

Guidance

CSNP Re-opener Guidance and Submissions Requirements Document

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Team: Network Price Controls

Email: RIIO3@ofgem.gov.uk

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This document sets out the operational arrangements for the RIIO-ET3 CSNP (Centralised Strategic Network Plan) Re-opener. The CSNP Re-opener is a RIIO-ET3 funding mechanism in place to provide a route for price control funding for investments that the National Energy System Operator (NESO) recommends (in its CSNPs) for delivery by a Transmission Owner (TO).

This document is aimed at TOs and other stakeholders interested in the CSNP Re-opener. It covers matters including the information that we require from the TOs and the process we expect to follow in approaching our assessments.

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1. Introduction

Context and related publications

- 1.1 Ofgem¹ is the Office of Gas and Electricity Markets which regulates the electricity and gas industries in Great Britain. Our principal duty is to protect the interests of existing and future gas and electricity consumers. Consumers' interests are taken as a whole, including their interests in the reduction of greenhouse gases and in the security of the supply, and in the fulfilment of relevant statutory objectives when we are carrying out our functions as the gas and electricity regulator of Great Britain.
- 1.2 We work in various ways to protect the interests of current and future consumers. One way we do this is by regulating the network companies through the RIIO price controls. We set price controls to specify the services and level of performance that the electricity transmission (ET) Transmission Owners (TOs) must provide for users and consumers and to restrict the amount of money that the network companies can recover through network charges over the length of a price control period. As part of these price controls we introduce uncertainty mechanisms (UMs) which allow us to adapt certain areas of the price control in-period, through volume drivers, re-openers, use-it-or-lose-it mechanisms (UIOLIs), pass-through, and indexation mechanisms.
- 1.3 This document is intended to provide more information on the operation, requirements of the CSNP Re-opener and Price Control Deliverable (PCD).
- 1.4 The CSNP Re-opener is in place to allow us to provide allowances and assign PCDs to projects that arise from the CSNP or other NESO-led network plans published during the price control period.
- 1.5 It represents an expedited process for such projects where the NESO outputs and TO inputs are of sufficient quality to avoid the requirement for the Authority to undertake a separate assessment of need and initial design. This is to support delivery of the NESO's plans for the network as they are developed through a centralised approach.
- 1.6 As the CSNP is currently still in development, we commit to working with stakeholders to updating this document once it is published.
- 1.7 This document is to be read in conjunction with the following associated documents:
 - RIIO-3 Final Determinations ET Annex, which sets out our RIIO-3 policy in relation to the CSNP Re-opener: [RIIO-3-Final-Determinations-ET.pdf](#)

¹ The terms 'Ofgem', 'the Authority', 'we' and 'us' are used interchangeably in this document.

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- Major Projects ODI-F Governance Document, which sets out how decisions in the Major Projects ODI-F (financial output delivery incentive) can affect the CSNP Re-opener.
- Special conditions to the Electricity Transmission Licences, including Special Condition 3.19 on the CSNP Re-opener, which is accessible through our electronic Public Register (ePR): [Home Page - Ofgem Public Register](#)
- Independent Technical Adviser (ITA) Guidance Document.²

1.8 See Special Condition 1.1 (Interpretations and definitions) of the electricity transmission licence for the description of all defined terms used in this document.

Scope of the CSNP Re-opener Guidance and Submissions Requirements Document

1.9 This document provides additional detail regarding the function and operating of the CSNP Re-opener, including the TO submission requirements and the Ofgem assessment and decision process for Special Condition 3.19 CSNP Re-opener and Price Control Deliverable (PCD). This Special Condition requires that the TOs adhere to the provisions and requirements set out in this document.

1.10 Figure 1 below summarises the key related documents.

² Ofgem may designate an ITA to assure CSNP Re-opener projects under Special Condition 6.2 Independent Technical Adviser. Decision to designate the ITA will follow the decision-making process and considerations set out in the ITA Guidance Document.

Figure 1: Summary of key related policy areas and documents

Licence condition, policy decision and Associated Documents (ADs)	Key TO activities
<p>SpC 3.15: Pre-construction funding</p> <ul style="list-style-type: none"> Initial allowance set for load projects. Set on a project-by-project basis. PCD allows 100% of funding if achieve full consents, interim milestones also given. <p>Final Determinations ET Annex Chapter 4 No AD.</p>	<p>Submission of material planning consents</p>
<p>SpC 3.18: Load Re-opener and Price Control Deliverable (PCD)</p> <ul style="list-style-type: none"> Multiple tracks for TOs to submit projects for designation of PCD and LO, eligibility for PCF, and later for project allowances. Includes cost assessment for all projects, needs case assessment for some projects not approved at FDs. <p>Final Determinations ET Annex Chapter 4 AD: Load Re-opener Guidance and Submission Requirements Document</p>	<p>Finalise design. Tender contracts. Begin construction.</p>
<p>SpC 3.19: CSNP Re-opener and Price Control Deliverable (PCD). NESO's CSNP taken as needs case.</p> <ul style="list-style-type: none"> Designation of PCD and LO, and TO submission for project allowances at Project Assessment stage. <p>Final Determinations ET Annex Chapter 4 AD: CSNP Re-opener Guidance and Submissions Requirements Document</p>	
<p>SpC 4.8: Major Projects ODI-F</p> <ul style="list-style-type: none"> Set for all CSNP Re-opener Outputs at the time of designating under the CSNP Re-opener. Considered for Load Re-opener projects at or after Eligibility Assessment stage. Each projects will be assessed against its incentive annually. <p>Final Determinations ET Annex Chapter 3 AD: Major Projects ODI-F Governance Document</p>	<p>Project delivery</p>

