

Guidance

Transitional Centralised Strategic Network Plan 2 Guidance and Submission Requirements Document

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This document sets out the operational and funding arrangements for the transitional Centralised Strategic Network Plan 2 (tCSNP2) projects as referenced in Special Condition 3.44 Development Funding Price Control Deliverable and Use It Or Lose It Adjustment (DFt); and Special Condition 3.45 Delivery Track Pre-Construction Funding, Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment (DTPCFt) in the Transmission Owners' (TO) electricity transmission licences.

This document is aimed at TOs and other stakeholders with a general interest in the tCSNP2, also referred to as the National Energy System Operator's (NESO) 'Beyond 2030' report. It provides information and guidance on the funding arrangements, outputs, information submission requirements and re-openers for tCSNP2 projects.

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1. Background

Context and related publications

- 1.1 Ofgem¹ is the Office of Gas and Electricity Markets which regulates the electricity and gas industries in Great Britain. Our principal objective is to protect the interests of existing and future gas and electricity consumers. Consumers' interests are taken as a whole, including their interests in the reduction of greenhouse gases and in the security of the supply, and in the fulfilment of relevant statutory objectives when we are carrying out our functions as the gas and electricity regulator of Great Britain.
- 1.2 We work in various ways to protect the interests of current and future consumers. One way we do this is by regulating the network companies through the RIIO price controls. We set price controls to specify the services and level of performance that the electricity transmission (ET) Transmission Owners (TOs) must provide for users and consumers and to restrict the amount of money that the network companies can recover through network charges over the length of a price control period.
- 1.3 In March 2024, the then "Electricity System Operator"² published the "Beyond 2030" network plan (also known as the transitional Centralised Strategic Network Plan 2 or tCSNP2) that recommended network reinforcements needed beyond 2030 to support the transition to Net Zero.
- 1.4 The tCSNP2 is the NESO's³ plan for a coordinated onshore and offshore network design that can facilitate the connection of up to 86GW of offshore wind generation in support of the government's Net Zero obligations under the sixth Carbon Budget.⁴
- 1.5 In December 2024 we published our decision⁵ on the regulatory funding arrangements for tCSNP2 projects. The decision set out the framework for this funding and detailed a multi-track funding framework designed to be flexible in order to meet the needs of the electricity system and meet government net zero

¹ The terms 'Ofgem', 'the Authority', 'we' and 'us' are used interchangeably in this document.

² From 1 October 2024, the ESO became the National Energy System Operator (NESO)

³ Referred to in the electricity transmission licences as ISOP

⁴ [Sixth Carbon Budget - Climate Change Committee](#)

⁵ [Funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects: decision | Ofgem](#)

targets, with development funding available for less developed projects, and pre-construction funding available for more developed projects.

1.6 This document is to be read in conjunction with the following associated documents:

- tCSNP2 Decision Paper: [tCSNP2 decision](#)
- tCSNP2 Consultation Paper: [tCSNP2 Consultation](#)
- Beyond 2030 report⁶ [Beyond 2030 | National Energy System Operator](#)

⁶ Otherwise known as the tCSNP2

2. Introduction

Scope of tCSNP2 Guidance and Submissions Requirements Document

- 2.1 This document provides additional detail regarding the function and operation of the tCSNP2 funding mechanism, including the TO submission requirements and the Ofgem assessment and decision process for the following licence conditions:
- Special Condition 3.44 Development Funding, Price Control Deliverable and Use It Or Lose It Adjustment (DfT)
 - Special Condition 3.45 Delivery Track Pre-Construction Funding, Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment (DTPCFt)
- 2.2 The tCSNP2 licence condition SpC 3.44 requires that TOs adhere to the provisions and requirements set out in this document.⁷

Scope of the tCSNP2 framework

- 2.3 Our tCSNP2 decision⁸ sets out which onshore electricity transmission projects will be funded through either the Development Track or Delivery Track, Special Conditions 3.44 and 3.45 respectively (projects are listed Appendix 2 of each of these Special Conditions). The tCSNP2 funding decision also sets out the criteria for inclusion within the Development or Delivery Track.⁹
- 2.4 The framework is a transitional framework for funding tCSNP2 projects and provides for funding mechanisms to carry out early-stage activities on tCSNP2 projects which are not provided for under existing RIIO-2 Re-opener mechanisms.
- 2.5 Commencing in autumn 2025, and concluding in spring/summer 2026, the NESO's next iteration of the Network Options Assessment¹⁰ (the tCNP2 Refresh) will reassess the tCSNP2 network plan against the latest generation and demand backgrounds, providing a more definitive picture of the network required beyond 2030.

