

Guidance

Community Funds for Electricity Transmission Infrastructure Pass-Through

Publication date:	01 April 2026
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This Community Funds Pass-through Guidance (Guidance) sets out how Transmission Owners (TOs) can recover the Delivery Costs that the TOs have incurred or expect to incur, during the Price Control Period, to enable them to deliver Community Funds for transmission infrastructure under the RIIO-ET3 price control. It explains how the size of the Community Fund is calculated, when TOs may begin spending, what costs are eligible for recovery, how Community Funds Delivery Costs are treated, and what reporting and evidence requirements apply.

SpC 6.1.23 of the electricity transmission licence provides that the licensee must comply with the Community Funds Pass-through Guidance.

This Guidance is applicable for the three TOs operating under RIIO-ET3 and covers all major projects that fall under the UK Government’s Guidance on Community Funds for electricity transmission infrastructure,¹ (DESNZ Guidance) published by the Department for Energy Security and Net Zero (DESNZ) including but not limited to Accelerated Strategic Transmission Investment (ASTI), Large Onshore Transmission Investment (LOTI) and Centralised Strategic Network Plan (CSNP). It supports the implementation of the SpC 6.1 Part D and aligns with DESNZ Guidance.

¹ [Community funds for transmission infrastructure \(accessible webpage\) - GOV.UK](#)

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1. Introduction

Context and related publications

- 1.1 This Guidance sets out how Transmission Owners (TOs) can recover the delivery costs that the TOs have incurred or expect to incur, during the Price Control Period, to enable them to deliver Community Funds for electricity transmission (ET) infrastructure under the RIIO-ET3 price control. It supports the implementation of SpC 6.1 Part D and aligns with the DESNZ Guidance.²
- 1.2 The Guidance applies to all TOs operating under RIIO-ET3 and, also covers projects delivered under the Accelerated Strategic Transmission Investment (ASTI) and Large Onshore Transmission Investment (LOTI) frameworks, if construction commenced after the publication of the DESNZ Guidance (10 March 2025).

Definitions

- 1.3 The following terms are used in this Guidance:
 - **ASTI** - means the assets constituting an investment in the Transmission System, where the investment:
 - meets the definition of LOTI as set out in Special Condition 1.1 of the RIIO3 licence as in force on 31 March 2026;
 - has been identified by the ISOP as being needed to be operational by 2030 to meet the UK Government’s ambition to connect 50GW offshore wind generation; and
 - satisfies the Authority that there is clear evidence that the expected consumer benefits of applying the accelerated delivery framework to the project exceeds the expected consumer detriment.
 - **Community Funds** - means the community fund for transmission infrastructure introduced by UK Government.
 - **Community Fund Costs** – the monetary value of the Community Fund, calculated using the formula in Part D of SpC 6.1 of the ET licence (e.g. per kilometre of overhead line, per substation, converter station, or switching station).
 - **Community Funds Pass-through Guidance** - the guidance document issued by the Authority in accordance with Part D of Special Condition 6.1 Pass-through items (PTt).

² [Community funds for transmission infrastructure \(accessible webpage\) - GOV.UK](#)

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- **Community Funds Pass-Through Mechanism** – the regulatory funding mechanism under SpC 6.1 Part D of the ET licence that allows Transmission Owners to recover, in full, the costs of providing Community Funds associated with eligible ET infrastructure.
- **CSNP** - means the Centralised Strategic Network Plan (CSNP) for long-term development of the electricity and gas transmission systems, including hydrogen and other energy vectors over a 25-year period that identifies the need for delivery of immediate and future infrastructure projects across Great Britain as well as identifying solutions for long and short-term system operability issues.
- **DESNZ** – means the UK Government’s Department for Energy Security and Net Zero, named as such at time of publication.
- **Delivery Costs** – costs incurred in managing and administering the Community Fund as set out in the DESNZ Guidance and SpC 6.1 Part D of the ET licence (eg staff, engagement, marketing, third-party administration). These are capped at 10% of the total community fund value, applied at the portfolio level.
- **Pass-Through Costs** – the total of both Community Fund Costs and Community Funds Project Delivery Costs, which TOs may recover in full, subject to compliance with the relevant licence conditions and with this Guidance.

