

Consultation

RIO-2 Non-Operational IT Capex Re-opener Draft Determination: NGET ETCC Project

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In January 2025, National Grid Electricity Transmission plc (NGET) submitted its full project submission of its Electricity Transmission Control Centre (ETCC) project under the Non-Operational IT Capex Re-opener (Special Condition (SpC) 3.7). This followed our non-public consultation in November 2023 where we¹ informally assessed the needs case and optioneering of the ETCC project. We are now consulting on our formal Draft Determinations for the ETCC project assessment. We would like views from people with an interest in Electricity Transmission (ET) and Electricity Distribution (ED). We would also welcome responses from other stakeholders and the public.

We propose to approve £48.67m of RIO-ET2 allowances for the ETCC up to the end of RIO-ET2 only. We propose remaining allowances be assessed in RIO-ET3 where any allowances will reflect the efficient full project costs net of any allowance already approved for through the RIO-2 Non-Operational IT Capex Re-opener mechanism. The proposed RIO-ET2 funding will enable NGET to progress an efficient ETCC solution now while allowing Ofgem a future opportunity to assess ETCC holistically alongside NGET's future estates and property strategy. We see this approach as critical to both meeting essential system and operating requirements while also delivering strong value for consumers.

¹ The terms "we", "us", "our", "Ofgem" and "the Authority" are used interchangeably in this document and refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

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1. Introduction

Background

- 1.1 Network companies are natural monopolies. Effective regulation of privatised for-profit monopolies is essential to ensure they cannot unfairly exercise their monopoly power to the detriment of their customers. This is particularly important in the case of essential utilities, such as energy, where consumers have no choice on whether or not to pay what they are charged. It is therefore crucial that an effective regulator protects energy consumers by controlling how much network companies can charge their customers. Ofgem does this through periodic price controls that are designed to ensure network companies are properly incentivised to deliver the best possible outcomes for current and future energy consumers. This includes ensuring that consumers only pay for investments that are needed and do not overpay for those investments.
- 1.2 The current price control model is known as RIIO (Revenue = Incentives + Innovation + Outputs). RIIO-ET2 is the second price control under the RIIO model for electricity transmission and runs from 1 April 2021 until 31 March 2026. It includes a range of Uncertainty Mechanisms (UMs) that allow us to assess applications for additional funding during RIIO-2 as the need, cost or timing of proposed projects becomes clearer. This ensures that consumers fund projects only when there is clear evidence of benefit, and we have clarity on likely costs and cost efficiency. These mechanisms also ensure that the RIIO-2 price control has flexibility to adapt as the pathways to Net Zero become clearer.
- 1.3 Where possible, we have set automatic UMs, such as the Generation and Demand Connection Volume Drivers, which provide Electricity Transmission Owners with immediate funding when they are required to undertake new customer connection works. In other areas, where the degree of uncertainty is too great to allow for an automatic mechanism, we set 're-openers' which will allow us to assess proposals robustly once information with sufficient accuracy is made available.

Purpose of the re-opener mechanism

- 1.4 The Non-operational IT Capex Re-opener can provide additional expenditure to network companies as part of their Totex allowance to implement efficient IT asset enhancements in support of the business systems and networks. This can include hardware, infrastructure, and software development projects.

NGET's Electricity Transmission Control Centre application

- 1.5 NGET first formally raised its proposal for a new ETCC as part of an April 2021 submission where it requested £2.37m to undertake initial works on three associated energy transmission projects. We consulted in September 2021 and

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concluded that NGET had demonstrated the needs case for implementation of a contingency transmission network control centre to meet its System Operator – Transmission Owner Code (STC) compliance requirements and to comply with legal separation requirements. Since 1 April 2019, NGET and what is now National Energy System Operator (NESO) have been separate legal entities and a process is underway to physically separate their operations.²

