

Advanced Procurement Mechanism (APM) Governance Document

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The Advanced Procurement Mechanism (APM) is a regulatory funding mechanism designed to mitigate current and future supply chain constraints which would otherwise threaten delay to infrastructure projects on the electricity transmission network.

The purpose of this document is to set out the eligibility criteria that APM Expenditure must meet and the requirements for the administration and delivery of the APM. It is the responsibility of each licensee to understand the provisions of this Governance Document and how those provisions apply to it.

This document is v1.2 of the APM Governance Document referred to under Special Condition 3.16 of the Electricity Transmission licence. It will take effect from 1 April 2026.

Guidance Advanced Procurement Mechanism (APM) Governance Document

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1. Introduction

Context and related publications

- 1.1 The Advanced Procurement Mechanism¹ (APM) is a regulatory funding mechanism designed to mitigate current and future supply chain constraints which would otherwise threaten to delay infrastructure projects on the electricity transmission network. The APM will advance the provision of funding that is likely to be granted at a later date, for the purpose of de-risking the Electricity Transmission Licensees ('the licensees') in booking supply chain capacity for equipment (and related services). To mitigate any consumer risk that the APM introduces we have implemented an extensive suite of mitigations, which are set out in this document, the APM licence condition (Special Condition 3.16), our APM decision document published on 20 March 2025, and our RIIO-ET3 Final Determinations published on 4 December 2025.²
- 1.2 Our decision to introduce the APM was published on 20 March 2025.³
- 1.3 In this document we use the terms, 'Ofgem' and 'the Authority' as well as the terms 'we', 'us' and 'our' interchangeably. Ofgem is the Office of the Gas and Electricity Markets. The Authority is the Gas and Electricity Markets Authority and is the governing body of Ofgem, consisting of non-executive and executive members.

Compliance

- 1.4 The licensees are required by Special Condition 3.16 to comply with this document.
- 1.5 This document in no way relieves affected parties, including the licensees, from the responsibility to ensure ongoing compliance with legislation including competition, data protection, environment and consumer protection laws.

Review

- 1.6 Ofgem may from time to time amend this APM Governance Document by direction, in accordance with Part B, Part E or Part J of Special Condition 3.16.

¹ Throughout this document all defined terms are as per Licence Condition 3.16 unless otherwise defined in this document.

² See <https://www.ofgem.gov.uk/decision/riio-3-final-determinations-electricity-transmission-gas-distribution-and-gas-transmission-sectors>

³ See <https://www.ofgem.gov.uk/decision/electricity-transmission-advanced-procurement-mechanism>

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2. Eligible APM Expenditure

- 2.1 APM Expenditure represents the licensee’s actual expenditure under the APM. It contributes to the calculation of the licensee’s APM Allowance, which is subject to the APM Cap. The formula for the calculation of the APM Allowance is given in Special Condition 3.16 Part A.
- 2.2 APM funding applies in respect of payments made by the licensee to a supplier of Equipment and Related Services which are made at the time of placing an order (or shortly thereafter) and are necessary to secure the performance by the supplier of an agreement to deliver Equipment and Related Services; and which fulfil the criteria in paragraph 2.3. Only such payments are eligible for APM Expenditure. Payments made for any other related purpose are not eligible, including (but not limited to) cancellation fees,⁴ the costs of running tender process, or legal or consultancy fees.
- 2.3 To be eligible for APM funding, expenditure incurred by the licensee must:
- be on Equipment indicated as eligible APM Cost Categories in Appendix 1 or on Related Services;
 - have been procured in a manner which is:⁵
 - Flexible Procurement of ‘fungible assets’, as described at paragraphs 2.22 to 2.23 below;
 - Flexible Procurement of ‘contracts with optionality’, as described at paragraphs 2.24 to 2.26 below; or
 - Specifically approved by the Authority as ‘bespoke’, as described at paragraphs 2.27 to 2.34 below;
 - relate to contracts that were entered into no earlier than the publication date of the APM Consultation (20 November 2024);⁶ and
 - not cause that licensee’s amount of APM Expenditure committed to exceed 20% of expected contract costs for all APM Expenditure reported in any period of three Regulatory Years. This average will be calculated using APM Expenditure and expected contract costs data as reported in the Regulatory Reporting Packs (RRPs) in relation to APMS_t.

⁴ For the avoidance of doubt, where a reservation fee is non-refundable, that non-refundable characteristic does not result in it being considered to be a cancellation fee.

⁵ In Special Condition 3.16 we refer to procurement as Flexible Procurement or Bespoke Procurement. In the March 2025 decision document we split Flexible Procurement into: “flexible” and “fungible”. In this Governance Document we refer to: “contracts with optionality” rather than “flexible”, and “fungible assets” rather than “fungible”.

⁶ <https://www.ofgem.gov.uk/consultation/electricity-transmission-advanced-procurement-mechanism>

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- 2.4 APM Expenditure that does not meet these criteria will be deemed as ineligible by the Authority and disallowed from APM funding, and thus deducted from the APM Allowance, as per Part I of Special Condition 3.16.
- 2.5 In setting the current APM Cap, Bespoke Procurement allowances and APM Cost Categories we have applied three eligibility criteria:
- requirement for APM funding;
 - mitigation of the risk of stranded procurement; and
 - transparency.
- 2.6 Special Condition 3.16 establishes re-opener processes for amendment to the APM Cap, APM Cost Categories, and Bespoke Procurement allowances. In making such decisions we will act in accordance with our statutory duties and apply the eligibility criteria set out in this guidance.
- 2.7 All licensee submissions that relate to requesting a higher APM Cap, additional Bespoke Procurement allowances or new or amended APM Cost Categories must satisfy the eligibility criteria set out in paragraph 2.5.
- 2.8 In each sub-section below we set out how licensees should provide evidence against these three criteria.

