

Consultation

Statutory consultation on eight SHET Early Construction Funding applications and corresponding proposed modification to Special Condition 3.41 of their electricity transmission licence

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We are consulting on our minded-to position on the Early Construction Funding (ECF) submission application by Scottish & Southern Electricity Networks Transmission (trading as Scottish Hydro Electric Transmission Plc – ‘SHET’) for eight electricity transmission projects as governed by SHET’s electricity transmission licence (the Licence), Special Condition (SpC) 3.41 ‘Accelerated Strategic Transmission Investment Re-opener and Price Control Deliverable term (ASTIR_t)’. We are also consulting on our corresponding proposed modification to adjust the term ASTIA_t referenced in Appendix 1 of Spc 3.41.

We would like views from people with an interest in new transmission infrastructure, meeting the net zero challenge, and competition in onshore transmission networks. We particularly welcome responses from consumer groups, stakeholders impacted by the projects, stakeholders with an interest in the costs of electricity transmission infrastructure, and transmission owners. We would also welcome responses from other stakeholders and the public.

This document outlines the scope, purpose, and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations).

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Executive summary

Under Scottish Hydro Electric Transmission Plc's (SHET) electricity transmission licence, Special Condition (SpC) 3.41 'Accelerated Strategic Transmission Investment Re-opener and Price Control Deliverable term (ASTIRt)' - Part C: Early Construction Funding¹, Ofgem can provide Transmission Owners (TOs) with Early Construction Funding (ECF) to enable permitted early construction activities that are required to accelerate projects before an ASTI Project Assessment (PA) Decision. The permitted² early construction activities are:

- Strategic land purchases
- Early enabling works
- Early procurement commitments
- Other activities approved in advance by Ofgem

On 3 August 2025, in line with SpC 3.41.9³ and the ASTI Guidance and Submission Requirements Document⁴, SHET submitted a consolidated ECF application regarding eight electricity transmission projects⁵. SHET has previously submitted two ECF applications for these eight projects and we have awarded early construction funding for the activities specified in those applications. The projects have since sufficiently matured to carry out the activities included in this submission. As part of our assessment of this ECF application we have undertaken a high-level analysis of the proposed early construction activities to determine whether they are justified and eligible under the licence and ASTI guidance.

Our minded-to position is to amend the allowances set out for each of these projects in Appendix 1 (ASTIAt) of SpC 3.41 'Accelerated Strategic Transmission Investment Re-opener and Price Control Deliverable term (ASTIRt)' in SHET's electricity transmission licence (the Licence) to reflect SHET's full ECF expenditure request. The term will have the value given in the corresponding updated version of the ASTI Confidential Annex.

We do not undertake a detailed cost assessment at this stage and we do not form a view on whether the proposed expenditure is efficient. We will carry out those assessments as part of a full cost assessment, including of early construction costs, at

¹ [Licences and licence conditions](#), Electricity licences and conditions, Transmission Licence, Scottish Hydro Electric Transmission Plc – Special Conditions

² [Decision to modify the special licence conditions in the electricity transmission licences: Accelerated Strategic Transmission Investment](#), Accelerated Strategic Transmission Investment Guidance And Submission Requirements Document, paragraph 4.13

³ [Licences and licence conditions](#), Electricity licences and conditions, Transmission Licence, Scottish Hydro Electric Transmission Plc – Special Conditions

⁴ [Decision to modify the special licence conditions in the electricity transmission licences: Accelerated Strategic Transmission Investment](#), Accelerated Strategic Transmission Investment Guidance And Submission Requirements Document, paragraph 3.12

⁵ See paragraph 1.1

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the Accelerated Strategic Transmission Investment (ASTI) Project Assessment (PA) stage. TOs can ultimately only recover costs considered to be efficient following a project assessment.

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1. Introduction

Section summary

This section details what this consultation is about, context and related documents.

Purpose of this consultation

1.1 This consultation seeks stakeholder views on Ofgem’s minded-to position on SHET’s third ECF application for the following eight ‘Accelerated Strategic Transmission Investment’ (ASTI) projects⁶ which have the following Network Options Assessment (NOA)⁷ codes:

Onshore (six projects)

- BLN4: Beaulieu to Loch Buidhe 400kV Reinforcement
- SLU4: Loch Buidhe to Spittal 400kV Reinforcement
- BBNC: Beaulieu to Blackhillock 400kV Double Circuit
- BPNC: Blackhillock and Peterhead 400kV Double Circuit
- BDUP: Beaulieu to Denny 275kV Circuit to 400kV
- TKUP: East Coast Onshore 400kV Phase 2 reinforcement (SSE portion only)⁸

Offshore (two projects)

- PSDC: Spittal to Peterhead 2GW HVDC Subsea link
- Western Isles: Arnish to Beaulieu (Western Isles) HVDC link

1.2 We have provided a brief description of these projects, and the proposed activities SHET intends to carry out in Chapter 2. Respondents are asked to consider whether these activities are in consumers’ interest and support timely delivery of strategic infrastructure. We summarise our view on the ECF application for the eight projects and set out our minded-to decision. Our consultation questions are:

- Q1: Do you agree with our minded-to position to provide ECF for the eight projects?

⁶ [Decision on accelerating onshore electricity transmission investment](#), Table 2

⁷ [Network Options Assessment \(NOA\)](#)

⁸ The project under NOA code TKUP is delivered together with SPT. Each TO has a separate ECF allowance for the works they carry out in their respective portions of the project. The consultation for SPT’s part of TKUP can be found here: [Tealing-Kincardine Upgrade Project Early Construction Funding and licence consultation | Ofgem](#)

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- Q2: Do you agree with our proposed modification to adjust ASTIA_t in Appendix 1 of SpC 3.41?

1.3 We note that the purpose of ECF is to enable permitted early construction activities prior to the project receiving planning consents and being finalised. We are not involved in any planning decisions and the awarding of ECF should not influence the outcome of the relevant planning processes. We encourage stakeholders to engage directly with the planning process, as this remains the most appropriate place to voice any comments on project design or scope.

Related publications

Decision on accelerating onshore electricity transmission

investment: [Ofgem.gov.uk/publications/decision-accelerating-onshore-electricity-transmission-investment](https://www.ofgem.gov.uk/publications/decision-accelerating-onshore-electricity-transmission-investment)

Decision to modify the special licence conditions in the electricity transmission licences and corresponding Associated Document: Accelerated Strategic Transmission Investment, Accelerated Strategic Transmission Investment Guidance And Submission Requirements Document: [Ofgem.gov.uk/publications/decision-modify-special-licence-conditions-electricity-transmission-licences-accelerated-strategic-transmission-investment](https://www.ofgem.gov.uk/publications/decision-modify-special-licence-conditions-electricity-transmission-licences-accelerated-strategic-transmission-investment)

Decision on eight Scottish Hydro Electric Transmission projects - Early Construction Funding and licence consultation round 2: [Eight Scottish Hydro Electric Transmission projects - Early Construction Funding and licence consultation round 2 | Ofgem](#)

Eight Scottish Hydro Electric Transmission projects - Early Construction Funding and proposed licence modification round 1: [Eight Scottish Hydro Electric Transmission projects - Early Construction Funding and proposed licence modification | Ofgem](#)

Consultation stages

Stage 1 Consultation open: 05 March 2026

Stage 2 Consultation closes (awaiting decision). Deadline for responses: 10 April 2026

Stage 3 Responses reviewed and published: May 2026

Stage 4 Consultation outcome (decision or policy statement): May 2026

How to respond

We want to hear from anyone interested in this consultation. Please send your response to the person or team named on the front page of this document.

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

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We will publish non-confidential responses on our website.

Your response, data, and confidentiality

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.

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.

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 Annex 4.

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.

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)'.

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2. Early Construction Funding application assessment for eight SHET projects

Section summary

This chapter sets out SHET’s ECF application and our minded-to position.

Questions

- Q1. Do you agree with our minded-to position to provide ECF for the eight projects?
- Q2. Do you agree with our proposed modification to adjust ASTIA_t in Appendix 1 of SpC 3.41?