⁷ Special Condition 3.44 Part E

⁸ [Funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects: decision | Ofgem](#)

⁹ [Funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects: decision | Ofgem](#) Tables 3 and 4

¹⁰ [Network Options Assessment \(NOA\) | National Energy System Operator](#)

- 2.6 We intend to provide further funding to any tCSNP2 projects recommended in the tCSNP2 Refresh through use of the Re-openers covered in this guidance and RIIO-ET3 mechanisms which will be in force from 1 April 2026.¹¹

¹¹ Either the Load Related Re-opener, or CSNP-F Re-opener. See [RIIO-3 Sector Specific Methodology Decision – ET Annex](#)

3. Development Track Funding

Purpose

- 3.1 Development Funding (DF) is for the purpose of developing the immature projects from the tCSNP2 (Development Track projects) to reach maturity by the time they are submitted to be reassessed in the tCSNP2 Refresh in autumn of 2025. DF can continue to be spent on projects up to the earlier of the tCSNP2 Refresh publication, or end of RIIO-ET3 if required. DF is for all Development Track projects specified with associated outputs in Appendix 2 of Special Condition 3.44 (Development Funding, Price Control Deliverable and Use It Or Lose It Adjustment (DFt)) in the TOs' electricity transmission licences.
- 3.2 Below are the allowed activities that can be undertaken for the delivery of the Development Track Price Control Deliverable, which is to develop projects to the Minimum Maturity Requirement (which is to develop projects to the end of ESO maturity level 2 'strategic optioneering' development stage and to have met the development criteria set out in 3.15i-viii).¹² The activities that the TOs are allowed to incur expenditure on for Development Funding include, but are not necessarily limited to:
- Pre-FEED (Front End Engineering & Design) work
 - Early desk-based research and design
 - Optioneering analysis
 - Risk assessments
 - Site visits
 - Non-statutory engagements
 - Environmental surveys
 - FEED works
 - Other activities as approved by Ofgem¹³

¹² The NESO define Level 2 Maturity (Strategic Optioneering) as "The needs case is firm; a number of design options being developed so that a preferred design solution can be identified." Page 17 of their [Beyond 2030 report](#).

¹³ TOs are to inform Ofgem of their intention to incur development costs for activities not included in paragraph 3.2 and Ofgem where Ofgem agrees this expenditure is appropriate will provide approval in writing.

3.3 Activities subject to other funding arrangements will not be eligible for DF.

Development Funding

3.4 DF allowance is calculated at 0.5% of the forecast totex of each project in the Development Track, as set out in the tCSNP2 decision.¹⁴

3.5 DF activity is funded via an allowance with a PCD attached to that funding, with potential adjustments to allowances for under delivery in accordance with the Price Control Deliverable Reporting Requirements and Methodology Document.¹⁵

3.6 Irrespective of whether the PCD has been fully or partially delivered, any unspent DF allowances will be returned to consumers via a Use-It-Or-Lose-It Adjustment (UIOLI Adjustment). Therefore, any underspend against DF allowances will not be subject to cost sharing under the Totex Incentive Mechanism (TIM). For the avoidance of doubt, any overspend against DF allowances will be subject to cost sharing under the TIM.

3.7 TOs must submit all options for the NOA (meaning Development Track, Delivery Track and any new options) to the NESO via the System Requirement Form (SRF) as per the quality and timeliness requirements set out in the NESO's tCSNP2 Refresh Methodology and in line with any associated SO-TO code (STC) and SO-TO code procedure (STCP), to meet the system requirements set out by NESO. This includes, where appropriate, developing and submitting multiple feasible alternative options for projects in the Development Track and to meet any newly identified system requirements in the tCSNP2 Refresh.