- 1.6 After concluding our decision-making process on its April 2021 proposal³, NGET informed us that in order to meet ETCC project timelines, it would need to begin a major procurement activity in October 2023. NGET, therefore, requested we provide an initial assessment on this project. In November 2023, we issued a non-public consultation on our initial assessment of the project’s needs case and optioneering. This was not a formal determination of the project given costs and proposals were not finalised at that time. We confirmed at the time that we would only provide a formal determination once we have reviewed the full application, including project costs, associated outputs, and delivery dates.
- 1.7 We considered there to be a needs case driven by the NGET and NESO separation requirements and to meet STC compliance requirements, [redacted] and the needs to build in future expansion capability.
- 1.8 In our November 2023 non-public consultation, we raised concerns on the specific proposed Hams Hall Substation site of the ETCC which was to be directly at the end of the 400kV substation busbar. We were also concerned that the proposed building design resulted in higher costs than we expected to see.
- 1.9 In January 2025, NGET submitted its full ETCC project application, including updated costs.
- 1.10 Since its submission on 31 January 2025, NGET has provided additional information to us through Supplementary Question (SQ) process and separate information relevant to ETCC provided as part of the RIIO-3 consultation response.

What are we consulting on

- 1.11 We are consulting on our assessment of NGET’s full Non-Operational IT Capex re-opener application for its proposed ETCC project.

² NGET transitioned its Electricity System Operator (ESO) functions to National Grid Electricity System Operator Limited (NGESO) on 1 April 2019, with NGET still existing as a separate entity. NGESO (now NESO) was divested from National Grid Group on 1 October 2024

³ [National Grid Electricity Transmission \(NGET\) Non-operational IT Capex Re-opener Decision \(IEMS/TNCC/SCADA\) | Ofgem](#)

Context and related publications

1.12 This document is intended to be read alongside:

- [RIIO-2 Re-opener Guidance and Application Requirements Document](#)
- NGET's [licence](#)
- [Notice](#) of ETCC on NGET's website
- [Notice](#) of needs case consultation

Next steps

1.13 After considering all consultation responses, we will conclude our assessment of NGET's re-opener application with a decision in due course.

1.14 Under the Non-Operational IT Capex Re-opener, Ofgem will issue a direction to set out any allowance adjustments. These allowances are adjusted by changing the value of the relevant term within the licence and the Regulatory Years to which that adjustment relates. Our proposed direction is set out in Appendix 1 of this consultation and sets out our proposed allowance adjustments; our reasons for the proposed direction are set out in this consultation.

1.15 Following this consultation, and our consideration of the responses, we will issue a formal direction to set out any adjustments alongside our Final Determinations.

Consultation stages

Stage 1 Consultation open: 11 December 2025

Stage 2 Consultation closes (awaiting decision). Deadline for responses: 22 January 2025

Stage 3 Responses reviewed and published: Q1 2026

Stage 4 Consultation outcome: Q1 2026

How to respond

1.16 We want to hear from anyone interested in this consultation. Please send your response to ReopenerConsultations@ofgem.gov.uk. The deadline for response is 22 January 2026.

1.17 We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

1.18 We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, data, and confidentiality

- 1.19 You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.
- 1.20 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.
- 1.21 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 2.
- 1.22 If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.
- 1.23 We will also consider requests to withhold or redact information from publication in accordance with the Redaction Policy as set out in Appendix 12 to the [Re-opener Guidance and Application Requirements Document](#).

How to track the progress of a consultation

1. Find the web page for the call for input you would like to receive updates on.
2. Click 'Get emails about this page', enter your email address and click 'Submit'.
3. You will receive an email to notify you when it has changed status.

A consultation has three stages: 'Open', 'Closed (awaiting decision)', and 'Closed (with decision)'.

2. Our assessment

Questions

- Q1. Do you agree with our assessment of the needs case for the ETCC?
- Q2. Do you agree with our assessment of the optioneering analysis for the ETCC?
- Q3. Do you agree with our cost assessment for the ETCC?
- Q4. Do you agree with our proposal to award only ET2 funding for ETCC and assess any remaining allowances in RIIO-ET3?