Brief description of the eight projects

- 2.1 A map displaying the existing network and proposed new infrastructure as well as a brief description of the eight SHET projects are included in Annex 3.
- 2.2 All eight projects have been approved for inclusion in our ASTI framework because they are crucial for the safe, resilient, and efficient transmission of electricity through the energy system. They will also help alleviate constraint costs that the consumer is currently billed for. The needs case and benefits of these projects have been set out in NESO’s Network Options Assessment 2021-22⁹ and the Holistic Network Design¹⁰.
- 2.3 These projects were also identified by NESO as key projects to be delivered by 2030 in order to connect and transport clean power through the system in accordance with the Government’s Clean Power 2030 targets¹¹. Their completion will therefore also support the Scottish and UK Government’s ambitions for a clean power and net zero future.
- 2.4 Since the original inclusion of the project in NOA, SHET has updated the cost estimates of their ASTI portfolio and has informed us that this is due to the following reasons:
- When SHET produced the cost estimates for the projects in 2022, projects were at an early stage, with sites, routes, design, and technology options still under consideration. The cost estimates were therefore informed by historic project rates, internal SSE insight, and available market intelligence. The cost estimates from 2022 became the basis of the values that have been included

⁹ [Network Options Assessment 2021-22](#)

¹⁰ [A Holistic Network Design for Offshore Wind | National Energy System Operator](#)

¹¹ [NESO Clean Power 2030 Annex 2](#)

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in the ASTI Confidential Annex in SHET’s licence and the values against which ECF allowances were calculated for each project.

- The updated cost forecasts use revised unit rates reflective of current market pricing as the projects transition to delivery phase. Those have been particularly impacted by constraints in the supply chain.

2.5 The efficiency of these costs will be tested at Project Assessment stage and is not within the scope of this consultation. Our engineering teams are engaging with SHET counterparts and the projects will be subject to a Technical Assessment as part of the project assessment process to help verify the efficiency of the costs. If any costs are found to be inefficient, they will be disallowed, regardless of whether the activities have been permitted under ECF.

ECF application overview

2.6 SHET made an application for ECF under Part C of SpC 3.41 of its licence to enable funding of early construction activities for eight projects. These activities fall in the categories of strategic land purchase, early enabling works, and early procurement commitments. SHET also submitted activities in the category “other activities approved in advance” under the titles “Accommodation” and “Environment and Nature”.

2.7 As set out in Table 1. SHET has requested funding that will exceed the ECF cap of 20% of the value for total project cost as set out in SHET’s licence for five of the projects. To illustrate the proportion of early cost in real terms, SHET has shared with us what the percentages would look like when based on their latest forecast cost. According to this, the ECF value requested would not exceed 20% of the latest project forecast for any of the projects.

2.8 We consider that the 20 per cent cap strikes the appropriate balance between assisting acceleration and protecting consumers from potentially excessive cost exposure in the unlikely event that a project does not progress to being awarded planning permission.¹² As per the licence and ASTI Guidance, we are permitted to approve ECF above the 20% cap in exceptional circumstances where expenditure is justified and there is consumer interest to do so and the risks associated with bigger exposure outweigh the benefits – for example, where the activities help accelerate the project.

2.9 This is the third ECF request for all eight projects. The table below sets out the percentage value of ECF previously approved for each project as well as the cumulative percentage of total ECF, which includes the values requested in the

¹² [Decision to modify the special licence conditions in the electricity transmission licences: Accelerated Strategic Transmission Investment](#), Accelerated Strategic Transmission Investment Guidance And Submission Requirements Document, paragraph 4.7 and 4.8

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current application. The last column shows what the requested total ECF would look like if we base the percentage on the updated project cost values as reported by SHET as part of this application.

Project	Previously approved ECF in % based on licence cost	Cumulative ECF inclusive of this request in % based on licence cost	Cumulative ECF inclusive of this request in % based on updated total cost forecast
BLN4	20%	30%	7%
SLU4	31%	34%	6%
BBNC	13%	14%	5%
BPNC	19%	27%	7%
BDUP	27%	44%	10%
TKUP (SHET share only)	17%	20%	4%
PSDC	13%	19%	9%
WI	11%	23%	9%

Table 1. Percentage of ECF requested for each project

- 2.10 The ECF funding is intended to allow SHET to carry out early construction activities where it is in consumers' interest for these costs to be incurred early. It can also help accelerate the delivery of the projects, maintaining the current delivery schedules to achieve targets of 2030 or earlier, where possible. These activities typically commence ahead of a full Project Assessment (PA) where we will complete a full cost assessment and assess the efficiency of all project expenditure.
- 2.11 In the event of a project cancellation, the project will still be subject to a PA to ensure that SHET only recovers efficient costs. Any unspent ECF allowance will be returned to the consumer.
- 2.12 All ASTI schemes are progressing through their respective consenting processes with a number of consents already secured. With early design works carried out, SHET has a better view of the construction requirements for each project. This has enabled SHET to identify which activities can be carried out early in order to support delivery at pace.

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2.13 We note that the final outcome for four substations remains pending, subject to appeals submitted by SSE following rejections for Hurlie and Emmock substations, Carnaig substation and Fanellan substation.

Strategic land purchases

Activities proposed

2.14 The majority of strategic land purchase needs for the projects have been met in earlier ECF requests. The activities included in the current submission are to obtain land for substation sites or secure access to the construction areas. Those needs have been identified following further design maturity. SHET intends to secure the land via a combination of land purchase and option agreements. The table below summarises the activities required for each project in this submission.

Project	Summary of activities
BLN4	SHET intends to make payments to cover the leasing of land to facilitate access arrangements necessary to deliver the Fanellan 400 kV substation and associated enabling works; SHET expect these arrangements may be necessary to discharge planning conditions.
SLU4	No funding requested for this category.
BBNC	No funding requested for this category.
BPNC	No funding requested for this category.
BDUP	SHET intends to make payments to cover remainder of cost required to complete land purchase for Cambushinnie and Bingally substations (earlier ECF approved initial payments). Land purchase to host the Errochty to Kinardochoy underground cable. Purchase of land to allow access to Fort Augustus.
TKUP	SHET intends to make payments to cover remainder of cost required to complete land purchase for Hurlie and Emmock substations (earlier ECF approved initial payments).
PSDC	SHET intends to make payments to cover remainder of cost required to complete land purchase for Netherton Hub substation (earlier ECF approved initial payments).

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Project Summary of activities

WI No funding requested for this category.

Consumer benefits and protections in place

- 2.15 Securing the land required for the construction or access to sites for each project can prevent delays from occurring and protect the delivery schedule of the project. The TO can commence construction work as soon as it obtains the relevant planning consents and therefore decrease project uncertainty.
- 2.16 Purchasing the land early will minimise the impact of potential land cost increases where competition for land would otherwise drive overall costs up.
- 2.17 Where possible, SHET will opt for option agreements rather than outright purchase, limiting initial commitments to around 10–15% of land value and avoiding early, irreversible spend.
- 2.18 Most agreements also contain withdrawal provisions that allow the project to step back if planning is refused or design requirements change.
- 2.19 SHET has also provided assurances that in the event of cancellation, purchased land can be resold in the open market or repurposed for other developments.
- 2.20 Consents have been secured for BDUP (Cambushinnie and Fort Augustus and Bingally) and PSDC (Netherton Hub). The cost associated with land purchase for these projects is therefore unlikely to be incurred at risk as the land is certain to be required.
- 2.21 Consenting process is ongoing for Fanellan substation following a rejection from the planning authority and SHET's intent to appeal the decision. This means the costs requested to facilitate access arrangements to the substation site may still expose the consumer to financial loss if the land is not required. The land can be re-sold but the level of recoverability of cost will depend on the market price. We note that SHET is pursuing a lease agreement with an option to purchase land, so the most significant risks linked to outright purchase are minimised.
- 2.22 Given Fanellan's strategic position connecting four ASTI schemes, providing access via the lease arrangements included in this ECF category will be required to facilitate the volume of traffic expected. If consent is granted and the access has not been secured, this could lead to a delay on multiple ASTI projects.
- 2.23 The consenting process is also ongoing following rejections for TKUP's Hurlie and Emmock substations where SHET is proposing to complete land purchase. SHET is appealing the decisions to the planning authorities. The local planning authority

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recommended approval, and no statutory consultees raised objections. SHET is therefore confident that the final planning decision will also be favourable.