2. Designation of CSNP Re-opener Outputs

Scope of the CSNP Re-opener

- 2.1 A project that is included in the CSNP Re-opener will be designated as a CSNP Re-opener Output. At the start of RIIO-ET3, we have not designated any projects as CSNP Re-opener Outputs.
- 2.2 The CSNP Re-opener exists as an alternative to other RIIO-ET3 mechanisms to allow us to fast-track projects into the TOs' licences for which we have confidence in the NESO's assertion that the project is required (as communicated by inclusion of the project in the delivery pipeline of the CSNP) to the point that it would be duplicative to request that the TO submits a separate application for us to review whether the project is necessary.
- 2.3 As set out in our RIIO-3 Final Determinations ET Annex,³ and the electricity transmission licences,⁴ the CSNP Re-opener will therefore apply to any project that has been included in a NESO publication and which:
- has a confirmed needs case;
 - is not expected to be delivered through onshore competitive tenders;
 - represents a single preferred solution that we consider has been sufficiently developed, such that the licensee can begin developing a detailed design and undertake pre-construction activities such as those covered by Pre-Construction Funding;
 - has a P50 delivery date which has been submitted by the TO and confirmed after scrutiny (by Ofgem or the NESO) to be robust and developed in accordance with the Authority-approved P50 Delivery Date methodology; and
 - has a forecast totex reviewed by the NESO as part of the CSNP.
- 2.4 We will trigger the CSNP Re-opener to designate a CSNP Re-opener Output shortly after the publication of the relevant CSNP, following the process as set out below.

Process

- 2.5 The process for designating a project as a CSNP Re-opener Output will be as follows:

³ [RIIO-3-Final-Determinations-ET](#)

⁴ Special Condition 1.1, definition of re-openers including CSNP Re-opener.

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- Step 1: NESO designation/publication. The NESO notifies us that it is planning to publish a CSNP or similarly strategic network plan setting out a clear needs case for a tranche of projects.
- Step 2: Ofgem assessment. Ofgem assesses the NESO's outputs against the criteria in paragraph 2.3 to determine whether it meets the requirements of a CSNP Re-opener Output.
- Step 3: Licence modification. Ofgem will publish a statutory consultation on modifications as required to Special Condition 3.19 (CSNP Re-opener and Price Control Deliverable) to designate new CSNP Re-opener Outputs.
- Step 4: Licence implementation. The required modifications will be made to Special Condition 3.19 for the relevant TOs.

2.6 Any information that is commercially sensitive and needs to be redacted from the published licences will be included only in the Confidential Annex issued to the relevant TO.

Including a CSNP Re-opener Output in Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable (PCF_t and PCFRE_t))

- 2.7 Once we propose a new CSNP Re-opener Output under Step 3 above, it will be considered a "proposed CSNP Re-opener Output" for the purposes of Special Condition 3.15.
- 2.8 Special Condition 3.15 allows us to direct an allowance for Pre-Construction Funding (PCF) for the TO to undertake Pre-Construction Works for any given proposed or actual CSNP Re-opener Output.
- 2.9 A direction for a modification to Special Condition 3.15 (to provide PCF allowances) will happen no earlier than the statutory consultation for a modification to Special Condition 3.19 (to propose a CSNP Re-opener Output) for that project; the two may be undertaken simultaneously for the same project.

Including a CSNP Re-opener Output in Special Condition 4.8 (Major Projects output delivery incentive (MPI_t))

- 2.10 After designation of a CSNP Re-opener Output through this process, we will be able to consult on a statutory modification to Special Condition 4.8, to make CSNP Re-opener Outputs subject to the Major Projects ODI-F.
- 2.11 The statutory consultation for modifications to Special Condition 3.19 and Special Condition 4.8 for the same project may be undertaken simultaneously.

Setting the delivery date

2.12 The delivery date included for each CSNP Re-opener Output will be the later of:

- the P50 Delivery Date as estimated at the time of CSNP publication; and
- the NESO's Optimal Delivery Date (ODD), if one has been determined for this project.

P50 Delivery Date

2.13 A P50 Delivery Date is an estimate of the date by which a given project has a 50% chance of being delivered, determined using statistical methods and project-specific factors.

2.14 We expect that the P50 Delivery Date will be proposed by the TO to the NESO as part of the CSNP process, and approved by the NESO for all projects included in the NESO's CSNP publications. It will need to be determined in accordance with the requirements set out in our RIIO-ET3 Final Determinations, ie:

- It must be created from probability risk at the 50th percentile, taking into account project-specific factors including location and technology as well as the TO's wider pipeline.
- It must have had input from the relevant TO, regardless of whether the TO or a third party initially suggested the project (eg for inclusion in the CSNP).
- It must have been verified by NESO (in the case of CSNP Re-opener Outputs) or by us (in other instances), which will involve reviewing the proposed P50 delivery date alongside the agreed methodology, drawing on an understanding of deliverability and risks for both the TOs and for infrastructure projects more widely in GB.

2.15 It is our expectation that the NESO will publish a methodology as developed with input from us and the TOs – and if it does not, we will engage with the TOs to develop a methodology suitable for use for a CSNP Re-opener Output.

2.16 Once that methodology is ready, we will update the CSNP Re-opener Guidance and Submissions Requirements Document as necessary to include it.