Reporting requirements

3.8 Formal annual reporting requirements on DF expenditure and activity will be set out in the Regulatory Instructions and Guidance (RIGs).¹⁶

Substitutability of allowances

3.9 DF is set as a pot of funding that can be used across qualifying projects. The aggregated total allowance is built up to apply across the individual Development Track projects and is reflected in the DFA_t term included in Appendix 1 of Special

¹⁴ [Funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects: decision | Ofgem](#) Paragraph 3.26

¹⁵ [Price Control Deliverable Reporting Requirements and Methodology Document | Ofgem](#)

¹⁶ [Modifications to electricity transmission Regulatory Instructions and Guidance and Regulatory Reporting Packs for RIIO-2 Year 4 | Ofgem](#)

Condition 3.44. As explained in our tCSNP2 Decision,¹⁷ the TOs can substitute DF allowances between projects and therefore the total allowance in Appendix 1 of Special Condition 3.44 can be spent on approved activities (as per paragraph 3.2) on Development Track projects at the TOs' discretion in delivering all the outputs in Appendix 2 of that condition.

Development Funding Price Control Deliverables (PCDs)

3.10 DF PCDs are designed to:

- ensure that all Development Track projects and any alternative options are submitted by TOs to the NESO at the required level of maturity and by the necessary date for assessment in the tCSNP2 Refresh; and
- provide consumer protection by allowing Ofgem to return allowances to consumers where the PCD is not Fully Delivered.

3.11 The PCD delivery dates are set at the PCD delivery date, as this is the latest date available that projects can be submitted to NESO without causing delay to the tCSNP2 Refresh. Ofgem has taken this approach in agreement with the NESO who are conducting the tCSNP2 Refresh, and TOs who will rely on Ofgem's consideration of the Refresh in order to unlock further funding for any recommended projects.

3.12 TOs must submit options to the NESO via the SRF, and also submit to Ofgem a Basic PCD Report¹⁸ setting out how they have met these Evaluative PCD requirements by the PCD delivery date. TOs must provide an explanation to Ofgem if they fail to meet these requirements. The output and PCD delivery date for each PCD is listed in Appendix 2 of Special Condition 3.44.

Basic PCD Report PCD requirement

3.13 The DF PCD is an Evaluative PCD that requires TOs to develop projects to meet the Minimum Maturity Requirement as defined in SpC 1.1.

3.14 Each DF PCD also includes a requirement for TOs to submit a Basic PCD Report to Ofgem and report projects via the SRF to NESO by the date set out in the licence.

¹⁷ [Funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects: decision | Ofgem](#)

¹⁸ See sub-chapter below (Basic PCD Report PCD requirement)

These reports must demonstrate that TOs have used the latest power system models and system needs as provided by the NESO, which will give either an indicative, or actual view on the impact of the NESO's connection reform process.¹⁹

3.15 TOs must submit Development Track projects that have reached the Minimum Maturity Requirement, and any additional options to meet new network requirements NESO has identified as required for the tCSNP2 Refresh. They must submit options as per the NESO's SRF, and also submit a Basic PCD Report to Ofgem outlining how projects in the Development Track have met the below criteria in order to satisfy the PCD requirements:

- i. Identification of electrical solution(s) e.g. extend or upgrade substation A and B and install new circuit or reconductor existing circuit from A – B.
- ii. Development of an indicative high-level substation layout drawing resulting from the assessment of site characteristics, including by checking existing layout drawings and Geographic Information Software (GIS), considering connectivity to existing assets, and identifying space to install new assets including by extending substations. Also consider asset health drivers and the need to combine these with tCSNP projects where appropriate.
- iii. Assessment of spatial characteristics including environmental limitations (for example river crossings, Areas of Outstanding Natural Beauty) and potential community impacts, largely by using GIS software and other specialised desktop-based routing tools, resulting in the identification of an indicative initial route corridor and site location for the purpose of costing and scoping.
- iv. Development of a single line electrical schematic showing the proposed solution.
- v. High-level specification of the required asset ratings and electrical parameters to meet network needs.
- vi. Development of a high-level construction programme that factors in any reasonable measures to expedite project delivery compared to historical delivery timelines observed under the Strategic Wider Works / Large Onshore Transmission Investment frameworks.
- vii. Updated estimations of project costs.