Criterion 1: Requirement for APM funding

- 2.9 To set out why intervention is needed, licensees must provide evidence of the supply chain constraint and potential delay impacts of that constraint, and what impact this might have on consumers if it is not addressed.
- 2.10 We consider a supply chain constraint to be a disruption or shortage of capacity within the supply chain that materially affects the ability of a licensee to secure contracts for the delivery of necessary materials and services within planned project delivery timeframes.
- 2.11 Given the variety of constraints that licensees may experience, licensees must provide evidence relevant to their particular circumstances. We provide an example below to allow the licensees to understand the types of evidence they may use and the level of detail we expect.
- 2.12 Long lead times are often cited as evidence of a constraint, and it is important that the licensees place these in a context that enables us to understand why the lead time is a problem. The APM is focused on alleviating supply chain constraints that risk delays to overall project delivery and so if the licensee references lead times as part of their evidence, these should be provided in the context of what is normal or tolerable for that type of procurement. For example:
- Equipment type 'A' would typically need to be delivered to the licensees within 18 months of the date on which we set allowances (eg Project

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Assessment in a LOTI) to enable construction to run to planned timelines. This is the ‘tolerable lead time’.

- For the purposes of the APM we would only consider this market to be constrained once the lead time is above that ‘tolerable lead time’, as this can reasonably be expected to lead to a delay in project delivery.
- The licensees must then set out the lead times that they are experiencing or anticipating alongside an indication of usual lead times from recent years.

2.13 We recognise that in some situations licensees may not yet be experiencing extended lead times, but can observe limited remaining capacity in supply chains. We are open to the licensees providing such evidence of anticipated delays. In these circumstances licensees must demonstrate why they anticipate the delay in procurement and how the potential delay in delivery of the equipment would put project delivery at risk or disadvantage consumers. For example, there may be increased lead times if the supply chain capacity is fully reserved before the licensee is able to place a contract, or prices may rise if there is high demand for remaining available capacity.

2.14 The largest potential cost of delay (resulting in higher consumer bills) would typically be constraint costs. While these are difficult to calculate, licensees must demonstrate constraint costs wherever possible, referencing existing National Energy System Operator (NESO) calculations. For example, as part of Clean Power 2030 the NESO set out large potential constraint costs if certain projects are not delivered on time – the relevant licensees could reference relevant projects and the related constraint costs suggested by the NESO. While these references might not be to a level of disaggregation and robustness to allow a full cost benefit analysis, they can feed into an assessment of whether intervention (ie APM funding) is in the consumer’s interests.

2.15 Licensees must also provide an explanation of why the APM is the right mechanism to address the supply chain constraint. As part of this, it would be appropriate for the licensees to set out if and why it believes the APM would be sufficient to address the supply chain constraint relevant for this proposed APM Cost Category, for example by demonstrating what a project timeline might look like with and without the APM.

Criterion 2: Mitigating the risk of stranded procurement

2.16 As per paragraph 2.2, all expenditure incurred through the APM must be on procurement that is either Flexible Procurement or Bespoke Procurement.

2.17 Flexible Procurement is the main focus of the APM, as the flexibility mitigates the risk of ‘stranded procurement’, ie equipment or services that have been procured but which are ultimately not used for an intended purpose. For example, stranded procurement could arise if the project for which the procurement was intended

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substantially changes, or is cancelled, and the procured equipment or services cannot be repurposed for another project.

- 2.18 Our decision to implement the APM accepted that there may be some stranding risk in introducing the APM, in that the APM may provide funding to licensees for procurement which is ultimately stranded, and we have focused the APM design on reducing this risk.⁷
- 2.19 Therefore, we expect the majority of APM Expenditure to be on Flexible Procurement, which carries a relatively low risk of stranded procurement due to the ability to repurpose procurement for other projects. Flexible Procurement, as defined in Special Condition 1.1, comprises ‘fungible assets’ and ‘contracts with optionality’. We make the distinction between ‘fungible assets’ and ‘contracts with optionality’ in this governance document and in the APM Register as it is useful to understand the different procurement approaches.
- 2.20 Any procurement that does not meet the requirements for Flexible Procurement shall be considered Bespoke Procurement. Bespoke Procurement therefore carries higher risk of stranded procurement and requires Authority approval. For Bespoke Procurement, licensees must provide additional reassurances as to how they will mitigate the risk of stranded procurement in the absence of flexibility.
- 2.21 We provide further detail on the information and evidence required in relation to Flexible Procurement and Bespoke Procurement below.

Fungible assets (sub-set of Flexible Procurement)

- 2.22 Procurement of fungible assets focuses on the transferability of the procured asset. A fungible asset is one that, once available for delivery to the licensee, is suitable for use in a variety of different projects, such that there is little risk of wastage if a large volume of assets is procured at an early stage.
- 2.23 For the purpose of the APM, this requires that the licensee’s contractual arrangements around the procurement allows transferability to another project, in addition to requiring that the asset itself is transferable.

Contracts with optionality (sub-set of Flexible Procurement)

- 2.24 When procuring contracts with optionality, when a licensee pays a deposit to reserve capacity with their suppliers, the licensee must give a high-level view of

⁷ Special Condition 3.16 Part I sets out the circumstances in which we may consider expenditure under the APM to be ‘ineligible’ and thus subject to potential disallowances. For the reason set out at paragraph above, stranded procurement is not listed specifically within Special Condition Part I. However, where at any stage there are significant volumes of procurement that appear to be not useable on any project we will require evidence from the licensees that the procurement was undertaken with a reasonable expectation of using it. If we consider that that evidence indicates that any of the procurement that appears to be ‘stranded’ satisfies any of the tests under Special Condition 3.16.26, we may modify the APMD_t in accordance with 3.16.28.