2.17 There may be situations in which the NESO publishes a centralised plan, for which the projects meet most of the requirements for the CSNP Re-opener, but for which there is not a P50 Delivery Date. In such situations we would require that the TO provide us with their estimate of the P50 Delivery Date in line with the approved methodology. If all other requirements for designation as a CSNP Re-opener Output are satisfied, we may request that the TO provide P50 Delivery Dates to allow us to proceed with the CSNP Re-opener rather than requiring that the TO submit these projects to the Load Re-opener (which would also require a P50 Delivery Date).

ODD

- 2.18 An ODD reflects an assessment of the date on which delivery of the project would bring the most benefit for the consumer, and we would typically expect that delivery of a project on the ODD developed independently by the NESO is best for minimising constraint costs. We will only use ODDs that have been developed or verified by the NESO on an independent basis, we will not accept submissions directly from the TOs.
- 2.19 An ODD is not a requirement for inclusion in the CSNP Re-opener, but, where the NESO has developed an ODD for a project, we will make use of that ODD to calibrate the delivery date. We expect that for all CSNP Re-opener Outputs there will be an ODD developed by the NESO in line with its CSNP methodology, but lack of an ODD will not prevent a project from being included in the CSNP Re-opener.

Engineering technical assessment

- 2.20 To ensure an efficient CSNP Re-opener Project Assessment Decision, it will be important that we are able to conduct an engineering technical assessment to scrutinise optioneering around design choices that have happened since the publication of the CSNP to ensure that:
- The outputs and project specification being delivered are optimal and in consumers' interests; and
 - Any concerns around whether the network solution being progressed represents the optimal solution are raised as early as possible in the project's development to limit the scope for delays.
- 2.21 To facilitate this, TOs must engage with us throughout the project development stage ahead of their submission for a CSNP Re-opener Project Assessment Decision to allow us to understand the technical details of the project, ie keep us informed of the key design and optioneering choices as they are being made.

3. CSNP Re-opener Project Assessment Decision

- 3.1 The CSNP Re-opener Project Assessment (PA) Decision (PA Decision) allows the TO to apply to Ofgem for the following in relation to a CSNP Re-opener Output:
- proposed cost, including the efficient costs of construction, risk contingencies, project management and any other elements of delivery;
 - technical approval of the detailed design that the TO is proposing to deliver in accordance with the defined output;
 - the Minimum Availability Standard (MAS); and
 - an alternative COAE threshold to the CSNP Re-opener default of 10% of project cost, if they wish to request that Ofgem direct one in line with Special Condition 3.19.18.
- 3.2 TOs can apply for a PA decision in relation to any CSNP Re-opener Outputs during the first five working days of April or October of any Regulatory Year, unless we have permitted submissions at other times.
- 3.3 Applications for a PA decision must be after submission of all material planning consent applications, or alternative PCF outputs for the project as set out in Special Condition 3.15 (Pre-Construction Funding Re-Opener and Price Control Deliverable (PCF_t and PCFRE_t))
- 3.4 We will aim to deliver the final PA decision as soon as is reasonably possible, but this will not be before the granting of material planning consents. This is to ensure that our decision is able to consider the final planning decision, while also meaning that the TOs and their contractors have confidence in the funding available for a project when they begin construction. As such, while TOs may provide their PA decision submissions once material planning consents have been submitted, we expect to agree an assessment timeline with TOs ahead of any submission.

TO submission requirements

- 3.5 TOs are required to provide the information and evidence in the format stipulated below. As we progress with our assessment of the submission, we may require the TOs to provide us with additional information or documentation.
- 3.6 TOs must submit detailed plans and information showing the TOs' readiness to proceed with the proposed CSNP Re-opener Output and showing that the proposed costs of delivering the output are efficient. Moreover, TOs must submit details on the technical design, a delivery strategy, and details of how the TO will manage risk. All relevant information must be provided as part of a

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single submission, unless a staged approach to information provision is agreed in advance by Ofgem. As such, the TOs should include all relevant documents referred to within the submission.

- 3.7 The TOs must engage with Ofgem during the period leading up to PA submission to help ensure that its submission will enable us to conduct an effective assessment.

Submission structure

- 3.8 The PA submission must be clearly structured and provide a robust case for the costs to be funded.
- 3.9 The TO must provide the following at a minimum (additional information submitted beyond the items listed below must be relevant to the project and the TOs' case for cost allowances):
- a submission narrative;
 - main cost spreadsheet (and supporting cost spreadsheets, where relevant);
 - a detailed technical summary;
 - relevant procurement documents, such as evaluation reports and analysis;
 - where appropriate, all major signed contracts and details of final offers (immediately prior to signing);
 - delivery and risk management strategies; and
 - a project risk register.

