nationalgrid

LRR Consultation Response

RIIO-T3 Load Related Re-opener, May 2026: Draft Determination



National Grid Electricity Transmission

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Executive Summary

We recognise and support Ofgem's important role in scrutinising the design and efficiency of Transmission Owner proposals to protect consumers and ensure value for money. The RIIO-T3 framework represents a significant evolution from previous price controls, with a greater proportion of funding being determined through re-opener mechanisms such as the Load Related Re-opener (LRR).

In principle, we support the overall objectives and design of the LRR framework. It has the potential to strike the right balance between enabling timely investment to meet customer and system needs, while providing Ofgem with appropriate opportunities for scrutiny and challenge. However, for the framework to deliver these outcomes in practice, there are a number of important implementation challenges and policy issues that need to resolved.

Specifically, the Draft Determinations (DDs) raise significant concerns regarding:

- **the absence of evidence for and justification of its proposals, at the Eligibility, Needs Case and Project Assessment stages;**
- **the operation of the framework and Ofgem's approach to engaging licensees; and**
- **Ofgem making proposals which are not in line with its own guidance or the stated policy in the Final Determinations.**

The DDs incorrectly conflate eligibility assessment with cost efficiency assessment, contrary to the purpose of the Load Re-opener framework. Eligibility Letters and combined Eligibility Letter and Needs Case submissions are intended to determine whether a project is eligible and whether the proposed solution is appropriate. They are not designed to support detailed cost efficiency assessments.

However, Ofgem has formed a view – with no explanation or evidence provided – that a £300m reduction (6%) in the estimated cost of a project should be made. As a public authority exercising statutory powers, Ofgem is subject to the common law principles of procedural fairness, which - as tested in the Courts - includes providing adequate reasons for decisions.

By reducing project cost estimates at this stage, Ofgem is effectively reducing Pre-Construction Funding (PCF) allowances before the framework's intended cost scrutiny stage, despite PCF also being reassessed and trued up through Project Assessment. Cost efficiency should be assessed once, using the more mature and detailed evidence available at Project Assessment.

Ofgem is also not providing the early, detailed, solution feedback the framework was designed to deliver. The requirement to provide sufficient engineering detail on longlist and shortlist options at the eligibility stage was intended to give Ofgem an early opportunity to provide feedback on the proposed solution direction. It is also not clear how Ofgem has considered in its assessment relevant criteria other than engineering factors, including those linking to Government policy.

This was the topic of lengthy discussions and joint working between Ofgem and the TOs in the run-up to the RIIO-T3 Final Determination. This joint work took place following an agreement at senior levels that the regulatory and project development processes needed to align in order for the framework to operate effectively. In particular, there was a recognition that feedback at the

later Needs and Optioneering stage would come too late to enable a meaningful change in direction without significant consumer and customer detriment.

Without early engagement, and meaningful feedback, projects now risk becoming locked into a position where either the preferred solution progresses with a heightened risk of unacceptable disallowance, or the project does not progress until there more certainty from Ofgem. This would result in delays for customers, increased costs, and reduced delivery certainty.

We also have significant concerns with the emerging approach to Project Assessment cost assessment. While we rightly do not have full visibility of the information shared by Scottish Power Transmission, we can observe Ofgem approach to how it has assessed the project and the evidence and reasoning for its proposals.

Based on the Draft Determination it appears Ofgem's approach is to apply of blanket risk and efficiency adjustments that do not reflect the specific characteristics, maturity, evidence base or procurement strategy of individual projects. If it would not be considered appropriate to apply a blanket percentage uplift to lower-value projects without reviewing the underlying evidence, it is difficult to see why a blanket reduction should be applied to major investments where extensive scrutiny and justification has already been provided. Again, it is not clear how Ofgem is considering its requirements for procedural fairness in its approach to Project Assessments.

Similarly, applying ongoing efficiency assumptions to late-stage ex ante investments, where the majority of efficiency opportunities have already been realised and evidenced through market benchmarking and robust delivery planning, risks undermining confidence in the funding framework.

Given the increasing proportion of investment expected to flow through Load Related Reopeners, this approach could materially erode the investability proposition underpinning the RIIO-T3 settlement.

We are concerned that the LRR framework appears to be being applied incorrectly, more narrowly than intended, without Ofgem providing any information on how it has engaged with the evidence and the reasons for its proposals. Given the increasing proportion of investment expected to flow through Load Related Reopeners, this approach could materially erode the investability proposition underpinning the RIIO-T3 settlement.

If replicated across RIIO-T3 reopeners going forward, Ofgem's DD position risks the ability of the sector to deliver timely, efficient and strategic network. It would delay projects, putting regulation on the critical path for projects supporting customer connections, Clean Power 2030 and wider economic growth.

Summary of our response by consultation question

Consultation Question	Position	Summary
EA Q1 - PCF Eligibility (Track 2)	Agree	We agree that the projects meet eligibility requirements and should receive Pre-Construction Funding (PCF).
EA Q2 - Needs Case Assessment (Track 2 Projects)	Agree but with required clarification	We agree with Ofgem's assessment of need but require explicit confirmation that proposed solutions are accepted and justified.

EA Q5 - PCF Eligibility (Track 3)	**Partially Agree**	We agree that the projects are eligible for PCF, but we disagree with the decision to move eight projects from Track 2 to Track 3.
EA Q7 - ETRE Eligibility	**Disagree**	We consider that the ETRE project exceeds the £40 million threshold when assessed using an appropriate expected-cost methodology.
EA Q8 - PCF Allowances	**Disagree**	We support the 8.2% PCF methodology but not the OE adjustment or cost reductions applied before calculating PCF. We disagree with the proposed amendments to Appendix 2, SpC 3.15.
EA Q9 - Risk & Contingency	**Disagree**	We disagree because project-specific evidence should take precedence over generic caps and assumptions.
EA Q10 - Biodiversity Costs	**Disagree**	We recognise the challenge of estimating biodiversity costs at EL stage but do not support reductions to total project costs before PCF is calculated.
PA Q1 - Efficient Costs	**Disagree**	We support project-specific assessment but disagree with generic Ongoing Efficiency (OE), Real Price Effects (RPE) and Risk and Contingency (R&C) interventions.
MP Q1 - Major Projects ODI-F	**Note**	We note the potential application of the Major Projects ODI-F (MP ODI-F) to the projects but reserve our position on project-specific application until these are set out.
MP Q3 - Additional MP ODI-F Projects	**Note**	Insufficient rationale has been provided to understand why some projects have been included and others excluded, we therefore only note the position Ofgem has adopted but can neither agree, nor disagree.

The framework is not delivering the early engagement it was intended to provide

In our submissions and supplementary question (SQs) responses, we have provided substantial evidence on the understanding that this would enable earlier regulatory feedback on optioneering and preferred solutions.

Strategic projects are being recognised, but simultaneously delayed

We note Ofgem's minded-to position to apply the MP ODI-F to several investments. However, there is a tension in recognising projects as strategically important enough to warrant stronger delivery incentives while simultaneously moving them to Track 3 and delaying regulatory certainty on the preferred solution.

For several projects, Ofgem is currently minded to:

- increase delivery expectations through MP ODI-F (and possible Connections ODI-F);
- reduce certainty on solution approval;
- require an additional regulatory stage of the NCA; and
- increase the risk that regulatory processes become critical-path activities.

These positions are difficult to reconcile.

Furthermore, the lack of rationale for why the MP ODI-F is minded to apply in some instances, and not in others, means we cannot agree or disagree with the Ofgem position. This issue is complicated by inconsistencies in Ofgem’s assessment of MP ODI-F eligibility.

PASE and Track allocation require more consistent application and any future changes cannot be applied retrospectively

The DDs reveal uncertainty regarding the application of PASE. In several cases, projects appear to have been moved to Track 3 based on reinterpretations of PASE that are not evident in published Load Re-opener Guidance[1].

Ofgem must make decisions based on guidance and licence provisions established at the time project submissions are developed and must not retrospectively apply its emerging policy preferences, especially where these have not been subject to consultation.

More broadly, the DDs do not demonstrate how wider Electricity Transmission Design Principles (ETDP) considerations, such as deliverability, planning and consenting, supply chain constraints and outage requirements, have been assessed alongside the engineering design compliance of PASE.

These factors are fundamental to efficient consumer outcomes and should be transparently assessed and weighed within Track allocation decisions.

Much of the requested evidence has already been supplied

Across many projects moved to Track 3, the information requested by Ofgem has been provided through our original submission, including cost-benefit analyses (CBAs), supporting appendices, regional strategies and SQ responses. In the DDs, Ofgem appears to require further detail in NCAs on evidence already provided rather than listing material evidential gaps that NCAs should cover.

Where further information is required, targeted information requests would often be more proportionate than requiring a full, in some cases duplicative, NCAs which slows down the regulatory approval process.

Risk and Contingency

The approach to Risk and Contingency (R&C) in DDs is inconsistent with the RIIO-T3 Final Determinations (FDs). In FDs, Ofgem used benchmark data, supplied by TOs, showing an average R&C estimate of 13.8%. Ofgem then applied a lower average of 10% across baseline investments. This was a portfolio average, not a cap on each investment. Individual estimates would naturally fall above and below it.

In DD, Ofgem has incorrectly treated 10% as a cap for individual Load Re-opener investments, without an evidenced assessment of project-specific risks. This approach is clearly inconsistent with the intended approach set out in paragraph 5.31 of the RIIO-T3 FDs, which states that the baseline approach does not apply to re-openers and that R&C allowances will be determined through individual project assessment using more applicable and timely cost information.

Ofgem does not provide any information to justify the use of 10% as a position. While we understand this reflects a position taken in the RIIO-T3 Final Determinations there was no

[1] Load Re-opener Guidance and Submission Requirements Document

evidence provided to support this decision. By contrast, NGET has provided robust quantified evidence based on actual projects which explains why the historical average is 13.8%.

Ofgem should not simply apply portfolio average to all projects but it is an acceptable point to start its assessment. However, it must be considered consistently across the relevant portfolio, not as a tool solely used to reduce estimates above 10%. The primary requirement is for Ofgem to assess each investment using the best available project-specific evidence.

R&C estimates at Eligibility Assessment and Needs Case stages should reflect project maturity and uncertainty at the point of submission. Reducing them to align with later-stage expectations understates genuine uncertainty and risks creating apparent cost increases, cost volatility and further regulatory assessment as projects mature.

For Final Determinations (FD), Ofgem must:

- Confirm that proposed solutions for Track 2 projects are accepted and justified.
- Determine that Aberthaw, Blyth, Bodelwyddan, Farmoor, Laleham, North West London, Tees Dock and Warley are to be assessed through Track 2 based on the level of information supplied and the assessment of factors beyond the £300m threshold or PASE engineering compliance.
- Recognise that residual uncertainty, such as Connections Reform, within these investments can be managed through Ofgem's Material Project Change mechanism rather than duplicative NCAs which act to delay solution approval.
- Determine that the ETRE project is eligible under the Load Related Reopener.
- Project Assessments should be led by project specific evidence, not models. Ofgem should place greatest weight on robust, project specific evidence, with tools such as PAM used as a reasonableness check rather than the primary determinant of efficient costs.
- Adjustments should be targeted, not mechanistic. If blanket percentage uplifts would not be considered appropriate for smaller projects without examining the evidence, blanket reductions should not be applied to major investments. Risk and efficiency challenges should be linked to identified project specific issues, recognising the maturity of investments and evidence of efficiencies already secured through procurement, benchmarking and project development.
- Provide a transparent project by project explanation of Major Projects ODI-F decisions, including the application of strategic importance, consumer benefit and practicalities criteria so that TOs can better understand the criteria and logic.

The LRR is critical to a workable RIIO-T3 framework and ensuring consumers are protected as TOs make large investments in the transmission system. It needs to provide Ofgem scrutiny over TO investment proposals and their costs.

At the same time, greater clarity, consistency and timely engagement will be essential if the framework is to deliver the accelerated and efficient investment outcomes that customers, consumers and Government expect.

Ofgem must ensure it is observing the common law principles of procedural fairness in providing an explanation, supported by evidence for its proposals and decisions.

Comment

Before responding directly to the relevant consultation questions posed, we share our general comments regarding the first Load Re-opener submission window to improve the process over the longer term, so the framework can deliver better outcomes for consumers.

Ways of Working

i. Timely regulatory engagement

A six monthly Load Re-opener process depends on Transmission Owners (TOs) receiving early indication of material regulatory decisions, particularly where Ofgem may change the assessment Track or require substantial additional evidence for the next submission window.

For our mature projects, the May 2026 Eligibility Letters contained substantial evidence on the need, options, preferred solution, costs and delivery programme. This enables Ofgem to scrutinise the investment at an early stage, determine the appropriate assessment route and provide detailed feedback whilst protecting consumers.

