

Ofgem
10 South Colonnade,
Canary Wharf,
E14 4PU

09 October 2025

Dear [REDACTED] and [REDACTED]

Thank you for the opportunity to respond to Ofgem's consultation on "**Material Scope Change and Early Construction Funding - EGL3, EGL4 and GWNC**". This is National Grid Electricity Transmission's (NGET) response to the consultation. It is supported by a joint Transmission Owner (TO) and Joint Project submission for the relevant consultation questions (see Appendix). It is also supported by an independent assessment conducted by [REDACTED].

As reflected in the joint TO response, NGET has welcomed Ofgem's constructive engagement in the development of the revised network design for the Lincolnshire area and acknowledge the regulator's pivotal role in recognising the need for change and support for the solution now proposed.

We are pleased to see Ofgem's formal acknowledgement that the revised design delivers significant consumer value, including constraint cost mitigation estimated at £[REDACTED] and an increase in customer connection capacity from 4.6GW to ~18GW as independently assessed by the NESO. This is in addition to wider environmental benefits, such as reduced visual amenity impact and avoiding locating Critical National Infrastructure (CNI) in highly challenging environments such as 'The Wash'. We have also welcomed Ofgem's proposed decisions on Pre and Early Construction Funding; barring some project-specific clarifications, they broadly deliver the funding required to progress the projects at pace.

Through the Material Scope Change (MSC) process, we have demonstrated to Ofgem that the scope of EGL3, EGL4 and GWNC has changed fundamentally from the ASTI licence modification decision in 2023¹ to the MSC submission in 2024. As a consequence of the scope change and new risk profile, Ofgem's proposed Output Delivery Incentive (ODI) Target Dates are neither appropriate nor achievable. **In addition, and critically, the proposed Licence Obligation (LO) delivery date and would result in an unacceptably high risk of licence breach, being set to a P50 level of confidence.**

Prior to the consultation, we welcomed Ofgem adapting the consultation questions to include an opportunity for respondents to provide a view as to whether Ofgem should ensure that the new Target ODI date represents a fair bet for the TOs delivering the project or maintains an overall fair balance across the portfolio.

As set out in our response, it is clear that Ofgem should prioritise ensuring new dates for these projects represent a 'fair-bet'. This is aligned with good regulatory practice as well as the direction of travel for the new Major Project Regime under RII0-T3. Ofgem should use the output of the Quantitative Schedule Risk Analysis (QSRA) and set an ODI Target Date aligned to the P50 value. This provides an objective and reasonable method to calculate the probability of meeting a delivery date, taking into account project specific factors. We have discussed this at length with Ofgem who have provided positive feedback that this approach is 'reasonable'

We believe there are several fundamental problems with the current attempt to rely on analysis across the TOs' portfolios. These are set out in detail in the joint TO response but are summarised as follows:

- **Ofgem's position is not transparent** in relation to how a portfolio approach was to be adopted for the purpose of calibrating ASTI ODI Target Dates for projects undergoing an MSC, and no such position is reflected in either the ASTI guidance or licence parameters which are based on calibrating ASTI ODI Target Dates on a project-by-project basis. It was explicitly acknowledged by Ofgem at the time of the ASTI Licence Modification Decision that EGL3, EGL4 and GWNC would be subject to MSC applications, and it was our understanding that the outcome would be a project specific assessment.
- **Ofgem has failed to conduct any quantitative analysis or provide detailed evidence** to support its assertion that the ODI Target Dates were set on a portfolio basis that ensured an even chance of rewards or penalties for each TO. Given that Ofgem did not conduct the relevant analysis at the time of the ASTI licence modification, it has no basis for its conclusion that the new dates it has set result in a 'fair bet' across portfolios. Moreover, an independent assessment by [REDACTED], appended to the response, demonstrates that the original portfolio at the time of the licence modification decision was skewed towards penalties, and that Ofgem's minded-to position skews the position even further towards penalties. They found that TOs who deliver at the P50 date face penalties which are approximately three times larger than they would have been had they delivered at the original P50 date pre-MSC.

