

Decision

Tealing – Kincardine Upgrade - Early Construction Funding and Modification to special conditions of the electricity transmission licence

Publication date: 12 May 2026

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Following our consultation in February 2026¹, this document confirms our decision on the Early Construction Funding (ECF) for the Tealing – Kincardine Upgrade (TKUP). This decision is taken in line with SP Transmission Plc’s (SPT) electricity transmission licence (the Licence), Special Condition (SpC) 3.21 ‘Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIRt)’.

This document outlines our consultation position, the response to the consultation, our view of the response, and our final position. Non-confidential responses are published alongside this decision. This decision document and corresponding Statutory Decision Notice of Modification published alongside it confirms our decision to proceed to modify the SpC and to adjust the ASTIA term and allowances referenced in Appendix 1 of SpC 3.21².

¹[Tealing-Kincardine Upgrade Project Early Construction Funding and licence consultation | Ofgem](#)

² At time of submission, the special condition number was 3.41. We are now in RIIO-T3 period and with the licences updated, the text can now be found in 3.21.

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Executive summary

In February 2026 we consulted on our minded-to position to adjust allowances (ASTIAt) set out in the ASTI Confidential Annex that is referenced in Appendix 1 of Special Condition (SpC) 3.21 ‘Accelerated Strategic Transmission Investment Re-opener and Price Control Deliverable term (ASTIRt)’³.

The consultation was carried out under SPT’s electricity transmission licence (Part C: Early Construction Funding of SpC 3.21) to reflect SPT’s ECF request for the Tealing – Kincardine Upgrade Project (Network Options Assessment code: TKUP). This project has been approved for inclusion in our ASTI framework because the network reinforcements it proposes are crucial for the safe, resilient and efficient transmission of electricity through the energy system.

In February 2025, in line with SpC 3.21.9⁴ and the ASTI Guidance and Submission Requirements Document⁵, SPT submitted an application for ECF funding for the TKUP project. However, as the project progressed, further activities became necessary and we agreed to review an updated version of the ECF, containing all activities and costs anticipated by SPT prior to the project proceeding to Project Assessment stage. SPT submitted an updated ECF application in December 2025. This is the first ECF assessment for this project and SPT has expressed confidence that the project has matured sufficiently to carry out the activities detailed in this application. No previous ECF has been awarded to SPT for this project.

In our consultation we also included a statutory notice of our proposed modification to adjust the ASTIAt term as referenced in Appendix 1 of SpC 3.21 to give effect to our minded-to position.

Decision

This document confirms our decision to proceed and adjust the allowances set out in Appendix 1 (ASTIAt) of SpC 3.21 ‘Accelerated Strategic Transmission Investment Re-opener and Price Control Deliverable term (ASTIAt)’ in SPT’s electricity transmission licence to allow SPT’s ECF expenditure request. The term will have the value given in the corresponding updated version of the ASTI Confidential Annex issued to SPT.

As per Special Condition 3.21.8, the Authority hereby directs that the licence limitation for the ECF to not exceed 20% of the total forecast project cost listed in the ASTI

³ A copy of SpC 3.21 can be found in Annex II. We note that the number of the condition and relevant paragraphs may differ in the new price controls window starting 1 April 2026

⁴ Electricity licences and conditions, Transmission Licence, SP Transmission Plc’s, [Modifications to the RIIO-3 licences and associated documents | Ofgem](#)

⁵ [Decision to modify the special licence conditions in the electricity transmission licences: Accelerated Strategic Transmission Investment](#), Accelerated Strategic Transmission Investment Guidance And Submission Requirements Document, paragraph 3.12

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Confidential Annex for TKUP is not applicable for the reasons given in this licence modification decision.

Next steps

In accordance with section 11A of the Electricity Act 1989, the licence modification will take effect 56 days after the publication of the decision to proceed with the modification. Based on our recent engagement with SPT, we expect an Accelerated Strategic Transmission Investment Project Assessment (ASTI PA) submission request in autumn 2026. We will undertake a full cost assessment, including ECF costs, at the ASTI PA stage and will review the efficiency of ECF expenditure.

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1. Context

This document confirms our decision on SPT’s ECF request for TKUP. The consultation sought stakeholder views on Ofgem’s minded-to position on SPT’s ECF application for the TKUP project. We note that only SPT’s portion of the TKUP project was within the scope of this consultation and all costs, activities and allowances discussed refer solely to SPT⁶.

Chapter 2 includes a brief description of the project, SPT’s ECF application, and our consultation minded-to position.

Chapter 3 summarises the response to our consultation questions and our response to this feedback.

Chapter 4 sets out our decision following consideration of the consultation responses.

Alongside this decision, we are also publishing the amendments to SpC 3.21, which will give effect to our decision. In accordance with section 11A of the Electricity Act 1989, the licence modification will take effect 56 days after the publication of the decision to proceed with the modifications.