Submission narrative

- 3.10 The purpose of the PA submission narrative is to explain the structure of the submission, summarise the project costs and tender processes at a high level, and provide a general overview of the project.
- 3.11 This document must provide a clear rationale for all major project decisions that have been made, and any assumptions that impact project costs must be clearly explained in the narrative. Explanations must be made in areas that might drive costs away from industry benchmarks. It must be a clear document that provides complete transparency on the project's history and its costs.
- 3.12 The narrative may include, but need not be limited to:
- an overview of the project and its history, as well as expected project timelines;
 - a detailed technical summary of the project, including justification for all major technical decisions;

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- a summary of the tender process, the selection criteria for bidders and an overview of key procurement decisions that have been made to date;
- details of land ownership;
- an overview of the project's risk mitigation strategy, including details on key project risks and key decisions regarding risk allocation (between contractors(s) and employer);
- an overview of the contractor's resourcing estimates for the construction of the project;
- a detailed description of the project costs, including an overview of any assumptions that have gone into the costs;
- evidence that the costs are efficient, e.g. through cost benchmarking, market testing, or competitive tendering;
- an explanation of any changes in costs from previous submissions to Ofgem;
- clarity on which contracts have been awarded to date and a timetable for those which are to be awarded in the future;
- details of the structure of the overall submission, including a comprehensive reference guide of any associated documents (eg studies) and their relevance in the submission; and
- information on the business structure, where relevant (e.g. establishment of subsidiary companies), including but not limited to:
 - legal form of the ownership and operational vehicle, and how this fits within existing ownership and licensing framework;
 - the currency that the project and company accounts will be denominated in; and
 - whether contracts are procured on a joint or individual basis between the to and any associated contractors.

Cost spreadsheet

- 3.13 The TO must provide a breakdown of all costs and cost schedules associated with the project in spreadsheet form. This main cost spreadsheet should include a summary tab of the entire project construction costs and separate tabs/sheets with a cost disaggregation for each asset type (eg overhead line). This must include a separate tab setting out costs that were incurred on the project in relation to Pre-Construction Funding.
- 3.14 These high-level costs should be indexed to supporting spreadsheets (or tabs in the same spreadsheet) to show the calculations and assumptions that have

been used (including relevant units, price bases and time profiles). These supporting spreadsheets should cross refer to any supporting contract terms and quotes, studies, reports or other relevant documents that provide the evidence base. Any source data from the contractor should be provided to Ofgem in original format.

3.15 Within the main cost spreadsheet, a clear indication of the ‘firmness’ of each cost must be provided. Our classification for this ‘firmness’ is as follows:

Table 1: Cost information submission classifications

Classification	Description	Supporting documentation required
1. Fixed	(i) The cost has been incurred, is not subject to change and has supporting documentation matching the amount. (ii) Cost is fixed but not yet committed to by the TO.	Contract/bill/tender with supporting documentation of payment made. Fully auditable if needed.
2. Agreed but re-measurable	The cost has been agreed or estimated but is subject to change according to a clear and agreed variation process. Changes only driven by unforeseeable circumstances.	Contract/bill with supporting documentation of payment made/to be made. Fully auditable if needed.
3. Agreed, but will be re-measured based on known future information received	The cost has been agreed or estimated but will be subject to change due to clarifying the scope of works or due to additional surveys and assessments being undertaken. As above, changes should follow a clear variation process.	Contract/bill with supporting documentation of payment made/to be made. Rates auditable, volumes subject to change based on quantifiable and foreseeable factors.
4. Agreed, but indexed.	The cost has been agreed or estimated but will be subject to indexation / price adjustment mechanism(s) where change is foreseen but there is no change to project scope.	Contract/bill with supporting documentation of payment made/to be made. Rates auditable, volumes subject to change based on quantifiable and foreseeable factors.
5. Estimated	Cost estimated on the basis of assessments and actual	Spreadsheet with the calculations (methodology), assumptions and

Classification	Description	Supporting documentation required
	surveys and using experience and examples from other projects.	evidence base. Emails/minutes of meetings with specific mention of the variables that have been used in calculating these estimates, the person and company providing the calculations and information. List of surveys done as well as documentation of the surveys.
6. Early estimate	Costs estimated through modelling cost ranges from different projects and past experience.	Spreadsheet with the calculations (methodology), assumptions and evidence base. Emails/minutes of meetings with specific mention of the variables that have been used in calculating these estimates, the person and company providing the calculations and information. List of surveys to be performed to increase the confidence of the cost estimates.

Technical summary

3.16 A technical summary must be submitted detailing the scope of the project. For example, this would cover the route (eg maps, including of any known utility crossings etc) and landing points. Each area must be indexed to the supporting documentation.

3.17 For any CSNP Re-opener Output, NESO will have already undertaken any high-level optioneering and the needs case will be specified in the relevant published CSNP. Ofgem will have indicated its acceptance of this needs case by designating the project as a CSNP Re-opener Output. Therefore, we expect the TO technical submissions for CSNP Re-opener Outputs to focus only on the detailed network and construction design, such as the project routeing and technical engineering specification.

3.18 At a minimum, the technical case should provide:

- a description of the construction works;
- details of any changes in design from previously submitted information, including that submitted to the NESO, with explanations and associated evidence, if appropriate;

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- an appropriate level of detail on technical design (eg substation layout) and construction techniques to be used in the project, including an explanation and justification for all major technical decisions that have been made for the project. We expect more detail would be provided if design and/or construction activity is technically challenging, novel, or a cause for divergencies in cost relative to industry benchmarks; and
- detail of any optional capability that is included in the technical proposal and justification for its inclusion.

3.19 TOs should also propose outputs for the project, to be considered by us for specification in the PCD, and a clear overview of the project scope.

Information on procurement and contracts

3.20 TOs must provide all relevant procurement and tender information that demonstrates the scope and efficiency of the procurements process(es) and the associated works and costs must be included as appendices or supporting documents. The information should present how many bids were received, on what terms and prices, and the process that was followed and justification applied for selecting a preferred bidder, as well as deselecting the others.