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the equipment required but would not be required to provide a detailed specification until later in the procurement process, ie much closer to the delivery date agreed with the licensee. This optionality is expected to be within the APM Cost Category that the APM Expenditure is related to, not across different APM Cost Categories. For example, a licensee could agree to a high-level requirement for Air Insulated Switchgear (AIS) with its supplier but could wait to provide detailed specification until 12-24 months later, when it is certain which project the equipment will be used on.

- 2.25 Procurement can be considered flexible in this regard if the licensee has retained sufficient optionality at the time of APM Expenditure so that they have reasonable time before they have to make choices (eg on asset design) that might restrict use of the asset to a specific project/investment.
- 2.26 The length of time for which the licensee retains this optionality must not be shorter than the length of time required to achieve more certainty about its project pipeline and thus more certainty as to which project the procured Equipment or Related Services will be used for. This is required for the contract optionality to adequately mitigate the risk of stranded procurement.

Bespoke Procurement

- 2.27 Bespoke Procurement can be any of: procurement in relation to APM Cost Categories stated as ‘Bespoke Procurement only’ in Appendix 1; Bespoke Procurement in relation to an otherwise flexible APM Cost Category; or procurement of Gas Insulated Switchgear (GIS). We explain each in turn below.

APM Cost Categories that are ‘Bespoke Procurement only’

- 2.28 APM Cost Categories stated as ‘Bespoke Procurement only’ in Appendix 1 are APM Cost Categories which do not meet the eligibility criteria for Flexible Procurement, but which we may permit the APM to be used for if a licensee can demonstrate that there is a strong possibility of supply chain constraints impacting project delivery timelines or project costs. Given this, for each Bespoke Procurement request we require the licensee to set out why the procurement cannot be Flexible Procurement.
- 2.29 Some APM Cost Categories are categorised as “Bespoke Procurement only” in Appendix 1, and for these categories the licensee may only use Bespoke Procurement allowances as determined for the specific project and APM Cost Category.

Bespoke procurement of an otherwise flexible APM Cost Category

- 2.30 Bespoke Procurement is not limited to those APM Cost Categories listed as “Bespoke Procurement only” in Appendix 1. There may be instances in which the licensee wishes to procure under an APM Cost Category that is not categorised as “Bespoke Procurement only” because it can typically be procured flexibly, but for

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which in a particular instance the licensee is seeking to procure in a less flexible manner.

- 2.31 For example, if the APM Cost Category is typically a fungible asset, but the supplier requires a unique specification for a particular project shortly after making the payment as described at paragraph 2.2, this expenditure is not eligible for standard APM Expenditure, and must be specifically requested as Bespoke Procurement.

GIS

- 2.32 All GIS procurement is to be treated as Bespoke Procurement, regardless of whether the procurement is flexible. This is because we do not think it appropriate to encourage speculative purchases of GIS equipment. We want TOs to prioritise lower-emissions, AIS technology wherever possible and consider that allowing purchase of GIS as flexible procurement under the APM is in conflict with this objective.
- 2.33 Nonetheless we recognise that GIS may be the optimal solution for some projects, and so will consider TO applications for GIS as Bespoke Procurement in those specific circumstances.
- 2.34 Licensees are therefore not required to justify categorisation of GIS procurement as Bespoke Procurement, although are invited to provide details about any degree of flexibility of GIS procurement to the extent that the licensee can demonstrate low risk of stranded procurement.

Criterion 3: Transparency

- 2.35 Licensees must confirm how APM Expenditure will be tracked internally and that the licensee will be able to fulfil the reporting requirements set out in this governance document and in the RRP templates. It is important that the licensee is able to demonstrate that it will track APM Expenditure and how it proposes to do that.
- 2.36 For the licensee to receive APM Allowances to account for its APM Expenditure, they are required to report this APM Expenditure through full responses to the relevant sections of the RRPs, as set out in the reporting requirements in Section 4.
- 2.37 On more complex contracting arrangements, such as those detailed below, licensees must provide assurances that they will hold and be able to report to Ofgem sufficient detail for us to understand the goods and services being procured. For example:
- Contracts for the provision of Related Services must be linked to the relevant Equipment and traceable as such.

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- Procurement relating to ‘contracts with optionality’ will have additional complexity in setting out the optionality and details of when the licensee is required to provide further details to the supplier. Licensees must provide us with a high-level description of any such milestones.

3. APM Re-opener

Introduction

- 3.1 In this section we set out how the APM Re-opener provided for in Special Condition 3.16 will operate.
- 3.2 The APM Re-opener may be triggered with respect to any of the following areas:
- Additions of, changes to, or removals of APM Cost Categories, as specified in the licensee's specific APM Register. See paragraphs 3.6 to 3.21.
 - Amendments to the value of the Bespoke Procurement allowance. See paragraphs 3.22 to 3.32.
 - Increases or decreases to the cap on APM Allowances (APMC_t). See paragraphs 3.33 to 3.44.

Re-opener timings

- 3.3 A licensee can submit an APM Re-opener application during the first five working days of April, or during any other period as Ofgem may direct.
- 3.4 We would expect a consultation on our views on the re-opener application to be published in the May directly following the re-opener window, but this might be affected by factors such as the quality of the licensee's submission(s), the volume of requests and any need for additional information from the licensee.
- 3.5 If the licensees' re-opener request is time sensitive, we ask that the licensee provide a clear statement of any reasons for this time sensitivity as part of their application. For example, the licensee may have a time-limited contract offer from a supplier, and the APM re-opener changes that they are requesting would (if approved) enable the licensee access to APM funding to finalise that contract.

