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Dear Jon,

**EGL3 Material Scope Change (MSC) and Early Construction Funding (ECF) minded-to consultation response.**

This response is prepared and submitted on behalf of SSEN Transmission.

As one of the UK's most complex transmission projects, EGL3 is critical to meeting net zero targets and supporting investment and jobs nationwide. We are fully committed to meeting our project delivery obligations through our joint venture with National Grid Electricity Transmission (NGET) and through our broader responsibilities within the ASTI portfolio. We moved quickly to support the MSC application, conducted expedited procurement processes to secure suppliers for the northern section of the work, and assisted the joint venture in creating the procurement strategy for the remainder of the EGL3 project.

We appreciate Ofgem's collaborative and proactive approach in the lead-up to this consultation, particularly the thorough work undertaken so far in evaluating the MSC application. Nonetheless, we remain concerned that the MSC assessment does not sufficiently address new and additional risks confronting the Transmission Owners (TOs), nor does the current stance align with the foundational principles of the ASTI framework. These principles included ensuring that we have a reasonable opportunity to achieve timely delivery of each scheme.

We consider it appropriate to align the EGL3 delivery date with the P50 date, which Ofgem has assessed as 'reasonable'. We neither concur with nor fully comprehend Ofgem's assertion that the ASTI framework would be revisited to uphold the 'fair bet'

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principle in the event of a major change affecting one of the ASTI projects, less so where such change drives additional benefits for consumers through mitigation of significant constraint costs and increasing connection capacity to 18GW, as independently assessed by NESO.

In 2022/23, when we committed to our 2030 outputs, the scope and risks of each individual project were relatively well understood for the stage of development. However, as we highlighted in our updated ASTI Delivery Plan to Ofgem in December 2022, a change in scope impacting on EGL3 was both anticipated and beyond our control. The recommended scope has added significant project risk to the 'project' and to us as a licence holder.

- **Increase in scope risk from non-ASTI projects:** Project risk materially increases with the addition of 100km of onshore underground cable, essentially adsorbing the scope of the onshore LRN4 project. As LRN4 was designated as a Provisional ASTI in 2022, it could not have been considered in the assessment at that time and so represents a material change and increase since 2022.
- **Increase in delivery risk from interdependent projects:** The project is then exposed to increased delivery risk due to the introduction of two HVDC projects having to share a common onshore corridor and contract structure. This was not part of the outline design 2022; it could not have been considered in the ASTI assessment at that time and so represents a material change and increase since 2022.
- **Increase in licensee risk through expanded JV remit:** a unique impact of the scope change is that as a JV partner, we are now exposed to scope and delivery risk which at the introduction of ASTI were not within the project we assessed or signed up to deliver. As a result of scope change and the consolidation of multiple projects in the south, the risk profile has increased for SSEN Transmission which the ability to control that risk has shifted away from SSEN Transmission, particularly regarding critical path activities affecting EGL3.

The material increases in scope with the introduction of an onshore project which was out with the ASTI settlement (LRN4), the increased delivery risk with the introduction of parallel cable routes (EGL3/4) and the transfer of risk through the JV model (LRN4 and GWNC) were not, nor could they have been, considered in our or Ofgem's assessment of ASTI in 2022.

These changes are in the best interest of consumers. As the MSC demonstrated, they enhance the output benefit for consumers and they are delivered more efficiently

(common cable corridor, single contractor and reduced environmental impact). We are actively supporting the efficient delivery of this new programme.

However, this does not negate the reality that the scope of EGL3, as well as its critical path, has become significantly more intricate and demanding because of the extensive coordination required at the southern end of the link. That materially and negatively impacts the TOs now tasked with delivering the outputs and warrants a reset of the ODI and LO parameters to the balanced, evidenced P50 dates.