Related publications

Tealing-Kincardine Upgrade Project Early Construction Funding and licence consultation: [Tealing-Kincardine Upgrade Project Early Construction Funding and licence consultation | Ofgem](#)

Decision on accelerating onshore electricity transmission investment: [Decision on accelerating onshore electricity transmission investment | Ofgem](#)

Decision to modify the special licence conditions in the electricity transmission licences: Accelerated Strategic Transmission Investment: [Decision to modify the special licence conditions in the electricity transmission licences: Accelerated Strategic Transmission Investment | Ofgem](#)

Modifications to the RIIO-3 licences and associated documents: [Modifications to the RIIO-3 licences and associated documents | Ofgem](#)

Decision-making stages

Stage 1 Consultation open: 26 February 2026

Stage 2 Consultation closed. Deadline for responses: 28 March 2026

Stage 3 Responses reviewed, and decision published: 12 May 2026

⁶ The part of the project delivered by Scottish Hydro Electricity Transmission has also received early construction funding, which was assessed alongside SHET’s ASTI portfolio. The two parts of the project are delivered separately by the respective transmission owner, and the merits of awarding early construction funding were assessed accordingly

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Stage 4 Licence modification takes effect 56 days after the publication of the licence modification decision

2. Tealing-Kincardine Upgrade Project (TKUP): Early Construction Funding Consultation

Section summary

This chapter provides a brief description of the project and SPT’s application. It also outlines Ofgem’s minded-to position that was set out in our consultation document.

Brief description of the project

- 2.1 The project under NOA code TKUP, known as the “East Coast Onshore 400 kV Phase 2 reinforcement”, is delivered via two separate transmission reinforcement projects by Scottish & Southern Electricity Networks Transmission (SSE) (66.17%) and SPT (33.83%). This submission captures solely SPT’s ECF requirements and the activities that SPT needs to deliver their share of the project. SPT’s part of the project is also referred to as “Tealing – Kincardine Upgrade Project”. SSE’s ECF requirements for TKUP are being assessed separately and there is no duplication of activities or funding between the two applications.
- 2.2 TKUP is also an enabling project that will facilitate the delivery of other ASTI schemes – notably Eastern Greenlink 4 (EGL4). The successful fulfilment of the EGL4 project is set to bring significant constraint cost savings, further reinforcing the need for a timely delivery of TKUP.
- 2.3 SPT TKUP consists of:
- Further 400kV infrastructure on the east coast following East coast onshore 400kV incremental reinforcement
 - New 400kV GIS substations at Westfield and at Mossmorran
 - New 400kV AIS substation at Conland (Glenrothes)
 - Reconfiguration of existing 132kV AIS Devonside substation
 - Refurbishment and re-insulating the existing Tealing to Longannet 275kV route through Glenrothes, Westfield and Mossmorran for 400kV operation
- 2.4 TKUP was also identified by NESO as a key project to be delivered by 2030 in order to connect and transport clean power through the system in accordance with the Government’s Clean Power 2030 targets. ⁷
- 2.5 When TKUP was originally considered under the NOA, the in-service date was proposed to be in 2032. However, following our ASTI Decision in December 2022⁸, this was brought forward and as per its licence, SPT is required to deliver TKUP by

⁷ [NESO Clean Power 2030 Annex 2 Final](#)

⁸ [Decision on accelerating onshore electricity transmission investment | Ofgem](#)

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31 December 2031. SPT currently aims to accelerate delivery by a year and expects to energise⁹ the project in 2030. SSE’s side of TKUP is also targeting the same date, ensuring the full benefit of the project is realised.

2.6 Since the original inclusion of the project in NOA, SPT has updated the cost estimate of the project for the following reasons:

- Change in the scopes of the substations with solutions that accommodate greater capacity for future demand and incorporate new technologies
- Additional reconfiguration works at 132kV AIS Devonside Substation
- Circuit and service diversions identified during development phase of the project
- Revised unit rates reflective of current market pricing
- Increase in lands costs, resultant of competitive prices and the addition of land required for offline build

2.7 SPT assess the risk of project cancellation to be low. This is because the needs case for the project has been substantiated in both NOA and the Clean Power Action Plan as described above. SPT has expressed confidence in its ability to secure the necessary consents to deliver the project and continues to engage with key stakeholders. SPT has shared with us that its active stakeholder engagement in the area of the project has not identified significant public concerns ahead of the consenting process.

ECF application

2.8 In December 2025, SPT made an application for ECF under Part C of SpC 3.21 of its licence to request funding for early construction activities. These activities fell in the categories of strategic land purchase, early enabling works, early procurement commitments.

2.9 SPT’s application was for 72% of SPT’s portion of the TKUP project as set out in SPT’s licence. We noted that the value of the request equalled 39% when based on the updated project cost estimate that SPT had shared with us as part of its application.

2.10 While we have included the updated cost percentage for contextual and illustrative purposes, our decision is made with reference to the percentage specified in the licence, not the updated cost forecast. We have not completed technical assessments or project assessments to confirm which costs will be accepted as efficient. This will be done at project assessment stage. SPT will only be able to recover efficient costs.

