

Consultation

Draft Determinations: Advanced Procurement Mechanism Re-opener 2026 (RIIO-ET3)

Publication date:	13 July 2026
-------------------	--------------

Response deadline:	31 July 2026
--------------------	--------------

Contact:	Ayesha Amin
----------	-------------

Team:	Electricity Transmission Policy
-------	---------------------------------

Email:	RIIO3@ofgem.gov.uk
--------	--

Ofgem (the office of the Gas and Electricity Markets Authority) is consulting on our Draft Determinations on the Advanced Procurement Mechanism (APM) Re-opener applications from National Grid Electricity Transmission Plc (NGET), Scottish Hydro Electric Transmission Plc (SHET), and SP Transmission Plc (SPT) (the licensees). We are proposing to increase Bespoke Procurement allowances for all three licensees.

We are also consulting on adding ‘Modular Substations’ as a new APM Cost Category. We are interested in views on whether Modular Substations would meet the APM eligibility criteria and whether they should be included as a Flexible or Bespoke-only category of Equipment.

This document outlines the scope and purpose of the consultation, the consultation questions, and explains how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at www.ofgem.gov.uk/consultations. If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

© Crown copyright 2026

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the Open Government Licence.

Without prejudice to the generality of the terms of the Open Government Licence, the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

This publication is available at www.ofgem.gov.uk. Any enquiries regarding the use and re-use of this information resource should be sent to psi@nationalarchives.gsi.gov.uk.

1. Introduction.....	4
Context	4
What are we consulting on?	5
Related publications	6
Consultation stages	6
How to respond	6
Your response, data, and confidentiality.....	7
How to track the progress of a consultation	7
2. Amending APM Bespoke Procurement allowances	8
Summary of Draft Determinations.....	8
Reasons for approving applications for Bespoke Procurement allowances	9
Reasons for declining applications for Bespoke Procurement allowances	10
3. Adding a new APM Cost Category	12
Including modular substations within the scope of the APM.....	12
Send us your feedback	14
Appendix 1. List of defined licence terms	15
Appendix 2. Privacy policy	17
Personal data	17

1. Introduction

This section provides an overview of the Advanced Procurement Mechanism (APM), the annual re-opener process, and a summary of our Draft Determinations.

Context

Purpose of the APM

- 1.1 The APM was introduced in 2025 during RIIO-ET2 to help mitigate supply chain constraints that might otherwise threaten to delay infrastructure projects on the electricity transmission network, vital to achieving government's ambition for Great Britain to be supplied with clean power by 2030, and to meet the UK's statutory net zero target and five-year carbon budgets.
- 1.2 The APM is a regulatory funding mechanism that provides for approximately £4bn in allowances to fund the transmission owners (TOs) in booking capacity for Equipment and Related Services years in advance of when it is needed. The APM enables TOs to procure Equipment and Related Services up to a pre-agreed APM Cap without requesting further approval from Ofgem. See **Appendix 1** of this document for a list of defined terms in the ET licence and their definitions.

Risk mitigation within the APM

- 1.3 The APM includes safeguards so early procurement supports timely network delivery while protecting consumers from stranded procurement where assets that are procured are not ultimately needed.
- 1.4 A key safeguard is the concept of Flexible Procurement. This is Equipment and Related Services that can be procured so that either the asset can be redeployed across other projects, or the contract allows licensees to defer detailed design choices until the project need is clearer (contract optionality). Flexible Procurement reduces the risk that early procurement becomes stranded if a project changes or does not proceed. We expect the majority of APM Expenditure to be Flexible Procurement.
- 1.5 Not all Equipment with constrained supply chains can be procured flexibly, which is why the APM also allows for Bespoke Procurement. This is Equipment that is project-specific from an early stage and is less capable of being redeployed. As this presents a higher risk of wasted expenditure, APM Allowances for bespoke Equipment are considered on a case-by-case basis through an annual APM Re-opener. We have approved a list of equipment (APM Cost Categories) that are

Consultation Advanced Procurement Mechanism Re-opener 2026 (RIIO-ET3)

eligible for Bespoke Procurement only. The list can be found in Appendix 1 of the APM Governance Document: <https://www.ofgem.gov.uk/guidance/electricity-transmission-price-control-2026-2031-riio-et3-guidance>.