- 2.1 NGET is planning to build an operational control facility to manage and operate critical services across the electricity transmission system, [redacted] the Transmission Network Control Centre (TNCC) alongside other [redacted], and to deliver improved operational co-ordination and collaboration.

Needs case

- 2.2 The needs case for the ETCC presented in NGET's full re-opener application is broadly the same as that presented in the June 2023 Needs Case submission, namely: separation of National Grid from the National Energy System Operator (NESO); growth of the transmission network; and security requirements for Critical National Infrastructure.
- 2.3 While the justification for a new control centre has not changed materially since the June 2023 Needs Case submission, the wider context in which NGET's specific ETCC proposals are being delivered have progressed, for example, the additional property portfolio proposals put forward by NGET in its RIIO-3 business plan. We remain of the view that NGET has demonstrated the need for a contingency transmission network control centre due to these requirements, triggered by legal separation of NESO from National Grid Group.
- 2.4 Previously, the timing of delivery of the ETCC facility was directly linked to the project to deliver a replacement of some existing control systems. However, due to NGET's delays to both projects, there is no longer a direct timing dependency between them. A separate, temporary solution is planned in the interim that will enable the control system to go-live ahead of any need to install them at the ETCC facility. The ETCC remains a more permanent solution for installing the relevant control systems.
- 2.5 NGET's June 2023 Needs Case submission expanded the ETCC's purpose to add [redacted] into the design of the site, to fulfil the security requirements applicable to these functions and realise the operational benefits of [redacted] to effectively manage a growing transmission network. In our November 2023 ETCC consultation, we signalled our agreement with the needs case for ETCC, including the proposed scope expansion that combines [redacted] and builds in future

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expansion capability. We continue to agree that there are potential benefits from [redacted], including efficiencies stemming from building fewer sites and operational savings.

- 2.6 As part of its RIIO-ET3 business plan submission, NGET proposed making further investments in its property portfolio, including ones that were not known to Ofgem at the time of the November 2023 ETCC consultation. The proposals included ETCC as a key component of this strategy which is being delivered across the ET2 and ET3 price controls. However, these wider proposals complicate our assessment of the ETCC as an individual project, as its purpose and functions are interconnected with, and cannot be considered in isolation from, this wider strategy. Assessing the remaining allowances in RIIO-ET3 will allow us to consider NGET's ETCC proposals in the context of its overall property investment proposals. This will ensure that individual elements of its proposals align with a holistic, coherent, and efficient property estates strategy, maximising the value of investment for consumers.

Optioneering

- 2.7 NGET has provided several optioneering analyses, either for the ETCC specifically, or where ETCC is considered in a wider context, outlined below:

- April 2021 submission: location assessment across ten potential sites, which pointed towards Hams Hall as a preferred option, but not conclusively and without a full cost-benefit analysis (CBA).
- June 2023 submission: examining variations on the [redacted], other than transmission network control (a fixed assumption), [redacted] in Hams Hall. No options examining alternative locations to Hams Hall were quantified.
- 2024 Post-consultation CBA: comparing between various options for building ETCC at Hams Hall and for building on an entirely new site. This CBA included estimated constraint costs associated with options where this was a relevant consideration.
- Holistic CBA: holistic assessment of different options relating to NGET's future plans for its property portfolio. The first iteration of this was provided in response to SQs, with ETCC as a fixed element (i.e. assuming that ETCC as proposed at Hams Hall will be delivered in all scenarios). Subsequently, as part of RIIO-3 Draft Determinations consultation responses, an updated holistic CBA and related documents were provided including revised ETCC costs (compared to the 2024 post-consultation CBA).