2. Overview of the Pass-Through Mechanism

SpC 6.1 of the ET licence creates a Mechanism through which TOs are allowed to recover the costs they have incurred or expect to incur, during the Price Control Period, to enable them to deliver Community Funds for ET infrastructure.

Fund size is calculated using a formula based on the type and scale of infrastructure (eg per km of overhead line, per substation). TOs can recover 100% of eligible costs, if they comply with the relevant licence conditions and with Guidance requirements (see SpC 6.1.21). Community Funds Project Delivery Costs are also recoverable provided licensees comply with the relevant licence condition and Guidance requirements, capped at 10% of the total fund value.

These Community Funds Project Delivery Costs are calculated across a portfolio of projects, not per eligible project, to support efficiency, flexibility, and early engagement.

- 2.1 The Community Funds Pass-through Mechanism (see 6.1.13-6.1.14) enables TOs to recover the costs of providing Community Funds associated with the development of eligible ET infrastructure. Community Funds are to be delivered in accordance with the guidance published by DESNZ.
- 2.2 The size of the community fund for each eligible project is calculated using a formula specified in SpC 6.1 of the ET licence: Pass-through items (PTt), Part D. This formula assigns a monetary value to each kilometre of eligible overhead line and to each eligible substation, converter station, or switching station constructed. The total fund value for an eligible project is therefore determined by the type and scale of infrastructure delivered.
- 2.3 This Mechanism is classified as a fully Pass-Through Cost, meaning that TOs may recover 100% of eligible Community Fund Costs, subject to compliance with licence condition SpC 6.1 Part D, and the requirements set out in this Guidance. The Mechanism is designed to ensure that TOs are not financially disadvantaged by delivering Community Funds that are mandated or encouraged by government policy.
- 2.4 In addition to costs for the core community fund, TOs may also recover eligible Community Funds Project Delivery Costs incurred, or expected to be incurred, during the Price Control Period, to deliver Community Funds. Such costs are recoverable through the same pass-through mechanism, subject to the requirements of licence condition SpC 6.1 Part D, this Guidance, and paragraph 3.5, in particular. These costs are capped at no more than 10% of the total value of Community Funds calculated at the portfolio level for each TO, rather than per eligible project. TOs are required to achieve economies of scale. In exceptional cases, higher Community Funds Project Delivery Costs may be allowed where a specific community requires more support in developing its community fund package, and to support early engagement activities even where individual projects may not ultimately proceed.

3. Eligibility and Timing

Projects under RIIO-ET3, ASTI, and LOTI are eligible for the Community Funds Pass-through, if construction commenced after the publication of the DESNZ Guidance (10 March 2025).

For ASTI projects, Community Fund Costs are excluded from PA allowances and recovered through the RIIO-ET3 pass-through reopener once expenditure is evidenced. TOs must set out anticipated Community Fund Costs in PA submissions. For RIIO-ET3 projects, this occurs when the TO can confirm what infrastructure will be built; such as the length of overhead line, and number of substations.

Costs are passed through annually and are to be reported as part of the Regulatory Reporting Pack (RRP) submission to Ofgem each July and may be reviewed at price control close-out.

- 3.1 Numbered paragraph Projects eligible for the Community Funds Pass-through Mechanism³ include those delivered under the RIIO-ET3 price control, ASTI, and LOTI frameworks.
- 3.2 For ASTI projects, Community Funds Costs will not form part of the allowances set at Project Assessment (PA). These costs will be recovered solely through the RIIO-ET3 pass-through reopener, once expenditure has been incurred and evidenced.
- 3.3 TOs who choose to provide Community Funds are must submit anticipated Community Fund Costs in their ASTI PA submissions. This should specify the highest amount they will allocate for the Community Fund, even if the actual spend may be lower. The information must be provided, in the same way as other pass-through items.
- 3.4 While the level of funding for Community Funds and Delivery Costs should be referenced in PA documentation for all eligible projects for completeness, consistent with other pass-through items (e.g. business rates), they will not be subject to efficiency assessment as part of the PA process.
- 3.5 Community Fund Costs will not be considered a factor for Ofgem’s decision on overall project assessments. Once a TO has an estimate of funding based on the likely infrastructure when projects are set in its licence, it may begin immediately spending on Community Funds, Delivery Costs, and any anticipatory construction.⁴ In cases where a project does not proceed to delivery, TOs may recover reasonable early-stage Community Fund Costs, provided they were incurred in compliance with this Guidance and the DESNZ framework.