⁹ “energisation” means the project is ready to begin operation

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- 2.11 In our ASTI Guidance, we explained that we will consider approving ECF in excess of the 20% in exceptional circumstances where expenditure is justified and necessary, and where we are satisfied the consumer benefit of providing additional allowances outweighs the increased risk to consumers should the project not ultimately secure planning permission. We must be confident there are sufficient consumer protections in place to minimise consumer exposure to financial loss in the unlikely event of project cancellation.¹⁰
- 2.12 SPT has engaged with Ofgem to explain the rationale behind the additional works that have resulted in higher total project cost estimates. The efficiency of these costs will be tested at Project Assessment stage and is not within the scope of this consultation. Our engineering teams have engaged with SPT to discuss the detailed solutions proposed but Ofgem have not completed a detailed Technical Assessment for this project at the time of this consultation.
- 2.13 SPT explained that this ECF application exceeds the ECF cap of 20% project cost as set out in its licence for the following reasons:
- An industry-wide increase in cost along with wholesale increase in supply chain costs since the original inclusion of the projects in the ASTI framework means that the cost likely to be incurred at ECF stage is greater than anticipated
 - Changes in the original scope of the project to include infrastructure enhancements that create greater capacity require additional construction works and procurement of more materials at early stages
 - Accelerated delivery of the project from the original in-service date of 2032 makes it necessary to incur certain costs earlier due to longer lead time items and constraints in the supply chain
- 2.14 As per the ASTI Guidance, we expect TOs to outline for projects that exceed the 20% ECF cap why the proposed additional expenditure is in the consumers' interest when balanced against the risk of financial loss in the event of project cancellation. We also expect the TO to explain how these activities might accelerate delivery. TOs must evidence and substantiate the costs within their submission as described in the ASTI Guidance and SPT has provided this evidence to inform our assessment as part of their application. The non-confidential information was summarised in our consultation.
- 2.15 The activities in this application are:
Strategic land purchases

SPT proposes to make payments towards the following:

¹⁰ [ASTI Guidance](#), para 4.8

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- Land purchase required for the site of new 400kV Westfield substation
- Land purchase required for the site of new 400kV Mossmorran substation
- Land purchase required for the site of new 400kV Conland substation
- Contribution to land purchase required for 400kV Kincardine North

Early Enabling Works

SPT proposes to carry out the following enabling works to prepare for construction:

- Substation engineering, procurement and construction (EPC) design. This will involve detailed designs for the substation works including groundworks, civil, electrical, and protection & control for TKUP at all locations.
- Overhead line (OHL) design that will consist of design of overhead line conductor, and the design required for the reconductoring of routes from 275kV to 400kV.
- Circuit diversions of 132kV & 33kV circuits at Westfield and Mossmorran substations including removal of redundant low voltage cable.
- Diversion of a Scottish Water potable water main at the Westfield substation.
- Enabling works for substation construction including: the discharge of suspensive planning conditions, creation of welfare compounds, deployment of environmental mitigation measures and commencement of ground works.
- TKUP Proportion for works for 400kV Kincardine North
- Circuits and water mains diversions

Early Procurement Commitments

SPT proposes to make payments towards the purchase of the following items with long lead times:

- Gas Insulated Switchgear (GIS) and Gas Insulated Busbars (GIB)
- SPT is proposing to procure the required 6 Super Grid Transformers (SGTs) for this project
- Air Insulated Switchgear (AIS) Long Lead Equipment, including Mechanically Switched Capacitors with Damping Network (MSCDN) and Protection & Control equipment
- OHL Conductor and Accessories

Consultation position

2.16 We reviewed the activities requested for each category and concluded that all activities were eligible for the following reasons:

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- **Strategic land purchase** – Securing these sites early helps maintain the delivery schedule by ensuring land is available as soon as planning consents are granted and avoiding the risk of project redesign if sites became unavailable. Early acquisition also reduces exposure to future land price increases, providing greater cost certainty for consumers. Early Construction Funding is required as these purchases must be made in advance of consent to avoid delays and protect the timely delivery of the project.
- **Early Enabling Works** – given the scale and complexity of TKUP, these activities must be completed before main construction can begin. Undertaking them early allows SPT to mobilise quickly following consent and reduces the risk of schedule slippage. Early Construction Funding is needed to fund these works because deferring them would jeopardise delivery by 2030, potentially impacting other ASTI projects and increasing constraint costs borne by consumers.
- **Early Procurement Commitments** – these items are subject to significant global demand and manufacturing lead times of around two years or more. Procuring them early is essential to secure production slots, reduce delivery risk and align equipment availability with the construction programme. Early Construction Funding is required to place orders ahead of planning consent, protecting consumers from future price increases, supply chain delays or the need to pay premiums for expedited delivery.

2.17 We were satisfied that the activities set out in SPT’s ECF request are justified and eligible to be funded under SpC 3.21 as early construction funding and that SPT has provided us with sufficient evidence to substantiate the claims within its application.

2.18 As per the ASTI guidance, to consider ECF requests above 20% of total forecast project costs the expenditure must be justified and necessary to accelerate project delivery, or where not investing will increase the risk of project delay. We must also be confident that there are sufficient consumer protections in place to protect the consumer from financial loss should the project be cancelled.

2.19 We noted that delivering the project in 2030 will bring substantial benefits for the consumer, including enabling other significant ASTI projects, such as EGL4. It will also support the government’s Clean Power 2030 targets and deliver the benefits described in both NOA and NESO’s Clean Power 2030 Action Plan.

2.20 We considered there to be sufficient consumer protections in the categories of Strategic Land Purchase and Early Procurement Commitment. The consumer exposure to financial loss in the event of project cancellation for those two categories is likely to be limited because some costs can be recovered via land re-sale and some procured items can be re-purposed for other projects. Our consultation document explained the consumer protection measures for these categories in detail.