Delivering these investments at the pace required in RIIO-T3 means, in some instances, progressing through the six monthly Load Re-opener windows in succession. However, where material issues or a potential Track change in assessment are not identified early enough, projects may miss the next window and face a delay of up to six months . This risks putting the regulatory process on the project's critical path and require investment decisions or delivery activities to be deferred pending Ofgem's decision, turning a six month assessment cycle into an annual one.

We recognise that Ofgem's decisions may develop as evidence is assessed including the requirement to consult. However, where Ofgem identifies a likely change in assessment route, to that proposed by a TO, or there is a material theme or submission gap which is important to the regulator, it should communicate this and the underlying concerns as soon as reasonably practicable.

The Load Board is established to provide coordinated guidance, monitor projects progressing through the Load Re-opener and identify or escalate regulatory barriers. However, our experience of the May window indicates that it is not yet fully achieving these objectives.

As a way of working improvement, Ofgem must prioritise early communication of regulatory barriers and issues through the Load Board and other existing bilaterals. Engagement is essential to provide early direction and work through emerging concerns that can be addressed before the next submission window is missed.

ii. Woolavington Project Assessment

We note Ofgem's DD position of not assessing the submitted PA, opting to delay confirmation of allowances until the LOTI Needs Case has been approved. While technically consistent with the licence and re-opener framework, this is a sub-optimal outcome for customers and consumers and does not reflect the reality of this specific project's regulatory consideration.

The project highlights the importance of timely regulatory decision making. The Full Needs Case has now been with Ofgem for 24 months, during which time we have continued to develop the project in support of nationally significant growth and wider consumer benefits.

The re-opener framework relies on timely decisions from Ofgem if it is to operate effectively and provide delivery confidence.

Ofgem should establish clear processes and decision-making timescales for securing regulatory funding for this project and ensure these are adhered to in practice, providing the certainty required for efficient project development and delivery.

iii. Lack of detailed feedback, evidence and justification of Ofgem proposals

A related concern is that detailed optioneering feedback has been deferred on the eight investments moved to Track 3 until the NCA stage. The purpose of the framework is to enable timely regulatory engagement on the preferred solution, **which is why we provided detailed optioneering evidence as part of the Eligibility Letter submissions and as stipulated within Ofgem guidance**. However, the information provided in DDs does not include sufficient project specific views on our preferred solutions or the underlying optioneering assessments as well as evidence or justifications to support Ofgem's proposals.

For the non-PASE projects reclassified as Track 3, Ofgem has identified areas where additional information is required, but it has not provided a clear assessment of the multi-factor optioneering we have undertaken and communicated within the supplied submissions or the evidential threshold that will be required to secure approval at NCA. This creates uncertainty regarding the aspects of the analysis that require refinement and limits our ability to respond efficiently and proportionately.

Furthermore, the DDs apply PASE as a seemingly engineering only approach to assessing reopeners with no assessment of how they have also considered the ETDP factors in making this decision. That does not reconcile with Ofgem's Load Re-opener Guidance, which says PASE translates ETDP into specific pre-approved designs 'which act as a guide for assigning the Load Re-opener Assessment Tracks', and accepts that PASE 'may not, in all circumstances, capture the full range of considerations set out in the ETDP'. ETDP includes site feasibility, consenting, supply chain, outages and timeliness to meet the need.

Ofgem must demonstrate how the relevant ETDP considerations are applied for all their decisions, including those relating to the Track allocation of projects.

Ofgem must provide more detailed and timely feedback on optioneering at the earliest stage possible, especially where the submission provides detailed optioneering information and evidence. Substantive views of preferred solutions enable greater

transparency on the evidential standards Ofgem expect particularly for non-PASE projects.

Application of Load Re-opener Guidance

Ofgem is not following its own guidance in making these proposals. This is most apparent where Ofgem has moved projects from Track 2 to Track 3 and a reinterpretation of the PASE framework.

For example, in Blyth and Tees Dock, Ofgem states that proximity to the coast alone is not sufficient to justify a GIS option, despite the PASE guidance referring to *"relative close proximity to a coast (for ETO to demonstrate)"* as a criterion for a Variant Option, without further qualification. However, additional requirements for coastal proximity are not part of the published Load Re-opener Guidance.[2]

Similarly, for Bodelwyddan and Laleham, Ofgem states that we have misinterpreted the PASE Variant category for substation extensions and that only SF6-free extensions to existing SF6-free substations qualify. That qualification is not explicit in the published wording of the PASE framework.

Ofgem must make decisions based on guidance and licence provisions established at the time project submissions are developed and must not retrospectively apply its emerging policy preferences, especially where these have not been subject to consultation. If changes are made to the guidance these should then be applied prospectively, not retrospectively.

The Load Re-opener Guidance also creates uncertainty on the evidence required for different submission types and PASE statuses:

- Paragraph 1.42 requires proportionate, high-level but robust evidence for a Variant Option, but does not clearly state the equivalent requirement for PASE Primary solutions;
- Paragraph 1.46 then states that evidence requirements apply across all cases and should reflect project maturity.
- Appendix 2 of the Guidance also appears to exclude optioneering justification for PASE Primary solutions in one part of the Eligibility Core Narrative table while requiring it elsewhere.

These inconsistencies should be resolved so that TOs understand the evidence required for Eligibility Letters, Needs Cases and Project Assessments.

iv. Requested guidance updates

For Final Determinations and future re-opener windows, Ofgem should update the Load Re-opener Guidance to provide a clear tabular view of evidence and submission requirements by submission type and PASE status. Requirements should be stated positively, rather than implied by omission or combined with other requirements, so that expectations are clear and consistently applied.

In particular, Ofgem should confirm:

[2] Load Re-opener Guidance and Submission Requirements Document

- the evidence required for PASE Primary, PASE Variant and non-PASE projects;
- the evidence required where an Eligibility Letter seeks eligibility only;
- the evidence required where an Eligibility Letter also seeks approval of a preferred option or early optioneering position;
- the evidence required at Needs Case and Project Assessment for each PASE category; and
- the PASE framework and update to make it clear SF6-free extensions are permitted as a Variant regardless of the existing substation insulation medium.

These updates would give TOs the confidence to prepare re-opener submissions that are proportionate and aligned with the intent of PASE. They would also reduce unnecessary drafting effort, avoid disproportionate submissions and support a more efficient, predictable assessment route for projects that align with Ofgem's engineering expectations.

v. Battery Energy Storage Systems (BESS) and Connections Reform

Ofgem considers that the post-Connections Reform (CR) connections queue still includes significantly more BESS capacity, at around 54GW, than is required to meet Clean Power 2030 or projected 2035 system needs of around 10GW. It therefore identifies a risk that investment could become inefficient if customers subsequently leave the queue. As a result, Ofgem has applied a cautious assessment to BESS-related and other customer-led investments, including Aberthaw, Farmoor and Tees Dock, by moving them to Track 3.

We recognise that, following Connections Reform, there is likely to be enduring uncertainty over customer drivers, given residual oversubscription and the measures being taken to drive attrition. However, that uncertainty does not mean that the underlying network need, or the proposed strategic solution, is incorrect if NGET and Ofgem jointly agree that future optionality in these locations is in consumers' interests. We agree that this risk should not prevent schemes from continuing to develop at pace, as evidenced by Ofgem's award of PCF for these projects.

[redacted]

However, we cannot control the timeliness or effectiveness of Ofgem and NESO attrition measures in reducing the overall volume of BESS customers in England and Wales. For example, in the case of Farmoor, we do not believe it is in consumers' interests to delay progressing the investment until attrition has fully taken effect. Delaying these investments is likely to increase the overall NPV cost and would delay customers that are ready to progress.

The National Audit Office (NAO) recently highlighted the importance of minimising delays, stating that "opportunities to upgrade the grid earlier were missed" and that, because Ofgem did not approve some proposed upgrades when they were first put forward, some are now being approved at greater cost and during intense global competition for labour and equipment.

The report recognises the steps that DESNZ, Ofgem and NESO have taken to accelerate approvals. However, we are concerned that the approach reflected in the Draft Determinations risks reintroducing delay into the regulatory approval process. Prolonged or disproportionate

assessment places regulation on the critical path and affects investments needed to connect customers, support Clean Power 2030 and enable economic growth.

[redacted]

It is also possible that there will be no material change to customer drivers between October 2026 and April 2027, which would reduce the value of an NCA as an additional assessment step. We therefore suggest an alternative approach to managing oversubscription uncertainty: these projects should continue to progress on Track 2, with any phasing considered as part of the 2027 Project Assessments. In our view, this appropriately balances pace, uncertainty and regulatory requirements.

We recognise the challenge that oversubscription presents for both TOs and Ofgem in planning, determining and delivering the future transmission network at pace. We remain active partners in managing these consequences through customer engagement, downside sensitivity testing, ongoing system optioneering, phased investment and formal investment governance.

If necessary Ofgem should use the Material Project Change mechanism prior to the Project Assessment to manage Connections Reform or BESS-related uncertainty, rather than moving affected investments into Track 3 on this basis. This would preserve regulatory flexibility while giving TOs earlier comfort on the preferred solution, reducing the risk of avoidable delivery delays.

Consultation question responses

EA Q1. Do you agree that these NGET projects are eligible for Pre-Construction Funding (PCF) under Part F of Special Condition 3.15?

- **Yes, we agree that the applicable projects are eligible for PCF.**

Compliance with Load Re-opener scope

The following investments all satisfy the scope for inclusion within Special Condition (SpC) 3.18, Load Re-opener and Price Control Deliverable:

- Banwen (Rhigos B);
- Berkswell;
- Bolney;
- East Claydon-Enderby-Patford Bridge,
- Feckenham – Hams Hall;
- Feckenham – Ironbridge;
- Imperial Park;
- Ince;
- Keadby;
- Kingsnorth;
- SCRE and WRRE; and
- Willington.

As Ofgem has stated that these projects satisfy the scope of SpC 3.18 and are eligible to apply for a Project Assessment Decision, we agree that they are eligible to receive PCF under Part F of Special Condition 3.15.

Within Annex 1, we provide feedback on the draft direction set out within the Eligibility Assessment Annex of DDs to amend Appendix 2 of SpC 3.15.

EA Q2. Do you agree with Ofgem's assessment of the needs case for our Assessment Track 2 projects?

- **Yes, we agree with the assessment of the needs case for the investments.**
- **In FD, Ofgem must also confirm for each Track 2 project that the proposed technical solution is accepted and justified.**

Needs and optioneering confirmed

We agree with the assessment of needs for the following Track 2 projects, as assessed by Ofgem:

- Banwen (Rhigos B),
- Berkswell,
- Bolney,
- East Claydon-Enderby-Patford Bridge,
- Feckenham – Hams Hall,
- Feckenham – Ironbridge,
- Imperial Park,
- Ince,
- Keadby,
- Kingsnorth,
- SCRE and WRRE; and
  Willington

Non-PASE-aligned acceptance

We welcome Ofgem's acceptance into Track 2 of non-PASE aligned solutions. However the DDs do not explain what level of evidence is sufficient to support a non-PASE solution, or why similar evidence was accepted for some Track 2 projects but considered insufficient for some projects moved to Track 3.

In the FD, Ofgem must provide clearer project-specific reasoning on the evidence, information and rationale it considers sufficient within submissions to support a non-PASE solution.

Acceptance of technical solution

The DDs confirm that the relevant Track 2 projects have satisfied the eligibility test. However, they do not consistently state whether Ofgem accepts, or considers justified, the proposed technical solution for each project.

We recognise that Ofgem has not generally used the term “Justified” from paragraph 3.15 of the Load Re-opener Guidance.[3] We assume this is because that wording relates principally to NCAs, whereas the projects were submitted as Eligibility Letters or combined Eligibility Letters and Needs Cases.

[3] Load Re-opener Guidance and Submission Requirements Document

However, the absence of a clear formal position on the needs case **and** optioneering of the preferred solution creates uncertainty. This is a regression from the precedent established in RIIO-T3 FDs, where Ofgem explicitly confirmed projects as either Justified, Partially Justified or Not Justified.

Without explicit confirmation that Ofgem accepts the proposed solution, there remains a risk that the same technical solution could be reopened for further scrutiny at Project Assessment. This weakens confidence in the regulatory position which in turn impacts our ability to sanction and progress projects. For example, in the case of Imperial Park, further information is requested for Project Assessment, but it is unclear how this will be used, why this could not be handled through the SQ process and whether the information will change the acceptance of the preferred solution.

If Ofgem intends to delay confirmation of the technical solution until Project Assessment, then this is inconsistent with the Load Related Re-opener, which is designed to give TOs staged approvals so investment can progress in step with delivery.

For the FD, Ofgem must confirm for each Track 2 project whether the proposed technical solution is accepted and justified. This confirmation is needed to prevent regulation becoming the critical path for the delivery of projects as without clarity TOs will not be able to continue progressing investments at risk. It would also avoid unnecessary duplication of assessment.

EA Q5. Do you agree that these NGET projects are eligible for PCF under Part F of Special Condition 3.15?