³ For eligibility criteria, see the Overview section of the [DESNZ guidance](#).

⁴ See ‘The community funds process’ of the [DESNZ guidance](#)

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- 3.6 DESNZ Guidance states that Community Funds are to be delivered once a project has ‘started on site for the full main works contract’. This refers to the start of construction on main transmission infrastructure that is in scope of DESNZ’s Guidance (e.g. new lines, substations, switching/converter stations), and not preparatory works (e.g. access roads, site clearance, temporary compounds, archaeological investigations, or utility diversions).
- 3.7 Once final fund sizes are confirmed in the first year of project delivery, based on detailed design, consents, and construction planning, this can be reported as part of the TO’s annual RRP submission so that Ofgem can calculate the amount recoverable through SpC 6.1 of the ET licence. For RIIO-ET3 projects, the final fund size is typically confirmed once the project reaches a level of maturity that enables TOs to determine the infrastructure to be delivered (e.g. such as the number of kilometres of overhead line) based on detailed design, consents, and construction planning. For LOTI and ASTI projects, the fund size is typically confirmed once the scope is sufficiently defined through detailed design, consents, and delivery planning, ensuring costs reflect the infrastructure to be delivered.
- 3.8 Costs will pass through annually based on actual spend figures. TOs must submit a comprehensive annual report detailing all actual costs incurred under this pass-through. These documents must be provided to Ofgem each July.
- 3.9 Project Delivery Costs may be subject to review during the close-out of the price control (see SpC 6.1.25 – 6.1.29).
- 3.10 Cash contributions made to communities, under any circumstances, are ineligible for cost recovery either as part of the main community project fund or as a Community Funds Project Delivery Cost.

4. Delivery Costs

TOs can recover Community Funds Project Delivery Costs they have incurred or expect to incur during the Price Control Period, to enable them to deliver the Community Fund. These costs are capped at 10% of the total value of Community Funds incurred during the Price Control Period.

The cap is applied at the portfolio level, not per eligible project, allowing flexibility and economies of scale.

In accordance with the DESNZ Guidance and in accordance with SpC 6.1.22 of the ET licence, Community Funds Project Delivery Costs may include capacity building, feasibility work, staff costs, engagement, marketing, PR costs, third-party administrator costs, governance costs (as listed in the licence).

TOs' Delivery Costs must be reported and TOs must ensure Delivery Costs comply with the DESNZ Guidance.

TOs are encouraged to engage with communities early, even where projects may not ultimately proceed.

Ofgem may review Delivery Costs at the end of the Price Control Period if further assurance is needed. (see 'Reporting and Evidence Requirements' below for more information).

TOs must ensure Delivery Costs are compliant with DESNZ Guidance.

- 4.1 TOs' Delivery Costs must be reported and TOs must ensure Delivery Costs comply with the DESNZ Guidance. TOs should report Delivery Costs annually and should retain clear and comprehensive records as set out in 'Reporting and Evidence requirements'.
- 4.2 TOs may recover Community Funds Projects Delivery Costs they have incurred or expect to incur, during the Price Control Period, to enable them to deliver Community Funds, subject to a cap of no more than 10% of the total value of funds (which is not indexed) in a Price Control Period. This cap is applied at portfolio level (covering projects under RIIO-ET3, ASTI and LOTI), rather than on a per-project basis.
- 4.3 For instance, if a TO manages Community Funds totalling £10 million across projects under RIIO-ET3, ASTI and LOTI, the maximum amount it can recover for Community Funds Project Delivery Costs is £1 million (10% of the total fund value). This cap applies to the entire portfolio, not to individual eligible projects. Therefore, as an example, one eligible project might spend 15% of its own fund value on Community Funds Project Delivery Costs, while another spends only 6%. As long as the combined Community Funds Project Delivery Costs for all eligible projects do not exceed £1 million, the TO remains compliant. This supports efficiency, flexibility, and enables early engagement, even where individual eligible projects do not proceed.

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4.4 TOs must ensure that their total Community Funds Project Delivery Costs:

- Do not exceed the 10% cap based on the total fund value of eligible projects across the portfolio;
- Support the delivery of Community Funds in line with DESNZ Guidance; and
- Enable early engagement with communities, including for eligible projects that may ultimately not proceed.