2.24 SHET's allowance for TKUP would not exceed 20% as set out in SHET's licence to ensure the consumer is not exposed to disproportionate risk of financial loss.

Early enabling works

2.25 SHET has requested funding for early enabling activities for some of its projects as per the table below.

Project	Summary of activities
BLN4	<p>SHET proposes to upgrade Fanellan Black bridge to secure access for abnormal load transportation. Upgrades are required as a recent structural assessment has designated it unfit for any vehicle loading. Activities include a full replacement of existing bridge and demolition of the current structure. The Black Bridge remains a critical requirement for the delivery of the HVDC transformers, as the alternative construction-viable routes are not suitable for abnormal indivisible load transportation.</p> <p>Meanwhile, SHET has identified an alternative option to access Fanellan substations (funding for land access required under strategic land purchases). SHET intends to utilise both options – the bridge will be required for abnormal load while the alternative land access will be used for other transportation, including access for activities required before the bridge is ready.</p>
SLU4	No funding requested for this category.
BBNC	No funding requested for this category.
BPNC	<p>New Deer Extension works include installation of 4 new SF6 400kV GIS bays, 4non-SF6 GIS busbar routes and 4 new AIS cable bays to facilitate connections from other projects. Many of these will also be shared with BPNC.</p> <p>To meet planning conditions, public road improvements are required at Greens.</p> <p>Utility diversions are also required to complete the road improvements. The diversions include a distribution overhead line, private water supplies, telecoms, and Scottish Water mains.</p> <p>Advanced felling along OHL route is required to ensure timely and safe delivery. An agreement has been made with the landowner and relevant licences are in place.</p>

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Project	Summary of activities
BDUP	No funding requested for this category.
TKUP	No funding requested for this category.
PSDC	<p>Contract work is required to enable early works for the Spittal to Peterhead Netherton Hub, this work includes demolition of existing properties, primary works, formation of site compound areas, opening of initial site borrow pits and pre-earthworks temporary drainage.</p> <p>Early work on the Netherton Hub that will consist of the design, consenting and construction activities for the install of the infrastructure for the 9km DNO supply.</p> <p>Enabling works are required for Spittal to Peterhead such as de-vegetation and site clearance, temporary fencing, establishing access roads/tracks, haul roads and bellmouths, and Horizontal Directional Drilling (HDD) hardstanding and laydown area.</p> <p>HVDC cable needs to be protected with a trencher. SHET are proposing to design and manufacture a new offshore trencher for the project.</p>
WI	<p>SHET is proposing to commence early work to set up the Lewis hub. These activities will include primary works, access roads, formation of site compound areas, formation of laydown areas, service connections and diversions, opening of initial site borrow pits, and formation of working faces.</p> <p>HVDC cable needs to be protected with a trencher. SHET are proposing to design and manufacture a new offshore trencher for the project.</p> <p>Coordinating with Stornoway Port Authority to maximise efficiency as they upgrade the Arnish Point, SHET intend to install and provide associated materials, plus the supervision from NKT and SSE to ensure delivery of the quality plan.</p> <p>To ensure connection dates are met, SHET will complete early work on the cable installation which will consist of access routes to the cable corridor, securing/establishing project offices, storage areas and welfare facilities, de-vegetation and site clearance, temporary fencing, access roads and bellmouths, HDD hardstanding and laydown area, haul roads and temporary access tracks, and culvert upgrades and lowering.</p> <p>Technical studies have identified that the HVDC underground cable will cause interference with the existing BT Openreach (BTO) network and so</p>

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Project	Summary of activities
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	SHET are proposing to remove all elements of copper cable within the affected zone.
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Consumer benefits and protections in place

- 2.26 The activities in this submission category will enable SHET to proceed to construction as soon as practicable by carrying out preparatory activities in advance. These may require coordinating efforts with a number of stakeholders and interested parties. In some cases, SHET would need to arrange utilities diversions with respective partners.
- 2.27 SHET will also be required to work with local agencies and authorities to obtain additional permits as applicable. This would include relevant road improvements that would be a prerequisite for accessing the sites or discharging relevant planning conditions. Carrying out these activities as early as possible can help prevent significant delays.
- 2.28 We have engaged with SHET to ensure that they are placing sufficient consumer protections in place. SHET's consumer protection measures include:
- redeploying procured assets to other schemes
 - negotiating clawback provisions, which would allow SHET to recover some of the costs incurred in case of project cancellation or redesign
 - incorporating backstop dates and minimum notice periods within contracts to reduce exposure
 - milestone based payment structure, with expenditure aligned to delivery outputs rather than upfront commitments. This reduces the risk of unrecoverable spend during uncertain stages of the planning process.
- 2.29 SHET has secured Parent Company Guarantees (PCGs) and Advanced Payment Bonds for early procurement commitments. These provide a safeguard against contractor insolvency and enabling recovery of funds where procured items become surplus due to cancellation or redesign.
- 2.30 Where costs remain at risk (e.g. where consents have not yet been obtained), SHET is confident that it can maximise recoverability on early enabling costs through redeploying them on similar projects. These measures collectively support proactive risk management and ensure that, wherever feasible, consumer funds remain protected or recoverable.
- 2.31 SHET has highlighted that where works cannot be undone for activities such as access roads or utilities, these activities can be used to serve nearby projects.

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This means that even if the project they were intended for was cancelled, the product of the activity can be used for other projects in the area e.g. by providing access. These are therefore low-regret activities which can be useful within the network even if the specific project scope changes.

- 2.32 Consents have been secured for BPNC (New Deer), PSDC (all material consents secured) and Western Isles (Lewis Hub). This means that the early enabling works associated with these projects are likely to be required as described in this ECF application and the likelihood of consumer exposure to financial loss is extremely low. A significant proportion of the early enabling costs requested in this ECF application are less likely to be incurred at risk.
- 2.33 Consenting process is ongoing for Fanellan substation following a rejection from the planning authorities and SHET intends to appeal the decision. This means the early enabling costs associated with this substation, including the planned upgrades to Black Bridge, may expose the consumer to risk of financial loss if the access via the bridge is ultimately not required.
- 2.34 The upgrades to the bridge are critical for abnormal load vehicle transportation and will be integral for the construction works at Fanellan, should the substation proceed. Access arrangements could form part of the planning conditions if the substation secures consent. Considering the structural work required to upgrade the bridge, these activities are expected to take a considerable amount of time.
- 2.35 Given Fanellan's strategic position connecting four ASTI schemes, providing multiple access points will be critical in order to facilitate the volume of traffic expected. If consent is granted and the access has not been secured, this could lead to a delay on multiple ASTI projects.
- 2.36 SHET has informed us that alternatives to Black Bridge that could have supported abnormal load transportation have been explored but have faced community objections. We will explore the efficiency of this solution and the alternatives considered at PA stage to determine the efficiency of the final cost.
- 2.37 As per above, all early construction-related activities for TKUP would not exceed 20% ECF allowance as set out in SHET's licence to ensure the consumer is not exposed to disproportionate risk of financial loss.

Early procurement commitments

- 2.38 SHET has requested funding to place orders for items with long-lead times.
- 2.39 The items required for each project are listed in the table below.

