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Canary Wharf
London
E14 4PU

Attn: Shyram Doraiswamy

02 March 2026

Ref: Bramford to Twinstead – Project Assessment consultation

Dear Shyram,

SP Energy Networks (SPEN) represents the transmission licensee of SP Transmission plc (SPT), as well as the distribution licensees of SP Distribution plc, SP Manweb plc and SP Electricity North West. SPT owns, develops, and maintains the onshore electricity transmission network in the south of Scotland as a Transmission Owner (TO).

This response is on behalf of SPT. We welcome the opportunity to share our views on Ofgem's consultation on National Grid Electricity Transmission's (NGET) Bramford to Twinstead (BTNO) Project Assessment.

SPT is responsible for the delivery of a portfolio of projects under the Accelerated Strategic Transmission Investment (ASTI) mechanism. Whilst we have no specific views on the technical or commercial details of the BTNO project, we are writing to express our views on Ofgem's approach to cost assessment of major Transmission projects and application of the ASTI mechanism notably around Ofgem's position on risk funding. We have responded to this consultation based on the policy positions set out by Ofgem, we do not have sight of the actual cost of risk allowances of NGET to comment on these matters.

Risk Funding

Although we have no sight of the detail of NGET's risk analysis we do not agree with the default policy position outlined in Ofgem's minded to decision that risk should be funded at a P50 level for every ASTI project.

A uniform P50 application across all projects therefore assumes such projects have identical risk profiles and inputs into QCRA. It is not flexible, nor accounts for, the particular risks associated with each project. Studies on capital project risk also support use of high risk and contingency allocations, with the average project running 37% over budget¹. As such, many of our projects may be riskier, such that it would require R&C costs to be above the P50 threshold.

¹ Asvadurov, S., Brinded, T., Brown, T., Ellis, M., Knox, D., & Speering, R. (2017), 'The art of project leadership: Delivering the world's largest projects', September.

Ofgem has framed P50 as being a “balanced” and “efficient” level of risk funding. We disagree with this position – a P50 level of funding only provides a balanced level of funding in a normal distribution of risk. Iterations in risk modelling tend to include a “tail” of lower probability risks, meaning funding risk at a P50 level lands significantly below 50% of the total risk at P100. Funding risk at the P50 level fails to account for less measurable and more volatile risks to our projects which is exacerbated by limited data on project delivery at the scale of the ASTI portfolio.

ASTI projects range significantly by scope, scale and location of necessary works (onshore and offshore) with unprecedented levels of new substation and overhead line build. This work is occurring over a relatively short period of time whilst maintaining very high levels of resilience, reliability and availability of TOs’ heavily integrated networks. ASTI projects will also expand TOs’ networks into areas that have not seen new transmission infrastructure build in over 50 years. These works are to be undertaken at a time when supply chains and skilled labour are constrained, planning legislation places greater requirements upon TOs to ensure impacts to local communities by transmission infrastructure are minimised, and land for development is becoming scarcer whilst its value is increasing.

TOs have been given a strong reward/penalty incentive regime for timely delivery of ASTI projects which has incentivised TOs taking on new approaches to project delivery. For SPT this means we have adopted an EPC delivery model to complement our traditional disaggregated delivery approach. Whilst this enables efficiencies in terms of delivery timescales, this can expose SPT to new risks in scenarios of extensive cost overrun of contracts.

Ofgem has suggested the Totex Incentive Mechanism (TIM) allows TOs to mitigate project risk – we disagree with this principle. The TIM is a mechanism that is aimed at incentivising efficiency and addressing additional risks outside the control of TOs. The TIM allows TOs to mitigate risks of cost increases (and share benefits of efficiencies) on a portfolio basis but cannot replace proper regulatory funding for projects with a mature view of delivery risk. We have concerns that Ofgem is not taking an evidence-based approach to assessing project risk and is instead using arbitrary values such as P50 to impose an unjustified efficiency challenge on TOs.

Setting appropriate risk and contingency funding allows project teams to take initiative to realise cost and schedule efficiencies – it is simply not possible to manage risks to an individual project by leveraging the TIM to raise additional regulatory revenue. A more proportionate risk allowance also allows us to be agile in mitigating schedule slippage due to actualisation of risks and impacts of unknown unknowns.

It is worth noting that each TO currently has a distinct approach to assessing project risk and including or excluding risks in QCRA and QSRA. Initial cross-TO discussions have commenced to gain an understanding of our respective approaches. Ofgem must be cognizant of these differences when trying to apply standardised approaches to setting risk allowances.

