

Decision

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

Publication date:	23 March 2026
Contact:	Catherine Warrilow, Philip Sanders
Team:	Price Control Operations – Small & Medium Sized Projects
Email:	ReopenerConsultations@ofgem.gov.uk

This document sets out our Final Determination (FD) on National Grid Electricity Transmission's (NGET's) Electricity Transmission Control Centre (ETCC) project, which was submitted under the Non-Operational IT Capex Re-opener (Special Condition (SpC) 3.7) in January 2025. We consulted on our Draft Determination (DD) between December 2025 and January 2026. We received two responses, one from NGET and one from an independent engineer.

Our Final Determinations are to set allowances of £93.39m for NGET's ETCC project, £49.30m for RIO-ET2 and £44.09m RIO-ET3.

Alongside this decision, we have published a direction setting out the relevant modifications to NGET's electricity transmission licence to give effect to our FDs.

Decision RIIO-2 Non-Operational IT Capex Re-opener Final Determination: NGET ETCC Project

© Crown copyright 2026

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the Open Government Licence.

Without prejudice to the generality of the terms of the Open Government Licence, the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

This publication is available at www.ofgem.gov.uk. Any enquiries regarding the use and re-use of this information resource should be sent to psi@nationalarchives.gsi.gov.uk.

Contents

1. Introduction.....	4
Background	4
What did we consult on?	4
Related Publications	5
Decision-making stages	5
2. Summary of our Draft Determinations, consultation responses and our Final Determinations	6
Needs case	6
Optioneering	7
Cost assessment	8
Our Final Determinations	10
3. Conclusions	14
Send us your feedback	15

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.

What did we consult on?

- 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.
- 1.5 NGET applied to Ofgem for additional RIIO-2 and RIIO-3 allowances under the Non-Operational IT Re-opener mechanism in January 2025, following an informal determination on our initial assessment of the project’s needs case and optioneering in November 2023. Following formal submission, NGET also

Decision RIIO-2 Non-Operational IT Capex Re-opener Final Determination: NGET ETCC Project

provided additional information to us through Supplementary Questions (SQ) responses and bilateral meetings.

- 1.6 We considered the proposal and relevant justification for the funding requested in accordance with our principal objective and statutory duties. In line with the [Re-opener Guidance and Application Requirements Document](#), our assessment covered the following three areas:
 - the needs case,
 - the options assessment and justification for the proposed project,
 - the efficient costs for the proposed project.
- 1.7 We combined this information to create our [Draft Determination](#) (DD) on what additional allowances should be provided to undertake the project.
- 1.8 We consulted on our assessment of NGET's full Non-Operational IT Capex Re-opener application for its proposed ETCC project between 11 December 2025 and 22 January 2026, and included a draft of the direction that would be used to implement the DD. Our DD was to approve £48.67m of RIIO-ET2 allowances up to the end of RIIO-ET2 only and proposed that the remaining allowances be assessed during RIIO-ET3.
- 1.9 We received two responses to the consultation: one from NGET and one from an independent engineer. We have published redacted versions of these responses on our website alongside this document.

Related Publications

- 1.10 This document is intended to be read alongside:
 - [RIIO-2 Non-Operational IT Capex Re-opener Draft Determination: NGET ETCC Project](#),
 - [RIIO-2 Re-opener Guidance and Application Requirements Document](#),
 - NGET's [licence](#),
 - [Notice](#) of ETCC on NGET's website,
 - [Notice](#) of needs case consultation.

Decision-making stages

Stage 1 Consultation open: 11 December 2025

Stage 2 Consultation closes (awaiting decision). Deadline for responses: 22 January 2026

Stage 3 Responses reviewed and published: Q1 2026

Stage 4 Consultation outcome: Q1 2026

2. Summary of our Draft Determinations, consultation responses and our Final Determinations

Needs case

Summary of our Draft Determinations

2.1 We agreed with the needs case presented by NGET in its application which was driven by:

- legal separation of National Grid from the National Energy System Operator (NESO),
- growth of the transmission network,
- security requirements for Critical National Infrastructure (CNI).

This needs case was broadly the same as that presented in its June 2023 Needs Case submission.

2.2 Whilst we agreed with the needs case presented, we had concerns around how the ETCC fits with NGET's wider RIIO-ET3 property portfolio plans, including investments that were not known to Ofgem at the time of the November 2023 ETCC consultation. We considered that this complicated 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. For this reason, we proposed to assess the RIIO-ET3 portion of requested allowances in RIIO-ET3 to allow us to consider NGET's ETCC proposals in the context of its overall property investment proposals which would maximise the value of investment for consumers.