The evidence submitted by the TOs and [REDACTED] as part of this consultation provides further insight and substantiates our perspective. Taken short, we disagree with Ofgem's view that the proposed ODI Target Date for EGL3 does '*not put TOs at any greater risk of being of being penalised through the ODI or being in licence breach than when ASTI was introduced*'.

Ofgem's current position regarding the MSC and proposed ASTI ODI Target Date (and by extension, Licence Obligation) does not sufficiently acknowledge the new project complexities, nor are they adequately addressed within the proposed regulatory arrangements. The current position increases downside risk and the chance of licence breach by not using all available information:

- We provided **target dates based on the latest project information**, including probabilistic risk assessment outputs. Ofgem's current position does not to use Quantitative Schedule Risk Analysis (QSRA) data and instead set an extremely ambitious deadline that is unlikely to be met.
- Ofgem's reasoning for this date **relies on incomplete risk analysis** undertaken when the ASTI framework was first established. While we understand the ASTI calibration was done quickly, it is illogical to repeat such calibration methods now that updated information is available.
- The evidence put forward by independent consultants supports this position and suggests that the proposed balance of risk and reward for the three projects **is not consistent with the original ASTI decision**.
- The current method for setting Target Delivery Dates **lacks clear guidance and transparency**, which needs urgent attention as we enter RIIO-T3.

Throughout the scope change process, we have remained committed to working collaboratively with NGET to deliver EGL3 at the earliest opportunity. We have continued to develop the project at pace, maintaining deliverables consistent with the original delivery date, as demonstrated by the achievement of key milestones:

- **Securing of the supply chain** – our civils package for the northern convertor has been secured through our ASTI framework. We have led the recent tender events for the convertor and cable packages with our JV partner which has recently confirmed Hitachi Energy and NKT as preferred bidders.
- **Progressing and securing consents** – we have secured consents for our Netherton hub which includes the northern convertor on EGL3. We have submitted a marine licence application covering Scottish Waters and continued to progress our programme through consenting of works within our control to maintain delivery in line with the original delivery date.
- **Supporting the material scope change** – we have worked collaboratively with NGET to progress the MSC application, whilst progressing at pace for the elements of the project within our control.

We have acted as an efficient and delivery focused TO and stand ready to complete EGL3 by the target delivery date. However, there are residual risks, predominantly in the south, which could put this date at risk. It is directly attributable to aspects of the project under NGET's control, primarily due to modifications involving the southern components and associated projects GWNC and EGL4. These developments are outside our responsibility (and reasonable level of influence). The integration of these projects has added critical path activities to EGL3 that are beyond our control, making EGL3 more complex. **Ofgem therefore must recognise, as part of the MSC Decision, that if delays arise due to circumstances in the south, and we have exhausted all reasonable and efficient mitigating actions, SSEN Transmission will not be penalised for circumstances beyond its control.**

We appreciate ongoing collaboration with Ofgem and remain available to discuss any matters highlighted in our response at Ofgem's earliest convenience.

Yours sincerely

Lois Paton

**Head of Regulation**

## **Appendix 1 – Response to consultation questions**

### **Q1 Do you agree with the revised network design in the Lincolnshire area?**

Please see the Joint TO response submitted on behalf of SSENT, NGET 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 the Joint TO response submitted on behalf of SSENT, NGET and SPT.

### **Q3. Do you agree with moving the EGL3 PCF allowance from the LOTI PCF condition to the ASTI PCF condition**

Please see the response provided by the EGL3 JV.

### **Q4. Do you agree with our proposal to set revised ODI Target Dates at the end of 2033?**

Please see the Joint TO response submitted on behalf of SSENT, NGET 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 the Joint TO response submitted on behalf of SSENT, NGET and SPT.

### **Q6. Do you agree with our proposal to update PCF allowances to reflect updated forecast project costs?**

Please see the response provided by the EGL3 JV.

### **Q7. Do you agree with our minded-to position to provide ECF for the EGL3 project as set out in chapter 4?**

Please see the 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?**

We have no comment on this question.