- 1.6 In addition, licensees' APM Expenditure is subject to an overall APM Cap, which limits expenditure to 20% of expected contract costs (the cost of all units of Equipment and/or Related Services that the licensee is claiming APM Expenditure for under the licensee's contract) over any period of three Regulatory Years.

APM Re-openers

- 1.7 Through an annual re-opener window in April (first five Working Days), licensees can apply to:
- Add a new or amend an existing APM Cost Category (this relates to Equipment that the APM can be used to procure).
 - Amend a licensee's Bespoke Procurement allowance. This is the allowance that is approved for use on specific APM Cost Categories for specific projects.
 - Amend a licensee's APM Cap if its current APM Cap is insufficient to meet its procurement needs.
- 1.8 Decisions are made in accordance with Special Condition 3.16 of the ET licence and the APM Governance Document.

What are we consulting on?

- 1.9 All three licensees applied to increase their individual APM Bespoke Procurement allowances through the April 2026 APM Re-opener window. We are consulting on our Draft Determinations to increase Bespoke Procurement allowances by approximately £850m across all three licensees.
- 1.10 Certain types of information provided by the licensees in their applications is commercially sensitive information that could impact licensees' ongoing or future procurement activities. We have therefore sought to provide sufficient information to enable stakeholders to comment on our proposed decisions, while protecting commercially sensitive information.
- 1.11 See the following annexes for our proposed directions for each licensee:
- Annex 1 – Proposed direction for NGET
 - Annex 2 – Proposed direction for SHET
 - Annex 3 – Proposed direction for SPT

Consultation Advanced Procurement Mechanism Re-opener 2026 (RIIO-ET3)

- 1.12 We are also consulting on amending Appendix 1 of the APM Governance Document to add modular substations as a new, Flexible or Bespoke APM Cost Category:

Table 1: Proposed new APM Cost Category

APM-specific category	APM-specific sub-category	APM Cost Category	Bespoke Procurement only
Modular Substation	33kV	Yes	[To be determined]
Modular Substation	132kV	Yes	[To be determined]
Modular Substation	275kV	Yes	[To be determined]

Related publications

- 1.13 You can read the APM Governance Document here:
<https://www.ofgem.gov.uk/guidance/electricity-transmission-price-control-2026-2031-riio-et3-guidance>
- 1.14 We consulted on introducing the APM in November 2024 (<https://www.ofgem.gov.uk/consultation/electricity-transmission-advanced-procurement-mechanism>) and published our decision on introducing the APM in March 2025 (<https://www.ofgem.gov.uk/decision/electricity-transmission-advanced-procurement-mechanism>).

Consultation stages

Stage 1 Consultation open: **13 July 2026**

Stage 2 Consultation closes (awaiting decision). Deadline for responses: **31 July 2026**

Stage 3 Responses reviewed and published: **With Final Determinations**

Stage 4 Consultation outcome (Final Determination)

How to respond

We want to hear from anyone interested in this consultation. Please send your response to the person or team named on the front page of this document.

Consultation Advanced Procurement Mechanism Re-opener 2026 (RIIO-ET3)

We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

We will publish non-confidential responses on our website.

Your response, data, and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 3.

If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

How to track the progress of a consultation

1. Find the web page for the call for input you would like to receive updates on.
2. Click 'Get emails about this page', enter your email address and click 'Submit'.
3. You will receive an email to notify you when it has changed status.

A consultation has three stages: 'Open', 'Closed (awaiting decision)', and 'Closed (with decision)'.

2. Amending APM Bespoke Procurement allowances

This section sets out our Draft Determinations on licensees' applications to amend their APM Bespoke Procurement allowances.