Responses to our Draft Determinations

2.3 We received two responses to the consultation, one from an independent engineer and one from NGET. Both of these responses have been published alongside these FDs.

2.4 The response received from an independent engineer, although not addressing our consultation questions directly, agreed with the need for the ETCC and considered that it represents a necessary intervention which requires regulatory scrutiny equivalent to that given to primary transmission assets.

2.5 NGET disagreed with our assessment, particularly around the needs case for ETCC being complicated by additional property portfolio proposals within its RIIO-ET3 business plan. NGET argued that ETCC is independent of other property proposals and that ETCC would not impact them as their drivers differ. NGET added that ETCC is already under construction, with confirmed scope and costs,

Decision RIIO-2 Non-Operational IT Capex Re-opener Final Determination: NGET ETCC Project

and will be operational before other property portfolio proposals within its RIIO-ET3 business plan and, therefore, cannot impact these other decisions.

Optioneering

Summary of our Draft Determinations

- 2.6 Our DDs noted that our November 2023 consultation raised several concerns and questions regarding details of NGET's optioneering analysis of the Hams Hall site. The Cost Benefit Analysis (CBA) did not enable us to undertake an adequate assessment as to whether the preferred Hams Hall location 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.
- 2.7 In its RIIO-ET3 submissions, NGET also made us aware of a range of condition issues regarding the Hams Hall site. Whilst NGET had disclosed some of these condition issues in ETCC discussions, the new information suggested that these were more impactful than first thought.
- 2.8 In our December 2025 DD, we reiterated our concerns with the Hams Hall location due to potential constraint costs, inclusion of costs that may be irrelevant or unlikely to be incurred, and concerns that future plans for NGET's property portfolio complicated our assessment of the optioneering already undertaken.
- 2.9 However, despite these concerns, we also set out that when taking into account costs incurred to date in 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.

Responses to our Draft Determinations

- 2.10 NGET disagreed with our optioneering assessment. NGET added that multiple CBAs have indicated ETCC to be the option in consumers' interests and that cost changes across CBAs reflect project maturation rather than irrelevant outputs.
- 2.11 NGET also disagreed with our views around asset health conditions at Hams Hall and failures in providing the required condition data. It believes asset health information was transparently shared, that subsequent updates do not change the CBA conclusions and, therefore, does not justify deferring a decision on any elements of ETCC funding into RIIO-ET3. NGET adds that any asset health-related replacements will be undertaken during planned outages and do not expect to require any additional outages, meaning ETCC CBAs remain consistent.
- 2.12 NGET added that Hams Hall remains the optimal ETCC location because the Midlands is best placed for meeting operational, staffing and connectivity benefits for ETCC. NGET argued that [redacted] does not change this.

Cost assessment

Summary of our Draft Determinations

2.13 We proposed to approve allowances of £48.67m (all figures 2018/19 prices unless otherwise stated) for the ETCC up to the end of RIIO-ET2 only. The £48.67m value reflects the ET2 portion of NGET's spend profile of its £107.16m cost submission, after deducting £14.97m of proposed adjustments. These adjustments related to:

- senior roles budgeted within the Main Works Contract (MWC) (-£0.28m),
- BREEAM¹ and WELL² certification costs (-£0.17m),
- travel and accommodation costs included in MWC and subcontractor work packages (-£0.13m),
- Biodiversity Net Gain (BNG) requirement costs where we identified a risk of double counting with other aspects of the ETCC design (-£0.35m),
- unexplained cost differences in the detailed supporting information for MWC costs (-£0.17m),
- indirect costs adjustment (-£7.87m),
- inflation and price base conversion corrections (-£0.22m),
- risk allowance adjustment (-£5.77m).

2.14 NGET also requested an additional “reactive contingency fund” of [redacted] to be used for certain High Impact, Low Probability risks in the event that these specific risks occur, which we proposed to reject.

2.15 Our proposal to approve an allowance of £48.67m for ETCC up to the end of RIIO-ET2 aimed to allow NGET to progress an efficient ETCC solution, whilst ensuring that any remaining allowances are set to maximise consumer value once the interdependencies across NGET's wider plans are better understood.

