

Harker: Decision on the project's Initial Needs Case and its suitability for competition

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This document explains our Initial Needs Case decision for the Harker project and sets out our expectations for the next steps with regards to the Final needs Case for the project. It follows our consultation on 19 August 2022.

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Executive summary

In August 2022 we consulted on our findings on the Initial Needs Case for the proposed 'Harker Energy Enablement' (Harker¹) project². Harker is a proposed project from National Grid Electricity Transmission Plc (NGET), who own and operate the transmission network in England and Wales. It was submitted under our Large Onshore Transmission Investment (LOTI) mechanism³, which includes an assessment on the suitability for the competition models identified within our RIIO-2 price control arrangements.

The Harker site is comprised of 132kV, 275kV and 400kV substations. The need for intervention across the substations on the site is triggered by several interactive load and non-load drivers which include the asset and civil health conditions, several customer connections, proceed signals under the Network Options Assessment (NOA) and environmental concerns. Following INC submission, the NOA driver was withdrawn from the LOTI assessment for consideration under the Incremental Wider Works⁴ (IWW) volume driver, and hence not included in our assessment.

The project proposed by NGET for assessment under the LOTI framework seeks to implement a full substation replacement, facilitation of the connection of renewables to Electricity North West Ltd (ENWL) and Scottish Power Transmission (SPT) networks, and the delivery of SF₆ reduction benefits across the site. At an estimated whole life cost in the cost benefit analysis (CBA) of approximately £237m, the project is currently scheduled for delivery by 2028⁵.

Responses to our consultation supported our views in relation to NGET's INC. This document therefore summarises our confirmed decision in relation to Harker, following our INC assessment. The next step for the Harker project under the LOTI mechanism is for NGET to seek approval of its Final Needs Case (FNC) once all material planning consents have been secured. NGET expects this to occur towards the end of Q1 20203. We do not expect that further assessment will be required at the FNC stage, though we may decide to

¹ Harker is the shortened name used by NGET to refer to the project, and it is also the name of the site containing the substations relevant to the project. It is comprised of 132kV, 275kV and 400kV substations.

² [Harker – Consultation on the project's Initial Needs Case and initial thinking on its suitability for competition | Ofgem](#)

³ Special Condition 3.13 of the Electricity Transmission Licence

⁴ Special Condition 3.30 of the Electricity Transmission Licence

⁵ Customer connection facilitation to be achieved by 2026, but full availability for commercial load (remaining circuit transfers and commissioning activities) to be achieved by 2028

revisit specific aspects of the project considered at INC where circumstances change, or new information comes to light.

LOTI Initial Needs Case assessment

Following consideration of responses to the consultation, we remain satisfied that there is a clear needs case for intervention to address the interdependent load and non-load drivers on Harker site. We continue to note that the deteriorating condition of the assets on the 132kV substation has played a significant role in our decision.

We agree that the holistic approach to the solution for intervention taken by NGET is appropriate due to the nature of the interaction between the various drivers on site. We have concluded that the alternative approach of a combination of individual, targeted solutions is unlikely to be in the long-term interest of consumers in this instance.

Our review of consultation responses has not identified any material changes to the evidence underpinning the needs case and to our view on the appropriateness of the intervention approach selected by NGET. As such, we see no reason to move away from our position, as set out in our August consultation.

Assessment of suitability for late competition models

In line with our Final Determinations for the RIIO-2 price control period for Electricity Transmission⁶, as Harker is being considered under the LOTI mechanism, we have assessed the suitability of the project for 'late model' competition⁷. Our view remains that the whole project is probably unlikely to meet the criteria for late model competition (new, separable, and high value). This is due to some aspects of the project being unlikely to meet the "separable" criterion. Although theoretically it may be possible to repackage the project elements that do fully meet the late model competition criteria to apply competition, we do not view that this would work to necessarily be of any benefit to consumers.

⁶ [RIIO-2 Final Determinations - Core Document \(ofgem.gov.uk\)](#)

⁷ 'late model' competition refers to the late models of competition (i.e. run for delivery once a project is sufficiently developed) identified for consideration for LOTI projects within the RIIO-2 Period (the Competitively Appointed Transmission Owner (CATO) model, the Special Purpose Vehicle (SPV) model and the Competition Proxy Model (CPM)).

