

Neill Guha
Office of Gas and Electricity Markets
10 South Colonnade
London E14 4PU

28 April 2026

Dear Neill,

Response to Ofgem's Consultation ("Consultation") on its Draft Determination on a funding request under the RIIO-2 Visual Impact Mitigation Re-opener for NGET's Cotswolds VIP Project

This response is provided on behalf of National Grid Electricity Transmission (NGET). We acknowledge Ofgem's 'minded to' position not to fund the Cotswolds visual impact provision (VIP) project, which reflects its view that rejecting these proposals is in the billpayers' best interests at a time where many are struggling with the rising cost of living.

Ofgem's Draft Determination to reject the Cotswolds VIP project will be disappointing for stakeholders, partners, and organisations who have supported the development of the Cotswolds VIP proposals over many years. We would like to thank local communities, landowners and all those who worked with us for their time, input and support.

The VIP initiative has made an important contribution to England and Wales, which we have been pleased to be able to support. We look forward to continue working with stakeholders, including our VIP Stakeholder Advisory Group, on the ongoing Landscape Enhancement Initiative (LEI) which will play an important role in reducing the visual impact of electricity transmission lines and enhancing the quality of protected landscapes in England and Wales.

Reflecting the collective commitment behind the project, Ofgem's active involvement in its development over several years, and given it had been developed in full compliance with the VIP licence conditions, we had made efficient preparations and were fully poised to deliver on this important investment until Ofgem's 'minded to' position was set out.

The following paragraphs present our comments on Ofgem's Consultation.

Ofgem's Assessment and Draft Determinations

1. In paragraph 2.2 of the Consultation, Ofgem acknowledges that NGET has acted in line with the VIP Policy, as required by RIIO-T2 Special Condition 3.10 'Visual Impact Mitigation Re-opener'. Specifically, it states that "NGET developed its proposals (outlined below) to underground a 7.4km section of the ZF overhead line running through the Cotswolds in accordance with its VIP Policy".
2. NGET is cognisant of the impact of rising energy bills on consumers (as described in paragraph 3.2 of the Consultation). For this reason, and in line with Ofgem's requirements, each submission for a visual amenity project was supported by a bespoke and up-to-date Willingness-to-Pay study. These studies evidence consumer views on value for money and affordability.

The studies returned positive results, including that for the Cotswolds VIP project, where 82% of 2,000 respondents supported the project, notwithstanding an estimated bill impact of £0.13 per year for 25 years. This indicates that consumers consider that visual impact mitigation initiatives deliver value for money and are an appropriate use of funding within the price control framework. However, we acknowledge that this study was undertaken in July 2024, prior to recent events in the Middle East that have increased uncertainty in energy markets.

3. In paragraph 3.5 of the Consultation, Ofgem states that *“In our view, these discretionary projects could exacerbate existing supply chain issues and resource availability.”* In paragraph 3.11 of the Consultation, Ofgem continues *“NGET has argued that, additional to the system benefits, the completion of Cotswold VIP project contributes to its supply chain capabilities and future readiness by ensuring that the supply chain is adequately skilled, resourced and equipped to undertake large scale and complex underground cabling works. We disagree with this view. NGET has a very large programme of works across its portfolio and it’s not clear why these particular benefits would not come from those core projects already planned and in flight.”*

Based on the forward workload visibility available at the time of submission, we concluded that the Cotswolds VIP project represents a distinct opportunity to sustain specialist transmission undergrounding capability that is not otherwise utilised through the majority of NGET’s near-term portfolio. In particular, the project requires specialist capability associated with the installation of 400 kV underground transmission cables across non-operational land, including complex civils, trenchless installation, ducted routing logistics, joint bay configuration, and environmental mitigation in constrained and sensitive terrain. These capabilities are not directly interchangeable with those required for substation-based works or conventional overhead line construction, which together comprise the bulk of NGET’s workload in the current price control period.

While NGET does have a large and diverse programme of works, transmission undergrounding across non-operational land remains a very limited form of activity, with the Cotswolds VIP project positioned to playing a preparatory role ahead of the anticipated uptake in transmission cable undergrounding schemes post-2030. In its absence, there is a risk that specialist undergrounding resources would demobilise or be redeployed elsewhere, reducing capability and resilience within the UK supply chain ahead of periods where this expertise will again be required. We therefore believe that we set out our supply chain position correctly in our submission.