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- 2.21 We considered the consumer protection measures to be weaker in the Early Enabling Works category. We noted that once committed, all costs incurred under the Early Enabling Works category would be non-recoverable in the event of project cancellation with limited transferability and some opportunity to cancel contracts though committed costs would still be incurred. Since the costs in this category make up more than half of the funding requested, we considered that granting ECF to the value of 72% cost as set out in the licence (39% updated cost forecast) would pose a disproportionate risk on the consumer in the event of project cancellation.
- 2.22 We considered all activities in the Early Enabling Works category to be beneficial for the delivery of the project; however, we were not satisfied that the consumer benefit of providing cover for the full amount requested for this category would outweigh the increased risk to consumers should the project not ultimately secure planning permission.
- 2.23 Following further engagement with us, SPT reiterated that all funding included in the ECF application is necessary and the timing of activities cannot be moved including for the Early Enabling Works mentioned above. In order to protect the consumer from excessive exposure to financial loss in the event of project cancellation, we proposed that SPT share half the risk with the consumer for the costs in the Early Enabling Works category. We therefore proposed to calculate the ECF allowance by subtracting half of the value requested for Early Enabling Works in this ECF application.
- 2.24 Following our efficiency assessment at PA stage, SPT would be eligible to recover the full extent of the efficient cost incurred for all activities.
- 2.25 We consulted on our minded-to decision to approve ECF funding for the activities requested to the value of 53% of the SPT TKUP project cost as set out in SPT's licence. This corresponds to 28% of the updated project cost as reported to us by SPT.
- 2.26 It was our view that this would strike a fair balance between protecting the consumer from excessive risk, while still promoting acceleration of the project and providing a safe, clean and stable energy network, which is ultimately in the consumer's interest.

3. Consultation responses

Section summary

This chapter provides a summary of the responses we received to our consultation.

Questions

- Q1. Do you agree with our minded-to position to provide ECF for TKUP?
- Q2. Do you agree with our proposed modification to adjust ASTIA_t in Appendix 1 of SpC 3.21?

- 3.1 We received one response to our consultation from SPT.
- 3.2 While SPT agreed with Ofgem’s decision to exceed the 20% threshold for spend on the TKUP project, it disagreed with our position to only fund half of the value of the early enabling works. SPT clarified that it was inaccurate to state that SPT had “agreed” to be liable for half the financial loss and share half the risk with the consumer for the costs in the Early Enabling category.
- 3.3 SPT expressed confidence that the risk of project cancellation remained low. SPT explained that not providing full funding for the early enabling works could delay the project and pose several risks:
- Risk to programme schedule
 - 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
- 3.4 SPT confirmed that the proposed early enabling works would be non-recoverable. However, in a follow-up to its response, SPT further provided Ofgem with calculations suggesting that over a quarter of the value for the proposed activities would be considered “no regret”. This means that in the event of project cancellation, the activities are likely to be required for other purposes such as asset health maintenance or to facilitate new connections.

4. Our decision

Section summary

This chapter details our final decision.

- 4.1 We maintain our consultation position that all activities identified by SPT's fall within the ECF permitted activity areas as defined in SPT's licence. We are confident that there are sufficient consumer protections in place for the categories of strategic land purchase and early procurement commitments to minimise consumer exposure to financial loss in the event of project cancellation and that exceeding the 20% cap can be justified.
- 4.2 SPT's response highlights that they perceive the risk of project cancellation to be low. We took this into account when we considered whether there were exceptional circumstances that would warrant taking on additional risk for the consumer and approving allowance above the 20% cap. Consumer protections in each category remains an important condition to grant an allowance in excess of the 20% licence cap.
- 4.3 The activities proposed in the early enabling works category are likely to be non-recoverable in the event of project cancellation and therefore have weaker consumer protections in place. We are encouraged by the evidence that a quarter of the cost is likely to be "no regret". We note that SPT had already indicated the potential for re-utilisation of some activities as part of the ECF application assessment process and our consultation listed this as one of the consumer protections in place.
- 4.4 This was already taken into consideration alongside other consumer protection measures, such as potential for contract termination and the certainty that overhead line and service diversions have exemptions from planning permissions, so the design would therefore not be subject to adjustments as a result of planning decisions. Sufficient consumer protections are essential when considering granting ECF above the 20% cap and we therefore maintain our position that it is not proportionate for the entirety of the risk associated with this category to stay with the consumer.
- 4.5 While we acknowledge SPT's view that the risk of project cancellation is low, a significant proportion of the early enabling works would fall to the consumer if cancellation were to occur; given the scale of these costs relative to the overall ECF request, we consider it disproportionate for consumers to bear the full level of exposure at this stage, notwithstanding that the activities themselves are eligible and beneficial for delivery.
- 4.6 Our decision to grant 53% ECF level was taken with this in mind and is in keeping with the rationale for approving early construction funding on other ASTI projects.