- 2.8 In the first consultation on the ETCC project in September 2021⁴, our view was that the location assessment presented was weak, and noted our concerns that

⁴ [RIIO-2 Non-operational IT Capex Re-opener Consultation | Ofgem](#)

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potential solutions were rejected on the basis of broad cost categories, which ultimately may have only contributed marginal costs in the context of the wider project. However, our view was that the additional time and effort of a more thorough assessment of site options may not produce alternative solutions. The proposal to accept the Hams Hall disused 275kV substation site focused on the benefits of using existing NGET-owned land and the presence of necessary OpTel connectivity, both of which could reduce the cost of the project compared to building the ETCC at an alternative NGET-owned, or entirely new, site.

- 2.9 Our November 2023 consultation raised several concerns and questions on its June 2023 submission regarding details of NGET's optioneering analysis of the Hams Hall site. In particular, concerns were raised over the positioning of the ETCC on the 275kV disused substation site, in close proximity to the 400kV busbar, limiting the extension of the 400kV substation for future connections. While amending the design to relocate car parking facilities on the ETCC site attempted to address this issue, it did not resolve our concerns at the time. In response to our questions on the viability of locating ETCC on an alternative site, NGET estimated that moving the proposed location could incur additional costs of approximately [redacted], although our assessment at the time noted this appeared to be a high estimate as it included some costs that are unlikely to be incurred. Overall, the CBA did not enable us to undertake an adequate assessment as to whether the preferred option at Hams Hall would be the best outcome for consumers, but we remained open to reconsidering our assessment if further evidence could be provided to demonstrate that the proposed solution is the most efficient option.
- 2.10 In the RIIO-ET3 submissions NGET have made us aware of a range of condition issues regarding the Hams Hall site. While NGET had disclosed some of the condition issues in our ETCC discussions, this new information suggests these are more impactful than we had first understood. We will engage further with NGET through the course of ET3 to understand impacts on ETCC CBA of this new health data.
- 2.11 NGET provided a revised CBA as part of its response to the November 2023 consultation, which included further analysis of options for building the ETCC at Hams Hall and revised options for building the ETCC on a new site. Additional details in this CBA included estimates relating to additional customer connections, asset replacement at Hams Hall and constraint costs. Hams Hall remained NGET's preferred location for building the ETCC and connecting existing contracted customers, despite including [redacted] of associated constraint costs. Options for building ETCC on a new site were forecast to incur over [redacted] of additional costs in comparison to Hams Hall although, as in previous CBA iterations, this appeared to include some potentially irrelevant costs, indicating that this was likely to be a high-end estimate. Importantly, the estimated additional costs (in comparison to the June 2023 CBA) relating to land

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purchase and OpTel infrastructure, which have been key to the arguments in favour of prioritising the Hams Hall site, contributed less than [redacted] of the [redacted] additional costs.