Summary of Draft Determinations

- 2.1 Across all three licensees, we received applications to increase their Bespoke Procurement allowances by approximately £1,350m (2023/2024 prices). We are proposing to approve approximately £850m (2023/2024 prices) of this. As a result, the overall value of Bespoke Procurement allowances would be:

	Current (2023/2024 prices)	Amended (2023/2024 prices)
Bespoke Procurement allowance (ET licensees)	Approximately £550m	Approximately £1,400m

- 2.2 We are proposing approving the approximately £850m in allowances for APM Expenditure on the following specific APM Cost Categories for use in 22 different projects due to be delivered over the next 10 years:

- Flexible AC Transmission System (FACTS)
- Gas Insulated Switchgear (GIS) (incl. Circuit Breakers)
- High-Voltage Direct Current (HVDC)
- Wound Plant

- 2.3 Please see Appendix 1 of the APM Governance Document for a full list of eligible APM Cost Categories: <https://www.ofgem.gov.uk/guidance/electricity-transmission-price-control-2026-2031-riio-et3-guidance>.

- 2.4 APM Bespoke Procurement allowances are part of the overall APM Cap. As a result of our Draft Determinations, the licensees' individual APM Caps remain unchanged. Currently, the APM Cap across all three licensees is approximately £4bn (2023/2024 prices).

- 2.5 See the following annexes for our proposed directions for each licensee:

- Annex 1 – Proposed direction for NGET
- Annex 2 – Proposed direction for SHET

- Annex 3 – Proposed direction for SPT

Reasons for approving applications for Bespoke Procurement allowances

2.6 Where we are proposing to approve applications for additional APM Bespoke Procurement allowances, we have considered the degree to which applications have satisfied the following three eligibility criteria set out in the APM Governance Document.

Requirement for APM funding

2.7 We considered evidence from licensees of the supply chain constraint and potential delay impacts of that constraint, and what impact this might have on consumers if it is not addressed.

Mitigating the risk of stranded procurement

2.8 Bespoke Procurement carries a higher risk of stranded procurement. We considered evidence from licensees on how they will mitigate the risk of stranded procurement in the absence of flexibility. This included information on:

- the level of certainty that the project will go ahead;
- the level of design maturity ie, whether the proposed Equipment would be required in all or only some of the project design options being considered;
- current procurement lead times;
- project delivery dates;
- evidence that the possibility of supply chain constraints would impact project delivery timelines or project costs; and
- the risks associated with late delivery.

2.9 GIS is a unique category of Bespoke Procurement because we want licensees to prioritise lower-emissions, Air Insulated Switchgear (AIS) technology wherever possible. Therefore, when applying for Bespoke Procurement allowances for GIS, in addition to the information above, licensees are also required to justify why GIS is the appropriate solution for a particular project.

Transparency

2.10 Licensees must demonstrate that they can and will track APM Expenditure in order to meet the reporting requirements set out in the APM Governance Document.

Reasons for declining applications for Bespoke Procurement allowances

2.11 Where we are proposing to decline applications for additional APM Bespoke Procurement allowances, our reasons include:

- The withdrawal of the application to increase the Bespoke Procurement allowance by the licensee itself; and
- The application did not demonstrate that the applicable APM eligibility criteria has been satisfied in relation to:
 - (1) Equipment must be an APM Cost Category;
 - (2) Potential double funding; and
 - (3) Mitigating the risk of stranded procurement.

Equipment must be an APM Cost Category

2.12 APM Allowances can only be used to procure Equipment and/or Related Services that are listed as an eligible APM Cost Category in Appendix 1 of the APM Governance Document. Where a Licensee's application for Bespoke Procurement allowance is not for an eligible APM Cost Category, we have declined the application.

Potential double funding

2.13 The APM is designed to bring forward funding (that is subject to a later approval process) where none currently exists. As such, where we assess the licensee is potentially being double funded for the procurement of Equipment and/or Related Services, we have declined applications for additional Bespoke Procurement allowances. This may be in instances where, for example, there is an existing allowance in the price control that the licensee can use to procure in advance.