Project	Summary of activities	Lead time identified (as of Feb 2025)
BLN4	GIS and AIS equipment	20 – 24 months (GIS); 43 – 80 weeks (AIS)

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Project	Summary of activities	Lead time identified (as of Feb 2025)
SLU4	GIS and AIS equipment	20 – 24 months (GIS); 43 – 80 weeks (AIS)
BBNC	No funding requested for this category	
BPNC	GIS and AIS equipment	20 – 24 months (GIS); 43 – 80 weeks (AIS)
BDUP	GIS and AIS equipment	20 – 24 months (GIS); 43 – 80 weeks (AIS)
	Black start reactor – delivery needed for Fort Augustus by 2027	18 – 30 months (Black start reactor)
	Protection and control panels	12 months
	132kV underground cable	6 months
TKUP	AIS circuit-breakers and SF-free circuit breakers	Up to 24 months
PSDC	Items for HVDC Converter building: substructure (foundations), structural steelwork, precast concrete, roofing and cladding, MEP, earthing, RFI Shielding, FRC Works, fencing; associated laydown areas for these items	No lead time identified but payment to arrange the contract required imminently
WI	Items for HVDC Converter building: substructure (foundations), structural steelwork, precast concrete, roofing and cladding, MEP, earthing, RFI Shielding, FRC Works, fencing; associated laydown areas for these items	No lead time identified but payment to arrange the contract required imminently
	Procurement of key long-lead items for the Lewis substation:	
	<ul style="list-style-type: none"> - SF6-free 400kV GIS - Protection & Control panels - Real Time Systems (RTS) 	<ul style="list-style-type: none"> - Up to 24 months - 12 months - Unspecified

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Consumer benefits and protections in place

2.40 SHET intends to limit consumer exposure in the event of project cancellation by incorporating protections in their contractual agreements. These protections may include:

- Advanced payment being made after the delivery of an advanced payment bond (and if it is for a specific purpose, evidence that the purpose of it has been or will be met)
- Advanced payment being repaid to SHET in instalments (the value of such instalments to be agreed with contractors)
- Advanced payment bond being retained until the advanced payment has been repaid
- In the event of termination of the works, SHET may deduct or recover any advanced payment not repaid minus certain costs (e.g., cancellation charges)

2.41 As stated in the above table, many of these procured items have substantive lead times and delays to purchase them could lead to delays to the project, which ultimately is costly to the consumer. If the project design changes as a result of planning conditions, SHET is confident that the standardised design of the procured goods would reduce the risk of sunk costs as the items are still likely to be needed elsewhere.

2.42 SHET has committed to actively monitoring market lead times and ensuring orders are placed in a timeframe that will support the timely delivery of the respective project and no earlier. This would ensure costs are incurred only when it is necessary, therefore limiting exposure during uncertainty prior to all material consents being secured for each project.

Other costs – accommodation

Activities proposed

2.43 SHET has estimated that during the peak construction time of the ASTI programme, there will be over 6,000 workers mobilised across the north of Scotland. As part of this submission, SHET has requested funding to support its proposed solution on this matter. SHET's *Housing Our Workers*¹³ strategy addresses accommodation challenges during the ASTI programme by committing to deliver over 1,000 new homes across the north of Scotland.

¹³¹³ [SSENT Housing Our Workers Strategy 2024](#). We note the strategy originally said 5000 workers, however SHET has updated us that their latest estimates point towards 6,000 workers

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- 2.44 Due to the remote areas that these projects cover, it is expected that many of the people working on those projects will be transient workers. This presents additional challenges. Many of these regions face housing shortages and limited capacity for tourism, which is vital to the local economy. Housing thousands of workers in these areas exclusively via existing accommodation – e.g. hotels and rental sites - could negatively impact local tourism and the wider community. SHET’s approach aims to ensure that community needs are met, tourism is able to continue and consumers are able to benefit from the energy network reinforcements delivered by the ASTI portfolio without delay.
- 2.45 SHET’s approach combines permanent and temporary housing to meet accommodation needs for the required workforce. This aims to minimise pressure on local housing and tourism accommodation. Developed collaboratively with local authorities and housing providers, SHET’s housing strategy aims to deliver long-term community benefits, with most homes designated as affordable housing post-project.
- 2.46 In some cases, SHET will support the construction of new permanent housing or refurbishment of existing properties. The investment that SHET will make for the construction of this accommodation serves the purpose of a lease payment for using the accommodation for the duration required for the respective project. It is the equivalent of paying rent to occupy a property. However, the properties to be occupied have not yet been built or require refurbishment, so SHET is making payments to carry out those related activities as a way to pay for its lease.
- 2.47 The accommodation investment that SHET will make is not intended to fully cover the value of the respective properties or result in SHET’s ownership of the properties. Therefore, neither SHET, nor the consumer will, at any point, be liable for the full cost of constructing a permanent home.
- 2.48 For accommodation where construction/refurbishment is required, the activities that SHET has included under this category serve as early payments to confirm SHET’s commitment to use the accommodation and give confidence to the respective developers or contractors to commence the necessary construction work or other activity required in preparation for those.
- 2.49 For temporary accommodation, such as for BDUP, the costs requested will help reserve capacity with the relevant contractors to ensure that the items needed to deliver the accommodation at the time it is needed are available.
- 2.50 The activities applicable to each project under this category are presented in the table below. SHET has confirmed that the costs included in this ECF application represent initial payments that must be made prior to PA stage in order to begin work and do not cover the entirety of the accommodation cost associated with each activity. Ofgem has not carried out an efficiency assessment of these

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activities or of SHET's overall housing strategy – this will be assessed at Project Assessment stage.

Project	Summary of activities
BLN4	The construction of 209 houses (440 beds) to be made available to workers throughout FY26/27. Activities requested in this ECF application include obtaining permissions and licences, start-up funding for site works and initial rental for workers homes as they come purpose-built.
SLU4	SHET is proposing to refurbish 18 council housing stock properties for workers accommodation. These properties have been pending refurbishment for a prolonged period and are currently out of use.
BBNC	No funding requested for this category.
BPNC	No funding requested for this category.
BDUP	SHET is requesting funding for a temporary accommodation camp at Bingally and workers accommodation for Fort Augustus. In Bingally, SHET intends to purchase an existing dwelling as well as design and install a temporary camp. In Fort Augustus, SHET intends to increase the capacity of a static caravan holiday park and purchase a hostel and upgrade facilities to a suitable level.
TKUP	SHET is proposing to build 91 homes at Ury Estate, Stonehaven and 62 homes in Brechin to accommodate workers on the TKUP project.
PSDC	SHET has requested funding for initial works across 3 housing sites - Greenacres, Sovereign Gate and Aden Meadows. These developments will deliver 197 new homes to accommodate workers for the duration of construction and form part of SHET's housing commitment to provide a lasting community legacy in Aberdeenshire.
WI	SHET has requested funding for initial works across two housing sites – one site by the airport and another at Melbost. These developments will deliver 144 new homes to provide 294 beds for the workforce during construction, as well as form part of SHET's housing commitment to provide a lasting community legacy for the Western Isles.

Consumer benefits and protections in place

2.51 We have engaged extensively with SHET to determine the eligibility of the costs included in this category for early construction funding. We sought to understand

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why it's in the consumer's interest for these activities to be carried out early and why they are essential for the delivery of the overall ASTI programme.

- 2.52 Securing a solution for the workforce required to physically deliver the projects is critical for the completion of the ASTI programme because the projects cannot be delivered without the necessary workers. The solution for the housing issue must be in place before construction can begin in order to safeguard the delivery schedule for each project.
- 2.53 SHET has also provided us with examples from past projects where requirements around accommodation have been part of planning conditions. Creating a holistic strategy to house SHET's workers helps pre-empt similar planning conditions by ensuring there is a solution acceptable to the local authorities. This would help SHET address the issue in a more efficient manner and prevent delays that may have otherwise occurred if no steps were proactively taken to provide housing.
- 2.54 SHET has stated that the accommodation solutions selected for each project represent the most cost-effective option to accommodate the workers required for the respective projects. This is compared to alternatives such as housing workers in temporary camps or in nearby towns and cities with existing housing and providing transport to the remote locations. The activities associated with this ECF request would therefore be in the consumers' interest as they would lower overall costs associated with accommodation that may otherwise be added to the projects' final cost.
- 2.55 Some of the costs will not be recoverable – for example, an initial non-refundable payment will be required for each activity identified in this category. However, this early payment is capped at 5% of the respective total accommodation cost for each project. The remainder of the payments covered by this ECF will be structured in milestones to minimise exposure.
- 2.56 The proportion of accommodation costs in a project's total cost will vary but across the ASTI portfolio, accommodation costs are estimated to represent 4-7% of the total cost of the portfolio, making the irrecoverable proportion of the accommodation costs requested in this ECF reasonably low.
- 2.57 SHET has implemented the following protections to limit consumer exposure related to early accommodation costs:
- Early funding for each project will be limited to a maximum of 5% of total accommodation costs, with the bulk of investment only released after consent approval to reduce cancellation risk.
 - For all accommodation costs, SHET has set up a milestone-based payment structure, with expenditure aligned to delivery outputs rather than upfront commitments. This reduces the risk of unrecoverable spend during the earlier stages of the planning process when there is more uncertainty.

