document, which will not be less than 28 days.

3.43.33 Before directing an amendment to the APM Governance Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended APM Governance Document, excluding any Confidential Information;

- (b) the date on which the Authority intends the amended APM Governance Document to come into effect;
- (c) the reasons for the amendments to the APM Governance Document; and
- (d) a period during which representations may be made on the amendments to the APM Governance Document, which will not be less than 28 days.

APPENDIX 1 (confidential)

Values of $APMC_t$

	Value of term (£m)
$APMC_t$	Has the value given in the APM Register

APPENDIX 2 (confidential)

Bespoke Procurement allowance

Value of Bespoke Procurement allowance (£m)
Has the value given in the APM Register

APPENDIX 3 (confidential)

Value of $APMD_t$

Term	$APMD_t$ value (£m)
$APMD_t$	Has the value given in the APM Register

Schedule 2: Relevant licence holders⁵

Scottish Hydro Electricity Transmission
Scottish Power Transmission

⁵ Electricity transmission licence holders are listed at: [Licences and licence conditions | Ofgem](#)