2.14 Some projects are not funded through the price control but by generation or demand customers. Currently, Ofgem is unable to independently track the recovery of APM Expenditure through customer funding directly to licensees. Therefore, APM Allowances can only be used on the licensee-portion of costs on customer-funded projects. We have therefore declined applications for Bespoke Procurement allowance for projects and/or Equipment that are fully customer funded.

Mitigating the risk of stranded procurement

2.15 Where we have concluded that, on balance, the risk of stranded procurement is not sufficiently mitigated (taking into account the types of evidence detailed in paras 2.8 to 2.9), we have declined a Licensee's application.

Consultation Advanced Procurement Mechanism Re-opener 2026 (RIIO-ET3)

2.16 Our assessment is based on the information available at the time. Licensees may resubmit an application in a future APM Re-opener if mitigations for stranded procurement improve.

Questions

Q1. Do you agree with our Draft Determinations to increase APM Bespoke Procurement allowances?

Q2. Do you agree with our reasons for declining APM Bespoke Procurement allowances?

3. Adding a new APM Cost Category

We are consulting on adding modular substations as a new APM Cost Category. We are seeking feedback on the benefits and eligibility for the APM.

Including modular substations within the scope of the APM

- 3.1 A substation is part of the electricity network that transforms voltage levels, and switches, protects, and controls the flow of electricity between different parts of the system. Modular substations are pre-engineered, standardised units that are assembled off-site and can be rapidly deployed and, in some cases, relocated, compared with traditionally constructed substations. Their “plug-and-play” design offers greater flexibility and upfront delivery efficiency by reducing the extent of on-site construction and risks that could delay delivery. This means faster connection of initial customers, particularly smaller-scale renewable generation and storage projects, where these assets are currently most commonly used (typically at 33kV and 132kV).
- 3.2 In addition, the standardised and repeatable nature of modular designs can help alleviate supply chain constraints if procuring individual components, reduce site-specific engineering requirements, and support more consistent asset management and maintenance practices across networks. The use of Sulfur hexafluoride (SF6) alternative gases (such as C4FN) may also provide environmental benefits relative to conventional gas-insulated designs. SF6 is an insulating gas used in electrical equipment which has a high greenhouse gas potential. Lower greenhouse-gas substitutes such as C4FN (that is a fluoronitrile-based gas mixture) can be substituted in gas-insulated switchgear.
- 3.3 However, modular substations may present limitations in terms of system optimisation and long-term network development. They are often designed to meet a specific immediate connection need, rather than to provide additional capacity or flexibility for future network expansion. As a result, they may be suitable for connecting a single customer quickly, but less suitable as enduring network assets that can support future connections or wider system growth.
- 3.4 There are also operational considerations. While modular substations can reduce upfront CAPEX and delivery risk, post-fault rectification may be more complex compared to traditional air-insulated substations, potentially leading to higher operational expenditure and longer outage durations.
- 3.5 We are considering including modular substations as a new APM Cost Category. This means that, if approved, licensees could use APM Allowances to secure supply chain capacity for modular substations. We are seeking views on the

benefits to consumers of deploying modular substations on the transmission network, and whether they would meet the eligibility criteria for the APM.

- 3.6 If modular substations are included within the scope of the APM, there is a choice as to whether they are included as Flexible Procurement or Bespoke Procurement. We seek views on whether modular substations should be considered Flexible Procurement or Bespoke Procurement.

Questions

- Q1. How do the whole-of-life costs of modular substations compare with traditional solutions?
- Q2. To what extent can modular substations provide flexibility for future network needs, including the ability to accommodate new connections, support additional load, or be redeployed where project need changes, while minimising costs for consumers?
- Q3. What are the current supply chain constraints and procurement leads times for modular substations? Are they predicted to worsen in the future?
- Q4. How flexibly can modular substations be redeployed where project need changes and how can risk of stranded procurement be mitigated when procuring modular substations?
- Q5. Where modular substations are proposed for customer connection projects, what proportion of costs would be licensee-funded rather than customer-funded and therefore meet the eligibility requirements of the APM?
- Q6. Should modular substations be included within the scope of the APM as a Flexible Procurement or Bespoke Procurement APM Cost Category?
- Q7. If modular substations are included as a Flexible Procurement category, what checks would be needed to ensure that the trade-off between short-term delivery benefits and longer-term network efficiency is justified?