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- 4.7 We expect SPT to take the necessary steps to deliver the project on time and we confirm that all activities can be reviewed at PA stage with efficient costs recovered in full. We maintain that allowing the requested level of funding at this stage would not represent a proportionate risk for the consumer.
- 4.8 We note that ASTI projects are required deliverables within a TO's licence and there are associated incentives for early delivery as well as penalties for late delivery. The early construction funding is therefore intended to assist TOs in their delivery by providing some funding upfront but as per our ASTI Guidance, this needs to be appropriately capped. Our Guidance does not guarantee full cover for all costs incurred up to Project Assessment stage in advance.
- 4.9 We acknowledge that our wording in the consultation document regarding SPT's agreement to share the risk with the consumer on early enabling works cost did not properly reflect SPT's position. To clarify, SPT has always maintained that its position is for the full funding request to be met. In our engagement with SPT throughout the ECF process, we clearly communicated our concerns regarding the disproportionate exposure of risk to SPT. SPT did not provide explicit agreement but rather confirmed it understood and accepted our position.
- 4.10 After careful consideration, our decision is to maintain our consultation position and approve the ECF funding of 53% of the project cost as set out in SPT's licence. We consider that this strikes a fair balance between protecting the consumer from excessive risk, while still promoting acceleration of the project and providing a safe, clean and stable energy network, which is ultimately in the consumer's interest.
- 4.11 To arrive at this percentage number, we included all costs in the category of strategic land purchases, early procurement commitments and half of the value of the category of early enabling works. This is because we consider it proportionate to share the risk between SPT and the consumer where consumer protections were weaker. We did not consider it appropriate to fully disallow the activities in this category as some consumer protections were available, the activities would be beneficial for the reasons set out in our consultation and in SPT's response and the likelihood of project cancellation, according to SPT, is low.

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Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this decision. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.

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Annex I: Notice of decision to modify SpC 3.21

To: SP Transmission Plc

Electricity Act 1989

Section 11A (2)

Notice of decision to modify the Special Conditions of the electricity transmission licence held by SP Transmission Plc

1. SP Transmission Plc (SPT) is the holder of an Electricity Transmission licence (“the Licence”) granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 (“the Act”).
2. Under section 11A(2) of the Act, the Gas and Electricity Markets Authority (“the Authority”)¹¹ gave notice on 26 February 2026 (“the Notice”)¹² that we proposed to amend the allowance value (ASTIAt) referenced in Appendix 1 (ASTI Price Control Deliverable) of Special Condition 3.21¹³ (Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIRt)) of the Licence. We stated in the Notice that any representations to the modification proposal must be made on or before the 28 March 2026.
3. We received one response to the Notice. We carefully considered this and have published the response on the consultation webpage. A summary of the response and our view on it is set out in Chapter 3 of this decision document.
4. In line with Special Condition (SpC) 3.21.10 and the Accelerated Strategic Investment Guidance and Submission Requirements Document¹⁴, we are making the modification as we are satisfied that SPT’s Early Construction Funding (ECF) request:
 - a. has provided clear and convincing justification for exceeding the 20% threshold of total forecasted project cost as set by SpC 3.21.8 and has demonstrated the appropriate balance between assisting acceleration

¹¹ The terms “the Authority”, “we” and “us” are used interchangeably in this document.

¹² [Tealing-Kincardine Upgrade Project Early Construction Funding and licence consultation | Ofgem](#)

¹³ We note that at the time of consultation publication, the number of the Special Condition was 3.41, but following the update to conditions, the same condition can be found under SpC 3.21.

¹⁴ [Accelerated Strategic Transmission Investment Guidance And Submission Requirements Document.pdf](#)

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and protecting consumers from potentially excessive cost exposure in the unlikely event that the projects do not progress;

- b. was pre-empted by a notice in writing of SPT’s intention to make the application under section 3.21.7 at least 8 weeks before SPT made the application; and
 - c. there is a clear justification for why it is in consumers’ interests to provide funding for the activities to take place ahead of our cost assessment as part of the PA process as the early construction activities will aid in accelerating project delivery.
5. As per Special Condition 3.21.8, the Authority hereby directs that the licence limitation for the ECF to not exceed 20% of the total forecast project cost listed in the ASTI Confidential Annex for the project (NOA code TKUP) is not applicable for the reasons given in this licence modification decision.
 6. This modification is to give effect to our final decision to adjust the allowances in the ASTI Confidential Annex as referenced in Appendix 1 (ASTIAt) of SpC 3.41 in the Licence to allow SPT’s ECF expenditure request. The addition to the allowances will be reflected in what will now become the latest version of the ASTI Confidential Annex.
 7. For reasons of commercial sensitivity, details of the amended allowance are confidential but will be issued to SPT in the updated ASTI Confidential Annex. Therefore, except for the ASTI Confidential Annex, a copy of the modification and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively, they are available from information.rights@ofgem.gov.uk
 8. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.6 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules¹⁵ requires that the appellant must send to any relevant licence holder a non-sensitive notice setting out the matters required in Rule

¹⁵ [Energy Licence Modification Appeals: Competition and Markets Authority Rules Energy Licence Modification Appeals: Competition and Markets Authority Rules](#), CMA70

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5.2. The attached Annex 3 provides a list of the relevant licence holders in relation to this modification. Section 11A (10) of the Act sets out the meaning of ‘relevant licence holder’.