2.16 We therefore proposed that additional costs associated with delivering an efficient ETCC as part of a holistic, coherent and efficient property estates strategy would be considered for funding alongside other property investments in RIIO-ET3.

¹ 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.)

² 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.

Decision RIIO-2 Non-Operational IT Capex Re-opener Final Determination: NGET ETCC Project

Responses to our Draft Determinations

2.17 NGET disagreed with our cost assessment, arguing that some costs have already been removed through its own assurance process, adjustments use incorrect assumptions or methodological errors, and benchmarking does not reflect the complexity of the project. NGET also responded with specific arguments against the individual adjustments proposed in our DDs:

- Costs relating to Senior roles budgeted within the MWC have already been addressed through agreed adjustments to the MWC contract price.
- BREEAM and WELL certification costs should be disallowed, however staff costs are overestimated as only 20% of the allocated budget included in the DD adjustment relates to BREEAM and WELL certification. Therefore the overall deduction for BREEAM and WELL certification costs should be reduced to £0.05m.
- Travel and accommodation costs included in MWC and subcontractor work packages are driven by operational need and should not be deducted.
- BNG requirement costs deducted in the DD are distinct from work within the site boundary. BNG costs deducted in the DD are required to meet 10% BNG requirements as on-site measures are insufficient to meet this alone, therefore these costs should not be deducted.
- Unexplained cost differences have been addressed through submission of a corrected spreadsheet explaining the £0.17m discrepancy.
- The Indirect costs adjustment applied does not reflect the costs related to the delivery of the project. NGET has sought assurance from independent consultants to confirm that the proportion of costs for services such as design, project management and cost management are in line with comparable projects. NGET also disagrees with the indirect cost benchmark applied in our DDs, arguing that risks should not be deducted from the Closely Associated Indirects (CAI) calculation, using Capex only is a fairer representation for capital projects, and only Load and Non-Load Capex should be used as NGETs non-operational capex reporting in the Regulatory Reporting Pack (RRP) does not separate out CAI.
- Inflation estimates using Real Price Effects (RPE) methodology reflect legitimate costs that NGET expect to incur and therefore should not be disallowed. However, price base conversion corrections (£0.02m) are accepted.
- The Risk allowance adjustment applied is incorrect and should not include costs NGET classifies as [redacted] or contractor risk. In addition, a project specific risk allowance should be applied or, at a minimum, increase the benchmark applied from 7.5% to 10%, citing RIIO-ET3 FDs.

Decision RIIO-2 Non-Operational IT Capex Re-opener Final Determination: NGET ETCC Project

2.18 NGET disagreed with our proposal to reject the “reactive contingency fund”, arguing that similar funds were provided for other projects³ outside of the LOTI re-opener mechanism for High Impact, Low Probability risks, and also noting that a separate licence mechanism would need to be defined to carry over the “reactive contingency fund” into RIIO-ET3. NGET argued that a “reactive contingency fund” “offers flexibility, supports timely delivery and reflects the specific complexities of ETCC.”

Our Final Determinations

- 2.19 After consideration of consultation responses, we have decided to award allowances for the ETCC project to cover both ET2 and ET3 within the RIIO-2 Non-Operational IT Capex Re-opener. NGET has provided assurances in its response to our consultation that further investments in its property portfolio set out in its RIIO-ET3 business plan are concurrent with ETCC but independent of each other. NGET has stated in its consultation response that the investments in its RIIO-ET3 business plan, including [redacted], would not impact ETCC, and also that ETCC would not affect these other RIIO-ET3 investments. We will assess NGET’s assurances in our review of its future submissions in RIIO-ET3, including where we have challenged interdependencies with ETCC. Where we identify interactions between ETCC and NGET’s other investment proposals and identify inefficiencies as a result, we may account for this in any allowances set through the Property Re-opener.
- 2.20 Our assessment of the responses to specific questions in our Draft Determinations and how this relates to our decision is set out in further detail in the following sections on Needs Case, Optioneering and Cost Assessment. Our Final Determination is, therefore, to set both ET2 and ET3 allowances to deliver ETCC, subject to our assessment of efficient costs explained further in the Cost Assessment section.

Needs Case

- 2.21 We maintain our view that a new control centre is required due to separation of National Grid from NESO, growth of the transmission network and security requirements for Critical National Infrastructure.
- 2.22 NGET has provided assurances in its consultation response that ETCC and its other concurrent projects, such as [redacted], are independent, meaning they do not influence the justification for ETCC, which is already under construction. As we assess NGET's submissions in RIIO-ET3 relating to its wider property investments, we will take into account these assurances to ensure that there is a

³ NGET cited specifically the [redacted].