4. Paragraph 3.8 of the Consultation states that *“Option 4 clearly delivers no additional benefits, either system benefits or visual impact mitigation benefits, over Option 3 (NGET’s preferred option), but would be at a significantly higher cost. It is therefore not clear to us why NGET took this option forward for further consideration, as the outcome of any comparative assessment is immediately evident.”*

Option 4 was developed and assessed as a credible counterfactual, reflecting the delivery outcome if funding for the Cotswolds VIP project were not approved in RIIO-ET2 and instead progressed in a subsequent price control period, following completion of the overhead line uprating works. Under such a scenario, undergrounding would necessarily take place after the uprating had been delivered, removing the opportunity to realise delivery synergies and resulting in higher whole-life costs and early asset write-off. It was therefore appropriate and proportionate for NGET to assess this option in order to demonstrate the value of coordinated delivery and the implications of deferral. This is the counter-factual which was considered by Ofgem in approving the North Wessex Downs VIP project.

Taking the above into account, it was reasonable for NGET to develop the project to sufficient maturity and to submit an application under Special Condition 3.10 for the Cotswolds VIP project, reflecting the interests of external stakeholders and billpayers.

Funding for the necessary uprating of the ZF route

We note that Ofgem concludes at paragraphs 2.16 and 3.17 of the Consultation that its “*Draft Determination is to reject NGET’s application*” for the Cotswolds VIP Project, and that “*NGET may seek funding through the relevant RIIO-3 mechanism for the necessary uprating of the ZF route*”.

We would welcome further discussion with Ofgem in order to clarify the appropriate RIIO-T3 mechanism under which such funding should be sought.

Funding for efficiently incurred development costs

Ofgem’s Draft Determination does not address the need to ensure funding for efficient development costs incurred up to the point of the Draft Determination¹, nor for the efficient and unavoidable costs that will necessarily be incurred to demobilise and close the project in the period that follows.

As set out above, NGET developed and submitted the project for approval in good faith, following discussions with Ofgem about the intention to do so, and in accordance with the RIIO-T2 framework and Special Condition 3.10. In doing so, NGET incurred development costs that were necessary and efficient in progressing a project that was eligible under the established visual amenity re-opener mechanism. A breakdown of actual costs incurred and forecast to be incurred in closing down this project has been submitted as a confidential annex to this response.

Following Ofgem’s Draft Determination to reject the Cotswolds VIP re-opener application, Ofgem must now assess the remaining balance of development and de-mobilisation costs incurred / forecast to be incurred and confirm that such costs will be funded as part of its Final Determination for the Cotswolds VIP project following this Consultation. The total value of funding for efficient development and de-mobilisation costs must also be confirmed through the Cotswolds VIP project Final Determination.

The Cotswolds VIP project Final Determination must also confirm the mechanism by which such costs will be funded. This is because it is now too late for Ofgem to direct this funding into the RIIO-T2 licence as Special Condition 3.10 (the condition under which the submission was made) no longer exists in the RIIO-T3 licence. The RIIO-T2 close-out process had been suggested, but this does not appear to us to be the appropriate route as there are no RIIO-T2 allowances to reconcile and this is the purpose of the close-out process.

Rather, Ofgem should use the VIMRE term in Special Condition 3.23 ‘ET2/ET3 Crossover adjustments (T2ACAt)’ in the RIIO-T3 licence. It would be appropriate to treat the Cotswolds VIP project as a Crossover Item (as defined in Part E of Special Condition 3.23) because (a) while delivery was not technically funded in the RIIO-T2 licence because Ofgem’s decision under the Special Condition 3.10 was made in the RIIO-T3 period, there was a mechanism (i.e. Special Condition 3.10) in force as at 31 March 2026 to fund it, and (b) we will be incurring costs in RIIO-T3 in closing the project down.

If Special Condition 3.23 is not deemed by Ofgem to be the appropriate mechanism to provide funding, then we request clarification on which alternative mechanism is proposed. An option could be to include these efficiently incurred development costs in our future RIIO-T3 submission for the necessary uprating of the ZF route (subject to further discussion with Ofgem as to which is the most appropriate RIIO-T3 mechanism for such a submission, as referred to above).

¹ For the avoidance of doubt, we have stopped work on the basis of Ofgem’s Draft Determination. This is important because we were at a point in the project where we were about to make significant contractual commitments. These will not now be made in line with our submitted programme therefore, if Ofgem was to change its ‘minded to’ position and approve the project at Final Determination, we can no longer complete the project to submitted milestones. It would therefore be necessary to allow NGET to resubmit the programme, as well as update costs to reflect the various impacts of delay.

Confidentiality

I confirm that this main letter is not confidential and can be published on Ofgem's website. In addition, we are providing a confidential annex with further information relevant to this Consultation. This cannot be published on Ofgem's website.

Yours sincerely,

A handwritten signature in black ink, consisting of a stylized 'S' followed by a series of loops and a horizontal line.

Sara Habib [by email]

Head of Regulatory Policy and Funding
National Grid Electricity Transmission