- 9. As per section 11A(1)(a) of the Act, we hereby modify Appendix 1 in SpC 3.41 of SPT’s Licence in the manner specified in the attached Annex 1. This modification will take effect from 08 July 2026.
- 10. This document is notice to the reasons for the decision to modify the Licence held by SPT, as required by section 49A (2) of the Act.

.....

Thomas Johns

Deputy Director of Major Projects Delivery

Duly authorised on behalf of the Gas and Electricity Markets Authority

12 May 2026

Annex 2: Special Condition 3.21

Deletions are shown in strikethrough and new text is double underlined.

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Special Condition 3.21 Accelerated Strategic Transmission Investment Re-opener and Price Control Deliverable term (ASTIR_t)

Introduction

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

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

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

$$\text{ASTIR}_t = \text{ASTIAt} - \text{ASTIRAt}$$

where:

ASTIAt means the allowances in Appendix 1; and
ASTIRAt has the value zero unless otherwise directed by the Authority in accordance with Part G.

Part B: ASTI Outputs

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

Part C: Early Construction Funding

- 3.21.7 The licensee may, in respect of any ASTI Output, apply for an Early Construction Funding decision to adjust ASTIAt.

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- 3.21.8 Unless the Authority directs otherwise, the aggregate allowances provided under paragraph 3.21.7 for any ASTI Output may not exceed 20% of the total forecast project cost listed in the ASTI Confidential Annex.
- 3.21.9 The licensee must notify the Authority in writing of its intention to make an application under paragraph 3.21.7 at least eight weeks before making an application, unless the Authority directs otherwise.
- 3.21.10 A modification under this Part will be made under section 11A of the Act.

Part D: ASTI Project Assessment Decision

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

Part E: ASTI Cost and Output Adjusting Event

- 3.21.14 The licensee may apply for a modification to the ASTI Outputs and allowances in Appendix 1 where it considers that there has been one or more ASTI Cost And Output Adjusting Event.
- 3.21.15 The licensee may only apply under this Part to modify allowances in Appendix 1 where:
- (a) expenditure has been caused to increase or decrease by at least the percentage specified in, or in accordance with, paragraph 3.21.17, calculated before the application of the Totex Incentive Mechanism, relative to the relevant allowance in Appendix 1 by the event or if there has been more than one event:
 - i. by each event;
 - ii. if the Authority has directed that the events in relation to the relevant ASTI Output should count cumulatively towards the percentage threshold,; and
 - iii. the increase or decrease in expenditure is expected to be efficiently incurred or saved.
- 3.21.16 The licensee may apply under this Part to modify the ASTI Outputs in Appendix 1 only where there is a material change to the scope of the relevant ASTI project.

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3.21.17 The percentage referred to in paragraph 3.21.15(a) is:

- (a) 5%; or
- (b) for the purpose of the ASTI Output E2DC, 1%; or
- (c) such other percentage as the Authority may specify by direction.

3.21.18 An application under this Part must be made in writing and must:

- (a) include detailed supporting evidence that an ASTI Cost And Output Adjusting Event meeting the requirements set out in paragraphs 3.21.15, or where applicable 3.21.16, has occurred;
- (b) set out the modifications requested to the ASTI Outputs or associated allowances in Appendix 1;
- (c) explain the basis of the calculation for any proposed modification to the allowances in Appendix 1, which must be designed to keep, so far as is reasonably practicable, the financial position and performance of the licensee the same as if the ASTI Cost And Output Adjusting Event had not occurred; and
- (d) include a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the ASTI Output, the proposed modification to the ASTI Output or associated allowances fairly reflects the effects of the ASTI Cost And Output Adjusting Event.

3.21.19 The Authority may make a modification under this Part where:

- (a) there has been an application under this Part;
- (b) there has been an ASTI Cost And Output Adjusting Event in relation to the relevant ASTI;
- (c) the requirements of paragraphs 3.21.14 to 3.21.18, where applicable, have been met; and
- (d) the proposed modifications to Appendix 1 have the effect so far as is reasonably practicable of keeping the financial position and performance of the licensee the same as if the ASTI Cost And Output Adjusting Event had not occurred.

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

Part F: Modification of delivery date in Appendix 1 further to an ASTI ODI Penalty Exemption Period decision or ASTI ODI Target Date decision under Part B of Special Condition 4.7 (Accelerated strategic transmission investment output delivery incentive)

3.21.21 The Authority will modify the delivery dates in Appendix 1 where it decides under Part B of Special Condition 4.7 (Accelerated strategic transmission investment output delivery incentive) to make a modification to the ASTI ODI Penalty Exemption Period or ASTI ODI Target Date in Appendix 1 of Special Condition 4.7.

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

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

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

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

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

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

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

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

Part I: ASTI Guidance and Submissions Requirements Document

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

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

3.21.28 The Authority will publish the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document on the Authority's Website.

3.21.29 The Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document will make provision about the detailed requirements for Parts C, D, E and F.

3.21.30 The Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document will also make provision about the detailed requirements under Special Condition 3.20 (ASTI Pre-Construction Funding Re opener, Price Control Deliverable and Use It Or Lose It Adjustment) and Special Condition 4.7 (ASTI output delivery incentive).