- **Yes, we agree that the applicable projects are eligible for PCF.**
- **We do not agree with Aberthaw, Blyth, Bodelwyddan, Farmoor, Laleham, North West London, Tees Dock and Warley being moved to Track 3.**
- **For procedural purposes, we will resubmit these eight projects as Needs Case Assessments in the October 2026 re-opener window to avoid delaying submissions to April 2027. This should not be taken as acceptance of Track 3 status.**

Compliance with Load Re-opener scope

The following investments all satisfy the scope for inclusion within SpC 3.18, Load Re-opener and Price Control Deliverable:

- Aberthaw,
- Blyth,
- Bodelwyddan,
- Bridgend,
- Farmoor,
- Laleham,
- Lower Frankton,
- North West London,
- Tees Dock,
- Tilbury, and,
- Warley.

As Ofgem has stated that these projects satisfy the scope of SpC 3.18 and are eligible to apply for a Project Assessment Decision or a NCA, we agree that they are eligible to receive PCF under Part F of Special Condition 3.15.

Within Annex 1, we provide feedback on the draft direction set out within the Eligibility Assessment Annex of DDs to amend Appendix 2 of SpC 3.15.

Designation as Track 3

We do not agree with moving Aberthaw, Blyth, Bodelwyddan, Farmoor, Laleham, North West London, Tees Dock and Warley to Track 3. Annex 2 of this response sets out the project specific reasons. In the four sub-sections below, we summarise the common issues across these re-openers that support our position, with wider process commentary also addressed in the Comments section earlier. Furthermore, in our response to MP Q1, we highlight Ofgem's contradictory position of focussing on delivery at Blyth, Bodelwyddan, Tees Dock and Warley through the proposed Major Projects ODI-F, while reducing regulatory support and certainty over the technical solution by moving these investments to Track 3.

i. £300 million threshold and track allocation

The threshold should be applied alongside wider factors, including the strategic importance of an investment and the underlying substance, make-up and structure of that investment, to determine the appropriate track allocation. Ofgem should not rely solely on the aggregate cost presented within a submission.

The application of the £300 million threshold within the DDs ignores that some investments comprise distinct stages or interventions that have been combined. We accept that the overall capital cost may exceed £300 million, but in some instances the constituent parts of each investment are individually below the threshold and could be appropriate for separate assessment. Aggregating them should not automatically result in Track 3 treatment.

For example, [redacted]

Furthermore, [redacted] Moving them to Track 3 on the basis that they exceed £300 million, when we were previously advised to submit them through Track 2, is unreasonable, inconsistent and does not represent good regulatory practice.

Moreover, several of the affected investments, such as [redacted], are strategically important and time critical. Ofgem appears to support this view by being minded to apply the MP ODI-F to them. However, requiring an additional NCA will trigger reassessment of whether there is not too much regulatory uncertainty to continue progressing these projects on the current timetable. This may cause programme delays, particularly as expenditure is unlikely to be committed until Ofgem has provided sufficient regulatory certainty. This creates a risk that regulatory sequencing and agreement, rather than project development or efficient delivery, becomes the critical path.

Ofgem must examine the underlying investment components, their technical and functional independence, and the reasons for presenting them collectively before determining the appropriate assessment track. They must also consider the delivery consequences of the track allocation decisions particularly in the case of strategically important investments. The £300 million threshold should not override project-specific factors or previous Ofgem advice.

Where Ofgem nevertheless retains Track 3, it should apply the expedited review envisaged in the Load Re-opener Guidance and align its assessment timetable with the project's evidenced sanction and delivery milestones. We seek assurance in the FD that this will be the case.

ii. PASE framework

The DDs reveal areas where the PASE framework has not followed as set out within the extant Load Re-opener Guidance, which has contributed to moving some projects to Track

3. For example, Ofgem's position of Variant requirements for coastal proximity or SF6-free extensions has meant that Bodelwyddan, Laleham, Blyth and Tees Dock fall to Track 3.

Applying a different view of the guidance as Ofgem has done does not provide TOs with a clear or transparent basis on which to develop compliant submissions. This harms consumers as TOs are unable to develop projects at the pace expected of us given the regulatory uncertainty.

Furthermore, Ofgem's position of the coastal proximity and SF_6-free extension requirements changed materially around the May 2026 submission window. The March 2026 draft Load Re-opener Guidance described the Variant as "Extensions to SF_6 GIS Double Bus Bar Substations". The final guidance published on 1 April 2026 changed this to "Extensions to SF_6-free GIS", but did not make clear that this excluded extensions to existing SF_6 substations. On coastal proximity, Ofgem only adopted this narrower view, which it has also not publicly consulted upon, in its 29 May 2026 PASE correspondence, after submissions had closed. Applying the later requirement retrospectively is not reasonable and is procedurally flawed; the framework must provide clear and stable requirements before TOs prepare and submit investment proposals.

There is also a more fundamental misalignment between Ofgem's application of the PASE framework and the need to accelerate network delivery. The DDs do not clarify whether, or to what extent, Ofgem has considered non-engineering factors such as strategic importance, consenting constraints, environmental and local stakeholder issues, delivery timescales and statutory obligations. These factors materially affect the suitability of an option and support compliance with wider statutory requirements. This multi-factor analysis is fundamental to assessing whether an investment is in consumers' interests. Without clear guidance on how these factors should be weighed against engineering considerations, TOs cannot know the evidential threshold or whether legitimate delivery trade-offs will be recognised within the PASE assessment.

Finally, the framework should avoid outcomes that create unintended barriers to efficient or environmentally preferable solutions. For example, an SF6-free extension should not be excluded from a PASE category solely because it connects to retained legacy SF6 equipment, unless Ofgem can explain why that distinction creates a material engineering or consumer risk.

We therefore request that Ofgem applies the framework consistently and clarifies how PASE status is assessed for extensions, staged projects and composite investments.

iii. The Needs Case would duplicate information already supplied

A Track 3 NCA should only be required where material evidence gaps remain. For many investments moved to Track 3, the need for an NCA appears to be based on requests for further detail on matters that have already been addressed through our Track 2 Eligibility Letters, supporting appendices or SQ responses.

Across projects such as Aberthaw, Blyth, Farmoor, Laleham and Warley, we have provided substantive evidence on need, option selection, siting, planning, customer requirements, environmental impacts, costs, programme risks and interactions with related investments.

This detailed information has been supplied in accordance with Ofgem's Load Re-opener Guidance.

Requiring the wholesale resubmission of established evidence duplicates assessment and increases development and assurance costs without necessarily improving the basis on which a decision can be made. A proportionate approach, focused on material changes and key evidence gaps, would preserve robust scrutiny while avoiding unnecessary repetition and regulatory delay.

Where Ofgem considers that further evidence is required, it should clarify why the information supplied to date is insufficient to judge the suitability of the preferred solution. This will enable the provision of further evidence that can tackle remaining concerns Ofgem may have.

iv. Residual uncertainty does not mean the solution is incorrect.

Large transmission investments will inevitably retain some uncertainty throughout their lifecycle. The RIIO-T3 framework means that funding is requested before project completion, so uncertainties such as planning, land, customer progression, commercial agreements and detailed delivery arrangements are inherent uncertainties that all projects will face.

However, the existence of such uncertainty does not itself demonstrate that the needs case or preferred option is incorrect or unresolved. The relevant consideration is whether the principal risks have been identified, assessed and reflected in the project programme, and whether credible mitigations and decision points are in place. [redacted]

Ofgem should not require absolute certainty that cannot reasonably be achieved before detailed development or regulatory approval. Doing so would be contrary to NAO conclusions which warn that regulatory delays could increase constraint costs for consumers.[4]

Furthermore, the implied certainty Ofgem requires in DDs such as final commercial arrangements, customer status and consenting outcomes are matters that form part of the Project Assessment. Any project adjustments or changes before that point can be managed through Ofgem's Material Project Change mechanism.

Ofgem should focus on whether any residual uncertainty can be managed through the Material Project Change mechanism, it is not apparent from the DDs that Ofgem has done this. Deferring approval because of normal development-stage uncertainty delays critical investment and withholds the timely regulatory certainty needed to progress projects.

[4] Upgrading the electricity transmission network, paragraph 20

EA Q7. Do you agree with Ofgem's assessment that the Electricity Transmission Re-opener (ETRE) project is ineligible for the Load Re-opener?

- **No, we do not agree with Ofgem's assessment that ETRE is ineligible for the Load Re-opener for the reasons set out below.**
- **The Eligibility Assessment should be based on expected cost rather than the deterministic estimate alone.**
- **The submitted ETRE forecast represented our best estimate of expected project cost at the time of submission and exceeded the £40 million threshold set out in Special Condition 3.18.**
- **The forecast incorporated project-specific evidence generated through a Reference Class Forecasting (RCF) assessment.**
- **The key question is whether project-specific evidence can be reflected within expected-cost forecasts when assessing eligibility under the Load Re-opener framework.**
- **Eligibility decisions should be distinguished from subsequent allowance-setting decisions, which are subject to further scrutiny as project maturity increases.**
- **On this basis, ETRE satisfies the eligibility requirements for the Load Re-opener.**

Ofgem's assessment concluded that ETRE is not eligible under the Load Re-opener because the investment is expected to cost less than £40 million of capital expenditure. Ofgem's position appears to be based on the view that the submitted forecast cost of [redacted] exceeds the threshold only because it includes a 32% risk and contingency estimate, which Ofgem considers is insufficiently justified and stated it is above "the standard 10% that we set at RIIO-ET3 FDs". However, the DD does not provide evidence to support the assertion that the submitted risk and contingency allowance is too high. Instead, it appears to conflate a project-specific assessment of uncertainty with a generic expectation that early-stage projects should align to a 10% contingency benchmark decision applied at ET3 FD.

Special Condition 3.17 eligibility requirement is that "projects that have a total forecast cost of £40m or less" whereas Special Condition 3.18 (as stated in the definition of "Load Re-opener Output") requirement is that the "investment:..(a) is expected to cost more than £40m of capital expenditure". 3.11.8 and 3.12.8 (volume drivers) state that the threshold between the application of 3.17 is "if the forecast total cost is less than or equal to £40m." and 3.18 is "where an atypical project has a total forecast cost greater than £40m".

We consider that the relevant question in respect to the application of Special Condition 3.18 or 3.17 is whether the project is expected/forecasted at the point of eligibility submission to cost more than £40 million of capital expenditure, rather than whether the underlying deterministic estimate exceeds that threshold. The licence condition does not prescribe a specific approach to risk and contingency, provide for a basis of risk contingency assessment nor does it exclude contingency from the assessment of expected cost.

The submitted expected capital expenditure for ETRE was [redacted]. This forecast represented NGET's best estimate of the cost expected to be incurred at the time of submission, taking account of both the underlying cost estimate and the uncertainty and risks associated with a project as assessed at this stage of development. We consider that to ignore the risk and uncertainty exposure would not represent the cost that is expected. We therefore consider that

the submitted forecast is the appropriate basis for assessing eligibility under Special Condition 3.18.

Importantly, determining whether a project is eligible for the Load Re-opener is not the same as determining the efficient allowance that should ultimately be approved, as highlighted by 4.24 of the Load Re-opener Guidance which states that even if a project has been accepted into the Load Re-opener, "Ofgem may set the final allowance equal to or below £40m as a result of our assessment of efficient costs". Eligibility Assessment and Project Assessment serve different purposes and occur at different stages of project maturity. The regulatory framework already provides for further scrutiny of project costs as project scope, design maturity and cost certainty develop.

Project-specific evidence should be considered when assessing expected cost

Our broader views on the treatment of risk and contingency estimates at Eligibility Assessment and Needs Case stages are set out in our response to EA Q9. In summary, we consider that project costs at these stages should be assessed using the best evidence available at the time of submission and should appropriately reflect project maturity and uncertainty.

Applying those principles to ETRE, the submitted forecast incorporated project-specific evidence generated through a Reference Class Forecasting (RCF) assessment.

[redacted] The methodology uses project maturity assessments and evidence from comparable projects to produce a probabilistic distribution of potential delivery outcomes and an expected-value forecast. We consider that it provides a more appropriate method for determining expected costs than applying a median outcome or set risk contingency.

The purpose of this was to provide a more evidence-based view of uncertainty than could be obtained from relying solely on the deterministic estimate.

Why RCF was used for ETRE

At the time of submission there was no prescribed methodology for calculating risk and contingency estimates for Load Re-opener projects. As a result, projects applied different approaches based on available evidence, project maturity and the nature of the assessment undertaken.

ETRE is an option within the Second Transitional Centralised Strategic Network Plan (tCSNP2) portfolio. As part of the recent Beyond 2030 Update (tCSNP2 Refresh), we elected to produce up to date forecasts for all options within the portfolio using [redacted] RCF methodology. This approach was more resource-intensive than the benchmark percentage approaches applied elsewhere and was intended to provide a project-specific assessment of uncertainty using comparable-project data. We continue to refine our approach to quantifying risk and uncertainty for early investments through ongoing engagement with Ofgem, NESO and industry stakeholders.