- 2.12 In response to our SQs, NGET provided a holistic CBA that analysed multiple options of future plans for its property portfolio (discussed in paragraph 2.6), but without any detail relating to ETCC. Despite further requests via SQs for relevant detail on ETCC to be included in this CBA, NGET did not provide the detail requested. Instead it argued that the post-consultation CBA was unchanged (other than updated construction costs) meaning updates were “not deemed necessary”. The absence of necessary quantitative information on the proposed ETCC in the CBA provided in response to our SQs has made it difficult for us to determine with sufficient certainty whether NGET’s proposals at Hams Hall are optimal from a consumer perspective.
- 2.13 NGET provided additional documents as part of its response to the RIIO-3 Draft Determinations, setting out its strategy for its property portfolio, including an updated version of the holistic CBA (the most recent analysis available to us), with updated details on the ETCC. The options presented that involve building the ETCC at Hams Hall use updated construction costs (as discussed in paragraph 2.5), but also include updated ETCC constraint costs of approximately [redacted]. This updated holistic CBA also included options for building the ETCC on a new site, which are forecast to incur over [redacted] of additional costs relative to Hams Hall. While the overall additional costs presented for building ETCC on a new site have increased substantially compared to previous CBA iterations, the estimated costs relating to land purchase and OpTel infrastructure have increased less significantly, to approximately [redacted].
- 2.14 Similar to previous CBA iterations, we have concerns that incremental costs presented in the holistic CBA for building the ETCC on a new site may not be relevant, or are unlikely to be incurred. As an example of our concerns, the 2024 post-consultation CBA included [redacted] of costs for continuing NESO contingency services and extending the life of the control system that was planned for replacement, but have been removed from the options in the Holistic CBA where ETCC is built on a new site.
- 2.15 Overall, we remain concerned that the potential constraint costs associated with the ETCC at Hams Hall, the inclusion of costs that may be irrelevant or unlikely to be incurred, and future plans for NGET’s property portfolio complicate our assessment of the optioneering undertaken. However, when taking into consideration the costs incurred to date constructing the ETCC facility, this may lead to the conclusion that pursuing an alternative solution now would not be in the best interests of consumers.
- 2.16 Had more of the details relating to NGET’s wider strategy been known to us earlier in our assessment of the ETCC re-opener application, an alternative solution may

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have been preferred to the one that is being pursued, potentially on an entirely new site.

Cost assessment

2.17 NGET's June 2023 ETCC submission estimated that the costs to deliver ETCC at Hams Hall would be £99m (all figures quoted in 2018/19 prices unless stated otherwise). We raised some preliminary concerns over the scale of the estimated costs in our November 2023 consultation, and set out our expectation that the final cost estimates may be lower and require robust justification.

2.18 NGET's full ETCC re-opener submission in January 2025 included updated costs of £107.16m to deliver ETCC, with a request for an additional [redacted] "reactive contingency fund" that would be used only to cover high impact, low probability (HILP) risks.

2.19 The following table summarises the costs submitted by NGET to deliver the ETCC project categorised into the broad areas of work involved, alongside the specific adjustments applied through our assessment. To present a complete picture of the costs, independent of the delivery method, we have combined costs into similar categories across services delivered by contractors, third parties and NGET themselves.

Table 1: ETCC Funding request and Draft Determinations (DD)

£m (2018/19 prices)	Total	Senior Staff	BREEAM /WELL	Travel & Accommodation	BNG	Unexplained difference	Indirect costs(1)	Inflation / Price base	Risk	Ofgem's DD allowances
DESIGN	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
PRELIMINARIES	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
PROJECT MANAGEMENT	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
CONSTRUCTION	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
IT	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
PROFESSIONAL SERVICES	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
SUPPORT FUNCTIONS	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
RISK & INFLATION	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
OTHER	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
TOTAL	107.16	-0.28	-0.17	-0.13	-0.35	-0.17	-7.87	-0.22	-5.77	92.19

(1) Indirect costs adjustment allocated to the categories which contain the majority of costs classified as indirect in NGET's submission.

2.20 We have reviewed NGET's submission, including the composition of the forecast costs between different work packages, to understand the allocation of roles and

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responsibilities between NGET, its Main Works Contractor (MWC) and other third party service providers.