3.21 TOs must also provide a clear document register that details all of the documents associated with the procurement process(es). The following information should be provided:

- Project specifications (what was tendered).
- Original Invitation To Tender (ITT) issued. We may also ask for full copies or parts of the tenders returned.
- Documents from any additional rounds of tendering, with description of any changes to the ITT or the tenders and a comparison table to clearly see a summary of the bids and how they changed.
- Outline of any relevant award criteria or negotiations in the selection process.
- Justification for the chosen contractor(s) in the form of a standardised and quantified comparison. Clear estimated value ranges have to be presented for “difficult to quantify” selection criteria.
- Any variation orders since signing major contracts.
- A summary table of the entire procurement process to show the chronological sequence of events and actions, including all the dates, actions taken or comments by the contractor and actions taken or comments by the developer.

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- Signed contracts for all major construction sub-projects signed ahead of the PA.

3.22 The TO must also set out whether it has used the advanced procurement mechanism (APM) as provided for in Special Condition 3.16 (Advanced Procurement Mechanism (APM_t)) for the CSNP Re-opener Output. This must include:

- information to allow us to identify any relevant APM Expenditure, including identifiers for the APM Expenditure from the TO's APM Register, and the number of units for this project; and
- an explanation of the impact that the use of the APM has had, eg reduced lead times, locking in a specific price and how that compares to prices if the TO were procuring now.

Delivery and risk management strategies

3.23 The TO must outline its approach to delivery and risk management. This should include:

- A description of the delivery model and a detailed delivery plan/schedule with key dates and critical paths clearly identified.
- Evidence of readiness to proceed, e.g. details of delivery team structure, roles and responsibilities.
- Details of previous experience in managing similar projects and how learning from previous projects (if applicable) will inform proposal, eg lessons learned from previous risk mitigation strategies.
- The delivery risk profile of the proposed project, and an assessment of the key risks, and uncertain costs. An up-to-date risk register must be included along with details of how the risk register has been derived and the process for updating it (including audit trail).
- The risk mitigation strategy and risk sharing arrangements, including what costs and risks have been included in supplier contracts, and why this represents an efficient level. All incentives in the contracts to encourage the contractor to deliver on time and to budget must be highlighted, eg. arrangements to pass through any potential regulatory penalties to the supplier through the contract.
- Details on the level of contingency risk that is included in the proposed costs and justification for why this is an appropriate level given other risk sharing mechanisms such as RIIO-ET3 Totex Incentive Mechanism Rate and the COAE provisions included in Special Condition 3.19.

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- A summary of the insurance strategy and any signed or near-signed contracts. This should include what factors are insured against.
- Information should be provided on the TO's policies (and project policy, where different) for managing risks, hedging and foreign exchange, and cost overruns or delays.
- The project's risk register must display a clear indication of how the costs associated with this risk register informed the project's cost submission. For each of the project's risks, the risk register should demonstrate, as a minimum, the areas outlined in Table 2.

Table 2: TOs' risk register

Item	Description
Project area	Which part of the project the risk relates to, eg subsea cable.
Risk category	For example – weather downtime.
Description of risk	A description and rationale behind the risk, including: An explanation of what the risk relates to. Why it is appropriate for the risk to be included within the register/submission. Whether or not the employer is solely responsible for this risk, or if it is shared with the contractors, as well as a justification for this decision. If it is a shared risk, a reference should be made to the relevant contract clause.
Action	What actions have/will be taken towards the risk and how will the risk be monitored.
Mitigations	What actions will/have been taken to mitigate the risk, with associated cost (estimates).
Risk identification date	Date when the risk was identified.
Risk owner	Contractor or shared.
Risk owner rationale	Rationale for why the party owning the risk has been identified as such.
Risk expiry date	Date when the risk is due to materialise or expire.

Item	Description
Associated costs	Minimum, most likely and maximum associated cost for the risk.
Cost method	An explanation of the assumptions and/or calculations that have been used to derive the minimum, most likely and maximum cost values.
Probability	Probability of the risk occurring.
Reference	Reference(s) to any supporting documents (or sections within documents) that will support the details set out within the risk register.

Associated documents

3.24 Alongside the main documents mentioned above, as part of its submission the TO should also provide any supporting documents or evidence that it believes would help explain and justify its cost submission.

3.25 Any supporting documentation should cover, but not be limited to, the following:

- Project management details, including hours worked/to be worked and rates used.
- A summary table to provide references (name, date produced, supplier, report name and description of report objective) for any supporting third party reports, including:
 - Scope/technical drawings.
 - Design and engineering studies.
 - Site surveys and evidence of these being passed to relevant contractors.

3.26 Technical equipment testing reports.

- Route and site selection reports.
- Any relevant consultant reports.
- Stakeholder engagement.
- Any cost allocations and the methodology used.
- Any related party margins (with linkages to the completed cost templates).
- Any hedging (eg forex), or hedging gains/losses.
- Signed targets or forecasts of project internal rate of return (IRR).

Ofgem assessment and decision

3.27 We expect our PA process to usually comprise the following aspects.

- **Communication and engagement.** Discussions between the TO and Ofgem will be held throughout the PA process to ensure that we understand the rationale behind the submitted costs, as well as the project's scheduled activities. We require TOs to engage with us in the months leading up to their submission to ensure that the submission we receive is of the quality that we expect.
- **Initial review.** An initial review of the PA submission to ensure the necessary information has been provided by the TO. If we believe that the TO has not provided all the information necessary for us to carry out our assessment, we will engage with it to ensure that we receive all relevant information needed for us to complete our review.
- **Full information review.** Once we are satisfied with the TO's submission, we will undertake a thorough review of the project's costs, alongside its technical characteristics. This will include comparing the project's costs to other projects, as well as multiple rounds of Supplementary Questions (SQs). The purpose of the SQ process is to capture any clarifications sought by us on project-specific issues to ensure a clear and complete basis for our assessment.