ETRE was the only option from the tCSNP2 portfolio to feature within the May Load Reopener submission. NGET considered ETRE an appropriate opportunity to trial the application of this

methodology within the Load Re-opener framework and anticipated further engagement with Ofgem regarding the outputs and potential future application of such approaches.

RCF is an industry-standard forecasting methodology that replaces subjective optimism with evidence-based statistical insight derived from the actual performance of comparable projects. The RCF model, developed by OGP, uses worldwide transmission and infrastructure reference-class data to generate a distribution of potential costs by P-value. This provides an external view of potential project delivery outcomes, helps mitigate scope bias and improves the quality of cost and schedule forecasting. The methodology uses project maturity and project complexity to establish a range of potential outcomes and an expected-value forecast. For ETRE, the project was not assessed as more complex than comparable projects of its type.

Instead, the project maturity assessment and associated RCF methodology produced the forecast uplift. ETRE received a maturity score of 17.5 on a scale of zero to 60, equivalent to HM Treasury (HMT) Strategic Outline Business Case stage or Association for the Advancement of Cost Engineering (AACE) Class 5 estimate. At this stage of development, material uncertainty remains around cable design, procurement lead times, outage requirements, surveys, consents and project interfaces.

P-mean is the most appropriate measure of expected cost for ETRE

The ETRE cost distribution produced the following outputs:

[redacted]



This demonstrates that the modelled distribution is materially asymmetric. [redacted]

[redacted]

The RCF assessment produced an expected-cost forecast resulting in a total capital expenditure estimate of [redacted] We therefore consider that this project-specific forecast should form the basis of the eligibility assessment under Special Condition 3.18. Our broader views on the assessment of risk and contingency estimates, including the treatment of project maturity and uncertainty, are set out in our response to EA Q9.

We consider that the submitted forecast represents NGET's best estimate of the cost expected to be incurred at the time of submission and therefore provides the appropriate basis for determining eligibility under Special Condition 3.18.

In respect of the sufficiency of the justification for the contingency value, the ETRE Eligibility Letter explains that the underlying estimate was developed through a bottom-up assessment using our cost-book information, benchmarking against comparator projects and validation by the Project Management Office (PMO) costing team and project development leads before applying RCF. It also identifies remaining uncertainties that may affect cost and schedule, including procurement lead times, outage availability, environmental and consent requirements, cable construction assumptions, third-party crossings and project interfaces. These uncertainties support the use of a risk-adjusted forecasting methodology at this stage of project maturity.

We recognise that the project is on the cusp of the threshold between the UIOLI and LRR schemes. However, the risk adjusted forecast anticipates that the project falls outside of the UIOLI funding regime and into the LRR. To ignore the risk adjusted forecast and to treat the project as a UIOLI at this early stage, would risk the project needing to be progressed through the Load Reopener process at a later point. In these circumstances, the investment would be significantly more mature than schemes entering the process at the eligibility or needs case stage and risks the regulatory engagement being out of lockstep with our investment development process and delivery runway.

ETRE should be considered eligible for the Load Re-opener

For the reasons set out above, we consider that the submitted forecast of £40.670 million represents the most appropriate estimate of the cost ETRE was expected to incur when assessed under Special Condition 3.18. Ofgem should therefore reconsider its conclusion that ETRE is ineligible for the Load Re-opener and conclude that the project satisfies the requirement to be expected to cost more than £40 million of capital expenditure.

We also note that determining ETRE's eligibility does not predetermine the efficient allowance ultimately approved through Project Assessment, which as noted above, in accordance with paragraph 4.24 of the Load Reopener Guidance, may set the final allowance equal to or below £40m as a result of our assessment of efficient cost. Eligibility, PCF and allowance-setting serve different purposes and occur at different stages of project maturity. The regulatory framework already provides for more detailed scrutiny of project costs at Project Assessment when project scope, design maturity and cost certainty are more developed.

EA Q8. Do you agree with Ofgem's approach to setting Pre-Construction Funding (PCF) allowances for eligible projects?

- **No, we do not agree with Ofgem's approach to setting PCF allowances, particularly the application of ongoing efficiency and the cost adjustments applied to total project costs before calculating PCF allowances.**

- **In Annex 1 we provide feedback to the proposed amendments to Appendix 2 of Special Condition 3.15.**

8.2% applied but after making incorrect total project cost adjustments

While we agree with Ofgem's approach of following the precedent set during the RIIO-T3 Final Determinations by setting the initial PCF allowance level at 8.2% of total project costs, we do not agree with how PCF allowances have been calculated in the May Load Reopener window. Within Annex 1, we provide feedback on the draft direction set out within the Eligibility Assessment Annex of DDs to amend Appendix 2 of SpC 3.15.

We disagree with applying the ongoing efficiency (OE) challenge to PCF. As stated in the framework, PCF will be reassessed and trued up to efficiently incurred costs at Project Assessment. Therefore, the adjustment now is unnecessary and risks duplicating the efficiency assessment. Ofgem should therefore set the initial allowance at 8.2% of forecast project costs without an ongoing efficiency adjustment and assess efficiency once, using the evidence available at Project Assessment.

Furthermore, we note that the PCF allowance has been calculated at 8.2% of total project costs after the application of Risk and Contingency and biodiversity cost adjustments, rather than against the total project costs proposed in our re-opener submissions. As a general point of principle, we do not support this approach.

Our specific views on these cost adjustments are provided in our responses to EA Q9 and EA Q10.

EA Q9. Do you agree with Ofgem's approach to Risk and Contingency Allowance for projects submitted to the Load Re-opener?

- **No, we do not agree.**
- **Risk and contingency estimates should reflect project maturity and uncertainty at the point of submission.**
- **Early-stage EA and NC submissions are inherently more uncertain than Project Assessment submissions and should transparently reflect that uncertainty.**
- **The proposed approach appears to encourage convergence towards later-stage expectations rather than recognising the uncertainty associated with projects at EA and NC stages.**
- **Ofgem's proposed position is inconsistent with Ofgem's previous position published in the RIIO-3 Final Determinations that re-opener projects should be assessed using project-specific evidence and more timely information.**
- **Reducing early stage estimates risks increasing future cost volatility, regulatory burden and the likelihood of material changes as projects mature. To ignore the proper assessment of risk contingency forecasted at this point would risk missing early indicators of likely outcomes of projects that could impact on the application of proper regulatory pathways and project assessments.**
- **There is a risk that such assessment would create a potentially conflicting process for assessment of dates and costs utilising the NESO methodology at later point.**

We do not agree that the proposed approach appropriately reflects the purpose of risk and contingency estimates at different stages of project development.

Please refer to our response to PA Q1 for the Risk and Contingency approach at Project Assessment (PA). The following answer is specific to Ofgem's assessment at Eligibility Assessment (EA) and Needs Case (NC).

Projects submitted through EA and NC processes are inherently less mature than projects progressing through PA. At these earlier stages, project scope, engineering design, consenting requirements, procurement strategies, construction methodologies and delivery programmes continue to develop, resulting in a greater degree of uncertainty.

The purpose of risk and contingency estimates at EA and NC is to provide a transparent representation of project uncertainty at the point of submission. Stakeholders should be able to understand both the expected project cost and the uncertainty surrounding that estimate, recognising that confidence increases as projects mature and further information becomes available.

The purpose of an early-stage estimate is not to provide the level of certainty expected at Project Assessment. Its purpose is to provide the best estimate of expected cost together with a transparent representation of uncertainty. If uncertainty is constrained to align with later-stage expectations, the submission ceases to accurately represent the maturity of the project.

Figure 2 - Illustrative treatment of risk and contingency through project maturity

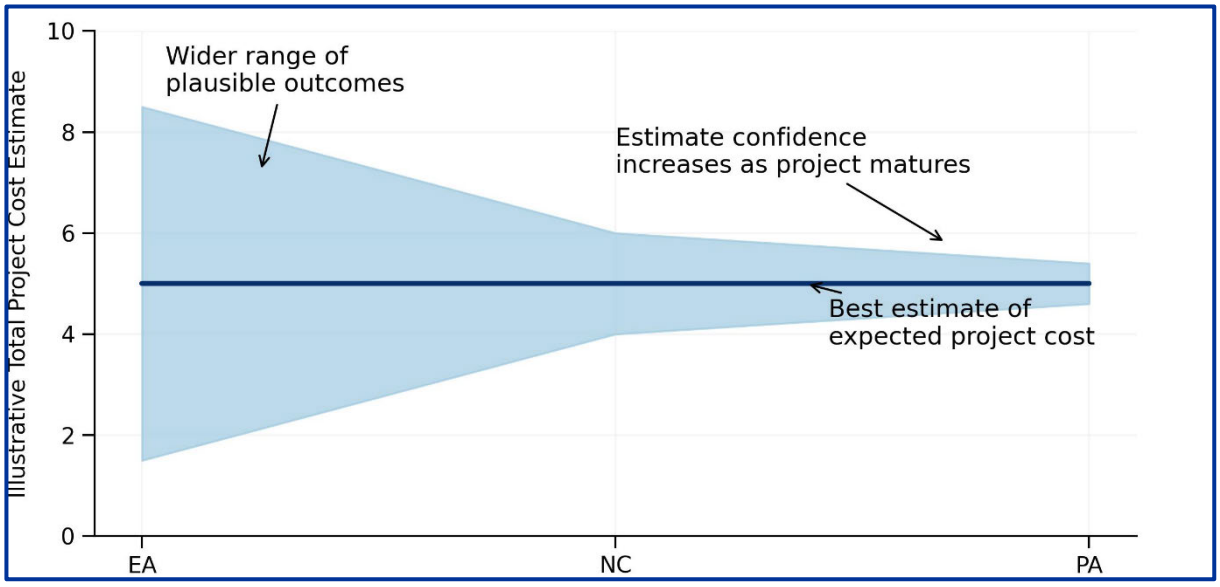


Figure 2 illustrates how project uncertainty naturally reduces as a project progresses through the Eligibility Assessment (EA), Needs Case (NC) and Project Assessment (PA) stages. As engineering design, consenting requirements, procurement strategies and delivery plans mature, uncertainty reduces and estimate confidence increases.

Figure 3 - Illustrative impact of constraining early stage uncertainty

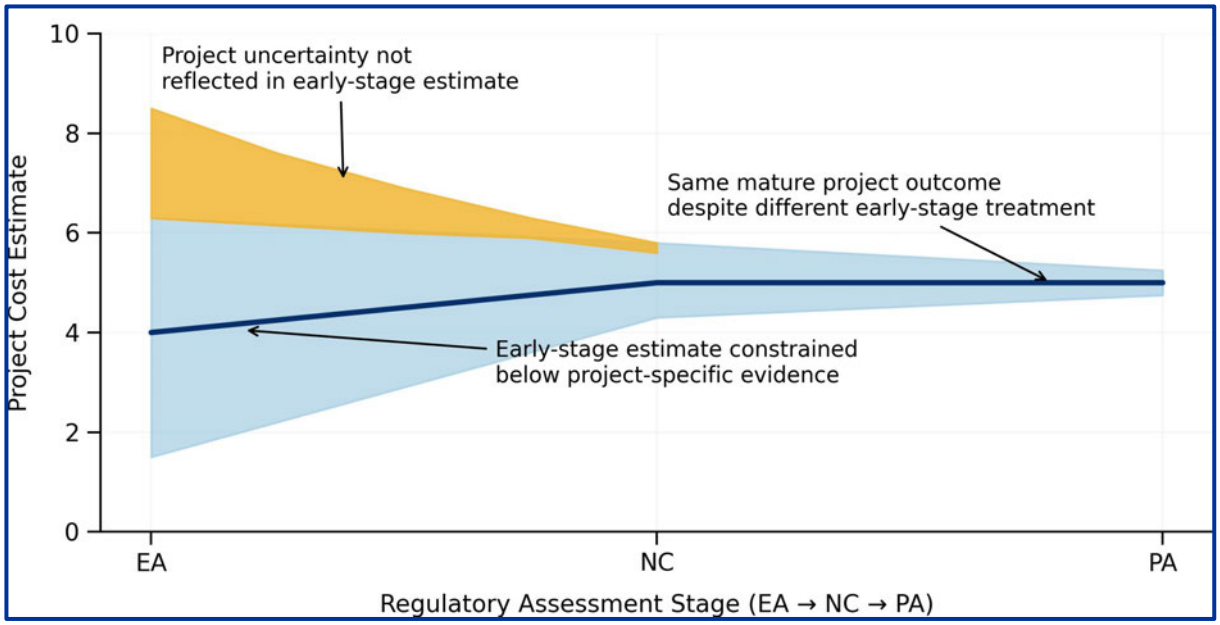


Figure 3 demonstrates how constraining early-stage risk and contingency estimates below levels supported by project-specific evidence understates genuine project uncertainty. This can create larger apparent cost increases at later stages as uncertainty becomes better understood, even where there has been no material change in project scope or need. Such an approach may

increase regulatory volatility and the likelihood of future material change submissions being driven by the treatment of uncertainty rather than genuine project development.