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- In case a delivery partner becomes insolvent, SHET will hold security over land or require alternative protections such as Bonds or Parent Company Guarantees.
- Funding agreements will make delivery partners liable for delays, with damages benchmarked against the cost of alternative accommodation.
- If housing availability is delayed, SHET will seek to minimise disruption via a blended accommodation strategy, which would include flexible temporary solutions and phased handovers.
- Each contract would include a minimum 12-week notice period for delays and tight project management to monitor risks.

2.58 These homes will at no point be owned by SHET. SHET will contribute to funding the accommodation in partnership with Local Authorities or Registered Social Landlords and then lease to the contractors for the length of the projects. This model means that the risk to the consumer is shared and avoids higher contractor fees (as they would pass on any costs associated with housing), avoids significant asset-based project debt, and reduces delivery risk. Upon SHET vacating the properties, their owners will then utilise them as social/affordable housing available to the community.

2.59 SHET has also explained that in the event of a significant change to the project route they have identified alternative serviced sites within a 45-mile travel distance from work locations to prevent costly delays to the project. SHET has estimated that in addition to being less practical and efficient, this solution is also more expensive than the proposed housing approach. This is why it has not been suggested as the preferred option.

2.60 SHET has also stated that it is unlikely that the accommodation solutions as described in the ECF would not be needed even if there was a change in any of the projects following the consenting process. The housing would still be required to deliver the projects.

2.61 Material consents have been secured for SLU4, BDUP, PSDC and Western Isles, making the financial commitment to accommodation activities connected to those sites, unlikely to be at risk.

2.62 Whilst the consenting process for Fanellan substation is ongoing, the housing required for BLU4 is still likely to be required even if there were changes in the project. Given the strategic position of Fanellan substation, other ASTI projects are also likely to benefit from the accommodation activities requested under BLU4 due to their proximity.

2.63 The consenting process is ongoing for TKUP as well. As with the other ECF categories, all early construction-related activities for TKUP, including accommodation-related costs, would not exceed the total 20% ECF allowance as

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set out in SHET’s licence to ensure the consumer is not exposed to disproportionate risk of financial loss.

Other costs – environmental and nature requirements

Activities proposed

2.64 In line with Policy 3 of Scotland’s National Planning Framework 4 (2023), developers are obligated to ensure projects leave nature in a ‘demonstrably better state than without intervention’. For all projects consented from 2025 onwards, SHET commits to achieving a 10% biodiversity net gain (BNG) and managing the loss of irreplaceable habitats such as peatland and ancient woodland.

2.65 Given the scale of ASTI projects, much of this will be delivered through offsite restoration schemes with third parties, enhancing habitats like upland vegetation, native woodland, grassland, and heathland. These measures aim to restore peatland, regenerate woodland, and improve biodiversity, supporting diverse plant and wildlife communities. The activities requested in this category aim to deliver on this commitment and are summarised for each project in the table below.

Project	Summary of activities	Hectares restored
BLN4	Deliver biodiversity project at near Inverness with Charity Partner	141 ha
SLU4	Deliver peatland restoration project in Northern Highlands with Charity Partner	98 ha
	Deliver biodiversity project in Northern Highlands with Private Landowner	131 ha
	Deliver biodiversity project in Northern Highlands with Private Landowner	155 ha
BBNC	Deliver biodiversity project in Moray with Charity Partner	TBC
	Deliver biodiversity project in Aberdeenshire with Private Landowner	68 ha
BPNC	Contribute to biodiversity project (requirement at site not large enough for individual project)	10 ha

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BDUP	Deliver biodiversity project near Inverness with Private Landowner	10 ha
	Deliver biodiversity project near Perth with Charity Partner	140 ha
	Deliver ancient woodland restoration project near Loch Ness with Partner Organisation	150 ha
TKUP	Deliver biodiversity project in Fife with Charity Partner	19 ha
PSDC	Deliver biodiversity project with Charity Partner	TBC
	Deliver peatland restoration project in Northern Highlands with Charity Partner	97 ha
WI	Deliver peatland restoration project on Isle of Lewis with Private Landowner	225 ha
	Deliver biodiversity project with Charity Partner	TBC
Totals	Total nature project delivery costs	~1244 ha

Consumer benefit and protection in place

2.66 There is competition for offsite restoration projects as more companies commit to environmental goals and carbon offsetting, so taking early measures can ensure SHET is able to meet the respective planning requirements for its projects. To avoid delays in consent or construction, financial commitments need to be made before planning approval, ensuring access to restoration opportunities at lower costs before Scottish nature markets rise to higher levels. This submission requests initial funding to begin delivering requirements for 2025/26. In a scenario where an ASTI scheme is cancelled, SHET would be able to use the offsite restoration projects for BNG units towards another project in their investment pipeline.

2.67 These activities are not a significant risk to the consumer as offsite restoration and BNG units are generally transferrable across the portfolio, which given it is a legal requirement for electricity transmission projects ensures that early investments still deliver value in the event of project cancellation. SHET has an agreement in place with the Highland Council (where majority of these activities are required) to ensure they pre-endorse schemes for use on any transmission project. These schemes can therefore be invested in with certainty that they will be utilised against future transmission infrastructure projects.

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Justification provided for exceeding the 20% ECF cap

2.68 For five out of the eight projects, the requested ECF amount combined with previously approved ECF will exceed the ECF cap of 20% of the respective project's total cost as set out in SHET's licence. We had already approved ECF beyond the 20% cap for SLU4 and BDUP in SHET's second ECF request. The justification for this is explained in our decision document.¹⁴

2.69 SHET has identified the main drivers for exceeding the cap for each project as follows:

- BLN4 – the main driver for exceeding the ECF cap is the need to accelerate early construction works and minimise programme delivery risk at the Fanellan hub. BLN4, BDUP, BBNC and WI will connect to this hub. Minimising risk of the Fanellan programme is essential for the delivery of 50% of SHET's ASTI portfolio. If consent for Fanellan is secured, it is essential that SHET proceed to main construction at pace, meaning all enabling works must be in place.
- SLU4 – the project previously exceeded the ECF cap as set out in the licence due to the requirement to procure higher volumes of steel early. The funding requested in this submission would further exceed the licence cap. The main driver for this increase is the substantive environmental requirements associated with this project, such as ancient woodland restoration and the largest environmental allocation of any project in this submission. SLU4 has the highest proportion of environmental costs in this ECF request.
- BPNC – SHET has identified opportunities to progress the works at Greens and New Deer substations as described in 2.11. By doing so early, SHET seeks to level overall resource demand in the main construction phase and minimise the risk of the overall programme accordingly.
- BDUP – since BDUP is a key enabler of multiple other ASTI projects, SHET seeks to commence construction as early as possible to ensure its delivery does not impact the energisation of other key projects. BDUP's construction will involve a high volume of substation assets, which tend to be items with long-lead times and need to be procured early.
- WI – the main driver for exceeding the cap is the necessity to procure a large number of items with long-lead times in advance. Failing to do so early would risk equipment and materials not being delivered to site on time.

