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Date
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Contact
Lauren Logan

Dear Ofgem,

Response to Ofgem consultation: Tealing-Kincardine Upgrade Project Early Construction Funding and licence consultation

SP Energy Networks (SPEN) represents SP Distribution (SPD), SP Manweb, (SPM) and SP Transmission (SPT). We operate electricity distribution networks serving over 3.5 million customers across Central and Southern Scotland, Merseyside, and North Wales, and are the Transmission Owner for Central and Southern Scotland. This response is on behalf of SPT.

We appreciate the opportunity to respond to Ofgem's consultation regarding its draft decision on SPT's Early Construction Funding (ECF) application, and associated license updates for the Tealing-Kincardine Upgrade Project (TKUP), published on the 26 February 2026. TKUP is a Clean Power 2030 project which is critical to meeting the government targets of a secure and resilient energy system with at least 95% of power coming from Clean Sources. TKUP's need was approved as part of the HND, meaning it is essential to the overall network design of GB to transport energy from the north to demand centres in the south, notably to meet offshore wind targets and was accelerated under the ASTI framework.

We welcome the constructive engagement with Ofgem throughout the ECF application process, and we appreciate the timely publication of the minded-to decision. While we recognise that Ofgem's proposed decision to grant 28% of the updated project cost (53% of the value set out in the license) is above the usual 20% cap, we do not agree with the proposed decision to only grant 50% of the Early Enabling Works (EEW) aspect of the funding request. We note that in section 3.8 of the consultation, Ofgem states that "SPT has agreed to be liable for half the financial lost and share half the risk with the consumer for the costs in the Early Enabling category.", but this statement is inaccurate, and our position on this was communicated clearly.¹

In its minded-to publication, Ofgem acknowledged that "all activities in the Early Enabling Works category to be beneficial for the delivery of the project" but is "not satisfied that the consumer benefit of providing allowances for the full amount requested for this category outweighs the increased risk to consumers should the project not ultimately secure planning permission." We disagree with this assertion – Ofgem's decision should recognise the critical path activities for the TKUP project are essential to maintain the delivery programme for TKUP and Eastern Green Link 4 (EGL4) project², for which the TKUP project is a key enabler. Maintaining programme ensures GB consumers realise benefits in the form of reduced constraint payments.

This response sets out the risks of underfunding the project by excluding 50% of EEW and reiterates our position that the risk of cancellation of the project is extremely low.

² Eastern Green Link 4 - SP Energy Networks

Risks of under-funding:

To recap, the EEW required include:

- substation Engineering, Procurement and Construction (EPC) design at all locations;
- Overhead Line (OHL) design;
- OHL circuits and Scottish Water main diversion;
- Enabling works for substation construction; and
- TKUP proportion of 400kV Kincardine North Substation (EPC design, ground and construction works)

Onsite substation works are scheduled to commence at the earliest opportunity. To protect this critical milestone, the appointment and contracting of EEW **must be authorised and progressed immediately**. SPT is currently progressing this via internal governance processes. Any delay at this stage will directly jeopardise the construction start date and introduce unacceptable programme and commercial risk. Early commitment is therefore essential to secure contractor availability, maintain programme certainty, and avoid downstream impacts. Construction of the Westfield GIS building is planned to start in 2027 and is **fully dependent** on timely execution of the preceding onsite and enabling works. To maintain the pace of delivery expected under ASTI, it is essential that the full EEW ask is fulfilled.

Risk to delivery of other projects:

SPT's TKUP works are enabling for and will facilitate the delivery of other ASTI schemes, in particular EGL4. Delivery of EGL4 will mitigate constraint costs by an estimated £3–6 billion. Delayed delivery of TKUP could negatively impact this consumer benefit.

Constraint and carbon savings:

TKUP plays an essential role in contributing to Ofgem's expected constraint and carbon savings for end consumers of £2.1bn noted in Ofgem's 2022 ASTI decision³. If the full amount of ECF is not awarded, this could impact the project programme as outlined above, reducing these savings. Based on the former ESO's constraint cost analysis shared with Ofgem in 2023, a one-year delay associated with TKUP project could result in £30M of additional constraint costs. Combined with any impacts of delay to EGL4, the constraint costs of delay to TKUP would outweigh any consumer risk exposure of providing more ECF ahead of the conclusion of the planning process.

Risk to national decarbonisation and net zero goals

Scotland and the UK government have ambitious targets for renewable energy and decarbonisation. This project forms part of a programme of works that are critical to supporting the delivery of the UK Governments 2030 Offshore Wind targets and Clean Power 2030 targets. Any delay in delivery of the TKUP project could hinder the ability to connect new renewable energy sources to the grid, impacting the overall progress towards these national goals.

Security of supply and outage coordination

Timely upgrades to the transmission networks are crucial for maintaining a reliable security of energy supply. Delays to this project could increase the risk of supply constraints, especially during peak demand periods. Additionally, TKUP ties into a key node of our network at Kincardine North substation. Any delays to the TKUP programme would have knock-on impacts to coordination of outages with works around Kincardine.