3.28 The above is an outline of the key aspects that we will consider as part of our PA, but other aspects may be included as appropriate.

3.29 As part of our assessment, we would expect to consider a number of issues, including but not limited to:

- Whether there is sufficient detail on the technical design to demonstrate that the costs are efficient and that any optional capabilities included in the proposal represent long-term value for money for consumers.
- The robustness of the TO's process for procurement and selection, and whether this process had been efficiently applied and could be expected to lead to an efficient market outcome.
- The efficiency of the proposed costs, taking into account the conclusions on the above and any additional detailed cost assessment including benchmarking of specific elements where comparable data is available, and any relevant current market information supplied by the TOs.
- The evaluation of risks, and the appropriateness of the proposed risk management strategy including the allocation of risks and the associated costs.

- The appropriateness of the construction programme and progress made towards being ready to proceed in the proposed timescales.
- 3.30 As mentioned above, our assessment will include undertaking detailed benchmarking analysis of the project's costs where benchmarking is considered appropriate given the information available. We will also take account of information provided or gathered on current market conditions.
- 3.31 The benchmarking exercise consists of comparing the TO's submitted costs with those of comparable projects, ensuring that we take into consideration aspects such as the technical characteristics of the project. The costs are disaggregated to enable us to analyse costs on an asset level eg onshore cable.
- 3.32 Our analysis demonstrates how the costs submitted by the TO for the various assets compares with comparable projects. This enables us to identify areas of the contractor's submission where costs are higher than anticipated, however we note that benchmarking may not be appropriate where there are high levels of cost volatility.
- 3.33 The main purpose of our benchmarking is to guide our assessment, rather than as an absolute determinant of allowable costs. Where this highlights specific costs as a concern, further analysis is conducted to determine whether these costs would be, or were, incurred in an economic and efficient manner. TOs are given the opportunity to explain why their costs may differ from industry averages derived from similar projects. In the absence of appropriate evidence to justify these differences, we may use benchmarking data to inform our view of economic and efficient costs where we consider benchmarking to be appropriate given the information available. We would consider fully tendered costs through a robust competitive process as an alternative mechanism in establishing efficient costs.
- 3.34 In addition to the benchmarking of the project's assets, we also conduct further analysis to compare other aspects of the TO's submission to our datasets of historical projects. We will undertake high-level comparisons of aspects such as resource costs and risk budgets. We will also undertake comparisons of more granular costs, and discuss any concerns or issues with the TO.
- 3.35 We will consult stakeholders on the issues considered in our assessments. In general we will consult in line with the requirements of Section 11A. We will consider stakeholder responses before finalising our views on the project allowances.

CSNP Re-opener Output and associated allowances for the Price Control Deliverable

- 3.36 After considering responses to the consultation we will publish the Authority's decision on the proposed project.
- 3.37 The detailed CSNP Re-opener Output and associated allowances will be implemented into the TO's electricity transmission licence via a modification in accordance with Section 11A of the Act and as per the arrangements set out in Special Condition 3.19.
- 3.38 The adjustment to the TO's RIIO-ET3 allowed expenditure determined through the CSNP Re-opener arrangements will not include any associated Pre-Construction Works which have already been funded in accordance with Special Condition 3.15. At PA we will assess the TO's expenditure on Pre-Construction Works to determine any adjustments required to the allowance provided under Special Condition 3.19.
- 3.39 Following a PA, we will set allowances equal to actual incurred outturn costs for the years prior to the PA, and profile the remaining allowances on a pro-rata basis based on the forecast cost profile submitted by the TOs.

4. Delivery of CSNP Re-opener Outputs

- 4.1 The TOs are required through Standard Condition B15 (Regulatory Instructions and Guidance) to report annually during the construction phase on their expenditure and progress in delivering the CSNP Re-opener Outputs. As part of this annual reporting the TO must provide an update on the status of the project delivery programme against the project delivery plan. This must include an explanation of the divergences in expenditure or project milestones or concerns that the TO has about delivery progress.
- 4.2 A TO may seek an adjustment to the allowance or CSNP Re-opener Output through the provisions in Special Condition 3.19 for a CSNP Cost and Output Adjusting Event (COAE). More information on the COAE process is set out below.
- 4.3 Ofgem will monitor progress against the CSNP Re-opener Output based on information provided in the TOs' annual regulatory report under Standard Condition B15.
- 4.4 Once the CSNP Re-opener Output has been delivered, the TO should confirm delivery of the CSNP Re-opener Output as specified in Special Condition 3.19 and must provide evidence (through an independently verified report) to confirm that the CSNP Re-opener Output has been delivered and the exact date of delivery. If there is an ITA in place for the CSNP Re-opener Output through Special Condition 6.2 (Independent Technical Adviser (ITAt)), then they can provide this report – otherwise the TO must procure an independent adviser for this.
- 4.5 We consider a project to be delivered when the asset(s) has been made available for operational service and configuration by the NESO and been successfully energised.
- 4.6 We will review the TO's performance of the delivery of the CSNP Re-opener Output. If a TO does not deliver the CSNP Re-opener Output by the delivery date, we would expect the TO to explain to us proactively why and to provide plans for progression.