ASTI Uncertain Costs Re-Opener

We have concerns regarding Ofgem’s approach to deferring costs to the ASTI Uncertain Costs Re-Opener (AUCR). The AUCR formed part of Ofgem’s decision on the EGL1 and

EGL2 project assessments in 2024 but has yet to be implemented into the RIIO-ET licences and TOs have no sight of how this mechanism will function in practice.

Ofgem must expedite development of the AUCR mechanism and must ensure it has the capacity to review AUCR submissions commencing from July 2026 in order to ensure TOs can proceed with confidence where aspects of a project's overall costs are uncertain.

We also note that Ofgem has deferred some key project costs to the AUCR, for example costs relating to management of Biodiversity Net Gain (BNG) sites, and that Ofgem has taken the view that ASTI PAs should only fund one year of costs beyond project delivery. In our view ongoing environmental considerations should form part of a holistic assessment of project value at the PA stage for all of our projects. These activities must be considered in the context of the projects that drives the need for remediation.

Ofgem has a net zero duty and must ensure TOs can proceed with confidence in developing enduring, low-carbon solutions for projects enabling wider decarbonisation of GB as a whole, not just within the energy industry.

Whilst AUCR can be utilised within the ASTI mechanism, similar arrangements do not exist yet for other mechanisms within the RIIO-ET3 price control such as the Load Re-Opener and CSNP Re-opener. This could potentially lead to inconsistency in how ongoing operational costs for projects are treated across different funding mechanisms. In our view there are two potential solutions to this:

- 1) Ofgem could take a more holistic approach to what is funded in PA determinations – rather than funding 1 year of costs beyond delivery, Ofgem could agree on 5 years of funding, or funding to the end of the price control in which a project is delivered.
- 2) Ofgem could extend the Uncertain Costs Re-Opener beyond ASTI to fund ongoing maintenance costs.

In the interest of reducing regulatory burden within an Ex-Ante price control and to enable a more holistic view of project costs beyond construction, we view that Option 1 is the most appropriate.

Cost and Output Adjusting Events

We do not have sight of the full risk proposal from NGET however we disagree with Ofgem's policy position to apply a standard materiality threshold for Cost and Output Adjusting Event (COAEs). Ofgem's insistence on setting a 5% materiality threshold for ASTI COAEs runs contrary to the wider price control where the Materiality Threshold is set at 0.5% of annual Ex-Ante Base Revenue, and the ASTI guidance allows for projects to receive a COAE lower than 5%.

In our view the materiality threshold for COAEs should be linked to the P-value of risk and other mitigations for a project. For example, we would expect a project with ex-ante risk funding to be given a lower threshold for COAE and provisions for other risk re-openers, and a project funded at P80 to have a higher threshold for COAE in balance.

Ultimately we view that these mechanisms should be set on a project-by-project basis rather than applying standard thresholds, and that for ASTI or CSNP-scale projects, risk

should be managed by allowances and mechanisms that are calibrated to the individual project.

Yours Faithfully,

Craig Molyneux
Regulatory Economics Manager

Appendix 1 – Consultation questions

Q1. Do you agree with our minded-to position on direct costs for BTNO?

We have no specific comments regarding Ofgem's minded-to position on direct costs for BTNO.

Q2. Do you agree with our minded-to position on non-EPC costs and indirect costs funding for BTNO?

We have no further comments regarding Ofgem's minded-to position on non-EPC and indirect costs for BTNO. We have provided feedback in this response letter on over-arching points.

Q3. Do you agree with our minded-to position in relation to risk funding for BTNO? If not, could you provide more information on how best to appropriately balance the risk between consumers and the TOs, while incentivising risks to be managed to a level as low as practicable?

We do not agree with Ofgem's approach in relation to risk funding for ASTI projects. In our view it is not appropriate to use a standard P50 level of risk for ASTI projects, and instead to take a bespoke approach for each project. If Ofgem aims for risks to be managed to a level as low as practicable then P50 is not an appropriate level at which to fund risk.

Q4. Do you agree with our minded-to position on the requested 0% materiality threshold re-opener mechanism for BTNO?

We disagree with Ofgem's approach regarding bespoke re-opener materiality thresholds for innovative project delivery solutions. If TOs are to maximise opportunities to deliver at pace then Ofgem must be amenable to enabling greater sharing of the risk of delivering innovative solutions. By applying a default 5% materiality threshold for COAEs, Ofgem is disincentivising innovative project delivery.

Q5. Do you agree with our minded-to position on the COAE threshold adjustment for BTNO?

We disagree with Ofgem's position of applying a standard 5% COAE threshold.