We are concerned that the approach proposed in the Draft Determinations places undue emphasis on convergence towards a generic benchmark rather than reflecting the uncertainty associated with the project's actual stage of development. This risks understating genuine project uncertainty and creating an artificial impression of cost certainty before key engineering, planning, procurement and delivery risks have been fully understood.

This is difficult to reconcile with the position Ofgem set out in its RIIO-T3 Final Determination, where it stated:

> *"We note that this approach is only applicable to those projects for which we have decided to provide baseline allowances. For projects that will be covered under the various re-opener mechanisms in RIIO-ET3, any R&C allowances will be determined as part of the individual project assessment process based on the established re-opener guidance and with more applicable and timely cost inputs from TOs." (Ofgem, RIIO-ET3 Final Determinations: Electricity Transmission, paragraph 5.31)*

While this statement relates to the assessment of allowances rather than estimates submitted at EA or NC stages, it nevertheless established the principle that re-opener projects should be assessed using project-specific evidence and the most relevant information available at the time of assessment.

Where project-specific evidence supports lower uncertainty, lower estimates should be presented. Equally, where project-specific evidence indicates greater uncertainty, this should be reflected in the estimate submitted. The regulatory framework should support the accurate representation of project risk rather than incentivising convergence towards a predetermined expectation.

As illustrated in Figure 2, where early-stage estimates are adjusted below levels supported by project evidence, there is an increased likelihood that subsequent project maturation will result in larger changes between regulatory submissions that would not otherwise have arisen.

The implications of the proposed approach can already be observed in the assessment of ETRE, which was detailed in our response to EA Q7, where a material reduction was applied to the project's risk and contingency estimate. In our view, this places greater weight on alignment with an assumed benchmark than on project-specific evidence relating to the project's actual stage of development.

In parallel, NESO is developing its CSNP date-setting and cost estimating methodology, including approaches for the treatment of risk and uncertainty. Given the close relationship between these arrangements and Ofgem's framework, alignment is important to avoid duplicate reporting, inconsistent methodologies and unnecessary administrative burden. Ofgem and NESO should coordinate their approaches to ensure requirements remain consistent and proportionate across related planning and regulatory processes.

In summary, we consider that risk and contingency estimates submitted at EA and NC stages should be viewed as project-specific evidence and are based on the maturity of the project at

the point of submission. The regulatory framework should support the accurate representation of uncertainty, rather than encouraging convergence towards later-stage expectations before sufficient project information is available

EA Q10. Do you agree with our approach to Biodiversity costs for projects submitted to the Load Re-opener?

- **We disagree with the proposal to cap Biodiversity Net Gain (BNG) estimates at 3.5% at Eligibility Letter stage. Applying a cap effectively introduces an assessment of efficient costs at a stage where eligibility is only to be determined. This is contrary to the framework.**

- **As Ofgem acknowledges that it does not have sufficient information to undertake a detailed assessment of BNG estimates at this stage, there is no evidential basis for imposing a universal 3.5% cap.**

- **Where there are uncertainties of design and associated project impacts, it is essential that an appropriate financial provision for Biodiversity actions is included in overall project costs at this stage.**

- **The initial % Biodiversity estimate will be refined through the latter stages of the submission cycle. We are open to further discussion on appropriate estimating approaches, but any detailed assessment of BNG costs should be undertaken at Project Assessment, when sufficient evidence exists to support a robust and project-specific review.**

- **We agree with Ofgem's position that biodiversity-related costs should be funded as direct costs via the Load Re-openers**

Biodiversity Costs estimates throughout LRR

Project Biodiversity costs directly correlate to the project's impacts on nature and biodiversity; other external factors such as local planning policy requirements and strategic placement of development will impact the overall biodiversity costs.

Through the development process, we will seek to avoid temporary and permanent impacts to biodiversity, which in turn will reduce the overall costs for biodiversity mitigation compensation and enhancement in line with our statutory duties and legislative requirements.

As biodiversity costs are not directly proportionate to total project costs, we acknowledge the 3.5% assumption could, prospectively, be an early-stage proxy subject to discussion with TO's. However, it is incorrect to apply this cap at EL stage considering the lack of evidential basis to support it and because BNG costs will continue to be refined as project scope, biodiversity requirements and associated interventions become clearer. For this reason, the assessment of efficient costs, which includes BNG, should be conducted at Project Assessment stage and not at EL stage. This would also be in keeping with the framework.

Where more detailed biodiversity assessments and cost estimates are available, these should always be used in preference to a standard % proxy.

Biodiversity estimates for October 2026 window

We note the recent feedback received through the DD process regarding the potential application of a lower cap for BNG costs. Whilst this feedback is being considered as part of the ongoing development of our approach, the current methodology has been retained for these submissions given the stage of development of the projects and the timing of the feedback received.

In developing the submissions for the October 2026 window, a standard BNG cost allowance of 5% of total project costs has been applied. This reflects the varying levels of project maturity across the portfolio and provides a consistent and pragmatic approach for estimating potential biodiversity-related costs at this stage of development.

Future submissions will continue to reflect the most appropriate and evidence-based estimates available at the time.

Classification of biodiversity costs as direct or indirect

We agree with Ofgem's decision to fund biodiversity-related costs within the Load Re-opener allowances. However, we do not agree with Ofgem's position within paragraph 4.15 of the Project Assessment Annex that such activities fail to meet the definition of direct costs within RIGs.

Biodiversity-related costs have previously been classified and accepted by Ofgem to be direct costs – including within the RIIO-T2 RRP and RIIO-T3 BPDT submissions – so we agree with Ofgem's statement that the RIIO-T3 CAI allowances have not been calibrated to include biodiversity-related costs.

The fact that this issue has arisen in the Project Assessment emphasises a point made in our response to Ofgem's 30 June 2026 consultation on Regulatory Instructions and Guidance (RIGs), Transmission Glossary and Regulatory Reporting Pack for RIIO-ET3. Our response[5] highlights that the definitions within RIGs do not provide a clear, single and internally consistent framework for classifying indirect costs. This should be corrected within RIGs so that ETOs and Ofgem have clarity for allocating costs during RIIO-3 including for Load Reopener submissions.

[5] See Section 2 of [redacted] letter to [redacted] dated 25 August 2026 and Section 3 of NGET's RIIO-T3 RIGs and RRP Consultation Response paper dated 25 August 2026.

PA Q1. For each project assessed as part of our Project Assessment, do you agree with our assessment of the efficient costs?

- **No, we do not agree with Ofgem's approach to the assessment of efficient costs at Project Assessment.**
- **We support Ofgem's use of project-specific engineering review, procurement evidence, benchmarking and cost assurance activities. However, we do not agree that the Project Assessment Model (PAM) is suitable as the primary efficiency assessment tool for individual re-opener projects**
- **We do not support the application of a standard 1% Ongoing Efficiency (OE) adjustment because Ofgem has not identified or evidenced a project-specific residual efficiency opportunity.**
- **The proposed treatment of Real Price Effects (RPEs) does not adequately reflect project-specific contractual arrangements and the resulting inflation exposure.**
- **We do not support the application of a universal, unjustified and unevidenced 10% Risk and Contingency (R&C) cap that overrides project-specific risk evidence, including Quantitative Cost Risk Assessments (QCRAs) and Quantitative Schedule Risk Assessments (QSRAs).**
- **The approach of applying a 10% cap is contrary to paragraph 5.31 of the RIIO-T3 FDs, which states that the 10% average does not apply to re-openers and that R&C allowances will be determined through individual project assessment using more applicable and timely cost information.**

We welcome Ofgem's detailed review of project costs and its recognition that Project Assessment submissions should be supported by robust project-specific evidence. We particularly support the weight placed on mature procurement evidence and contractual arrangements, which provide direct and current evidence of the costs likely to be incurred in delivering a project.

We also support the use of project-specific engineering review, benchmarking, procurement evidence and cost assurance activities to assess efficient costs. Used together, these approaches can appropriately recognise the characteristics, maturity, risks and delivery requirements of individual projects.

However, we do not agree with aspects of the Draft Determinations where efficient project costs have been adjusted through generic assumptions or standardised interventions that are not supported by project-specific evidence and, in some cases, contradict principles established in the RIIO-ET3 Final Determinations. Our principal concerns relate to:

- the proposed use of PAM and unit cost benchmarking as the starting point for the assessment;
- the application of a standard 1% OE adjustment;
- the proposed treatment of RPEs; and
- the application of a universal 10% R&C cap.

Where Ofgem seeks to adjust efficient costs beyond the Transmission Owner evidence provided through procurement, contractual arrangements, benchmarking, engineering review and cost assurance, any such further adjustment must be supported by clear project-specific evidence demonstrating why such an adjustment is required.

Use of Project Assessment Model (PAM) for unit cost benchmarking

We recognise that benchmarking can provide useful comparative evidence, support reasonableness testing and identify cost areas that warrant further examination. However, we do not agree that PAM is suitable as the primary efficiency assessment tool for individual Load Re-opener projects.

The Load Re-opener Guidance describes benchmarking as an input to guide determination of efficient allowances and states that it is a guide, not an absolute determinant of allowable costs. It further explains that benchmarking helps identify costs that appear higher than expected, after which Ofgem would conduct further analysis, and that Ofgem would rely on its benchmarking exercise where an Electricity Transmission Owner (ETO) had not provided sufficient evidence to justify a difference from industry averages.

We understood paragraph 4.20 of the Load Re-opener Guidance as establishing that industry averages and benchmarking evidence inform Ofgem's assessment, while recognising that deviating from benchmark averages may be justified where supported by robust project-specific evidence Where robust project-specific evidence is available, we would expect that evidence to carry greater weight than benchmark averages in the assessment of efficient costs.

However, the assessment methodology set out in Section 3 of the Project Assessment annex appears to give PAM and benchmark-derived outputs a more central role.

Paragraph 3.4 states that the quantitative assessment establishes an initial view of efficient costs using benchmarking and modelling tools. It further states that Ofgem reviews the applicable unit cost benchmarks and then updates PAM to reflect the specific characteristics of the re-opener project. Paragraph 3.5 explains that Ofgem uses the updated model to estimate the cost of delivering the project, supplemented by top-down benchmark cross-checks covering indirect costs, R&C allowances and inflation assumptions. Paragraph 3.7 then explains that, where appropriate, Ofgem adjusts the modelled cost allowances to reflect the qualitative assessment.

Taken together, this appears to establish the PAM-derived estimate as the starting point, with project-specific and qualitative evidence subsequently used to determine whether the modelled allowance should be adjusted. That approach appears materially different from the description in the Load Re-opener Guidance of benchmarking as an input and guide that identifies areas for further analysis.

We have repeatedly raised concerns about using PAM as the primary cost assessment tool. In our response to the RIIO-T3 Draft Determinations, we specifically cautioned against extending PAM to re-opener project assessments:

> *“Though we believe that given tight timelines Ofgem could make suitable adjustments to the PAM model, to use it for Load and Non-Load capex for T3, it would not be acceptable to use PAM to perform project assessments for re-openers.*
>
> *The model relies on a substantial data set and so it is not appropriate to compare a single project submitted outside the main price control submission to that original data set. The benchmarks may be outdated by the time of a re-opener, and an individual assessment,*

as provided for under ASTI, CSNP-F and LR re-openers, can be performed more accurately if undertaken properly."[6]

These concerns remain directly relevant. PAM was developed to support the assessment of a large portfolio of Load and Non-Load investments at a common point in the price-control process. By contrast, a Project Assessment considers a single investment outside that original portfolio assessment and may take place after the benchmark dataset and underlying assumptions were established.

Individual re-opener submissions also provide information that may not have been available during baseline allowance setting, including:

- updated market and supply-chain information;
- competitive tender outcomes or final procurement offers;
- developed contractual arrangements;
- project-specific cost assurance;
- detailed risk registers, QCRA and QSRA outputs; and
- current information regarding project scope, timing and deliverability.

Such evidence is more directly relevant to the efficient cost of the individual investment than a benchmark generated from an earlier portfolio dataset. PAM may provide a useful cross-check, but it should not become the primary determinant of efficient project costs where stronger and more current project-level evidence is available.

This does not mean that a competitively procured or contractually supported cost should be accepted without challenge. Ofgem should continue to examine the efficiency of procurement strategies, tender outcomes, contractual terms, asset volumes and project scope. However, any adjustment should be linked to an identified weakness or inefficiency within the particular project evidence, rather than arising mechanistically from a difference between the submitted cost and a PAM-derived estimate.

Ofgem must therefore:

- apply the Load Re-opener Guidance as written, with benchmarking, such as the PAM outputs, used as a guide and reasonableness check to identify areas requiring further investigation, rather than an absolute determinant; and
- demonstrate the statistical and technical relevance of any benchmark used for an individual project determination, including the comparability of the underlying data.