Amendments to APM Cost Categories

Licensee re-opener application

- 3.6 A licensee may apply for the addition of any new, or modification of existing, APM Cost Categories.
- 3.7 To request inclusion of a new APM Cost Category, or modification of an existing APM Cost Category, licensees must submit the information set out in Table 1 for each relevant cost category during the relevant re-opener window. The licensees must use the APM re-opener application spreadsheet provided by Ofgem, which can be supplemented with information provided in a report format.

Guidance Advanced Procurement Mechanism (APM) Governance Document**Table 1: APM Cost Category re-opener information requirements**

Area	Ofgem guidance to licensees
Proposed APM Cost Category	<p>APM-specific category or sub-category as specified in Appendix 1.</p> <p>If the licensee is submitting a proposal for a new APM Cost Category that does not exist in the APM-specific list of categories and sub-categories in the APM register, this application must include details of the proposed APM Cost Category (including category, sub-category, and units) and set out details of the relevant categorisation in the Business Plan Data Template (BPDT) to facilitate mapping that will inform our tracking of this spend.</p>
Procurement type	Indicate whether the proposed APM Cost Category is proposed as ‘contracts with optionality’, fungible assets or Bespoke Procurement.
Estimated final cost	Estimate of final equipment spend per unit, the number of units, and total cost. This is the total equipment spend, including any deposit.
Eligibility criterion 1: APM requirement	Set out why the licensee believes that APM Expenditure is required, ie how the proposed inclusion or amendment of this APM Cost Category can help to avoid delays to project delivery or increased project costs. This includes setting out the potential result of inaction, such as the potential project delay and/or consumer detriment to be avoided (eg referencing constraint costs if calculated by the NESO), and why APM funding is the right mechanism to avoid this. This relates to Special Condition 3.16 Paragraph 3.16.5(a).
Eligibility criterion 2: APM risk mitigation	<p>Reassurance as to how the licensees will reduce the risk that this procurement becomes stranded.</p> <p>This includes whether the APM Cost Category is being proposed as Flexible Procurement (and whether this is contracts via optionality or fungible assets) or Bespoke Procurement, and evidence to justify any proposed categorisation as Flexible Procurement. This relates to Special Condition 3.16 paragraph 3.16.5(b).</p>
Eligibility criterion 3: APM transparency	<p>Confirmation that the licensees can and will track APM Expenditure on this APM Cost Category internally, including as part of any likely complex contractual arrangements, and report this to Ofgem. This reporting will include detail on the flexibility of the contract the licensee is looking to enter into.</p> <p>This relates to Special Condition 3.16 paragraph 3.16.5(c).</p>
Other	Any additional information the licensee wishes to include.

3.8 Ofgem will assess whether the licensee’s application meets the criteria as set out in Table 1 above.

3.9 If Ofgem approves a licensee’s application for a new APM Cost Category, or a modification to an existing APM Cost Category, we will update the licensee’s APM

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Register. We will also update the overall list of APM Cost Categories in Appendix 1.

- 3.10 Approval of a new APM Cost Category or modification of an existing one does not qualify as an increase to the APM Cap. For an uplift to the licensee's APM Cap, the licensee must submit a separate application under Part D of the licence condition containing the information set out in Paragraphs 3.36 to 3.39 of this Governance Document, or 3.25 to 3.26 for Bespoke Procurement allowances. A licensee can submit for an APM Re-opener for a new or modified APM Cost Category alongside submitting a request for an increase to their APM Cap or Bespoke Procurement allowance in relation to that proposed APM Cost Category.

Authority-triggered re-opener**Adding an APM Cost Category**

- 3.11 We may choose to trigger a re-opener if we consider that a potential APM Cost Category satisfies the requirements as set out for the licensee re-opener application in paragraphs 3.6 to 3.8.
- 3.12 In this instance, we may request information from the licensee in line with the information requirements set out for the licensee re-opener application in paragraph 3.7 and Table 1.

Modifying an existing APM Cost Category

- 3.13 We may choose to trigger a re-opener if we consider that an APM Cost Category requires modification, for example to change whether it is designated as for Bespoke Procurement only.
- 3.14 In this instance, we may request information from the licensee in line with the information requirements set out for the licensee re-opener application in paragraph 3.7 and Table 1.

Removing an APM Cost Category

- 3.15 We may choose to use this re-opener to remove an APM Cost Category by direction in line with Special Condition 3.16 Part E. This would be done if we consider that inclusion of this area of expenditure in the APM is no longer in consumers' interests.
- 3.16 The main justification for removing an APM Cost Category would be if the main eligibility criteria no longer apply:
- Requirement - for example, if market conditions improve and supply chain constraints ease such that it is no longer in consumers' interests for us to provide advanced funding that would come with some stranding risk.

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- Mitigation - for example, if the level of flexibility in relation to an APM Cost Category has transpired to be less than the licensee(s) suggested and/or is inadequate to protect the interests of consumers, there may be a high risk of stranded procurement and we would need to re-consider whether continued APM spending in this area is appropriate.
- Transparency -for example, if the reporting against an APM Cost Category is consistently unsatisfactory, we may consider that the ability to track is too low for APM inclusion. Poor reporting increases the risk of double funding, ie that a licensee receives funding for a single activity more than once.

3.17 A decision to remove an APM Cost Category would not prevent its reconsideration for inclusion in the APM again in future.

Contracts in development or live at the time of removal of an APM Cost Category

3.18 We are mindful that removal of an APM Cost Category from the APM could have financial implications for the licensees if the removal occurs during live procurement activities. Nonetheless, it is important that APM Expenditure is focused on procurement that fulfils the eligibility criteria as set out, to ensure that the APM remains in consumers' best interests.

