

## **NGET and SPT consultation response related to Eastern Green Link 4 (EGL4) Joint Venture (JV)**

Responses below cover consultation questions 6 and 8 from Ofgem's consultation: Accelerated Strategic Transmission Investment: Material Scope Change and Early Construction Funding - EGL3, EGL4 and GWNC, published 11 September 2025.

### **Question 6. Do you agree with our proposal to update PCF allowances to reflect updated forecast project costs?**

#### Pre Construction Funding (PCF) allowance for EGL4

In our EGL4 MSC submission (section 4), we requested a recalibration of EGL4 ASTI PCF to be in line with the updated total project costs. Ofgem has proposed a minded-to position on the PCF reset for EGL3 on this basis but is silent on the PCF recalibration for EGL4. We seek clarification from Ofgem and request it takes a consistent approach to resetting PCF on the updated total project costs following MSC for both EGL3 and EGL4.

As a result of the MSC, EGL4 faces increases in pre-construction activity and expenditure required to achieve consents and deliver the PCF Price Control Deliverable (PCD). The majority of new activities are driven by changes in the scope, which are common to both the EGL3 and EGL4 projects. Therefore, we kindly request a consistent approach is taken in regard to the two projects for resetting their ASTI PCF allowances.

As requested within our MSC submission<sup>1</sup>, we also request clarification from Ofgem that the PCF allowance for EGL4 is 2.5% of the new total forecast cost for the project, which is based on the updated cost as provided by NGET and SPT within the updated ECF submission on 11 July 2025 (total forecast cost estimate is [REDACTED]).

Alongside the reset of the PCF allowance, a modification is needed to the ASTI PCF PCD for EGL4 to align with Ofgem's recent decision<sup>2</sup> that Pre-Construction Works will mean works undertaken for the purposes of developing a LOTI, ASTI or Delivery Track project to the point where all material planning consents have been obtained and the project is ready to begin construction. We therefore seek confirmation from Ofgem that the PCF PCD delivery date and PCF allowance will be aligned in licences.

To ensure consistency with EGL3, we request Ofgem to make the following changes:

- Set the ASTI PCF allowance for EGL4 at 2.5% of the new total forecast cost of the project = [REDACTED].
- Update the EGL4 ASTI PCF allowances and resulting revised sum of ASTI PCF in Appendix 1 to Special Condition 3.40 (and reflect these in each licensee's ASTI Confidential Annex) of NGET's and SPT's licences.
- Modify the EGL4 ASTI PCF PCD delivery date in Appendix 2 to Special Condition 3.40 of NGET's and SPT's licences from 31 March 2026 to 31 March 2028 for the submission of all material planning consents applications.

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<sup>1</sup> Document 011: EGL4 Material Scope Change Submission – section 4 Pre-Construction Funding (15 Nov 2024)

<sup>2</sup> Decision to modify the Price Control Financial Instruments and licence conditions for electricity and gas distribution and transmission (1 July 2025)

**Question 8. Do you agree with our minded-to position to provide ECF for the EGL4 project as set out in chapter 5?**

We welcome Ofgem's assessment of our Early Construction Funding (ECF) request from September 2024, which was subsequently updated on 11 July 2025. We have welcomed the productive engagement with Ofgem to enable early commitments for securing the supply chain capacity for both HVDC cables and converters, the necessary civils packages and land purchases.

We agree with Ofgem's minded-to position that all the activities for which we requested ECF fall within the permitted activity categories set out in the ASTI Guidance, and that the value sought is within 20% of the updated forecast project costs. We welcome Ofgem's proposal to approve the EGL4 ECF for the value of 13% of the updated forecast project costs, as provided in our 11 July 2025 updated ECF submission (total forecast cost estimate is [REDACTED]; ECF request is [REDACTED]).

We also welcome the acknowledgement from Ofgem that our commercial contracts will be subject to project cancellation conditions should the project be cancelled, and that Ofgem will allow an appropriate level of funding for cancellation costs, subject to efficiency assessment, should the project be cancelled up to the point of DCO decision, for reasons outside the reasonable control of the EGL4 JV.

As we confirmed in our engagement with Ofgem, the HVDC cable and converter contracts have been procured through the National Grid HVDC suite of frameworks, which are based on the widely used FIDIC standard form contract. It is commonplace that such contracts provide a mechanism for cancellation and set out the consequences to each party. As we continue towards concluding contract negotiations for HVDC cables and converters, we will work to make the exposure to customers from such a project cancellation scenario as low as practicable, whilst ensuring we can provide efficient delivery of the project.

In relation to land costs within our ECF request, where possible we have sought, and will be seeking, to secure options agreements. An option agreement typically costs 10% of agreed land value, with full value to be paid upon project sanction following full planning award and project assessment determination. By following this approach, it limits the consumer exposure to project cancellation to the options costs. In the unlikely event of the EGL4 project being cancelled, we would first assess the suitability of the land site(s) for other projects or look to dispose of the land via the open market.