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 consultation. 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.

Appendix 1. List of defined licence terms

We use the following defined terms in this consultation document (see Special Condition 1.1 of the ET licence):

Term	Definition
APM Allowance (APM _t)	means the allowance established by Part A of Special Condition 3.16(Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM _t)).
APM Cap (APMC _t)	means the cap on the APM Allowance established by the Authority and specified in Appendix 1 of Special Condition 3.16(Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM _t)).
APM Cost Category	means an expenditure category that the Authority has deemed eligible for the licensee to use its APM Allowance against as set out in the APM Governance Document.
APM Expenditure (APMS _t)	means the amount that the licensee has spent for the purpose of booking supply chain capacity for the procurement of Equipment or Related Services in relation to an APM Cost Category, and which the licensee has reported or intends to report as APMS _t through the Regulatory Reporting Packs.
APM Governance Document	means the document issued by the Authority in accordance with Part J of Special Condition 3.16 (Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM _t)).
APM Recovered Expenditure (APMR _t)	means the allowances initially incurred and reported as APMS _t that have been added to Allowed Revenue through other special conditions of this licence. In any given Regulatory Year, APMR _t for all Regulatory Years to date cannot be larger than APMS _t for all Regulatory Years to date.
APM Re-opener	means any of the Re-openers established by Part B, Part C, Part D and Part E of Special Condition 3.16

Consultation Advanced Procurement Mechanism Re-opener 2026 (RIIO-ET3)

	(Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM _t)).
Bespoke Procurement	means, for the purpose of Special Condition 3.16 (Advanced Procurement Mechanism (APM) Allowance and APM Re-opener (APM _t)), procurement that is not Flexible Procurement, or that is procurement that the Authority otherwise decides to be bespoke and is thus assessed for APM eligibility on a project-specific basis by the Authority, and is specified as such in the APM Register.
Equipment	means, for the purpose of Special Condition 3.16 (Advanced Procurement Mechanism), any equipment specified as an APM Cost Category in Appendix 1 of the APM Governance Document.
Flexible Procurement	means, for the purposes of Special Condition 3.16 (Advanced Procurement Mechanism), procurement for Equipment or Related Services which, at the time APM Allowance was used to secure the Equipment or Related Services, did not have project-specific design characteristics that would prevent the Equipment or Related Services being used on multiple different projects.
Related Services	means, for the purpose of Special Condition 3.16 (Advanced Procurement Mechanism), services provided in connection with the delivery, installation, or commissioning of the Equipment, where these services are necessary to ensure or support the proper functioning of the Equipment.

Appendix 2. Privacy policy

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest, ie a consultation.

4. With whom we will be sharing your personal data

Information: Include here all organisations outside Ofgem who will be given all or some of the data. There is no need to include organisations that will only receive anonymised data. If different organisations see different set of data, then make this clear. Be as specific as possible.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for 12 months after the consultation has closed.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete

Consultation Advanced Procurement Mechanism Re-opener 2026 (RIIO-ET3)

- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
 - to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/> or telephone 0303 123 1113.

7. Your personal data will not be sent overseas (Note that this cannot be claimed if using Survey Monkey for the consultation as their servers are in the US. In that case use “the Data you provide directly will be stored by Survey Monkey on their servers in the United States. We have taken all necessary precautions to ensure that your rights in term of data protection will not be compromised by this”.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system. (If using a third-party system such as Survey Monkey to gather the data, you will need to state clearly at which point the data will be moved from there to our internal systems.)

10. More information. For more information on how Ofgem processes your data, view our [Ofgem privacy policy](#).