3.19 Therefore, from the date on which the Authority publishes a consultation proposing to remove an APM Cost Category, expenditure on that APM Cost Category will not be eligible for APM funding unless the conclusion of the consultation is a decision to retain the APM Cost Category. The licensees, and other stakeholders, would have the opportunity to respond to this consultation and their views will be taken into consideration before making the decision.

Publishing a decision

3.20 As part of our decision in relation to any re-opener to add, remove or modify an APM Cost Category, we will update Appendix 1 and the licensees' APM Registers to include an update to the list of APM Cost Categories.

3.21 Addition, modification or removal of an APM Cost Category does not affect any allowance set out in the Special Condition 3.16.

Amendments to the Bespoke Procurement allowance

3.22 Licensees can submit re-openers to amend their Bespoke Procurement allowances. Bespoke Procurement allowances can be increased, in which case the licensee must show how the request meets the eligibility criteria set out in Chapter 2. Bespoke Procurement allowances can also be decreased by removing any unspent allowances, for example because the approved but unspent allowance for Bespoke Equipment and/or Related Service has received funding through another part of the price control.

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- 3.23 For increases to Bespoke Procurement allowances, given the lack of flexibility of Bespoke Procurement, the licensee must provide an alternative approach to mitigating the risk of stranded procurement. This could include any information the licensee considers is relevant, such as the level of certainty that the project will go ahead, and whether the anticipated procurement would be required in all or only some of the project design options being considered. We also encourage the licensee to set out further detail on the positive impact that APM funding could have for the project, eg the criticality of the project and the risks associated with late delivery as other key drivers for the use of the APM.
- 3.24 The approved amounts for APM Expenditure with respect to Bespoke Procurement are not flexible; the total amount is comprised of multiple project-specific allowances which may only be spent on specific APM Cost Categories for use on that project. Such expenditure will only be permitted where Ofgem has made a direction in accordance with Part C of Special Condition 3.16.

TO re-opener application to increase the Bespoke Procurement allowance

- 3.25 For each request to increase the Bespoke Procurement allowance, the licensee must provide information set out in the following Tables:
- Table 2 for the relevant project details; and
 - Table 3 for the relevant APM Cost Category details, for each and every cost category included. This is similar to Table 1 but has additional detail relevant to Bespoke Procurement.
- 3.26 The licensees must use the APM re-opener application spreadsheet provided by Ofgem, which can be supplemented with information provided in a report format.
- 3.27 The purpose of this additional detail is to provide us with assurance as to the strength of the case for intervention and the mitigation of the risk of stranded procurement – together providing confidence that the Bespoke Procurement would be in the best interests of the consumer.
- 3.28 GIS purchases are to be treated as Bespoke Procurement, even if the licensee is able to procure them in a manner that would otherwise qualify as Flexible Procurement. For any proposed GIS procurement under APM, the licensee must set out why it has concluded that GIS is the appropriate solution for that project.

Table 2: Project details for re-opener requests for new Bespoke Procurement

Area	Ofgem guidance to licensees
Ofgem Scheme Reference (OSR)	As the licensee will use for BPDTs. If there is not yet an OSR, use the licence term. Once the relevant OSR is available, the licensee must inform Ofgem of it.
Project Title	Free-form project title.

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Area	Ofgem guidance to licensees
Project Portfolio	Indication of the portfolio that this project is being developed under, or if that is to be confirmed then which portfolio(s) it may be developed under. For example, T3 baseline, ASTI, CPP2030. The licensee may provide additional detail here.
Project delivery year	Estimated year of delivery/energisation.
Project location	The city, town or region the project is located in. The licensee may provide additional detail here, including indication of any relevant system boundaries.
Project investment driver	Motivation for the project, eg load, safety and network resilience. The licensee may provide additional detail here.
Project funding mechanism	Confirmation of any funding mechanism this project is already applying for or has received funding from, or which the licensee intends to use. We require licensees to also indicate here whether they have used (or currently intend to use) the APM for other procurement for this project, including for Flexible Procurement, and any relevant known values. This is to provide an understanding of the total potential APM Expenditure for this project.
Project high-level technical design	An indication of the type of project and asset that will be delivered.
Cost	Estimate of total delivery cost for the project.
Timing	An indicative timeline for the project delivery including the expected timing for reaching key stages such as detailed design, achieving the needs case approval, and awarding key supply contracts.
Uncertainty	Set out the level of uncertainty around this project, including around the needs case and the design, to provide an understanding of how likely the project is to go ahead.
Other	Any additional information the licensee wishes to include, or which the Authority requests (eg which may relate to additional contract details).

Table 3: APM Cost Category detail for re-opener requests for new Bespoke**Procurement**

Area	Ofgem guidance to licensees
APM Cost Category	Cost Category from the list specified in the licensee's APM Register.
Procurement type	Indicate whether the proposed APM Cost Category is proposed as contracts with optionality, fungible assets or bespoke.
Contract type	Equipment, equipment and services, services.

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Area	Ofgem guidance to licensees
Estimated per unit final cost	Estimate of final equipment spend, including any deposit.
Eligibility criterion 1: APM requirement	Set out why the licensee believes that APM Expenditure is required, ie how the proposed Bespoke Procurement can help to avoid delays to project delivery or increased project costs. This includes setting out the potential result of inaction, such as the potential project delay and/or consumer detriment to be avoided (eg referencing constraint costs if calculated by the NESO), and why APM funding is the right mechanism to avoid this.
Eligibility criterion 2: APM risk mitigation	Details as to how the licensees will reduce the risk that this procurement becomes stranded, including any indications providing confidence that this project will proceed and with a design that requires this procurement.
Eligibility criterion 3: APM transparency	Confirmation that the licensees can and will track APM Expenditure on this Bespoke Procurement internally, including as part of any potentially complex contractual arrangements, and report this to Ofgem. This reporting will include detail on the flexibility of the contract the licensee is looking to enter into.
Other	Any additional information the licensee wishes to include.