- 2.21 To support our assessment of NGET's cost submission, we have reallocated some costs between the categories outlined in **Table 1** to reflect the nature of the services provided; for example, the design work for the ETCC is shared across the MWC, subcontractors and other third party service providers. Where relevant to our assessment, these reallocations are discussed below in relation to the adjustments made to NGET's cost submission.
- 2.22 The MWC quote includes a percentage fee applied to the main components of the work being delivered. Where relevant to the adjustments applied to the £107.16m funding request, we have applied the same fee percentage.
- 2.23 There are senior roles budgeted within the MWC with notably higher rates than other roles on the project. In our view, these roles are outside of the scope of the project itself given there are other resources budgeted within MWC preliminaries to provide oversight over the project overall, or specific areas of it. The independent consultants appointed by NGET also highlighted similar concerns in relation to senior roles included within the MWC budget. We propose to apply a deduction of £0.28m to remove the costs associated with these roles.
- 2.24 NGET is seeking environmental (BREEAM⁵) and workplace (WELL⁶) certifications for the ETCC. The aspects of the building design relevant to achieving these certifications include Solar PV panels, ground source heat pumps and specific requirements for lighting within the building. Many of these design choices are not included solely to achieve these certifications and provide other operational benefits, such as improved energy efficiency. While there are benefits from these design choices, we believe the specific certifications themselves are not necessary to meet the needs of the project. Analysing the costs presented, we have identified costs specifically relating to BREEAM and WELL certifications, such as specific roles on the project which relate to these certifications and costs incurred in the administrative process of becoming certified, and propose to apply a deduction of £0.17m as a result. We do not think it is appropriate for consumers to pay for the certifications given that they are not essential. We consider that NGET has not demonstrated that there are any direct consumer benefits from obtaining these certifications.
- 2.25 The majority of MWC and subcontractor work packages do not include any budgeted estimates for travel and accommodation costs, however we identified a

⁵ Building Research Establishment Environmental Assessment Method (BREEAM) rating is a framework for assessing the sustainability of buildings across a range of categories (e.g. water, energy, land use etc.)

⁶ The WELL building standard focuses on enhancing human health and well-being through building design that focuses on aspects such as air, water, light, thermal comfort etc.

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small number of quotes that do. If these costs are being incurred by other subcontractors, they have not been clearly specified or are not being passed on through the MWC. Therefore, we propose to apply an adjustment of £0.13m to remove travel and accommodation costs in the small number of work packages where these costs have been included to treat these costs consistently across NGET's application.

- 2.26 A simple estimate for the costs involved in meeting Biodiversity Net Gain requirements (BNG) has been included in the MWC quote, applying a multiplier for the estimated land area affected, alongside contract instructions and design-related BNG costs. Separately, in response to our SQs, NGET has pointed to other aspects of the ETCC design being linked to biodiversity requirements. We believe there is a risk of double counting of biodiversity-related costs across these items and other aspects of the ETCC design, for example landscaping. We propose to apply an adjustment of £0.35m to these BNG-related costs estimates.
- 2.27 One component of the MWC quote includes a difference of £0.17m between the detailed supporting information and the summary table that corresponds to the values used in the £107.16m funding request, which we propose to deduct.
- 2.28 NGET classified 19.6% of the costs included in their submission as indirect costs, for example covering design, project management and support functions. The indirect costs included in the submission are higher than we would expect to see. In part, this may be due to overlapping responsibilities for some of these activities, such as design and project management, being shared between NGET, its MWC, MWC subcontractors and other third-party service providers. To address this, we have reduced the indirect costs in our assessment to 15.3%, in line with the proportion of Closely Associated Indirect (CAI) costs in NGET's adjusted allowances, as reported in the [2023/24 ET Annual Report](#). The adjustment to reduce the proportion of indirect costs is applied after the adjustments discussed in this consultation, excluding any allowances for risk and contingency (discussed separately in the following paragraphs), resulting in an adjustment of £7.87m.
- 2.29 NGET included additional costs for inflation within its overall funding request, applying Real Price Effects (RPE) methodology to arrive at this estimate. RPEs are not applied to the Non-operational IT Capex licence term and therefore we propose to exclude these estimates. In addition, when analysing NGET's cost submission, we identified some items where costs were converted to 2018/19 prices using specific rates for each year, but consecutive years used the same conversion factor. We have corrected this to apply a specific price conversion factor relevant to each year, as NGET has throughout most of its cost submission results. We propose to apply an adjustment of £0.22m in relation to inflation and price base conversions.
- 2.30 We have applied a deduction of £5.77m to the risk allowance for the project. The risk allowance included in the submission is split across NGET's Quantitative

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Cost Risk Analysis (QCRA) assessment and the risk allowance provided for the MWC, totalling [redacted]. However, the MWC includes multiple work packages and subcontractors, and several work package quotes include their own risk or contingency. Combining these costs for risk and contingency alongside the [redacted] specifically categorised as risk results in a total of [redacted]. To calculate the £5.77m deduction we have applied a 7.5% risk allowance consistent with other ET2 cost assessments, after applying the other adjustments outlined above in paragraphs 2.22 to 2.29 to NGET's submitted costs.