¹⁹ [Connections Reform | National Energy System Operator](#)

PCD assessment

- 3.16 The assessment of DF PCDs will be made in accordance with Special Condition 9.3 (Price Control Deliverable Reporting assessment principles and reporting requirements) and the Price Control Deliverable Reporting Requirements and Methodology Document, which will be updated to account for assessment of DF PCDs.²⁰ Any allowance adjustments made following our assessment will be made by direction following the process set out in Part D of Special Condition 3.44.
- 3.17 Although DF allowances are substitutable, in accordance with Special Condition 3.44 project-specific allowances will be allocated against each output. This is so that when assessing delivery of PCDs, Ofgem will have a reference value to base the assessment on. For example, if project A has an allowance of £1m and project B has an allowance of £2m, the maximum allowance adjustment following a PCD assessment for these projects (in the case of non-delivery) would be £1m and £2m respectively.
- 3.18 DF allowance for each project is set as 0.5% of the forecast project value²¹ and this would be the reference value for Ofgem to base a PCD assessment on. This does not mean that TOs may only spend up to this associated amount on each project, rather it is a means of ensuring that all allowances are allocated to outputs for the purposes of the PCD assessment. For example, if project A which had an allowance of £1m allocated to it, this would be the reference value for its PCD assessment. Full details of the PCD assessment will be set out in the Price Control Deliverable Reporting Requirements and Methodology Document.

Use It Or Lose It Adjustment

- 3.19 Part of the DF PCD mechanism is the inclusion of a Use It Or Lose It Adjustment. Any unspent allowances will be recovered by Ofgem when making an assessment to determine the term $DFRA_t$. The UIOLI Adjustment will be made after completion of the PCD assessment on a portfolio level.

²⁰ [Price Control Deliverable Reporting Requirements and Methodology Document | Ofgem](#)

²¹ Based on data from the NOA7 Refresh

4. Delivery Track Pre-Construction Funding

- 4.1 Delivery Track Pre-Construction Funding (DT PCF) is for the purpose of undertaking Pre-Construction Works in relation to all Delivery Track projects with associated outputs in Appendix 2 of Special Condition 3.45 (Delivery Track Pre-Construction Funding, Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment (DTPCFt))
- 4.2 Pre-Construction Works are the activities undertaken for the purposes of narrowing down design options in order to develop a Delivery Track project to the point of submission of all material planning applications. The activities that constitute Pre-Construction Works that the TOs are allowed to incur expenditure on are:
- surveys, assessments and studies;
 - project design;
 - engineering development;
 - stakeholder engagement and consultation;
 - tasks associated with wayleaves;
 - planning applications; and
 - tender activities.
 - Other activities as may be approved by the Authority.²²

DT PCF

- 4.3 The DT PCF allowance for the projects is calculated at 2.5% of the forecast totex of each TO's initial Delivery Track projects, as set out in the tCSNP2 decision.
- 4.4 DT PCF activity is funded via an allowance with a PCD attached to that funding, with potential adjustments to allowances for under delivery in accordance with the Price Control Deliverable Reporting Requirements and Methodology Document.²³

²² TOs are to inform Ofgem of their intention to incur pre-construction costs for activities not included in paragraph 3.2 and Ofgem where Ofgem agrees this expenditure is appropriate will provide approval in writing.

²³ [Price Control Deliverable Reporting Requirements and Methodology Document | Ofgem](#)

- 4.5 Irrespective of whether the PCF has been fully or partially delivered, any unspent DF allowances will be returned to consumers via a Use-It-Or-Lose-It Adjustment (UIOLI Adjustment). Therefore, any underspend against DT PCF allowances would not be subject to cost sharing under the Totex Incentive Mechanism (TIM). For the avoidance of doubt, any overspend against DT PCF allowances will be subject to cost sharing under the TIM.

DT PCF Re-opener

- 4.6 Part C of licence Special Condition 3.45 (Delivery Track Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment (DTPCFt) details the process to apply for DT PCF.

Pipeline notification process

- 4.7 Special Condition 3.45 does not have any specific windows during which re-opener applications can be made. This is intended to give TOs the flexibility needed to make requests for DT PCF at the most appropriate times without risking any delay to project delivery. TOs must notify Ofgem in writing at least 8 weeks ahead of their intended submission dates for a re-opener application (unless otherwise directed by Ofgem). Ofgem will send written acknowledgement confirming receipt of a TO's notice of submission.

Reporting requirements

- 4.8 Annual reporting requirements on DT PCF expenditure and activity will be set out in the Regulatory Instructions and Guidance (RIGs).