4.5 Community Funds Project Delivery Costs may include the following as set out in the DESNZ Guidance and SpC 6.1.22, but there is no requirement that all of these should be included for an individual eligible project: capacity building, feasibility work, staff costs, engagement, marketing, PR costs, third-party administrator costs, governance costs.

4.6 Community Fund Project Delivery Costs, as defined in SpC 6.1.22, should be transparent, and must be reported annually in accordance with SpC 6.1.16 and this Community Funds Pass-through Guidance.

5. Reporting and Evidence Requirements

TOs must submit annual reports to Ofgem detailing Community Funds Project Delivery Costs and how Community Funds have been used.

Documentation should be clear, well-organised, and available for Ofgem review on request.

TOs should use a consistent format across years and projects.

- 5.1 TOs must submit annual reports to Ofgem detailing their use of the Community Funds and of the Community Funds Projects Delivery Costs. These reports must be submitted as part of the annual RRP submission process. These reports are essential for ensuring transparency, accountability, and alignment with the objectives of the Community Funds Pass-through Mechanism.
- 5.2 Each annual report must include:
- A breakdown of Community Funds spending by project, including the nature and purpose of the spend;
 - A summary of Delivery Costs incurred at the portfolio level, including how these costs were allocated across projects;
 - A statement confirming that all spending aligns with the DESNZ Guidance and with the relevant licence condition; and
 - Any updates to the projected or final fund size for each project, including explanations for any material changes.
- 5.3 TOs must retain supporting documentation for all reported Community Funds Project Delivery Costs. This may include invoices, contracts, internal records, and evidence of community engagement activities. Documentation should be:
- Clear and well-organised;
 - Sufficient to demonstrate that costs were incurred in line with the DESNZ Guidance; and
 - Available for review by Ofgem upon request.
- 5.4 In the event of a review of Community Funds Project Delivery Costs at the end of the Price Control Period, TOs will be required to demonstrate that their spending:
- Stayed within the 10% cap based on the total fund value of eligible projects in the portfolio, including both completed and in-flight projects as defined at the time of review;
 - Was proportionate to the scale and complexity of the portfolio; and
 - Supported the effective delivery of Community Funds.

6. End-of-Period Review of Community Funds Project Delivery Costs

Ofgem may conduct a review of Community Funds Project Delivery Costs at the end of the Price Control Period (see SpC 6.1.16-6.1.20).

The review - if conducted - is intended ensure costs were reasonable, necessary, and proportionate.

- 6.1 During close-out, at the end of the Price Control Period, Ofgem may conduct an exceptional case-by-case review of Community Funds Project Delivery Costs incurred by TOs under the Community Funds Pass-through Mechanism.
- 6.2 This review is not automatic but may be initiated where Ofgem requires further assurance that Community Funds Project Delivery Costs were reasonable, necessary, and proportionate to the scale and complexity of the portfolio.
- 6.3 The review will consider the following criteria:
 - Whether the total Community Funds Project Delivery Costs remained within the 10% cap based on the total Community Funds project portfolio allowance;
 - Whether costs complied with the objectives of the Community Fund and DESNZ Guidance;
 - Whether TOs maintained appropriate records and documentation to support their claims; and
 - Whether the allocation of Community Funds Delivery Costs across projects was appropriate and consistent.
- 6.4 The process for the review will include:
 - A request from Ofgem for supporting documentation and a summary of Community Funds Project Delivery Costs;
 - A review of submitted evidence, including invoices, internal records, and engagement materials;
 - Engagement with the TO to clarify any discrepancies or provide additional context;
 - A determination by Ofgem on whether any adjustments to the recovered Community Funds Project Delivery Costs are necessary;
 - A consultation on our decision; and
 - A final decision.

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- 6.5 TOs must cooperate fully with the review process and retain all relevant documentation for the duration of the Price Control Period and any subsequent review period.
- 6.6 Following the review, if we determine that an adjustment to the Community Funds Project Delivery Costs is required, we will issue a formal direction under licence condition in accordance with SpC 6.1.16 to 6.1.20. Before making any such direction, we will consult with affected parties and publish the proposed direction, reasons, and a representation period as set out in SpC 6.1.19.