³ [Decision on accelerating onshore electricity transmission investment](#)

Project cancellation:

Once committed, all costs incurred under the EEW category are non-recoverable in the event of project cancellation, however it must be stressed that the likelihood of the project being cancelled is extremely low.

SPEN is committed to delivering this project. The only credible risks that could trigger a project cancellation are:

- fundamental change to network need;
- fundamental change of government policy;
- refusal of consents, or substantial modification to the project required due to the consenting process.

On consenting, SP Energy Networks follows a well-established approach to the routing and Environmental Impact Assessment of major electrical infrastructure projects to support applications for consent. The process seeks to identify, predict and assess likely environmental effects and subsequently, the measures available to avoid, prevent, reduce or offset significant adverse effects. Implementing this approach has allowed us to consistently deliver consents across the license area.

Stakeholder engagement is embedded in our approach, this includes with statutory stakeholders, planning authorities and communities to ensure they have appropriate opportunity to inform applications for consent. For each substation, two rounds of public and statutory stakeholder consultation have already been completed to date, as part of the planning application Pre Application Consultation process to inform proposals. Similarly, for overhead line elements, there have been two rounds of Pre Application Consultation.

SPT's aim is to present thoroughly assessed, robust and consentable proposals to the determining authority for their consideration.

More specifically, as we explained during the SQ process:

- Section 37 application: the OHL works/scope is based around the uprating of existing infrastructure, the main concern being the increase in noise due to the installation of a new conductor and increased operating voltage of the circuit. A noise modelling exercise is being undertaken to ensure a suitable engineering solution is put in place to mitigate any noise impact.
- Town and Country Planning application for sub-station works:
 - Westfield: a Planning in Principle Application was submitted in Dec 2025 and we are further developing design to submit a full planning application that aligns with the land requirements & service diversion works that were included in the ECF request
 - Mossmorran: we have held discussions with SEPA with regards to our flood mitigation measures; we are in the process of conducting ground investigations that would allow peat quantification within the area, and we will continue to engage and bring on board key stakeholders prior to planning application submission. Land requirements & service diversion works that were included in the ECF request would still fall under this area and therefore would be required; the land purchase transaction would only be completed once we are certain that all project requirements are covered within
 - Conland: we are in the process of developing a feasible solution to account and mitigate the challenges of the location, the exact land purchase area would be confirmed and purchase completed only once we have full certainty on the area required

Please note these are standalone consenting applications for SPT's TKUP project only. The consenting process for this project is separate to SSEN-T's Tealing – Kintore project.

Beauly to Loch Buidhe (BLN4) 400kV Reinforcement – a Scottish Hydro Electric Transmission (SHET) project

In Ofgem's recent minded-to decision on eight ECF applications⁴, Ofgem has proposed allowing the full ECF request for BLN4. This is despite live consenting issues around Fanellan substation – permission has been refused and SHET intends to appeal – and the potential for increased risk of financial exposure to the consumer. SPT is supportive of Ofgem's position to grant this funding, nonetheless, we query the rationale for treating a project experiencing planning challenges differently to another which has not yet submitted its Section 37 application to the planning authority.

Summary of SPT's position:

We welcome Ofgem's minded-to decision which recognises "*all activities in the Early Enabling Works category to be beneficial for the delivery of the project*" however as explained above the full EEW funding is also required to ensure consistency and guarantee contracts can be placed for the works to start at the end of this year. We've explained in this response and during Ofgem engagement that the risk of project cancellation is extremely low, and the EEW works should be fully funded.

Our engagement with Ofgem on TKUP funding to date has been productive, and we would welcome further discussions on this matter should you require any further information or wish to discuss any elements of our response in greater detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Lauren Logan".

Lauren Logan
Head of Transmission Regulation Policy
SP Energy Networks

⁴ [Eight SHET Early Construction Funding applications | Ofgem](#)

Appendix 1: Responses to consultation questions

Q1: Do you agree with our minded-to position to provide ECF for the SPT TKUP project?

While we welcome Ofgem's position to grant above the 20% ECF threshold, we disagree with its position to only funding 50% of Early Enabling Works (EEW).

This letter sets out in detail, our reasoning for providing 100% of EEW funding, including:

- Risk to programme,
- Risk to delivery of other projects, most notably EGL4 for which TKUP is an enabling project,
- Impact on constraint and carbon savings,
- Risk to national decarbonisation and net zero goals,
- Risk of supply constraints and challenges on outage coordination,
- We've also set out the reasons why project cancellation is so low and provided detail on the robustness of our consenting process.

Our position is that funding is in line with the Ofgem guidance and critical path activities for the TKUP project are required to maintain the delivery date of TKUP as well as the Eastern Green Link 4 (EGL4) project⁵, for which the TKUP project is a key enabling project. Maintaining programme will ensure benefits are realised by GB consumers in the form of reduced constraint payments.

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

The relevant modifications to the ECF phasing figures will appear in the ASTI confidential annex which has not yet been shared with SPT. Based on recent interactions with Ofgem for the EGL4 project, we assume SPT will feed into the drafting of the year-on-year phasings and that this process will take place post-consultation, once the final ECF figure has been decided.

⁵ [Eastern Green Link 4 - SP Energy Networks](#)