Licence obligation (LO) to deliver CSNP Re-opener Outputs

- 4.7 TOs are required under Part B of Special Condition 3.19 to deliver the CSNP Re-opener Output no later than 12 months after the given delivery date in Appendix 1 or Appendix 2 of Special Condition 3.19.
- 4.8 The delivery date will originally be set as the P50 Delivery Date, as set out in Chapter 2. As set out in Part F of Special Condition 3.19, this delivery date will move in accordance with any Major Projects ODI-F Delay Events or Major Project Fundamental Scope Change accepted by Ofgem under Special Condition 4.8.

- 4.9 Where a project is delivered after the LO date, we will not automatically consider taking enforcement action. Rather, we will only consider whether to take enforcement action for a breach of the licence after we have examined the reasons for and extent of that delay. Factors that we would consider before taking enforcement action include:
- how late the project was delivered relative to the required date;
 - the impact of the delay, for example on other projects or on constraint costs;
 - whether the failure to meet the licence obligations is the result of serious deficiencies in the performance of a TO's project initiation and management processes;
 - whether such failure arose due to serious deficiencies in the performance of any contractor acting on a TO's behalf (for which the TO would be held responsible); or
 - whether failure to deliver a project by the LO date (as extended by any Major Projects ODI-F Delay Event or Major Project Fundamental Scope Change) as a direct result of the TO prioritising resources on other CSNP Re-opener Outputs projects to inappropriately optimise its overall financial position under the Major Projects ODI-F in a manner that is detrimental to consumers.
- 4.10 Having undertaken an initial assessment of the factors underlying the delay to delivery of the project and/or any other problems arising, where appropriate we would take further action, including referring the case for possible enforcement action. Any such enforcement action would apply Ofgem's case opening criteria, in line with The Enforcement Guidelines.⁵ Any financial penalty set as a result of enforcement action would be set on the basis of resulting consumer detriment minus any monies recovered or due to be recovered via the ODI penalty and applying, as appropriate, the other factors set out in GEMA's current Statement of Policy with respect to Financial Penalties and Consumer Redress, published pursuant to section 28B of the Act and section 30B of the Gas Act 1986.
- 4.11 In determining the appropriate financial penalty or compensation payable pursuant to any consumer redress order, we would assess the appropriate level of financial penalty or compensation payable in accordance with our published Statement of Policy with respect to Financial Penalties and Consumer Redress (including the requirement at paragraph 1.7 that the financial penalty and/ or compensation payable must not exceed 10% of the relevant licensee's turnover).

⁵ [The Enforcement Guidelines | Ofgem](#)

4.12 Where TOs sub-contract any part of responsibilities this does not stop them having to comply with their regulatory obligations. On this basis, TOs are responsible for any failings to deliver, including where they engage with third parties. TOs are best placed to manage these risks rather than consumers. Therefore, we do not consider it appropriate to treat issues differently based on whether the TOs undertake the work in-house or use an external contractor. TOs are required to take appropriate care in the selection and oversight of their contractor(s).

LO to maintain a minimum availability standard (MAS)

- 4.13 TOs are required under Part B of Special Condition 3.19 to ensure that the assets delivered under the CSNP Re-opener are operational and available for use by NESO for an acceptable period of time after the project has been delivered. The relevant period of time is specified in Appendix 1 of that condition.
- 4.14 We will set the MAS for each project at the PA Decision. We invite TOs to set out their proposed MAS and any evidence and justification for that MAS, in their submission for PA Decision for that CSNP Re-opener Output,
- 4.15 Due to the different nature of assets being delivered, we will consider different MAS levels for each project, for example to take into account the elongated commissioning and testing process required for bringing new HVDC (high-voltage direct current) assets onto the system.
- 4.16 We will continue discussions with the TOs to develop an agreed methodology for setting the MAS, which may include agreeing default levels per asset type which can then be deviated from if required through a TO proposal in their submission for CSNP Re-opener Project Assessment Decision. Such an approach would help to reduce the administrative burden on both the TOs and Ofgem. Until such an approach is agreed and included in this CSNP Re-opener Guidance and Submissions Requirements Document, the TOs should submit their full reasoning as part of their submission for CSNP Re-opener Project Assessment Decision. The MAS is intended as a backstop to ensure consumers are protected against severe asset faults and will be set below average system performance levels for comparable assets. We recognise that faults are more likely to occur at the beginning of an asset’s life and so we intend to stagger the MAS for a period of 24 months from when the project is delivered, for example:

Table 3: CSNP Re-opener MAS

Period after project delivery	0-6 months	6-12 months	12-24 months
Circuit availability (%)			

Guidance CSNP Re-opener Guidance and Submissions Requirements Document

4.17 For the purposes of assessment of compliance with the licence obligation, we will exclude any outage periods required by the NESO or caused by third parties, and routine maintenance, when determining whether the availability standard has been met or not. The TOs are required to demonstrate to Ofgem that any outage or maintenance period is caused by the NESO or a third party.