In line with our minded-to position in our August consultation, we continue to view that Harker should be retained within the LOTI mechanism. In addition to the view that the project is unlikely to meet the criteria for competition as a whole, we also continue to view that application of either the Competitively Appointed Transmission Owner (CATO) model or Special Purpose Vehicle (SPV) model would result in significant delays to the project, which would not be in the best interest of consumers.

1. Introduction

Context

1.1. Great Britain's onshore electricity transmission network is currently planned, constructed, owned, and operated by three transmission owners: National Grid Electricity Transmission (NGET) in England and Wales, Scottish Power Transmission (SPT) in the south of Scotland, and Scottish Hydro Electric Transmission (SHET) in the north of Scotland. We regulate these network companies through the RIIO (Revenue = Incentives + Innovation + Outputs) price control framework. For offshore transmission, we appoint offshore transmission owners (OFTOs) using competitive tenders.

1.2. NGET, SPT and SHET are currently regulated under the RIIO-ET2 price control, which took effect from 1 April 2021 and will run for 5 years. Under the TOs' licence conditions, there is a mechanism for us to assess the need for, and efficient cost of, large and uncertain electricity transmission reinforcement projects. This mechanism is termed 'Large Onshore Transmission Investment' (LOTI). All projects that are submitted for assessment via LOTI during the RIIO-T2 period will be considered for their suitability for delivery through one of the late competition models.

1.3. Network investment is informed by the Future Energy Scenarios (FES), and the Network Options Assessment (NOA), which are developed and published annually by the Electricity System Operator (ESO)⁸. A key focus of the FES 2020 is the inclusion of the legally binding⁹ UK Government Net Zero targets, to be achieved by 2050. The transition to a Net Zero economy will see increased demand on transmission boundary capability, which need to be facilitated by critical network reinforcements.

Overview of the LOTI reopener mechanism

1.4. The Large Onshore Transmission Investments (LOTI) re-opener mechanism is an uncertainty mechanism we have included within the RIIO-2 price control for the electricity transmission sector. It provides TOs with a route to apply for funding for large investment projects that can be shown to deliver benefits to consumers, but that were uncertain or not sufficiently developed at the time we set costs and outputs for the RIIO-2 price control

⁸ In April 2019 National Grid ESO became a legally separate business within National Grid PLC.

⁹ <https://www.legislation.gov.uk/ukxi/2019/1056/contents/made>

period. The LOTI mechanism provides us with a robust assessment process through which we can ensure that TO proposals represent value for money for present and future consumers.

1.5. To qualify for the LOTI mechanism, TO proposals must meet the following criteria:

- i. Are expected to cost £100m or more of capital expenditure; and
- ii. Is, in whole or in part, load-related.

1.6. We are satisfied that the Harker project meets these criteria, is eligible as a LOTI project and we are therefore assessing it in accordance with the LOTI process, which is detailed in the LOTI Guidance¹⁰.

Stages of our LOTI assessment

1.7. Following the approval of eligibility, our LOTI assessment process is made up of three main stages:

1. **Initial Needs Case (INC)** – The usual focus of our assessment at this stage is to review the technical and/or economic requirement for the project, the technical options under consideration, and the TO’s justification for taking forward its preferred option for further development.
2. **Final Needs Case (FNC)** – Following the securing of all material planning consents for its project (unless we specify alternative timing), the TO will then need to submit a FNC. The focus of our assessment at this stage is to confirm the need for the project, by checking that there have been no material changes in technical and/or economic drivers that were established at INC.
3. **Project Assessment** – If the FNC is approved, the TO will then need to apply for a Project Assessment Direction. The focus of our assessment at this stage is the assessment of the proposed costs and delivery plan that the TO has in place for the project, with a view to potentially specifying a new LOTI Output, a LOTI

¹⁰ [Large Onshore Transmission Investments \(LOTI\) Re-opener Guidance | Ofgem](#)

Delivery date, and setting the efficient cost allowances that can be recovered from consumers for delivery of the project.

What is this decision for?

1.8. The decision sets our findings and conclusions on the Initial Needs Case for the Harker project, which was submitted by National Grid Electricity Transmission (NGET) in September 2021. It also provides our assessment on the project’s suitability for the application of competition.