3.21.31 Before directing that the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document comes into effect, the Authority will publish on the Authority's Website:

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- (a) the text of the proposed Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document;
- (b) the date on which the Authority intends the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document to come into effect; and
- (c) a period during which representations may be made on the text of the proposed Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

3.21.32 Before directing an amendment to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document;
- (b) the date on which the Authority intends the amended Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document to come into effect;
- (c) the reasons for the amendments to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document; and
- (d) a period during which representations may be made on the amendments to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Appendix 1

ASTI Price Control Deliverable

ASTI Output	Delivery Date	Allowance (ASTIA_t, £m)	ECF/PA
Denny to Wishaw 400 kV reinforcement (NOA Code: DWNO)	31 December 2029	Have the <u>values</u> given in the ASTI Confidential Annex.	ECF
Eastern subsea HVDC link from Torness to Hawthorn Pit (NOA Code: E2DC) consisting of: -2GW additional network capacity, subject to 5% margin. -176km HVDC marine cable (525kV Cross linked polyethylene (XLPE) 2000MW capacity) -17	31 December 2028	£2,492,205,963	PA

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ASTI Output	Delivery Date	Allowance (ASTIA_t, £m)	ECF/PA
km HVDC onshore cable -new HVDC Converter station at Hawthorn Pit -new HVDC Converter station at Torness -new 400kV 20 bay GIS (non SF6) substation at Hawthorn Pit - 2 Additional bays at Branxton Gas Insulated Switchgear (GIS) – non sulphur hexafluoride (SF6) substation - Extension of existing Norton substation - Protection changes at existing Offerton substation			
Eastern subsea HVDC link from East Scotland to West Norfolk (EGL4) (NOA Code: TGDC)	31 August 2034	Have the values given in the ASTI	ECF
East Coast Onshore 400 kV Phase 2 reinforcement (NOA Code: TKUP)	31 December 2031	Have the values given in the ASTI Confidential Annex.	<u>ECF</u>

Appendix 2

ASTI Output availability standard

ASTI Output	0-6m	6-12m	12-24m
Denny to Wishaw 400 kV reinforcement (NOA Code: DWNO)			
Eastern subsea HVDC link from Torness to Hawthorn Pit (NOA Code: E2DC)			
Eastern subsea HVDC link from East Scotland to West Norfolk (EGL4) (NOA Code: TGDC)			
East Coast Onshore 400 kV Phase 2 reinforcement (NOA Code: TKUP)			

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Annex 3. Relevant licence holders

Electricity Transmission
SP Transmission plc (SPT)

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Executive summary

Instructions: This section is optional. Use it to summarise the scope, purpose, proposals and context of the decision. Explain how the decision relates to the outcome themes in our Forward Work Programme and how the decision seeks to make a positive difference for consumers. Outline how we got to the decision and include the next steps.

The executive summary should be a condensed version of the whole document, no longer than two pages. You can include both a foreword and an executive summary. Do not repeat the overview or foreword. The executive summary should come after the contents page and the foreword.

People should be able to easily understand the key points if they read the executive summary separately from the rest of the document. Use headings to help people scan to the key points. Do not number paragraph text. You can find Heading styles and other text styles in the 'Home' tab under 'Styles'.

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5. Introduction

Use the 'Section summary' style to give a short (maximum of 150 words), non-technical summary at the beginning of a document section. Focus on a few key points that you want people to understand.

Instructions: Use the supplied main headings to structure the introduction to ensure core information is clearly provided.

Use the introduction to give the scope, purpose and context for a decision. Include details of related publications or consultations and the decision-making stages.

Context and related publications

Instructions: Summarise the scope and context and list any related publications which readers may find useful. Include links to the publications if available.

Decision-making stages

Instructions: Outline the key stages of the decision-making process, including any consultations and next steps. If there was a consultation to inform the decision-making process, reference and link to the responses here. Use headings for each stage and give dates in dd month yyyy, with month fully spelled out.

Stage 1 Consultation open: dd month yyyy

Stage 2 Consultation closes (awaiting decision). Deadline for responses: dd month yyyy

Stage 3 Responses reviewed and published: dd month yyyy

Stage 4 Consultation outcome (decision or policy statement)

Section heading

Section summary

Use the 'Section summary' text style to give a short (around 150 words), non-technical summary at the beginning of a document section. Focus on a few key points that you want people to understand.

Instructions: If the decision is for a consultation, use the 'Question box' style to list the questions you asked for views on before outlining our response and decision. Number each question asked using the 'Question numbered' text style. Do not number paragraph text.

Questions

Use the 'Question box' text style.

Q1. Add a list of questions using the 'Question numbered' text style.

Q2. Next question.

Section subheading

Paragraph

Sub-subheading

5.1 Numbered paragraph

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Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this decision. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.

Document style and structure (delete before publishing)

Text styles

Use the text styles that come with the templates. They give a document structure, which helps with navigation. You can find Heading styles and other text styles in the 'Home' tab under 'Styles'.

Headings

Heading styles are named Heading 1, Heading 2, Heading 3 and so on. Heading 1 is for the document title only and should not be used elsewhere. Read our [headings guidance](#) for more information about headings and hierarchy.

Heading 2 (section heading)

Heading 3 (section subheading)

Heading 4 (sub-subheading)

Other styles

Other text styles that help you create consistent documents include:

'Section summary' text style, used for section summaries.

'Question box' text style for consultation questions.