Decision RIIO-2 Non-Operational IT Capex Re-opener Final Determination: NGET ETCC Project

holistic, coherent, and efficient property estates strategy, maximising the value of investment for consumers.

Optioneering

- 2.23 We set out in our DDs our concerns that, had details of NGET's wider strategy been disclosed to us sooner, we may have reached a different view on optioneering and preferred location for ETCC. NGET has since provided us with assurances that its wider strategy is independent and would not have influenced the ETCC optioneering. Despite our reservations, we accept that the ETCC's current location in the Midlands offers good operational, staffing and connectivity benefits that would also need to be present at an alternative site. Taking into consideration the costs already incurred constructing ETCC at Hams Hall, we believe that pursuing an alternative solution now would not be in the best interests of consumers.
- 2.24 We note in NGET's consultation response that [redacted] was being considered in January 2023 with [redacted] confirmed in June 2024. The ETCC needs case submission was submitted in June 2023, during the [redacted]. Although not a confirmed strategy at the time of the 2023 Needs Case submission, we expect networks to transparently disclose material information relevant to our regulatory assessments and decisions, particularly when the [redacted] was cited as a key reason for Hams Hall being the preferred ETCC location. Throughout our engagement on the 2023 Needs Case submission onwards the change to this fundamental assumption was not disclosed in documents submitted in the context of the ETCC re-opener until we specifically requested this information after the January 2025 submission. While NGET has provided assurances around this potential dependency, this lack of transparency falls short of our expectations on how network companies should disclose information to us that is materially relevant to their re-opener applications. We expect NGET's future re-opener submissions should be clear and transparent about the assumptions, interdependencies and linked funding interactions, and also proactively disclose when these circumstances change at any time during the process.
- 2.25 In response to our questions raised in the DD relating to changes to costs included in different iterations of ETCC CBA, NGET has provided further commentary on its previous submissions. Within it NGET responded to our questions on the relative stability of land purchase and OpTel costs across different iterations of CBA options for building on a new site, when compared to other costs included in the CBA. This has prompted a reassessment of NGET's cost assumptions and, since the data was provided in 2025, the quoted land purchase costs in its consultation are expected to be [redacted] higher than the data provided in its most recent CBA.
- 2.26 While the additional information provided further context on NGET's analysis, significant changes to assumptions used in the CBA in response to our questions

Decision RIIO-2 Non-Operational IT Capex Re-opener Final Determination: NGET ETCC Project

continue to support our previously stated concerns over inclusion of costs that may be irrelevant or unlikely to be incurred.

2.27 NGET has confirmed in its consultation response that the asset replacement plans for Hams Hall 400kV submitted in response to the RIIO-3 DDs are not expected to require additional outages. We will take this assurance into consideration as NGET delivers this asset replacement work at Hams Hall and in any related future funding requests.

Cost Assessment

2.28 We have reviewed the information provided by NGET in its consultation response and have updated our cost assessment, summarised in Table 1 below.

Table 1: ETCC Funding request, Draft Determinations and Final Determinations

£m, 2018/19 prices	Draft Determinations (DD)	Change from DD to FD	Final Determinations (FD)
Allowances Requested	107.16	0.00	107.16
Senior Staff	-0.28	+0.28	0.00
BREEAM / WELL	-0.17	+0.12	-0.05
Travel & Accommodation	-0.13	+0.13	0.00
BNG	-0.35	+0.24	-0.11
Unexplained Difference	-0.17	+0.17	0.00
Indirect Costs	-7.87	+1.17	-6.70
Inflation / Price base	-0.22	0.00	-0.22
Risk	-5.77	-0.92	-6.69
Total	92.19	+1.20	93.39

2.29 We have accepted NGET's clarifications in relation to the following adjustments initially included in our DDs:

- The adjustment for Senior Roles has been removed as NGET has confirmed that the specific cost items were included in a negotiated adjustment to the MWC contract price.
- The adjustment for BREEAM and WELL certification costs has been reduced to £0.05m, reflecting NGET's clarification of the budgeted allocation of time to these activities in the MWC quote.
- The adjustment for unexplained cost differences has been removed following NGET's submission of corrected cost spreadsheets.
- Travel and Accommodation cost adjustments have been removed as NGET has confirmed that either, the specific cost items were included in [redacted], or they relate to the circumstances of a specific contractor.