This principle is also relevant to the OE, RPE and R&C interventions addressed below.

Ongoing Efficiency

We disagree with Ofgem's application of a standard 1% OE adjustment to Load Re-opener projects.

[6] NGET, RIIO-ET3 Draft Determinations consultation response, ETQ49

The Draft Determinations provide no project-specific justification for applying the adjustment. Paragraph 4.30 simply states that Ofgem proposes to apply the RIIO-ET3 OE challenge of 1% per annum to the funding request, to reflect expected efficiency improvements over time and ensure consistency with the funding approach established in the RIIO-T3 Final Determinations.

This does not demonstrate that the assessed project retains a further 1% efficiency opportunity after taking account of the project-specific efficiency challenge already provided through engineering optimisation, procurement, commercial negotiation, supplier challenge, benchmarking, cost assurance and Ofgem's Project Assessment.

The approach is inconsistent with the position established in the RIIO-3 Final Determinations, where Ofgem recognised that re-opener investments vary in scope, maturity, complexity and cost certainty. Ofgem concluded that a case-by-case approach should be adopted when considering OE and stated that it would form a view on the application of OE as part of its assessment of individual re-opener funding requests.[7]

The Draft Determinations do not demonstrate that this case-by-case assessment has taken place. Although the project has been reviewed individually, the 1% adjustment has been applied by reference to the wider RIIO-ET3 framework without explaining how the specific circumstances of the project support the same outcome.

The existence of a 1% OE assumption elsewhere within the RIIO-ET3 framework does not demonstrate that every Load Re-opener project contains a further 1% efficiency opportunity. That assumption was developed for a broader price-control assessment and was not, in itself designed to quantify the residual efficiency opportunity within each mature project subsequently submitted through a re-opener.

The rationale for ongoing efficiency within ex ante price control allowances is that companies are expected to realise productivity improvements over the period between the allowance being set and the work being delivered. By contrast, Load Re-opener submissions are made using more recent project-specific cost information, often informed by current market pricing, completed procurement exercises and contractual commitments. The Load Reopener Guidance requires that the ETO must have confidence in its cost estimates i.e. have received final procurement offers from suppliers. Where funding is assessed using up-to-date evidence shortly before, or during, delivery, the scope for additional future efficiency gains is substantially reduced. The Draft Determinations do not explain why the same 1% assumption remains appropriate in these circumstances or why Ofgem has not applied a case by case assessment using up-to-date evidence as envisaged by the RIIO-ET3 Final Determinations.

This is particularly relevant where benchmark-derived assumptions form the starting point of the quantitative assessment. A benchmark may identify that a cost differs from a wider comparator, but it does not establish that a further efficiency saving remains achievable within a particular project after its scope, procurement outcomes, contractual terms and delivery constraints have been considered.

For mature projects, where scope is substantially fixed, designs are developed and costs have been established through procurement, the opportunity for further efficiency gains is far more limited. Any further adjustment should be supported by evidence showing:

- the specific residual efficiency opportunity;

[7] Ofgem, RIIO-3 Final Determinations Overview Document, paragraphs 6.22 to 6.23.

- why that opportunity has not already been captured through procurement, engineering optimisation, commercial challenge, benchmarking or cost assurance;
- how the adjustment can be achieved within the contractual and delivery arrangements; and
- why the adjustment would not affect scope, outputs, resilience, safety, quality or timely delivery.

In the absence of such evidence, a further OE adjustment risks double counting efficiencies already secured through procurement, commercial challenge, engineering review and Ofgem's own Project Assessment process.

It may also produce a contradictory assessment. Section 3 recognises that firm market prices, developed procurement strategies and mature contractual arrangements provide greater cost certainty. Yet the application of the 1% OE adjustment does not explain how this project-specific evidence has been weighed against the generic assumption, nor does it identify any residual inefficiency within the assessed costs. This is particularly relevant given Ofgem's statement at paragraph 6.23 of the Final Determinations that OE should apply to forecast costs remaining within the re-opener period, rather than costs already incurred at the point of submission. The assessment does not explain how that principle has been reflected in the adjustment applied.

We therefore request that Ofgem assesses the application of OE on a case-by-case project-specific basis, consistent with the position established through RIIO-3 Final Determinations.

Real Price Effects

We also have concerns regarding the proposed application of RPEs.

The Draft Determinations appear to apply an approach that is not fully aligned with the contractual arrangements underpinning project delivery.

Where project costs are subject to competitively-procured contractual escalation mechanisms, those arrangements provide direct evidence of the inflation exposure that we will incur during project delivery. Such mechanisms represent market-tested outcomes agreed between customers, suppliers and the Transmission Owners and should therefore be afforded significant weight within the assessment of efficient costs.

We consider that Ofgem should accept the indices and escalation mechanisms agreed through competitive procurement processes, ensuring consumers fairly bear market cost movements that are outside the control of Transmission Owners.

The current approach risks creating inconsistent treatment of similar cost drivers across different funding mechanisms and may expose consumers and Transmission Owners to market cost risks that cannot reasonably be managed or mitigated.

We therefore request that Ofgem revisits its RPE assessment and adopts an approach that reflects project-specific contractual exposure for re-opener funded investments.

Risk and Contingency

We do not support the application of a universal 10% for Risk and Contingency (R&C) allowances for Load Re-opener projects, nor that this figure should represent a 'cap'.

Please refer to our response to EA Q9 for the Risk and Contingency approach pre Project Assessment. The following answer is specific to Project Assessment stage:

The proposed cap applies a simplified assumption developed in a different context to a fundamentally different category of investment. The 10% allowance adopted within RIIO-T3 was developed as part of baseline funding assessments. By contrast, Load Re-opener projects are individually assessed investments supported by project-specific risk identification, quantitative risk analysis and established governance processes.

Importantly, this approach is inconsistent with the position Ofgem set out in the RIIO-T3 Final Determinations. At that time, when the 10% calculation was being justified, Ofgem explicitly stated:

> *"We note that this approach is only applicable to those projects for which we have decided to provide baseline allowances. For projects that will be covered under the various re-opener mechanisms in RIIO-ET3, any R&C allowances will be determined as part of the individual project assessment process based on the established re-opener guidance and with more applicable and timely cost inputs from TOs."*[8]

Our expectation from this clear statement was the 10% R&C allowance adopted for baseline funding would not be applied as a generic benchmark to future re-opener submissions, nor is there any mention that it would serve as a 'cap'. Rather, Ofgem indicated that re-opener projects would be assessed on their individual merits, using project-specific evidence and more timely information available at the point of assessment. It is therefore not possible to reconcile the Draft Determinations' proposal for a universal 10% with Ofgem's previous commitment that re-opener R&C allowances would be determined through an individual project assessment process using more applicable and timely project-specific evidence. This represents a significant departure from the approach described in the RIIO-ET3 Final Determinations and if retained at the Load Re-opener Final Determinations would represent an approach inconsistent with RIIO-ET3 Final Determinations and so undermine confidence in the project-specific assessment framework that Ofgem previously committed to applying.

Projects submitted through the Load Re-opener mechanism are not comparable in scale and complexity to those in our RIIO-ET3 baseline. They are more closely aligned to ASTI investments and are similarly supported by detailed risk registers, Quantitative Cost Risk Assessments (QCRA) and Quantitative Schedule Risk Assessments (QSRA). These provide direct evidence of project-specific uncertainty and should therefore carry greater weight than a generic percentage benchmark.

The Draft Determinations do not explain why 10% represents an efficient upper bound across projects of different scale, complexity, maturity and delivery status. In the absence of such evidence, the proposed 'cap' is arbitrary and risks constraining funding regardless of project-specific circumstances.

The proposed approach also introduces an asymmetric treatment of project risk. Where project-specific evidence supports a risk allowance below 10%, there is no confirmation from Ofgem or

[8] Ofgem, RIIO-ET3 Final Determinations, Electricity Transmission Annex, paragraph 5.31

corresponding mechanism to increase allowances towards the benchmark. However, where robust project-specific evidence demonstrates that a higher allowance is justified, funding is constrained to the benchmark value.

In practice, this means the benchmark operates only as a downward adjustment and therefore does not represent a neutral assessment of project risk. It systematically favours lower risk outcomes regardless of the evidence produced through project-specific analysis.

The proposed approach also weakens the incentives to improve the accuracy of cost estimates to ensure consumers pay no more for investments than is justified. This includes more sophisticated risk assessments. If projects supported by detailed risk identification, QCRA and QSRA analysis remain subject to an overriding cap, there is limited regulatory value in undertaking more accurate quantification of project uncertainty where the evidence exceeds the benchmark. This is inconsistent with Ofgem's stated direction towards more project-specific and evidence-based approaches to risk assessment.

A Project Assessment submission should be assessed as an integrated estimate, developed using a consistent scope, pricing basis and risk position at a specific point in time. Selectively overriding individual components of that estimate risks distorting the overall funding requirement and undermining the integrity of the submitted cost estimate.

We therefore consider that R&C allowances should be assessed using project-specific evidence, including risk registers, QCRA and QSRA outputs, in line with established industry best practice and as envisaged by the RIIO-ET3 Final Determinations. Any benchmark should be used as a reasonableness check rather than a funding constraint that overrides stronger project-level evidence.

Ofgem’s Project Assessment should be evidence-based and applied consistently with the project-specific principles underpinning the Load Re-opener framework.

Ofgem must:

- **use PAM and unit cost benchmarking as inputs and reasonableness checks, rather than as the primary determinants of efficient costs where more robust and relevant project-specific evidence is available;**
- **apply any OE challenge on a genuinely project-specific basis and removes the standard 1% adjustment where no residual efficiency opportunity has been evidenced;**
- **revisit the proposed RPE treatment to reflect efficient project-specific contractual exposure; and**
- **assess R&C allowances using project-specific risk evidence rather than applying a universal 10% cap.**

MP Q1. For each project where we are minded-to apply the Major Projects ODI F, do you agree with our proposal?

- **We note the principle of applying the Major Projects ODI-F to the projects identified by Ofgem, however we reserve our position on the specific application of the Major Project ODI-F to the individual projects until the proposed details are set out within the appropriate relevant future DDs**

Eligibility, strategic importance and consumer benefit.

According to Ofgem's Major Projects ODI- F Governance Requirements,[9] where an investment is not proposed under Special Condition 3.19 'CSNP Re-opener and Price Control Deliverable (CSNPRt)', eligibility for the Major Projects ODI-F (MP ODI-F) is assessed through a holistic consideration of consumer benefit, strategic importance, and the availability of relevant information (practicalities).

Ofgem's assessment within the DD Major Projects ODI-F Annex, at paragraphs 2.14 to 2.43, appears to conduct this assessment with reference to strategic importance and consumer benefit.

Inconsistencies and lack of rationale impact our response ability

We cannot fully assess Ofgem's proposals to apply the MP ODI-F because Ofgem has not explained its decisions consistently across all projects. Some project specific reasoning is provided where the incentive is minded to apply, but only a general explanation is given where it is not.

Without understanding why projects such as Aberthaw, Berkswell, Bolney and Keadby have not met the criteria, despite having apparently comparable strategic drivers (discussed further in our response to MP Q3), we cannot identify the factors distinguishing successful and unsuccessful projects. We therefore cannot determine whether Ofgem has applied its criteria consistently or reach a balanced view on the projects to which it proposes applying the MP ODI-F.

Practicalities

In the Major Project ODI-F Annex of DDs, at paragraph 2.9 to 2.13, Ofgem notes that it will assess the practicalities aspect of the MP ODI-F criteria based on TO responses to the consultation. Ofgem also requests that TOs provide a P50 delivery date at the next Assessment Stage.

For those investments which have been moved from to Track 3, the next assessment stage is the Needs Case. Due to the late stage at which we were informed of the Track 3 designation, we will be supplying, as Track 3 NCAs, the eight projects moved to Track 3 in the October 2026 window. As such, for [redacted] the NCA will not contain P50 delivery dates as these were not planned to be produced until the Project Assessment. In all cases or Load Re-openers, we will supply, where required, P50 dates within the Project Assessment submissions unless Ofgem advise this is an incorrect interpretation of its Load Re-opener Guidance.

[9] Major Projects ODI-F Governance Document

Connections ODI-F vs Major Project ODI-F

As Ofgem will be aware, Special Condition 4.4 'Connections Output Delivery Incentive' provides an incentive/penalty framework associated with the timeliness of connection-related investments.

Six of the eleven projects [redacted] within the MP ODI-F 'minded to apply' list have connection drivers and could meet the definition of a Connection Project and become subject to the Connections ODI-F (C ODI-F).