TO re-opener application to decrease the Bespoke Procurement allowance

- 3.29 Bespoke Procurement allowances can only be spent on specific APM Cost Categories for use on a specific project. There may be circumstances in which a licensee wants to decrease its Bespoke Procurement allowance eg, where the allowance is unspent but has received funding through another part of the price control. In such instances, the unspent allowance must be removed through a re-opener.
- 3.30 For each request to decrease the Bespoke Procurement allowance, the licensee must provide information set out in Table 4. The licensees must use the APM re-opener application spreadsheet provided by Ofgem, which can be supplemented with information provided in a report format.

Table 4: Allowance detail for re-opener requests to remove Bespoke Procurement allowances

Area	Ofgem guidance to licensees
Bespoke Procurement allowance approval details	Provide information on what was approved and when. This includes the unique Bespoke Procurement identifier issued by Ofgem when the allowance was approved, the date of Ofgem's approval, the total value of the allowance approved, the OSR associated with the approval, the APM Cost Category, units, and volume approved.

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Area	Ofgem guidance to licensees
Bespoke Procurement allowance removal details	Provide information on the approved volume that the licensee is requesting be removed, and the value of the approved allowance to be removed.
Reasons for removal	<p>Provide information on why the licensee is requesting removal eg, unspent allowance has been subsequently funded through another mechanism in the price control, or allowance no longer needed.</p> <p>If the unspent allowance has been funded through another part of the price control, provide details on the funding mechanism eg, licence term and the date on which this funding was approved.</p>

Publishing a decision

3.31 As part of our decision in relation to any re-opener under the APM, we will update the relevant licensee's APM Register to reflect:

- An updated Bespoke Procurement allowance.
- An updated log of bottom-up calculations of licensees' anticipated APM procurement pipelines.

3.32 An update to the Bespoke Procurement allowances will not automatically result in a change to the APM Cap. If the licensee requires a change, eg to allow a higher APM Cap to enable the proposed Bespoke Procurement, the licensee must submit a request for a change to their APM Cap alongside its request for an adjustment to their Bespoke Procurement allowance.

Changes to the APM Cap

3.33 The APM Cap is not project-specific in that a licensee is able to spend the allowance on any of the APM Cost Categories that are labelled as Flexible Procurement.

3.34 Any request for an increase to the APM Cap must be in relation to the existing cap being insufficient to enable all procurement that the licensee is intending to undertake in relation to existing APM Cost Categories. For example, a licensee may provide evidence of price rises or an updated project pipeline that justifies spending beyond the existing APM Cap. The request could be accompanied by a request for the addition of a new APM Cost Category or request for new Bespoke Procurement allowance, that the existing APM Cap does not provide for, but this is not required.

3.35 A portion of the APM Cap may be used for Bespoke Procurement which is approved in accordance with this document and as set out in Special Condition 3.16 Part C and in the licensee's APM Register. The Bespoke Procurement allowance is part of, not additional to, the overall APM Cap.

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Licensee re-opener application

3.36 The licensee's application for a re-opener of the APM Cap must include:

- A letter setting out why the current APM Cap is not sufficient for their upcoming procurement requirements.
- A bottom-up calculation that sets out how the licensees have determined their requested adjustment to the APM Cap. While the cap on APM allowances (except for Bespoke Procurement allowances) is not project-specific, for us to set any allowances we need to understand how the licensees intend to use these.

3.37 We provide an APM re-opener application spreadsheet for the licensees to submit the required bottom-up information. The required information includes, for each APM Cost Category and project:

- project details including OSR; and
- details of what is being procured, including APM Cost Category, whether it is Flexible Procurement (and whether contracts with optionality or fungible assets) or bespoke, and number of units per OSR.

3.38 For example, for an increase in the allowance, the licensee would set out a list of the relevant projects in their pipeline, alongside a list of the APM Cost Categories and how many units of each is required.

3.39 The APM re-opener application spreadsheet includes guidance on how to complete each column. The licensee should complete all columns unless otherwise agreed with Ofgem.

Authority-triggered re-opener

3.40 We will consider triggering a re-opener to increase the APM Cap for each licensee if that is required to support the objectives of the APM. Alternatively, we will consider triggering it to affect a reduction as a result of licensee misuse of the APM or if market conditions improve and supply chain constraints ease, negating the need for the existing size of APM cap.

3.41 If we trigger a re-opener in this area, we would require evidence from the relevant licensee or licensees to inform our decision. This information would likely include those areas set out in paragraphs 3.36 and 3.37 above.

3.42 Any modification to a licensee's APM Cap would be made under section 11A of the Act.

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Publishing a decision

3.43 As part of our decision in relation to any decision to increase or decrease a licensee's cap on APM Allowance we will update the Special Condition 3.16 and Appendix 1.

3.44 As part of our decision in relation to any re-opener in this area, we will update the relevant licensee's APM Register to reflect:

- An updated cap on APM allowance, and the current available amount.
- An updated log of bottom-up calculations of licensees' anticipated APM procurement pipelines as provided by the licensee and with Ofgem's decisions indicated.