¹ [Decision to modify the special licence conditions in the electricity transmission licences: Accelerated Strategic Transmission Investment | Ofgem](#)

- **Contrary to its representations in the ASTI Guidance, Ofgem has failed to develop tools for assessing scope change proposals**, such as how the financial balance of TOs' ASTI portfolios would inform/affect ODI Target Date selections and be managed on an enduring basis. This creates uncertainty in how the regulatory framework operates and, if not clarified, this uncertainty may have wider ranging impacts across our investors and supply chain.
- **Ofgem's approach to setting the ODI Target Dates for the EGL3 and EGL4 projects post-MSc is inconsistent** with the approach it took to setting the ODI Target Dates for these projects pre-MSc (where 12 months were added to the dates provided in TOs' delivery plans to determine the ODI Target Dates). Ofgem's current approach also results in an LO delivery date being set at P50. This fails to meet good regulatory practice, as it sets an LO date in respect of which licence breach is the expected outcome; it is an unacceptable level of licence breach risk. It also contradicts Ofgem's own statements as to the aim and effect of its proposals.
- **The TOs responsible for delivering these projects do not have an equal 'portfolio' of ASTI projects.** The fact that SPT does not have a significant portfolio reinforces the view that it is not rational for Ofgem to take a portfolio approach to setting dates for joint venture projects, and it cannot have been Ofgem's intention at the point of establishing ASTI, because Ofgem has not identified a statistically reliable way to set a date that maintains a portfolio balance post MSC for all TOs simultaneously.

We have worked hard with Ofgem to establish the ASTI framework and mobilise a significant investment portfolio. We had hoped and expected Ofgem would be reasonable and fair, making decisions based on evidence. We remain committed to delivering strategic infrastructure that meets the UK's clean power and growth ambitions and maximises value for consumers. It is vital that regulatory mechanisms do not inadvertently penalise innovation, constrain consumer benefit or disincentivise use of regulatory process where there is demonstrable consumer value.

Finally, we have included further detail in our response regarding the engineering challenges of commissioning EGL3 and EGL4 at the same time. This is a GB first with two HVDC links of this scale aiming to be brought on to the network in parallel and it requires detailed planning with the NESO to ensure reliability and resilience of the network is maintained – our expert engineering view is that a 3-6 month stagger may be required. We believe this requires further discussion with Ofgem and the NESO when determining the final ODI Target Date for the projects.

We would welcome continued engagement with Ofgem, including on any quantitative assessments it has or intends to perform, as it comes to its final decision.

Regards

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██████████ Director Supply Chain, Regulation and Commercial, National Grid (NGET)

Appendix – Detailed responses to consultation questions

| Consultation question | NGET response location |
|--|---|
| Q1. Do you agree with the revised Network Design for the Lincolnshire Area? | Please see joint TO response submitted on behalf of NGET, SSENT and SPT |
| Q2. Do you agree with the TOs' proposal to set ODI Target Dates at the end of 2034 based on their Quantified Schedule Risk Analysis? | Please see joint TO response submitted on behalf of NGET, SSENT and SPT |
| Q3. Do you agree with moving the EGL3 PCF allowance from the LOTI PCF condition to the ASTI PCF condition? | Please see response provided by the EGL3 JV For GWNC please refer to the NGET GWNC specific response |
| Q4. Do you agree with our proposal to set revised ODI Target Dates at the end of 2033? | Please see joint TO response submitted on behalf of NGET, SSENT and SPT |
| Q5. When setting a new date as part of a material scope change should we prioritise ensuring that the new date represents a "fair bet" for the TOs delivering the project, or the date maintains an overall fair balance of risk across their portfolio of projects? | Please see joint TO response submitted on behalf of NGET, SSENT and SPT |
| Q6. Do you agree with our proposal to update PCF allowances to reflect updated forecast project costs? | Please see response provided by the EGL3 and EGL4 JV For GWNC please refer to the NGET specific response |
| Q7. Do you agree with our minded-to position to provide ECF for the EGL3 project as set out in chapter 4? | Please see response provided by the EGL3 JV |
| Q8. Do you agree with our minded-to position to provide ECF for the EGL4 project as set out in chapter 5? | Please see response provided by the EGL4 JV |