While Ofgem anticipated occasional overlap in RIIO-ET3 Final Determinations between MP ODI-F and C ODI-F, the scale and character of the apparent overlap in our portfolio (in the first of ten possible Load Re-opener windows) suggests that it may be more systematic and material than the limited overlap contemplated in Final Determinations. While we understand Ofgem consider the ODI-Fs to operate to drive timely project completion for differing reasons and, on this basis, overlap was permissible, the incentives and penalties for late delivery also apply in both cases, albeit being measured against different dates developed from different methodologies.[10]

We note Ofgem's minded to decision and the potential for two ODI's, both linked to delivery timelines, to be placed on these investments.

Whilst we note Ofgem's position of MP ODI-F for the proposed investments, we reserve our position on its project specific application until the relevant incentive design, parameters and delivery dates are subsequently consulted on.

[10] In the case of these investments, the Major Projects ODI-F is assessed against a Target Delivery Date based on the project's P50 delivery date. The Connections ODI-F is assessed against a Connections Incentive Target Date derived from the contractual completion arrangements in the TOCA.

MP Q3. Do you consider any projects we have not proposed to apply the Major Projects ODI-F on should be applicable?

- **We cannot agree or disagree with Ofgem's decision not to apply the Major Projects ODI-F to these projects because the rationale is unclear, inconsistent in places, and does not appear to align with the Major Project Governance requirements.**
- **Ofgem should provide a transparent project by project assessment so we may respond accordingly.**

Scope of Major Project ODI-F

The MP ODI-F is not limited to projects that meet the specific indicators Ofgem has referred to in the DDs (Major Project ODI-F Annex, paragraph 2.8). For non-CSNP Re-opener Outputs, the relevant assessment is whether a project is strategically important, taking account of consumer benefit, strategic importance and practicalities in the round.

Ofgem's Major Projects Governance document states that there are no prescribed thresholds for applying the MP ODI-F. The DD criteria, including those referred to at paragraph 2.8 of DD, may therefore be relevant indicators, but they should not be treated as exhaustive or as a mandatory gateway.

Our concern is that the DDs appear to elevate those indicators into a narrower test for strategic importance linked to NESO recommendations or government and legislative targets. That approach is not supported by the Governance document and risks excluding projects that may still be strategically important when assessed holistically.

For FDs, Ofgem should state that the assessment parameters used in DD are non-exhaustive and indicative to avoid the potential for incorrect future precedents.

Inconsistent application of threshold

As discussed briefly in our response to MP Q1, Ofgem appears to apply its narrower DD criteria inconsistently across projects. For example, in [redacted] factors such as [redacted] appear not to trigger a decision to apply an MP ODI-F. Whereas similar factors relied on to support applying the MP ODI-F to Blyth, Bodelwyddan, North West London and Tees Dock were.

We are not arguing for the MP ODI-F to apply to those projects, however, we seek clarity from Ofgem on the basis for its minded to decision. Ofgem has not explained why they fail the assessment when comparable factors appear to support inclusion for other projects. The inconsistency and lack of detailed rationale makes the response to the question uninformed and therefore we cannot offer feedback.

For FDs and future consultations, Ofgem should provide a clear project-by-project explanation of how it has applied the MP ODI-F assessment, including why relevant strategic factors have been accepted for some projects but not others.

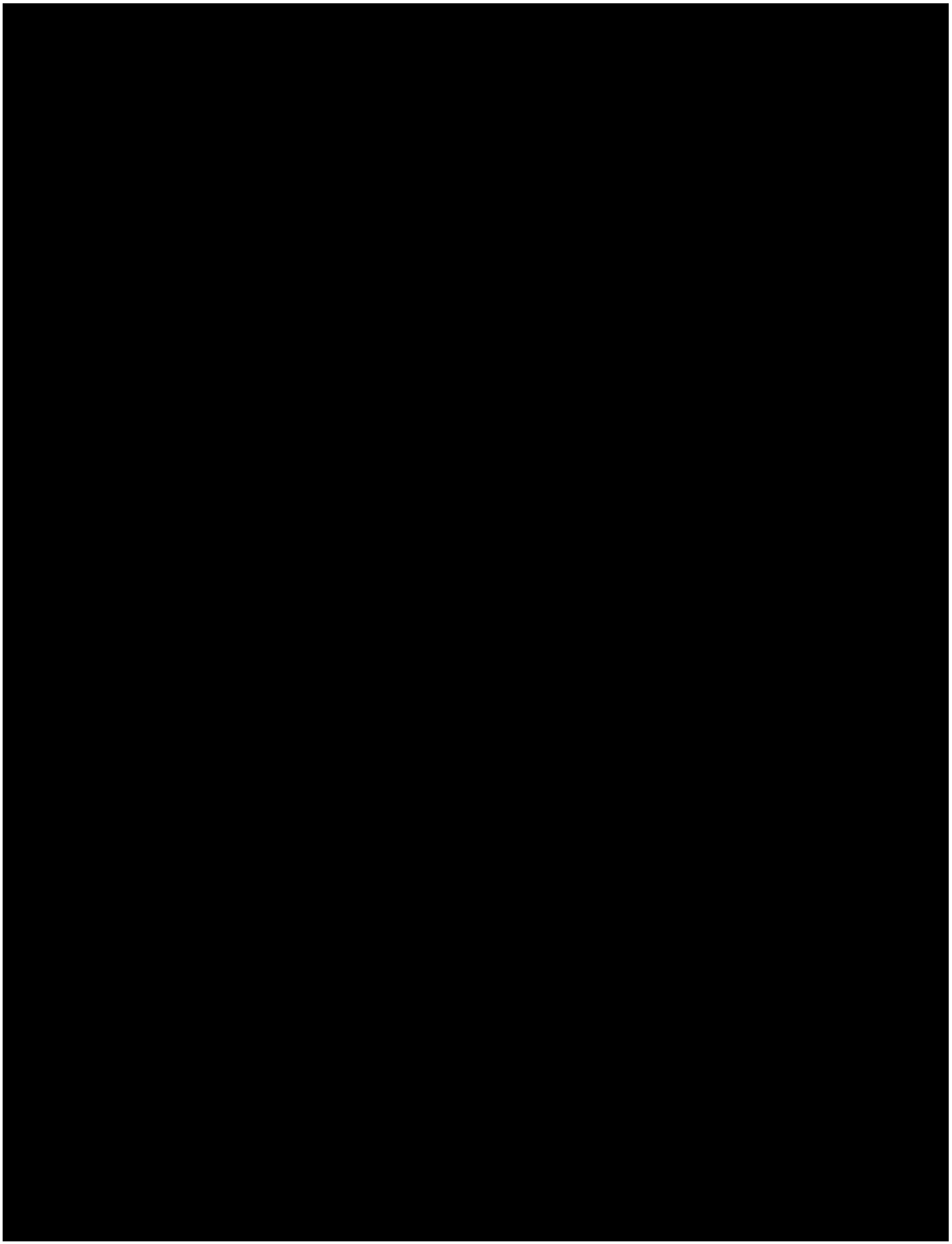
Practicalities test

Paragraph 2.49 of the Major Project ODI-F Annex of DD concludes that the excluded projects lack a significant strategic driver and consumer benefit from incentivised delivery. As explained above, we consider that these factors have been applied inconsistently. Paragraph 2.49 also provides no explanation of Ofgem's assessment of practicalities.

This is material because paragraphs 2.7 to 2.9 of the Major Projects ODI-F Governance Document require consumer benefit, strategic importance and practicalities to be considered in the round, without prescribed thresholds. Practicalities include whether the inputs needed for the incentive, such as a P50 Delivery Date, are available or can be obtained. Where further information is required, Ofgem states that it will discuss this with the Transmission Owner.

Paragraphs 2.4 and 2.8 of the DD Major Projects ODI-F Annex confirm that practicalities form part of the assessment. However, paragraphs 2.48 to 2.50 provide no practicalities assessment for the projects minded to be excluded. By contrast, paragraphs 2.9 to 2.13 confirm that Ofgem has adopted minded to positions for other projects despite not yet having the inputs needed to calibrate the incentive, with P50 Delivery Dates to be provided at a later assessment stage. If Ofgem has determined the absence of those inputs means an MP ODI-F should not apply then it is acting inconsistently.

For FDs, Ofgem should provide a project-by-project explanation of its assessment, including its view on practicalities for each excluded project.





Consequently, the value in Appendix 1 of the SpC 3.15 should be updated to reflect the total allowances from Appendix 2, as shown below:

Appendix 1 of Special Condition 3.15 Pre-Construction Funding allowance (PCFAt) (£m)
Total: ~~[300.14]~~ [718.75]

Annex 2 – Project specific responses to EAQ5

Aberthaw

We disagree with Ofgem's decision to move Aberthaw to Track 3 based on it exceeding the £300m threshold. In pre-submission engagement with Ofgem, we were advised to submit through Track 2.[11] To move them to Track 3 based on exceeding £300m when we were previously advised to do otherwise is unreasonable, inconsistent and does not represent best regulatory practice.

As mentioned within the Comments section and our response in EAQ5 above, we disagree with Ofgem's direction on PASE regarding coastal proximity in this instance.

Additionally, the information which Ofgem request in the DDs for the Needs Case Assessment has already been provided. Information about future flexibility of the option and our view of demand and supply scenarios are spread across the Eligibility Letter submission, regional strategy, and SQ responses. Ofgem also request a detailed CBA for NCA, but in May we supplied two CBAs. Further updates to CBAs or more information about future flexibility is possible, but Ofgem should specify exactly what is missing in the material provided to date.

Finally, Ofgem require an updated customer status following Connections Reform. Within the Comments section, we explain how we manage the potential for customer changes but that delaying the decision on an investment creates greater risk to the investment, and therefore consumers, than Ofgem are intending to avoid by delaying the decision.

For FD's Ofgem should maintain Aberthaw on the Track 2 pathway, support the solution choice and confirm that the project should progress directly to Project Assessment.

Blyth

We disagree with the proposed Track 3 allocation. We recognise that the combined forecast cost of the investment exceeds the £300 million materiality threshold, however, we do not consider Blyth to be comparable to a conventional single-stage investment of this value. Furthermore, the proposed Track 2 allocation was discussed with Ofgem prior to submission [redacted]

The strategically important investment comprises two distinct but coordinated stages which are being developed and delivered separately, albeit as part of a wider integrated strategy for Blyth. [redacted] Each stage has a different delivery profile, programme driver, scope, maturity and decision timeline.

The aggregate cost of the combined programme therefore does not accurately reflect the nature of the underlying investment decisions being considered. The proposal exceeds the binary materiality threshold primarily because two related but distinct investment stages have been brought together within a single submission to demonstrate the integrated long-term strategy for

[11] Ofgem/NGET Load Board 1 - February 26 - minutes .docx

Blyth. Considered individually, neither stage represents the type of large, single-scope investment for which the Track 3 pathway is intended.

In this context, applying the £300 million threshold solely to the combined programme value, without sufficient regard to the distinct characteristics of the two delivery stages, risks producing an outcome that is disproportionate to the nature of the investment. It also risks introducing an additional regulatory stage into a programme that is already being actively accelerated to support nationally significant customer and generation connections.

Furthermore, we consider that the specific matters identified by Ofgem either have already been addressed or do not represent unresolved needs case questions that justify a separate NCA. These include the following matters:

1. *Siting and development of the temporary AIS extension (Stage1)*

The temporary AIS extension [redacted] The preferred site and principal physical arrangement for [redacted] have therefore been identified. While further development of the temporary AIS extension will continue as the project progresses, this reflects normal project maturation and refinement.

2. [redacted] *Link cable diversion*

The preferred solution presented in the submission includes diversion of the North Sea Link cables into the new Stage 2 substation and supports the proposed enduring configuration. [redacted]

[redacted] Regulatory clarity is therefore the key enabler for formalising the implementation arrangements.

[redacted]

[redacted]

[redacted]

[redacted], the new GIS is proposed as an indoor installation. This provides a protective measure against direct coastal exposure and reduces the risk of repeating the environmental vulnerability observed on the existing equipment.

Requiring a further NCA introduces additional regulatory dependency into a project intended to accelerate delivery in line with UK Government ambitions. Delaying confirmation of the needs case and preferred solution creates unnecessary regulatory uncertainty, which risks constraining project progression and National Grid's commercial decision-making at a critical stage. This could reduce programme flexibility and increases the risk that regulatory timelines become a critical path to delivery of nationally significant customer connections and associated consumer benefits associated with the delivery of Blyth.

For FD's Ofgem should maintain Blyth on the Track 2 pathway, support the solution choice and confirm that the project should progress directly to Project Assessment.

Bodelwyddan

We do not agree with Ofgem's decision to move this investment to Track 3 for the following reasons: (i) the PASE framework is not being applied as written and (ii) it disincentivises the transition to SF6-free technology. We briefly discuss these in turn noting the broader response in EAQ5 and 'Comments' section:

1. *PASE Framework:*

   We do not consider that the distinction set out in DD's was evident from the published wording of the PASE category, especially following the lateness of amendments to the PASE framework in March and April, and therefore request that Ofgem reconsider this and clarify why the insulation medium of legacy equipment is material to the engineering pre-approval of the new SF_6-free extension.