- 2.31 We propose to reject NGET's request to add a "reactive contingency fund" in addition to any allowances relating to the £107.16m total project costs. The [redacted] "reactive contingency fund" requested represents 50% of the combined estimated risk values for the seven risks identified by NGET as being underestimated in its QCRA due to the low probability assigned to them. If NGET's proposal is accepted, the contribution of these High Impact, Low Probability (HILP) risks to NGET's requested risk allowance would be removed and substituted for the "reactive contingency fund".
- 2.32 NGET's suggested operation for these HILP risks would be similar to the Cost and Output Adjusting Event (COAE) available in the Large Onshore Transmission Investment (LOTI) re-opener mechanism, except the default 20% COAE threshold would be reduced to 0% in this case. We decided at the time of RIIO-2 FDs that the COAE provision would be limited to the LOTI mechanism. It would not be appropriate to revisit this decision without very strong reason to do so. NGET provides several examples, including epidemic or pandemic affecting project delivery and global recession impacting contractors or suppliers, as justification for awarding HILP risk on ETCC. These are all risk factors that we were aware of and considered in the design of the RIIO-2 price control. We therefore propose to reject NGET's request for a specific HILP risk allowance.
- 2.33 Combining the proposed adjustments to NGET's £107.16m cost submission detailed above would result in a proposed deduction of £14.97m.

3. Our Draft Determinations

- 3.1 As set out above, there remains uncertainty regarding NGET's broader plans for its property portfolio and [redacted] sites, which the ETCC is central to, such as the number of [redacted]. Understanding these wider interdependencies is critical to ensuring the proposed option for ETCC is efficient and delivers long term value. In addition, we continue to have concerns and questions over the optioneering undertaken to arrive at the preferred option for ETCC, both individually and in the wider context of NGET's investment plans in ET3.
- 3.2 In the context of the wider uncertainty over NGET's plans, we propose to at this stage approve allowances for the ETCC up to the end of RIIO-ET2 only. The total value of the proposed RIIO-ET2 allowances is £48.67m. This funding will enable NGET to progress an efficient ETCC solution during this price control period. Our proposal aims to reflect the progress of the ETCC project made to date and the role ETCC plays in operational separation from NESO, while ensuring that the remaining allowances are set to maximise consumer value once the interdependencies across NGET's overall plans for its property portfolio and [redacted] are better understood.
- 3.3 Our [RIIO-3 Final Determinations](#)⁷ included a Property Re-opener to enable NGET to seek funding for efficient costs for investments related to its property portfolio. Additional costs associated with delivering an efficient ETCC as part of a holistic, coherent, and efficient property estates strategy (including anything submitted through the Property Re-opener) will be considered for funding in ET3. Any additional allowances we award for ETCC in RIIO-ET3 will reflect the efficient full project costs net of any allowance already approved for through the RIIO-2 Non-Operational IT Capex Re-opener mechanism.
- 3.4 We will set the RIIO-ET3 allowances by considering how:
- ETCC fits into NGET's overall property portfolio, and a programme of investment that is underpinned by a holistic and efficient long-term estates strategy;
 - NGET's optioneering for its future plans for its property portfolio (including ETCC) evidences an efficient solution that meets the needs case, while minimising impacts on the wider transmission network; and
 - The total efficient programme costs (including ETCC) efficiently deliver the long-term estates strategy avoiding duplication of requirements and identifying areas for optimisation.