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4. Reporting requirements

Reporting APM Expenditure

- 4.1 Each licensee must report its APM Expenditure as part of the Regulatory Reporting Pack (RRP) each Regulatory Year to enable us to determine the APM Allowance (APMS_t in Special Condition 3.16). Confidential Information will be treated confidentially, subject to any obligations on us to disclose information.
- 4.2 We consider APM procurement, and therefore APM Expenditure, to have taken place on that date that the relevant payment, as defined in paragraph 2.2, is made by the licensee to its supplier.
- 4.3 There will be an update to the RRP to include a new sheet for reporting APM Expenditure, and to the RIGs to provide accompanying guidance. This information should be reported for each contract and APM Cost Category, for example if the licensee has signed one contract that covers five different APM Cost Categories this would require five new rows in the APM Expenditure sheet. Additional information required for each entry includes:
- a new unique reference number to facilitate later tracking of this expenditure;
 - the date on which the expenditure took place;
 - the number of units procured against each APM Cost Category;
 - the APM Allowance that has been spent to secure procurement for those units;
 - the total expected final cost for those units at the time of spending; and
 - whether the contract has been signed with a UK-based supplier.
- 4.4 In addition, alongside submitting its RRP the licensee must submit an APM procurement report to Ofgem (in spreadsheet and/or report format), which will also be treated confidentially. This report should as a minimum set out for all relevant new contracts:
- the relevant unique reference number used in the RRP;
 - any known projects that the licensee expects the units might be used for (and how many for each);
 - the expected delivery date, or range of delivery dates permitted under the contract; and
 - the key contractual commitments or milestones, such as subsequent payments, at sufficient granularity to provide an understanding of the associated risk.

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- 4.5 As part of the APM Procurement Report, the licensee must also set out any changes to existing contracts for which it has used APM Expenditure, including any changes to contract terms that affect the flexibility and any additional financial commitments.

Allocation of APM procurement to a project

- 4.6 Each licensee must report any allocation of APM-procured Equipment and/or Relates Services to a project as part of the RRP each financial year to enable us to determine the APM Allowances in relation to spending that has been allocated to Allowed Revenue elsewhere in the licensee's licence (APMR_t in Special Condition 3.16).
- 4.7 There will be an update to the RRP to include a new sheet for reporting such allocations, and to the RIGs to provide accompanying guidance.
- 4.8 Information required for each entry includes:
- OSR;
 - Project reference and scheme name;
 - Relevant funding mechanism and licence condition;
 - APM contract reference as given when reporting APM Expenditure;
 - APM Cost Category;
 - Number of units procured against each APM Cost Category; and
 - Total APM Allowance that was used to secure procurement for those units.

APM Register

- 4.9 To track the allowances and expenditure under the APM, we intend to maintain a confidential APM Register for each licensee. The APM Register will be a spreadsheet, and is the main place for Ofgem and the licensee to find:
- APM Allowance available to spend, including flexible and bespoke;
 - for approvals in relation to Bespoke Procurement, which projects and APM Cost Categories the licensee is allowed to spend its allowance for bespoke procurement on and relevant per-project caps;
 - previous APM Expenditure, split by APM Cost Category; and
 - APM Expenditure allocated to projects and thus recovered through an alternative mechanism.
- 4.10 The APM Register will be informed by the following main inputs:

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- The licensee's applications for the original APM and any APM re-opener, and Ofgem's assessment of these (ie to account for non-approved requests).
- The licensee's reporting on procured contracts, submitted as part of the annual RRP.
- The licensee's reporting on procurement allocated to projects, submitted as part of the annual RRP.

4.11 The APM Register will be updated by the Authority to reflect the latest information available to Ofgem, including the licensee's:

- list of approved APM Cost Categories, including which of these are Flexible Procurement and which are Bespoke Procurement only;
- APM Cap ($APMC_t$) including which allowances are specifically for Bespoke Procurement;
- expenditure registered as incurred in the APM, which determines the 'APM Expenditure' term $APMS_t$; and
- allowances initially incurred under $APMS_t$, which cannot be a value greater than $APMS_t$, that have now been added to Allowed Revenue (eg through baseline allowances or re-openers) ($APMR_t$).

4.12 A licensee's APM Register would also be updated following any additions to the APM-specific list of categories and sub-categories.

4.13 We will provide the relevant licensee(s) with an updated version of the APM Register following any update, once we have finalised the spreadsheet internally. Each APM Register will be confidential and will be shared only with the relevant licensee.

5. Interaction with related regulatory frameworks

Competitively Appointed Transmission Owners (CATOs)

- 5.1 Under the Energy Act 2023, new transmission infrastructure projects can be competitively appointed to an alternative Transmission Owner (TO), known as a Competitively Appointed Transmission Owner (CATO).
- 5.2 The CATO regime focuses on the development of an early model of competition and so successful CATOs should be able to engage with the supply chain sufficiently early to avoid project delays. As the licensees can compete against other parties to be appointed as a CATO, it is important that the APM does not create any undue advantage for the licensee as part of that competitive tender process.
- 5.3 Therefore, licensees are not permitted to use the APM to procure goods and/or services for any project that has been confirmed as a CATO project. For this reason, procurement of goods and services in relation to a project that has already been designated as a CATO project at the time of procurement is counted as ineligible spend in the Licence Condition 3.16 Part I.
- 5.4 If a licensee is submitting a tender for any CATO project, it cannot include any intention to make use of goods or services for which the licensee has used its APM Allowance to fund a deposit or capacity reservation. If a licensee has committed APM Expenditure to such a project prior to it being confirmed as a CATO project, such spend will not count as ineligible spend but the Equipment or Related Services cannot be used in any tender it submits for that CATO project.

Accelerated Strategic Transmission Investment (ASTI)

- 5.5 For ASTI projects, the licensees are able to apply for early procurement costs as part of Early Construction Funding (ECF).⁸
- 5.6 A licensee cannot make use of both the APM and ECF for any single project. Therefore, the APM cannot be used to procure equipment for an ASTI project for which the licensee has applied for, or will apply for, ECF. This is to avoid double funding.