¹⁴ [Eight SHET projects ECF and proposed licence modification](#)

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2.70 In addition to the project-specific factors that have driven the individual needs for higher ECF percentages, SHET has explained that the following factors have driven the need for increased expenditure in earlier stages across all projects:

- Higher costs across the portfolio have led to increases in the total project cost estimates since the projects were initially assessed in NOA7. SHET note that when the percentages are calculated against the updated project cost estimates, none of the projects would exceed 20%. SHET attribute the rise in costs, among other factors, to higher market rates across all goods and services as well as refinement in scope to accommodate preferred solutions.
- Cost rises in the supply chain as well as increased competition for long-lead items means early procurement expenditure is necessary in order to secure the items on time while avoiding price uncertainty. These costs will therefore need to be incurred earlier than anticipated.
- After Ofgem's 2022 ASTI Decision, legislative changes have introduced environmental requirements for the TOs. The projects cannot progress and secure the necessary consents without the TO addressing these early, which has created the need for greater expenditure prior to PA stage.
- In 2024, SHET also introduced a new housing strategy to provide accommodation for site workers across the ASTI portfolio. This is to address the workforce peak expected in line with the delivery schedules required to meet the UK's decarbonisation goals and deliver significant network upgrades by 2030.

2.71 SHET has informed us that the activities included in this ECF request can help discharge relevant planning conditions for each of the projects, making it possible to progress at pace as soon as material consents are secured.

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3. Our minded-to position

- 3.1 As shown in NESO's analysis, SHET's ASTI portfolio is crucial for enhancing the electricity transmission network in the north of Scotland. This will bring substantive benefits such as network resilience and savings from constraint cost payments.
- 3.2 We are satisfied that the activities set out in SHET's ECF request are justified and eligible to be funded under SpC 3.41 as early construction funding and that SHET has provided us with sufficient evidence to substantiate the claims. It is our view that the activities will safeguard the timely and efficient delivery of the projects by 2030, which will also support the delivery of the UK and Scottish Government's clean power targets.
- 3.3 New legislative requirements mean costs for some environmental-related activities would need to be incurred upfront. This has led to the inclusion of the category of "Other – Environmental" costs. Due to the substantive requirements anticipated for each large transmission project in future, we understand these activities can be fully transferred to serve other projects. The costs associated therefore do not expose the consumer to financial loss if a project gets cancelled. They are likely to be required for planning consent purposes as well as minimise delivery risk for the projects by ensuring the entire portfolio can meet BNG-related requirements at a reasonable cost.
- 3.4 We therefore consider the activities in the Environmental category to be eligible for ECF funding and it is our minded-to decision that it is in consumers' interest to allow all activities associated with this category as described in the ECF application. This decision will not preclude us from disallowing funding at PA stage if we consider any of the costs related to environmental activities to be inefficient.
- 3.5 SHET has put forward an innovative solution to the issue of accommodation shortage during peak construction times in Scotland. We consider to be in consumers' interest for this solution to proceed at pace as this is likely to prevent higher costs in the future and presents an opportunity to minimise delivery risk to the ASTI portfolio. We note that early payments are required to reserve capacity for services or items that will take time to deliver. They need to be readily available when the projects begin construction and therefore some works related to securing the required accommodation must be carried out early.
- 3.6 We therefore consider activities under the category of "Other – Accommodation" to be eligible activities for ECF funding. This decision will not preclude us from disallowing funding at PA stage if we consider any aspect of the accommodation strategy to be an inefficient way of delivering the project.
- 3.7 As explained above, in accordance with our ASTI Decision and ASTI guidance, we can consider ECF requests above 20% in exceptional circumstances where the

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expenditure is justified and necessary to accelerate project delivery, or where not investing will increase the risk of project delay.

3.8 Since the allowance requested exceeds the ECF cap for five of the projects, we must consider whether it is appropriate to exceed the 20% allowance for those. We take into account the following factors:

- The balance between the merits of carrying out the proposed activities early and the potential financial risk that the consumer would be taking in the event that the project does not proceed.
- Supply chain trends that suggest more substantive payments may be required to be made in advance relative to our expectations in 2022.
- Potential for the consumer to benefit from better value for money as price increases are likely in some instances if the activities are delayed until PA stage.
- The potential to minimise delivery risk for the projects, including by helping discharge planning conditions at pace.
- The strong needs case for each project and the significant savings in constraint payments that the consumer would gain if the projects were delivered by 2030.
- New legislative requirements, such as BNG, making it necessary to carry out additional activities early.

3.9 Having considered the above carefully, our minded-to position for each project is:

- BLN4 – approve all ECF costs in this application and direct SHET to exceed the ECF allowance of 20% as set out in their licence to cover 30%
 - We note that the remaining consenting issues around Fanellan substation increase the risk to financial exposure for the consumer. However, considering the importance of Fanellan substation for half of SHET’s ASTI portfolio, we believe these activities should proceed as soon as planning consent is secured. We consider the consumer exposure to be proportionate in this case. We note that a significant proportion of the requested costs are recoverable or transferable and that SHET has put in place protections such as milestone-based payment structure, with expenditure aligned to delivery outputs rather than upfront commitments. This reduces the risk of unrecoverable spend during uncertain stages of the planning process.
 - We will expect SHET to only proceed at pace with the activities related to Fanellan substation if the substation receives consent. We expect SHET to

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utilise milestone payments and not to commit significant irrecoverable costs until the consenting process is complete.

- SLU4 – approve all ECF costs in this application and direct SHET to exceed the ECF allowance of 20% as set out in their licence to cover 34%
- BPNC - approve all ECF costs in this application and direct SHET to exceed the ECF allowance 20% as set out in their licence to cover 27%
- BDUP - approve all ECF costs in this application and direct SHET to exceed the ECF allowance of 20% as set out in their licence to cover 44%
- WI – approve all ECF costs in this application and direct SHET to exceed the ECF allowance of 20% as set out in their licence to cover 23%
- TKUP – approve the ECF request and allow 20% ECF licence cost
- PSDC – approve the ECF request and allow 19% of EFC licence cost
- BBNC - approve the ECF request and allow 14% ECF licence cost

3.10 We expect SHET to take all reasonable steps to ensure timely and successful delivery of all projects. SHET has outlined that it is putting in place a range of consumer protections to mitigate consumer risks in the event a project was delayed, amended, or cancelled. We will therefore expect SHET to ensure that consumer risks in every scenario are kept as low as practical.

3.11 Final costs will be subject to efficiency review at the PA stage.

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4. Next steps

Section summary

This chapter sets out the next steps in our assessment under the ASTI framework.

- 4.1 Our consultation on the positions set out in this document will close on 10 April 2026.
- 4.2 We aim to publish our ECF decision in May 2026 and, subject to the outcome of the consultation, this will be alongside the decision to modify SHET's licence in accordance with section 11A of the Electricity Act 1989.
- 4.3 The proposed modifications to Appendix 1 of SpC 3.41 are set out in the accompanying document to this consultation.

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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.

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Annex I: Notice of statutory consultation to modify SpC 3.41

To: Scottish Hydro Electric Transmission Plc

Electricity Act 1989

Section 11A(1)(a)

Notice of statutory consultation on a proposal to modify the Special Conditions of the electricity transmission licence held by Scottish Power Electricity Transmission

1. The Gas and Electricity Markets Authority ('the Authority' – the terms 'the Authority', 'we', 'our' and 'us' are used interchangeably in this document) proposes to modify the Special Conditions (SpC) of the electricity transmission licence held by Scottish Hydro Electric Transmission Plc (SHET) granted or treated as granted under 6(1)(b) of the Electricity Act 1989 by amending an allowance value (ASTIA_t) referenced in Appendix 1 (ASTI Price Control Deliverable) of SpC 3.41 (Accelerated Strategic Transmission Investment Re-opener and Price Control Deliverable term (ASTIR_t)).
2. In line with SpC 3.41.10 and the Accelerated Strategic Investment Guidance and Submission Requirements Document, we are proposing this modification because we are satisfied that SHET's Early Construction Funding (ECF) application:
 - have provided clear and convincing justification for exceeding the 20% threshold of total forecasted project cost as set by SpC 3.41.8 and have demonstrated the appropriate balance between assisting acceleration and protecting consumers from potentially excessive cost exposure in the unlikely event that the projects do not progress;
 - was pre-empted by a notice in writing of SHET's intention to make the application under section 3.41.7 at least 8 weeks before SHET made the application; and c. there is a clear justification for why it is in consumers' interests to provide funding for the proposed activities to take place ahead of our cost assessment as part of the PA process as the early construction activities will aid in accelerating project delivery.
3. The effect of the proposed modification is to adjust the allowances contained in the ASTI Confidential Annex as referenced in Appendix 1 (ASTIAt) of Special Condition 3.41 'Accelerated Strategic Transmission Investment Re-opener and Price Control Deliverable term (ASTIAt)' in SHET's electricity transmission licence to allow SHET's ECF expenditure application. The proposed modification will be reflected in what will become the latest version of the ASTI Confidential Annex.