Substitutability of allowances

- 4.9 DT PCF is set as a pot of funding that can be used across Delivery Track projects. This aggregated total allowance is built up to apply across the individual Delivery Track projects and is reflected in the DTA_t term included in Appendix 1 of Special Condition 3.45. As explained in our tCSNP2 Decision,²⁴ the TOs can substitute DT PCF allowances between projects and therefore the total allowance in Appendix 1 of Special Condition 3.45 can be spent on approved activities on Delivery Track projects at the TOs' discretion in delivering all the outputs in Appendix 2 of that condition.

²⁴ [Paragraph](#) 3.64 of our tCSNP2 decision

DT PCF Price Control Deliverables (PCDs)

4.10 DT PCF PCDs are designed to:

- ensure that all Delivery Track projects' planning consent applications are submitted by appropriate dates; and
- provide consumer protection by allowing Ofgem to return allowances to consumers where the PCD is not Fully Delivered.

4.11 The PCD delivery dates were set upfront as the licence conditions were being implemented and were aligned with TO delivery plan assumptions of when planning consent applications will be submitted by. These dates differ across projects and are set out in appendix 2 of the condition.

4.12 If a TO does not consider it possible to deliver a PCD output by its delivery date, Ofgem will consider extending the delivery dates where TOs can provide evidence to support this.

4.13 The output for each PCD is listed in Appendix 2 of Special Condition 3.45. Outputs are set as submission of all material planning consents, or completion of all Pre-Construction Works for the relevant project.

4.14 DT PCF PCDs are Evaluative PCDs.

PCD assessment

4.15 The assessment of DT PCF PCDs will be made in accordance with Special Condition 9.3 (Price Control Deliverable Reporting assessment principles and reporting requirements) and the Price Control Deliverable Reporting Requirements and Methodology Document.²⁵ Any allowance adjustments made following our assessment will be made by direction following the process set out in Part E of Special Condition 3.45.

4.16 Although DT PCF allowances are substitutable, in accordance with Special Condition 3.45 project-specific allowances will be allocated against each output. This is so that when assessing delivery of PCDs, Ofgem will have a reference value to base the assessment on. For example, if project A has an allowance of £1m and project B has an allowance of £2m, the maximum allowance adjustment following a PCD assessment for these projects (in the case of non-delivery) would

²⁵ [Price Control Deliverable Reporting Requirements and Methodology Document | Ofgem](#) (appendix 7)

be £1m and £2m respectively. This assessment would take account of any substituted allowances, where these have been incurred efficiently on other projects within the Delivery Track.

- 4.17 DT PCF allowance for each project is set as 2.5% of the forecast project value²⁶ and this would be the initial reference value²⁷ for Ofgem to base a PCD assessment on. This does not mean that TOs may only spend up to this associated amount on each project, rather it is a means of ensuring that all allowances are allocated to outputs for the purposes of the PCD assessment. For example, if project A which had an allowance of £1m allocated to it, this would be the reference value for its PCD assessment. Full details of the PCD assessment will be included in an update to the Price Control Deliverable Reporting Requirements and Methodology Document.

Use It Or Lose It Adjustment

- 4.18 Part of the DT PCF PCD mechanism is the inclusion of a Use It Or Lose It Adjustment. Any unspent allowances will be recovered by Ofgem when making an assessment to determine the term DTRA_t. The UIOLI Adjustment will be made after completion of the PCD assessment on a portfolio level. *Cancelled projects*
- 4.19 It is possible that a project might be cancelled after the TOs have received DT PCF, but before the PCD output has been delivered. This could be the result of a change of scope, or the network need for the project falling away.
- 4.20 If a project is cancelled, TOs should demobilise the project workforce as soon as possible in order to limit consumer exposure to costs on projects that will not be delivered. TOs are required to inform Ofgem of the project cancellation and submit details of any incurred expenditure through the Regulatory Reporting Pack (RRP). Unless agreed by Ofgem, costs incurred on activities that are not listed under the licence definition of Pre-Construction Works will not be funded, however reasonable cancellation costs of these activities will be considered.

Competition

- 4.21 As outlined in our tCSNP2 Decision,²⁸ all projects within the Delivery Track are exempt from consideration for delivery through the onshore competition model.

²⁶ Based on data from the [NOA7 Refresh](#)

²⁷ If a re-opener to increase allowances is approved, the “reference value” from which we make a PCD assessment will be updated proportionally to the increase of allowances.

²⁸ [tCSNP2 decision](#) Paragraph 3.67