⁸ See https://www.ofgem.gov.uk/sites/default/files/2022-12/ASTI%20decision%20doc%20-%20Final_Published.pdf

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Appendix 1 APM Cost Categories

A1.1 An APM Cost Category is a type of equipment for which the licensee may use its APM Allowance for making payments as described at paragraph 2.2. All APM Cost Categories draw from the APM-specific list of equipment categories.

A1.2 Table 5 sets out the APM-specific list of equipment categories and sub-categories. It also sets out whether each APM-specific category and sub-category is an APM Cost Category, including which are eligible for Bespoke Procurement only.

Table 5: APM-specific categories and sub-categories, and which are APM Cost Categories

APM-specific category	APM-specific sub-category	APM Cost Category	Bespoke Procurement only
AC Circuit Cable	Cable <=33kV	Yes	No
AC Circuit Cable	Cable 132kV	Yes	No
AC Circuit Cable	Cable 275kV	Yes	No
AC Circuit Cable	Cable 400kV	Yes	No
AC Circuit Cable	Cable kV Unknown	Yes	No
AC Circuit Cable	Submarine Cable	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	AIS Bays <=33kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	AIS Bays 132kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	AIS Bays 275kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	AIS Bays 400kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	AIS Bays kV Unknown	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Circuit Breaker	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Circuit Breaker 132kV	Yes	No

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APM-specific category	APM-specific sub-category	APM Cost Category	Bespoke Procurement only
AIS Switchgear (Incl. Circuit Breakers)	Circuit Breaker 275kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Circuit Breaker 33kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Circuit Breaker 400kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Disconnecter	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Earth Switch	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Earth Switch <=33kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Earth Switch 132kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Earth Switch 400kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Other Switchgear 132kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Other Switchgear 275kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Other Switchgear 33kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Other Switchgear 400kV	Yes	No
AIS Switchgear (Incl. Circuit Breakers)	Surge Arrestor	Yes	No
Batteries	Batteries	Yes	No
FACTS	FACTS Equipment	Yes	Yes
GIS Switchgear (incl. Circuit Breakers)	Busbar (GIB)	Yes	Yes
GIS Switchgear (incl. Circuit Breakers)	GIS Bays <=33kv	Yes	Yes

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APM-specific category	APM-specific sub-category	APM Cost Category	Bespoke Procurement only
GIS Switchgear (incl. Circuit Breakers)	GIS Bays 132kV	Yes	Yes
GIS Switchgear (incl. Circuit Breakers)	GIS Bays 275kV	Yes	Yes
GIS Switchgear (incl. Circuit Breakers)	GIS Bays 400kV	Yes	Yes
GIS Switchgear (incl. Circuit Breakers)	GIS Bays kV Unknown	Yes	Yes
GIS Switchgear (incl. Circuit Breakers)	GIS Bushings	Yes	Yes
HVDC	HVDC Cable	Yes	Yes
HVDC	HVDC Converter	Yes	Yes
HVDC	HVDC Converter Transformer	Yes	Yes
HVDC	HVDC OHL	Yes	Yes
HVDC	HVDC Other	Yes	Yes
Instrument Transformers	Instrument Transformers <=33kv	Yes	No
Instrument Transformers	Instrument Transformers 132kV	Yes	No
Instrument Transformers	Instrument Transformers 275kV	Yes	No
Instrument Transformers	Instrument Transformers 400kV	Yes	No
Instrument Transformers	Instrument Transformers kV Unknown	Yes	No
LVAC	Diesel Generators & LVAC Boards	No	n/a
LVAC	LVAC cabling	No	n/a
LVAC	Substation Auxiliary Supplies at substations	Yes	No
Other Switchgear	Capacitor	Yes	No

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APM-specific category	APM-specific sub-category	APM Cost Category	Bespoke Procurement only
Overhead Pole Line	Pole	Yes	No
Overhead Pole Line	Pole Line Conductor <=33kV	Yes	No
Overhead Pole Line	Pole Line Conductor 132kV	Yes	No
Overhead Tower Line	OHL Conductor 132kV	Yes	No
Overhead Tower Line	OHL Conductor 275kV	Yes	No
Overhead Tower Line	OHL Conductor 400kV	Yes	No
Overhead Tower Line	OHL Conductor kV Unknown	Yes	No
Overhead Tower Line	OHL Earth Wire	Yes	No
Overhead Tower Line	OHL Earth Wire Fittings	Yes	No
Overhead Tower Line	OHL Fittings 132kV	Yes	No
Overhead Tower Line	OHL Fittings 275kV	Yes	No
Overhead Tower Line	OHL Fittings 400kV	Yes	No
Overhead Tower Line	OHL Fittings kV Unknown	Yes	No
Overhead Tower Line	OHL Insulators	Yes	No
Overhead Tower Line	Steel Towers	Yes	No
Protection & Control	Protection & Control	Yes	No
Wound plant	Quad Booster	Yes	Yes
Wound plant	Series Reactor	Yes	No
Wound plant	Shunt Reactor	Yes	No
Wound plant	Tertiary connected reactor	Yes	No
Wound plant	Transformer 132kV	Yes	No
Wound plant	Transformer 275kV	Yes	No
Wound plant	Transformer 400kV	Yes	No
Wound plant	Transformer kV Unknown	Yes	No

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Appendix 2 Information Flows

A2.1 **Error! Not a valid bookmark self-reference.** below gives an indication of how re-opener applications and licensee reporting will feed into licence terms, the Governance Document, APM Registers, and the PCFM.

Figure 1: How re-openers and reporting feed into the licence terms.