'Caption' text style for introducing tables and charts

Bullet list:

- List
- List
- List
- List

List paragraph style:

- 11.A
- 12.A
- 13.A
- 14.A

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Tables, charts and alt text (delete before publishing)

Tables

The table style we use is named 'Ofgem table'. Apply this table style by:

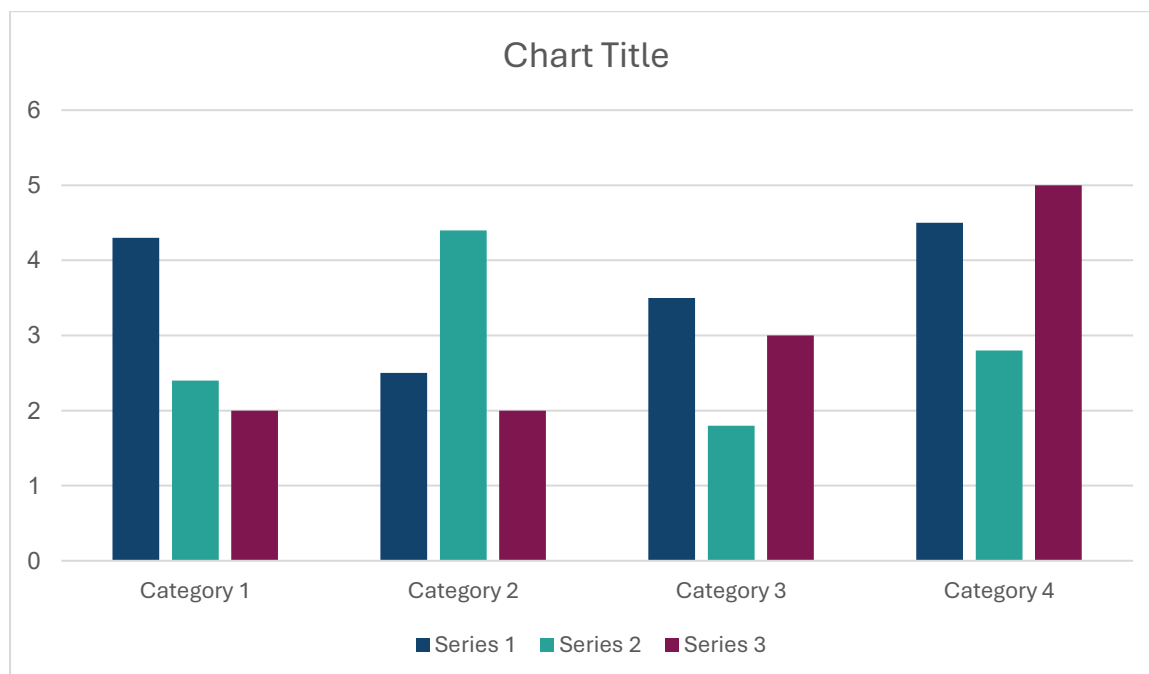
1. selecting the table
2. opening the 'Table design' tab menu
3. choosing 'Ofgem table' from the table styles section

[Read more on designing accessible tables.](#)

	Header 1	Header 2	Header 3
Topic 1	Data	Data	Data
Topic 2	Data	Data	Data
Topic 3	Data	Data	Data

Charts

Caption style for chart



Alternative text

If you use a graphic to provide information, you must provide that information in a format that is accessible to people using screen readers. Graphics include graphs,

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charts, logos and other images. Explain the information the graphic conveys in text. For more information on writing alternative text, [read the alternative text guidance](#).

To add alternative text in Word:

1. Select the graphic.
2. Right-click; a menu appears.
3. elect 'Edit alt text' or 'View alt text'
4. in the 'Description' box, enter an explanation of the graphic. Always fill in this box.

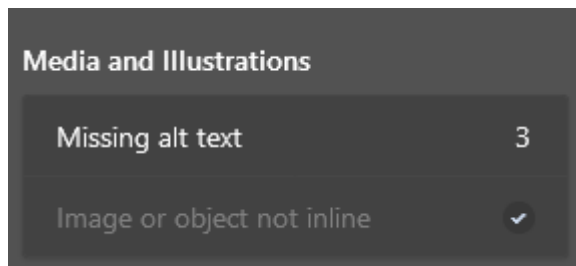
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Check your document (delete before publishing)

Office applications such as Microsoft Word have [accessibility checker tools](#).

To use this tool:

1. Select the 'Review' tab.
2. Choose 'Check Accessibility'.
3. A new pane named the 'Accessibility Assistant' will appear to the right of the document, giving you a list of error categories.
4. Check each category for errors.
 - a. If the error type has a tick, then no action is required.
 - b. If the error type has a number next to the error, then action is required.



In the example above, under the category 'Media and Illustrations', 3 errors have been found for 'Missing alt text'. These need to be fixed. 'Image or object not inline' shows a tick mark, so no action is required.

5. Click on an item that shows a number of errors.
 - a. The pane will change to show details of the first error.
 - b. Resolve the error by following the instructions.
 - c. Use the arrow buttons (top right) to move to the next error.
 - d. Continue until all errors are fixed.
 - e. Use the 'back' button (top left) to return to the Accessibility Assistant.
6. Return to step 5 and continue until all errors have tick marks next to them.