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4. With the exception of the ASTI Confidential Annex, a copy of the proposed modification and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively, they are available from information.rights@ofgem.gov.uk
5. The full text of the proposed modification to Appendix 1 of SpC 3.41 is set out below in Annex 2 with the new text to be inserted shown double underscored. For reasons of commercial sensitivity, details of the amended allowance are confidential but will be issued to SHET in the updated ASTI Confidential Annex.
6. Any representations with respect to the proposed licence modification must be made on or before 10 April 2026 to: Thomas Johns, Office of Gas and Electricity Markets, 32 Albion Street, Glasgow, G1 1LH or by email to Transmission.Acceleration@ofgem.gov.uk and marked for the attention of Thomas Johns.
7. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
8. If we decide to make the proposed modification, it will take effect not less than 56 days after the decision to modify the licence is published.

.....

Thomas Johns

Deputy Director of Major Projects Delivery

Duly authorised on behalf of the Gas and Electricity Markets Authority

05 March 2026

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Annex 2: Special Condition 3.41 Accelerated Strategic Transmission Investment Re-opener and Price Control Deliverable term (ASTIR_t)

Introduction

- 3.41.1 The purpose of this condition is to specify the value of the term ASTIR_t (the accelerated strategic transmission investment Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.41.2 The effect of this condition is to:
- (a) specify the ASTI Outputs, delivery dates and allowances for the Price Control Deliverable;
 - (b) establish a Re-opener for the licensee to apply for an adjustment to the ASTI Outputs, delivery dates and allowances in Appendix 1 and the Minimum circuit availability standard after delivery in Appendix 2;
 - (c) provide for an assessment of the Price Control Deliverable; and
 - (d) establish the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.
- 3.41.3 This condition also sets out the process the Authority will follow when making changes to Appendix 1 as a result of the Re-opener.

Part A: Formula for calculating the accelerated strategic transmission investment Re-opener term (ASTIR_t)

- 3.41.4 The value of ASTIR_t is derived in accordance with the following formula:

$$ASTIR_t = ASTIA_t - ASTIRA_t$$

where:

ASTIA_t means the allowances in Appendix 1; and

ASTIRA_t has the value zero unless otherwise directed by the Authority in accordance with Part G.

Part B: ASTI Outputs

- 3.41.5 The licensee must deliver the ASTI Outputs no later than 12 months after the delivery dates specified in Appendix 1.
- 3.41.6 After the ASTI Output has been delivered it must be operational and available for use by the ISOP for the period specified in Appendix 2 after application of the exclusions set out in Chapter 4 of the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.

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Part C: Early Construction Funding

- 3.41.7 The licensee may, in respect of any ASTI Output, apply for an Early Construction Funding decision to adjust ASTIA_r.
- 3.41.8 Unless the Authority directs otherwise, the aggregate allowances provided under paragraph 3.41.7 for any ASTI Output may not exceed 20% of the total forecast project cost listed in the ASTI Confidential Annex.
- 3.41.9 The licensee must notify the Authority in writing of its intention to make an application under 3.41.7 at least 8 weeks before making an application, unless the Authority directs otherwise.
- 3.41.10 A modification under this Part will be made under section 11A of the Act.

Part D: ASTI Project Assessment Decision

- 3.41.11 The licensee may, in respect of any ASTI, apply for an ASTI Project Assessment Decision and an associated modification of Appendices 1 and 2 to:
- (a) specify or amend an ASTI Output, a delivery date and associated allowances; and
 - (b) specify the minimum circuit availability standard after delivery for the relevant ASTI Output.
- 3.41.12 Unless the Authority otherwise directs, the licensee may only apply for an ASTI Project Assessment Decision after submission of all material planning consent applications.
- 3.41.13 A modification under this Part will be made under section 11A of the Act.

Part E: ASTI Cost And Output Adjusting Event

- 3.41.14 The licensee may apply for a modification to the ASTI Outputs and allowances in Appendix 1 where it considers that there has been one or more ASTI Cost And Output Adjusting Event.
- 3.41.15 The licensee may only apply under this Part to modify allowances in Appendix 1 where:
- (a) expenditure has been caused to increase or decrease by at least the percentage specified in, or in accordance with, paragraph 3.41.17, calculated before the application of the Totex Incentive Strength, relative to the relevant allowance in Appendix 1 by the event or if there has been more than one event:
 - i. by each event;
 - ii. if the Authority has directed that the events in relation to the relevant ASTI Output should count cumulatively towards the percentage threshold;; and

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- (b) the increase or decrease in expenditure is expected to be efficiently incurred or saved.
- 3.41.16 The licensee may apply under this Part to modify the ASTI Outputs in Appendix 1 only where there is a material change to the scope of the relevant ASTI project.
- 3.41.17 The percentage referred to in paragraph 3.41.15(a) is:
- (a) 5%; or
 - (b) such other percentage as the Authority may specify by direction.
- 3.41.18 An application under this Part must be made in writing and must:
- (a) include detailed supporting evidence that an ASTI Cost And Output Adjusting Event meeting the requirements set out in paragraphs 3.41.15, or where applicable 3.41.16, has occurred;
 - (b) set out the modifications requested to the ASTI Outputs or associated allowances in Appendix 1;
 - (c) explain the basis of the calculation for any proposed modification to the allowances in Appendix 1, which must be designed to keep, so far as is reasonably practicable, the financial position and performance of the licensee the same as if the ASTI Cost And Output Adjusting Event had not occurred; and
 - (d) include a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the ASTI Output, the proposed modification to the ASTI Output or associated allowances fairly reflects the effects of the ASTI Cost And Output Adjusting Event.
- 3.41.19 The Authority may make a modification under this Part where:
- (a) there has been an application under this Part;
 - (b) there has been an ASTI Cost And Output Adjusting Event in relation to the relevant ASTI;
 - (c) the requirements of paragraphs 3.41.14 to 3.41.18, where applicable, have been met; and
 - (d) the proposed modifications to Appendix 1 have the effect so far as is reasonably practicable of keeping the financial position and performance of the licensee the same as if the ASTI Cost And Output Adjusting Event had not occurred.
- 3.41.20 A modification under this Part will be made under section 11A of the Act.

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Part F: Modification of delivery date in Appendix 1 further to an ASTI ODI Penalty Exemption Period decision or ASTI ODI Target Date decision under Part B of Special Condition 4.9 (Accelerated strategic transmission investment output delivery incentive)

3.41.21 The Authority will modify the delivery dates in Appendix 1 where it decides under Part B of Special Condition 4.9 (Accelerated strategic transmission investment output delivery incentive) to make a modification to the ASTI ODI Penalty Exemption Period or ASTI ODI Target Date in Appendix 1 of Special Condition 4.9.

3.41.22 A modification under this Part will be made under section 11A of the Act.

Part G: Assessment of the Price Control Deliverable (ASTIRA_t)

3.41.23 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for ASTIRA_t where the licensee has not Fully Delivered an output in Appendix 1.

Part H: What process will the Authority follow in making a direction?

3.41.24 Before making a direction under Part G the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.41.25 A direction in respect of Part G will set out:

- (a) the delivery status of the ASTI Output that has not been Fully Delivered;
- (b) the value of the ASTIR_t term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the ASTIR_t term.

Part I: Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document

3.41.26 The licensee must comply with the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.

3.41.27 The Authority will issue and amend the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document by direction.