2. *Disincentivising transition to SF6-free technology:*

   Further, where the engineering configuration of the new works is otherwise consistent with the PASE Variant, treating the presence of retained legacy SF_6 assets as disqualifying would produce an outcome inconsistent with the transition towards SF_6-free technology, without Ofgem identifying a corresponding increase in engineering or consumer risk.

Even if Option D-6 is considered non-PASE, Ofgem should explain why the Bodelwyddan justification does not meet the same Track 2 test applied to other investments. For example, Ofgem accepted Track 2 for Berkswell despite the mesh extension being non-PASE, because of siting, land and delivery constraints.

For FD's Ofgem should maintain Bodelwyddan on the Track 2 pathway, support the solution choice and confirm that the project should progress directly to Project Assessment.

Farmoor

We do not agree with Ofgem's decision to allocate Farmoor to Assessment Track 3. Farmoor is below the £300m threshold and has a single, technically defined preferred option. The evidence

already supplied addresses the substance of the matters listed at DD paragraphs 4.106 to 4.108, including the comparative implications of non-Green Belt sites, the planning rationale for GIS, customer uncertainty and the associated mitigations. Requiring this material to be resubmitted through a Needs Case would duplicate assessment.

1. *Sites outside the Green Belt*

We disagree with the view that we have not evidenced why sites outside the Green Belt were not selected. We provided both quantified and qualitative evidence of the associated cost, programme, land, environmental and consenting impacts of sites outside the Green Belt.

The preferred site was not selected from an artificially narrow Green Belt search. Within our submission, we explain how we proactively extended our search area beyond the Green Belt and assessed these for suitability through the Siting Study (refer to section 4.2 of our submission). [redacted] Through our Siting Subject Matter Expert, we qualitatively assessed the sites on a multi-factor basis covering consenting, environmental impact, programme and cost.

Furthermore, in response to Ofgem's SQ44, we also provided cost and programme impacts associated with building on the non-Green Belt sites. In summary we advised:

[redacted] Non-Green Belt sites are materially less efficient because they are [redacted]

- If the connection exceeds 2km, the overhead line would trigger the DCO regime under the Planning Act 2008, replacing the shorter section 37 route and adding a minimum six-year consenting and post-consent pathway.
- Locating closer to the existing line would place infrastructure in Flood Zone 2/3, creating additional flood-risk assessment, Environment Agency engagement, mitigation requirements and potential non-compliance risk if flood impacts cannot be managed. [redacted]
- Non-Green Belt options also carry material land and programme risk, with potential CPO adding two to three years, poorer visual screening, and greater risk to contracted customer connection dates.

Taken together, these impacts explain why progressing the non-Green Belt options would not be in consumers' interests. Those options would require additional transmission infrastructure, increase capital cost and land requirements, introduce further consenting and compulsory acquisition risk, and create a material risk of delay to contracted customer connections. Importantly, those disadvantages would be incurred without evidence of a corresponding overall planning or environmental benefit.

We recognise that the evidence combines quantified cost estimates with qualitative planning, environmental and programme judgments, but that is appropriate and aligned to Ofgem Load Guidance. A full CBA of options, if necessary, could be supplied as a discrete information requirement within Track 2, rather than as evidence that a separate Needs Case is required.

2. *Evidence AIS options will face greater planning challenges*

For the Needs Case, Ofgem seeks further evidence that a PASE-aligned AIS option would face materially greater planning challenges than GIS. We do not believe that this should require an AIS scheme to be developed to the point of a planning application or formal refusal. Such an approach would be disproportionate where the available siting, design and pre-application evidence already indicates that the materially larger footprint would increase visual and Green Belt impacts.

As noted in our submission, the National Planning Policy Framework (2024) attaches great importance to Green Belts, with the fundamental aim of preventing urban sprawl by keeping land permanently open; the essential characteristics are openness and permanence. Development within the Green Belt is therefore subject to a high policy threshold and must be rigorously justified. In this context, it is self-evident that a larger AIS substation footprint would have a greater impact on Green Belt openness than a smaller GIS substation footprint. This follows directly from the planning principles set out in national policy and does not require separate technical evidence to demonstrate that a larger development would result in a greater effect on openness.

Furthermore, our submission provides more details about planning challenges, national frameworks and work we have undertaken through sections 4.3.1, 4.5 and Appendix 2, including pre-application feedback identifying significant visual and character impacts associated with a smaller GIS substation. This information and evidence supports the planning judgment that the GIS solution offers a more credible consenting proposition.

3. *Remaining planning risk does not mean the preferred option is unresolved*

Planning risk does not indicate that the preferred option remains unresolved. Ofgem asks for evidence providing confidence that planning challenges will be successfully managed. However, no option requiring planning consent can provide certainty of approval in the way Ofgem envisage. The relevant assessment is whether the principal risks have been identified, reflected in the programme and supported by credible mitigations. Our existing submission and SQ responses do this.

The submission identifies risks relating to consenting complexity, visual impact, ecology, local-plan alignment, land acquisition, third-party interests, equipment lead times and stakeholder opposition, together with corresponding mitigations. SQ156 provides further detail on programme allowances and risk management. For example, although the statutory determination period for EIA development is 16 weeks, [redacted] includes allowance for Local Planning Authority timescales, committee cycles, possible deferrals and iterative design changes.

[redacted] This does not remove planning risk, but it demonstrates that the risk is understood, appropriately allowed for and actively managed. Ofgem has not explained what additional risk information requiring a Track 3 Needs Case would materially change that assessment especially as a Track 2 Eligibility Assessment and Track 3 Needs Cases both require comparable risks and mitigation narrative.

4. *Customer uncertainty can be managed without reopening the strategic option decision*

Ofgem's request for detailed scenario planning regarding BESS customers in the NCA, has been supplied. [redacted] We concluded that significant capacity would remain, the locational requirement would be unchanged, and there was no evidence that [redacted] would make a discounted option preferable.

Within SQ165 we tested the more severe scenario in which [redacted] We confirmed that [redacted] was the original trigger and that the connection offer assessment had already identified the need for a new node because existing substations could not accommodate it. We confirmed that Solar PV remains an established generation technology with an independent route to market, and the Solar PV component of these hybrid projects contributes directly to national CP2030 generation capacity objectives [redacted]

Within that response we also proposed a proportionate consumer protection measure: reassessing customer confidence at Project Assessment and removing or deferring customer bays where confidence has reduced. Additionally, Ofgem could also use the Material Change mechanism to re-open discussions of an investments need and preferred option should the scope or solution suitability change if customer circumstances change.

For FD's Ofgem should maintain Farmoor on the Track 2 pathway, support the solution choice and confirm that the project should progress directly to Project Assessment.

Laleham

We disagree with moving Laleham to Track 3. It is below £300m, has a single preferred option and we relied on the PASE framework within guidance as requiring the extension, not the existing substation, to be SF6-free GIS.

As to Ofgem's concern in DD, we addressed future-proofing in the submission narrative and SQ0047 and SQ0163 responses.

A further NCA would duplicate the information already supplied. For example, a CBA is already supplied, which covers investment costs, lifetime costs, monetised benefits, NPV, replacement costs, carbon, insulating-gas leakage and losses. If Ofgem requires more detail, it should specify what is missing because the Track 2 EL seeking confirmation of a preferred option, and Track 3 NC CBA requirements appear comparable.

We also provided a cost build-up, including the [redacted] preferred-option cost, comparator costs, scope, PCF activity breakdown [redacted] forecast. Any greater granularity, which Ofgem do not specify, such as unit rates, asset-level costs, R&C, project management, indirect costs or inflation, is more appropriate for Project Assessment than Needs Case.

In summary, we have already evidenced the need for Laleham, credible 132kV and 400kV alternatives, and Option D-2 as the lowest-cost, most deliverable near-term solution. Requiring greater maturity of evidence should not defer the solution decision where our evidence and make-up of the submission is consistent with Ofgem's guidance.

For FD's Ofgem should maintain Laleham on the Track 2 pathway, support the solution choice and confirm that the project should progress directly to Project Assessment.

North West London (NWL)

We do not agree with Ofgem's minded-to position that NWL should progress through Track 3 based on the total project cost. NWL presents the combination of two investments: SER4 and ESC1, which in our submission we do not estimate to exceed the threshold. We have presented those investments within one submission for Ofgem's ease of processing the information and to reflect that we have combined them together for contracting purposes to ensure consumer value. They nonetheless represent two separate underlying investments and have separate NESO NOA codes.

We also do not agree with Ofgem's minded-to position that we should resubmit the Letchmore Heath LOTI FNC as a Load Re-opener Needs Case submission with NWL. This is regulatory duplication and delays an Ofgem decision on the preferred option for Letchmore Heath, which is required for internal sanctioning purposes to progress the project. In the T2 LOTI Guidance Document, Ofgem states that they expect to take approximately 4 to 6 months to publish an FNC decision.[12] At the date of the DD publication, over 7 months had already passed since we shared the Letchmore Heath FNC. [redacted]

Under a scenario where the project must use Track 3, we emphasise the consumer interest in expediting the review of future submissions. We refer Ofgem to paragraph 1.18 of the Load Re-opener Guidance and Submission Requirements Document, in which Ofgem states that *"Where projects are above £300m and align with PASE we will aim to expedite these reviews."*

If Track 3 is maintained, given the strategic importance and time sensitivity of the project, it is in the consumer interest to expedite the review of the Needs Case submission that we would, under this scenario, share in the October 2026 window. [redacted]

For FD's Ofgem should maintain North West London on the Track 2 pathway, support the solution choice and confirm that the project should progress directly to Project Assessment.

Tees Dock

We disagree with Ofgem's decision to move Tees Dock to Track 3 on the basis of it exceeding the £300m threshold. In pre-submission engagement with Ofgem, we were advised to submit through Track 2. To move the project to Track 3 on the basis of exceeding £300m when we were

[12] Large Onshore Transmission Investments Reopener Guidance

previously advised to do otherwise is unreasonable, inconsistent and does not represent best regulatory practice.

Under a scenario where the project must use Track 3, we emphasise the consumer interest in expediting the review of future submissions. We refer Ofgem to paragraph 1.18 of the Load Re-opener Guidance and Submission Requirements Document, in which Ofgem states that *"Where projects are above £300m and align with PASE we will aim to expedite these reviews."* Given that the project has forecast costs over approximately [redacted], this means that the project will default to Track 3 rather than the Track 2 that we requested in our Eligibility Letter submission.

Given the strategic importance and time sensitivity of the project, it is in the consumer interest to expedite the review of the Needs Case submission that we would, under this scenario, share in the October 2026 window. This ensures that in March 2027 we can internally sanction the spend for continuing the project and signing the main works contract in October 2027.

For FD's Ofgem should maintain Tees Dock on the Track 2 pathway, support the solution choice and confirm that the project should progress directly to Project Assessment.

Warley

We disagree with Ofgem's decision to move Warley to Track 3 on the basis of it exceeding the £300m threshold. In pre-submission engagement with Ofgem, we were advised to submit through Track 2. To move them to Track 3 on the basis of exceeding £300m when we were previously advised to do otherwise is unreasonable, inconsistent and does not represent best regulatory practice.

Warley is already at an advanced stage of optioneering and development. Any resubmitted NCA will therefore continue to reflect our established view that rebuilding the substation as a 400kV SF6-free GIS substation is the preferred option, taking account of siting, technical constructability, consentability and environmental factors. Warley is one of several projects that were sufficiently mature before the start of T3 and have already concluded the outcomes of its optioneering process.

We therefore followed the Load Re-opener Guidance as we believe it was intentionally positioned, as well as discussions during the Load Board, to provide all relevant information available to Ofgem upfront to enable Ofgem a sufficiently comprehensive review of the investment at that point in time. To have not done so would have been to take the inefficient position of submitting a separate Eligibility Letter and Needs Case Assessment over a 12-month period, despite all information being readily available.

Although paragraph 4.147 of the DDs asks us to provide updated assumptions on connections reform, customer engagement, system requirements and interactions with other regional projects, these points do not change the underlying investment need at Warley, which Ofgem has already recognised for its importance in its DD position and suggested application for the Major Projects ODI-F. Nor do they alter our assessment that the preferred solution offers the best value for consumers. Much of this evidence was already provided through the original submission and subsequent SQ responses over the summer. SQs 099, 100, 126, 154 and 158 gave Ofgem further detail on related investments, including Tilbury, how each investment contributes to the regional drivers, and why delays to either project would not affect wider

portfolio delivery. SQ153 also provided additional evidence supporting the consumer value case for a 400kV GIS substation over the other shortlisted options.

While we will stay close to any updates related to the progression of Connections Reform and customer engagements and these could be incorporated into a future submission, details related to the evidence and explanation for the preferred option, consumer value case and interdependent projects would remain unchanged in any resubmitted NCA.

For FD's Ofgem should maintain Warley on the Track 2 pathway, support the solution choice and confirm that the project should progress directly to Project Assessment.