⁷ NGET annex, Chapter 4.

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- 3.5 We consider a combination of the current funding commitment plus a future assessment that optimises the RIIO-ET3 portion holistically alongside NGET's other estates investment plans to be in consumers' best interests.

4. Next steps

- 4.1 We welcome your responses to this consultation, both generally, and in particular to the specific questions in Chapter 2. After having considered all consultation responses, we will endeavour to conclude our assessment of NGET's Re-opener application with a decision in due course.
- 4.2 Under SpC 3.7, we will issue a direction to set out any adjustments to the NOITRO_t term alongside our decision.

Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this consultation. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.

Appendix 1. Draft direction

Introductory note

Following our assessment of this re-opener submission, we have set out our Draft Determinations. Any decision, for example to add additional allowances for a project, will be implemented into the Licensees' licence by direction. This Appendix provides a draft of the direction that will implement our Final Determination, as required by Special Condition 3.7. Upon consultation, and full consideration of consultation responses, we intend to confirm the final text of the direction at the same time as setting out our Final Determinations.

Any representations with respect to the Draft Determination or associated draft direction below must be made on or before 22 January 2026 to: Philip Sanders and Catherine Warrilow, Office of Gas and Electricity Markets, 10 South Colonnade, London, E14 4PU or by email to ReopenerConsultations@ofgem.gov.uk.

Draft Direction

To:

National Grid Electricity Transmission plc

Direction under Special Condition 3.7 of the Electricity Transmission Licence held by National Grid Electricity Transmission plc to add allowances under the Non-Operational IT Capex Re-opener.

1. National Grid Electricity Transmission plc ('the Licensee') is the holder of an electricity transmission licence granted or treated as granted under s.6(1)(b) of the Electricity Act 1989 (the 'Act').
2. Special Condition 3.7 of the Licensee's electricity transmission licence provides a re-opener mechanism by which the Licensee may seek additional funding during the RIIO-2 price control period for Non-Operational IT Capex costs.

Consultation RIIO-2 Non-Operational IT Capex Re-opener Draft Determination: NGET ETCC Project

3. The Licensee applied under Special Condition 3.7 in January 2025. The Authority publicly consulted on its Draft Determinations between 11 December 2025 and 22 January 2026. This document included a draft of this direction, as required by Part E of Special Condition 3.7.

4. We received [x] responses and have placed all non-confidential responses on our website. Having considered those responses, we have decided to proceed with making this direction.

Now therefore,

5. This direction is issued pursuant to Special Condition 3.7 and sets out approved funding, adjustments to the relevant terms (NOITRO_t) and the Regulatory Years to which that adjustment relates. These are set out in Annex 1 below.

6. This direction will take effect immediately and constitutes notice stating the reasons for our decision for the purposes of section 49A(2) of the Act.

Yours sincerely,

Pete Wightman

Deputy Director, Price Control Operations

For and on behalf of the Authority

Annex 1: SpC 3.7 Non-Operational IT Capex Re-opener NOITRO₁

Approved amounts: [£48.670m]

Appendix 1

Total Non-operational IT Capex Re-opener Allowance (£m)

Regulatory	Year					
	2021/22	2022/23	2023/24	2024/25	2025/26	All years
Re-opener Allowance	3.461	29.271	42.957	28.945	31.666	136.299
<u>Re-opener Allowance</u>	<u>4.329</u>	<u>31.722</u>	<u>47.175</u>	<u>37.448</u>	<u>64.295</u>	<u>184.970</u>

Appendix 2. Privacy policy

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

We will not share your data with third parties.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for twelve months after the project has closed.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically

Consultation RIIIO-2 Non-Operational IT Capex Re-opener Draft Determination: NGET ETCC Project

- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information For more information on how Ofgem processes your data, click on the link to our “[ofgem privacy promise](#)”.