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- 3.41.28 The Authority will publish the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document on the Authority's Website.
- 3.41.29 The Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document will make provision about the detailed requirements for Parts C, D, E and F.
- 3.41.30 The Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document will also make provision about the detailed requirements under Special Condition 3.40 (ASTI Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment) and Special Condition 4.9 (ASTI output delivery incentive).
- 3.41.31 Before directing that the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document;
 - (b) the date on which the Authority intends the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document to come into effect; and
 - (c) a period during which representations may be made on the text of the proposed Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, which will not be less than 28 days.
- 3.41.32 Before directing an amendment to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document;
 - (b) the date on which the Authority intends the amended Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document to come into effect;
 - (c) the reasons for the amendments to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document; and
 - (d) a period during which representations may be made on the amendments to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, which will not be less than 28 days.

Appendix 1

Price Control Deliverable

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ASTI Output	Delivery Date	Allowance (ASTIA_t, £m)	ECF/PA
Beauly to Blackhillock 400 kV double circuit addition (NOA Code: BBNC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF
Uprate the Beauly to Denny 275 kV circuit to 400 kV (NOA Code: BDUP)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF
Beauly to Loch Buidhe 400 kV reinforcement (NOA Code: BLN4)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF
New 400 kV double circuit between Blackhillock and Peterhead (NOA Code: BPNC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF
Eastern Scotland to England link: Peterhead to Drax offshore HVDC (NOA Code: E4D3)	31 December 2030	Have the values given in the ASTI Confidential Annex.	ECF
Eastern Scotland to England 3rd link: Peterhead to the south Humber offshore HVDC (NOA Code: E4L5)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF
Spittal to Peterhead HVDC reinforcement (NOA Code: PSDC)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF
Loch Buidhe to Spittal 400 kV reinforcement (NOA Code: SLU4)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF
East Coast Onshore 400 kV Phase 2 reinforcement (NOA Code: TKUP)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF
Arnish to Beauly 1.8GW HVDC link (Western Isles)	31 December 2031	Have the values given in the ASTI Confidential Annex.	ECF

Appendix 2

ASTI Output availability standard

ASTI Output	Minimum circuit availability standard after delivery (%)		
	0-6 months	6-12 months	12-24 months

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Beauly to Blackhillock 400 kV double circuit addition (NOA Code: BBNC)

Uprate the Beauly to Denny 275 kV circuit to 400 kV (NOA Code: BDUP)

Beauly to Loch Buidhe 400 kV reinforcement (NOA Code: BLN4)

New 400 kV double circuit between Blackhillock and Peterhead (NOA Code: BPNC)

Eastern Scotland to England link: Peterhead to Drax offshore HVDC (NOA Code: E4D3)

Eastern Scotland to England 3rd link: Peterhead to the south Humber offshore HVDC (NOA Code: E4L5)

Spittal to Peterhead HVDC reinforcement (NOA Code: PSDC)

Loch Buidhe to Spittal 400 kV reinforcement (NOA Code: SLU4)

East Coast Onshore 400 kV Phase 2 reinforcement (NOA Code: TKUP)

Arnish to Beauly 1.8GW HVDC link (Western Isles)

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Annex 3. Map and brief description of the eight SHET projects

A1.2 Existing network and proposed new infrastructure



A1.3 Brief description of the eight SHET projects

Note: NOA codes are in brackets

Projects	Overview
Beauly to Loch Buidhe 400kV Reinforcement (BLN4)	<p>Beauly to Loch Buidhe 400kV Reinforcement (BLN4) is an onshore electricity transmission project, being delivered along with Loch Buidhe to Spittal 400kV Reinforcement (SLU4), to construct a new 400kV double circuit OHL between new substations at Banniskirk, Carnaig and Fanellan, as well as reinforcements at existing Loch Buidhe and Spittal substations.</p> <p>The project is triggered by the need for onshore transmission network enabling works for the connection of ScotWind schemes. It enables significant power transfer capability required to transport power from onshore and offshore renewable generation connecting Caithness to Beauly, and to the east via BBNC/BPNC, before onward transportation at Peterhead via E4D3 and E4L5 to demand centres in England.</p>
Loch Buidhe to Spittal 400kV	<p>Loch Buidhe to Spittal 400kV Reinforcement (SLU4) is an onshore electricity transmission project, along with Beauly to Loch Buidhe</p>

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Reinforcement (SLU4) 400kV Reinforcement (BLN4), to construct a new 400kV double circuit OHL between new substations at Banniskirk, Carnaig and Fanellan, as well as reinforcements at existing Loch Buidhe and Spittal substations.

Beauly to Blackhillock 400kV Double Circuit (BBNC) Beauly to Blackhillock 400kV Double Circuit (BBNC) is an onshore electricity transmission project, along with Blackhillock and Peterhead 400kV Double Circuit (BPNC), to construct a new 400kV double circuit OHL between the new Fanellan and Longside substations, including a new substation at Greens and extension of the existing New Deer substation.

The project is triggered by the need for onshore transmission network enabling works required to utilise E4D3 and E4L5. Its aim is to enable significant power transfer capability to transport power from onshore and offshore renewable generation connecting on the west – from the Arnish to Beauly 1.8GW HVDC link (WI) - and from connections north of Beauly (via BLN4/SLU4) – to the east before onward transportation at Peterhead via E4D3 and E4L5 to demand centres in England.

Blackhillock and Peterhead 400kV Double Circuit (BPNC) Blackhillock and Peterhead 400kV Double Circuit (BPNC) is an onshore electricity transmission project, along with Beauly to Blackhillock 400kV Double Circuit (BBNC), to construct a new 400kV double circuit OHL between the new Fanellan and Longside substations, including a new substation at Greens and reinforcements at the existing New Deer substation.

Beauly to Denny 275kV Circuit to 400kV (BDUP) Beauly to Denny 275kV Circuit to 400kV (BDUP) is an onshore electricity transmission project to install the necessary infrastructure to allow the existing Beauly Denny OHL second circuit to change operation from 275kV to 400kV.

The project is triggered by the need for onshore transmission network enabling works for the connection of ScotWind schemes and Coire Glas.

BDUP has key interactions with Beauly to Loch Buidhe 400kV reinforcement (BLN4) / Loch Buidhe to Spittal 400kV reinforcement (SLU4), Beauly to Blackhillock 400kV double circuit (BBNC) / Blackhillock and Peterhead 400kV double circuit (BPNC), Arnish to Beauly 1.8GW HVDC link & Skye LOTI.

East Coast Onshore 400kV Phase 2 *East Coast Onshore 400kV Phase 2 reinforcement (TKUP) is an onshore electricity transmission project for the construction of a new 400kV OHL between the upgraded substation at Kintore and the proposed new Emmock substation via the proposed Hurlie*

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reinforcement (TKUP) *substation, plus upgrading the existing 275kV OHLs from Alyth - Emmock and Emmock – Westfield.*

The project is triggered by the need to enable significant power transfer capability required to transfer from onshore and offshore renewable generation in the North and Northeast of Scotland which cannot wholly be accommodated by E4D3 and E4L5.

TKUP has key interactions with Beauly to Blackhillock 400kV double circuit (BBNC) / Blackhillock and Peterhead 400kV double circuit (BPNC), East Coast coordinated offshore network (via AC link from Fiddes).

Spittal to Peterhead 2GW HVDC Subsea link (PSDC) is an offshore electricity transmission project to construct a 2GW HVDC subsea link from a new 400kV substation at Spittal to a 400kV substation at Peterhead, including to construct 2GW bi-pole HVDC converter stations within the Spittal and Peterhead areas, establish HVAC connections, and install c.200 km of HVDC cables.

The project is triggered by the need for onshore transmission network enabling works for the connection of ScotWind schemes and its aim is to enable power transfer capability to transport generation from the far north of Scotland to the east coast of Peterhead.

Arnish to Beauly (Western Isles) HVDC link Arnish to Beauly (Western Isles) HVDC link is an offshore electricity transmission project to facilitate the transfer of 1.8GW of renewable generation from the Isle of Lewis in the Western Isles to the Beauly area in the North of Scotland. The project is triggered by the need for the Arnish to Beauly 1.8GW HVDC link to look to secure lower cost energy by connecting several onshore and offshore renewable wind projects.

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Annex 4. 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. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for six months after the project is closed.

5. 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
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you

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- 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.

6. Your personal data will not be sent overseas

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

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

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