5. CSNP Re-opener Cost and Output Adjusting Events (COAE)

- 5.1 A CSNP Re-opener COAE refers to an event that is outside of the TOs' reasonable control, and which it could not have economically and efficiently planned a contingency for, and which has a significant impact on the scope or cost of a CSNP Re-opener Output. This is provided for in Part E of Special Condition 3.19.
- 5.2 A CSNP Re-opener Output COAE could include, but is not limited to, the following types of event:
- activity by a different Transmission Licensee, working on the same project, that directly impacts the licensee's delivery of the project;
 - acquisition of land / necessary land rights via compulsory acquisition;
 - delays in obtaining planning approval and consents;
 - delays regarding seabed leasing or agreements for interaction with other third-party infrastructure;
 - Extreme Weather Events;
 - pandemic or livestock epizootic;
 - significant archaeological discoveries;
 - significant change to project scope;
 - significant protestor action;
 - unforeseen and significant ground or seabed conditions;
 - unforeseen changes in law, regulation, and international treaties, applicable to the UK, which are reasonably unforeseeable and which were not foreseen by the licensee; and/or
 - unforeseen unexploded ordinance mitigation; or war, hostilities, or terrorist events.
- 5.3 Additionally, we will only consider a CSNP Re-opener COAE if it meets the minimum threshold: Where a TO considers there has been one or more COAE, it may apply to Ofgem to amend the allowance of a project if the event has caused efficient expenditure to increase or decrease by at least 10% (expenditure impact) relative to the allowance in Appendix 1 of Special Condition 3.19, or by at least such other lower percentage as the Authority may direct (calculated before the application of the Totex Incentive Mechanism Rate).

CSNP Re-opener COAE application process

- 5.4 The TOs must make any CSNP Re-opener COAE application to Ofgem as soon as is reasonably practicable after the CSNP Re-opener COAE has occurred.

5.5 CSNP Re-opener COAE applications must:

- be made in writing;
- include detailed supporting evidence that a CSNP Re-opener COAE meeting the requirements set out in paragraph 5.2 has occurred;
- set out any amendments requested to the CSNP Re-opener Output or associated allowances in Appendix 1 of Special Condition 3.19;
- explain the basis of the calculation for any proposed adjustment to the outputs or allowances in Appendix 1 of Special Condition 3.19;
- include a statement from a technical adviser, who is external to and independent from the TO, whether, considered in the context of the allowance provided to deliver the CSNP Re-opener Output, the proposed adjustments to the CSNP Re-opener Output or associated allowances fairly reflect the effects of the CSNP Re-opener COAE;⁶
- include an update to the submission narrative provided in the PA submission;
- include an updated main cost spreadsheet to the extent this is reasonably practicable;
- include updated supporting cost spreadsheets, where relevant;
- include a detailed technical overview of any changes to the project's technical scope;
- include an updated risk register; and
- detail updates to delivery strategy and risk management.

5.6 Any modification to Appendix 1 of Special Condition 3.19 further to a CSNP Re-opener COAE is to be made under section 11A of the Act.

Cancelled projects

Before PA Decision

5.7 It is possible that a project might be cancelled after having been designated as a CSNP Re-opener Output but before a PA Decision. The TO would likely not have yet received an allowance through the CSNP Re-opener for such projects, but is likely to have received PCF through Special Condition 3.15.

⁶ If an Independent Technical Adviser (ITA) is in place for the project under Special Condition 6.2 (Independent Technical Adviser (ITA,)) then they may provide this report; otherwise, the TO will be responsible for procuring such a report.

- 5.8 Should any project be cancelled, in addition to the reconciliation process that will happen under Special Condition 3.15, we will consider any legitimate and efficiently incurred costs that the TO may face as a result of the cancellation (eg demobilisation costs).
- 5.9 Any such adjustments would be made in line with Part G of Special Condition 3.19, on assessment of the Price Control Deliverable.

After PA Decision

- 5.10 It is possible that a project might be cancelled between allowances being provided following a PA Decision and the project's expected delivery date, for example if the NESO determines that the network need has fallen away.
- 5.11 In these cases, costs that have been efficiently incurred by the TO up until the point the project being safely demobilised are fully recoverable by the TO and any unspent allowances are to be returned to consumers.
- 5.12 Should a project be cancelled after the PA Decision the TOs must notify Ofgem as soon as is practicably possible and cease work on that project. Ofgem will then instruct the TO whether to submit a CSNP Re-opener COAE application to remove the CSNP Re-opener Output and adjust allowances; or Ofgem will assess the PCD as 'Not Delivered/Partially Delivered' and make any necessary adjustments to allowances in accordance with the PCD Reporting Requirements and Methodology Document.
- 5.13 For any projects that are cancelled up to 12 months before the delivery date in Appendix 1 of Special Condition 3.19 we would expect that any allowance adjustment following cancellation of a CSNP Re-opener Output will be made through the PCD assessment under Part G of Special Condition 3.19, on assessment of the Price Control Deliverable. For projects cancelled more than 12 months before the project delivery date we would expect the TO to submit a COAE request.

CSNP change control processes

- 5.14 Change control as set out for the CSNP Re-opener, Major Projects output delivery incentive and other relevant price control mechanisms should be considered as separate to the NESO's change control process for its centralised planning role and future CSNP publications.
- 5.15 The NESO's change control may include similar processes but with different thresholds. In some circumstances, the scale of change may justify the Authority notifying the NESO and/or requesting a view from the NESO on whether the changes are in line with system requirements. Should this arise, we would work with the relevant licensee to discuss appropriate sharing of information with the NESO. Further detail on the NESO's change control

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processes will be confirmed in due course as the CSNP Methodology is finalised.

- 5.16 We will discuss with TOs and update this and other Associated Documents in future if required to reflect changing requirements.