Decision RIIO-2 Non-Operational IT Capex Re-opener Final Determination: NGET ETCC Project

2.30 We have maintained or amended the remaining adjustments set out in our DDs for the reasons set out below:

- We have reduced the adjustment for BNG costs to -£0.11m in response to additional information provided by NGET on the biodiversity units being delivered within and outside the redline boundary. Where there are habitat types being delivered within the redline boundary, we have estimated a cost per biodiversity unit (BU) from the on-site activities NGET has indicated in its responses that relate to biodiversity and applied this to the remaining BU shortfall. Where there are habitat types without on-site costs, we have applied a % discount to the statutory credit value based on the equivalent calculation for habitats with submitted costs and on-site delivery.
- We have reduced the adjustment for indirect costs to -£6.70m. We disagree with several aspects of NGET's arguments in relation to indirect costs. Our understanding from the supporting information provided is that the scope of assurance provided by NGET's independent consultants relates to [redacted], which is a significant proportion of the ETCC project's indirect costs. In addition, NGET's proposed alternative indirect benchmark calculation excludes the capex cost category relevant to ETCC due to the aggregation of direct and indirect costs in NGET's RRP submission. We believe it would be incorrect to use NGET's alternative proposal as an attempt to correct for these data issues. However, we have amended the indirect calculation to include our assessment of risk and contingency, discussed in further detail below.
- The adjustment for inflation remains unchanged from our DD at -£0.22m. We maintain our view that additional costs for inflation above the adjustments for Consumer Prices Index including owner occupiers' housing costs (CPIH) inflation applied through the Price Control Financial Model should be removed. The decision taken in RIIO-ET2 FDs was to not apply RPEs to allowances set through re-opener mechanisms, therefore we continue to apply the same adjustments to these costs in our FDs.
- The Risk allowance adjustment has increased to -£6.69m, compared to -£5.77m in our DD. This change is due to updates to other adjustments discussed above and also amending our risk allowance calculation. Our DD risk allowance used NGET's submitted direct and indirect costs, net of the adjustments discussed in the DD, including the indirect costs adjustment. To align with other RIIO-ET2 re-opener decisions that used the 7.5% risk benchmark, the FD calculation instead uses NGET's submitted direct costs and excludes the indirect costs adjustment. We maintain our view that the risk allowance should be considered across the different delivery methods used for each project, that aligning the risk allowance at 7.5% provided in the RIIO-ET2 FDs is appropriate for RIIO-ET2 re-openers, and decisions included in the RIIO-ET3 FDs should not be retrospectively applied to ET2 re-opener

Decision RIIO-2 Non-Operational IT Capex Re-opener Final Determination: NGET ETCC Project

mechanisms. NGET has also argued that [redacted]. NGET has not specified in its response which costs it believes meet this definition. In our review of MWC supporting information, the distinction between costs for [redacted] was not clear. We have not made any adjustments to our calculations for these costs.

- 2.31 We maintain our view that the “reactive contingency fund” proposal should be rejected. As mentioned in our DDs, many of the examples of High Impact, Low Probability risks NGET included in its proposal, such as epidemic or pandemic affecting project delivery and global recession impacting contractors or suppliers, were considered in the design of the RIIO-2 price control. In addition, the risks identified in NGET’s proposal are relevant to many Electricity Transmission projects and not confined to ETCC.
- 2.32 Combining the adjustments detailed above to NGET’s £107.16m cost submission results in a total deduction of £13.77m.

3. Conclusions

- 3.1 As described in Chapter 2 above, our decision is to set allowances for NGET’s ETCC project under the RIIO-2 Non-Operational IT Capex Re-opener at £93.39m, covering both ET2 and ET3. We have published a direction alongside this FD. This direction will take immediate effect with regards to the ET2 allowances. ET3 allowances will be awarded through the SpC3.23 ET2/ET3 Crossover term in NGET’s ET3 licence that will be modified on or after 1st April 2026. We will separately take steps to ensure NGET’s ET3 licence reflects the outcome of our decision, including updating the allowances and Price Control Deliverables relevant to the ETCC project.

Decision RIIO-2 Non-Operational IT Capex Re-opener Final Determination: NGET ETCC Project

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 decision. 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.