1.9. We consulted on our findings in August 2022. All non-confidential responses to our consultation are published on our website alongside the decision. Chapters 2, 3, and 4 contain a summary of respondent views on the positions reached for consultation along with our responses.

Related publications

Harker INC Consultation: [Harker – Consultation on the project’s Initial Needs Case and initial thinking on its suitability for competition | Ofgem](#)

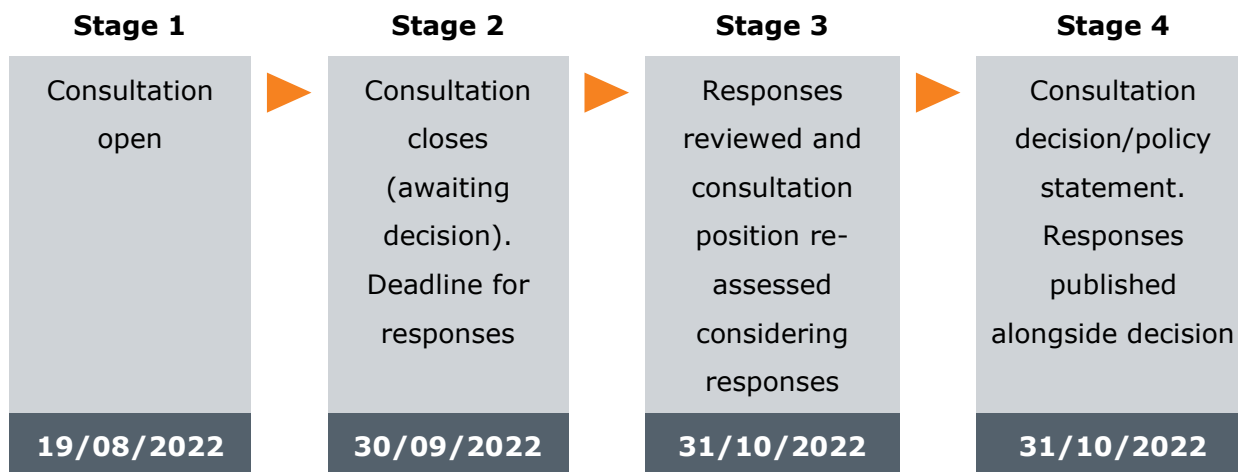
RIIO-2 Final Determinations - Core Document: <https://www.ofgem.gov.uk/publications-and-updates/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator>

RIIO-2 Final Determinations ET Annex REVISED: https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/final_determinations_et_annex_revised.pdf

LOTI Reopener Guidance document: <https://www.ofgem.gov.uk/publications-and-updates/large-onshore-transmission-investments-loti-re-opener-guidance>

Investigation into potential breach of statutory obligations and licence conditions by NGET in relation to the Harker substation: <https://www.ofgem.gov.uk/publications/investigation-national-grid-electricity-transmission-plc-and-its-compliance-obligations-under-section-9-electricity-act-1989-and-slc-b7-its-electricity-transmission-licence-relation-harker-substation>

Our decision-making process



Your feedback

General feedback

Please send any general feedback comments to RIIOElectricityTransmission@ofgem.gov.uk

2. Harker Initial Needs Case Assessment

Section summary

This chapter summarises the drivers and NGET’s decision on intervention on the Harker project. It sets out our views on these, as set out in our August consultation, and summarises key responses to that consultation. Finally, it sets out our INC Decision following consideration of the consultation responses.

Overview of the TO’s Proposal

2.1. The existing Harker site is comprised of 132kV, 275kV and 400kV substations. NGET’s proposal seeks to build, replace, and remove assets across the Harker site to address a combination of interactive load and non-load drivers that have manifested over a number of years, as summarised below.

Load drivers

- i. Connection agreement for additional reverse power infeed into the 132kV substation due to additional embedded generation on the DNO network;
- ii. Connection agreement as an Affected TO for the ratings increase of the two existing 132kV circuits and the creation of a third 132kV circuit to facilitate customer connections to the SPT network;
- iii. Future anticipated connections to the Harker 400kV substation either contracted or at offer stage.

Non-load drivers

2.2. The non-load drivers at Harker are comprised of asset health issues across the 13kV and 275kV substations, some of which were identified as early as 2001 and are still applicable at the time of NGET’s INC submission in 2021. These were detailed in our consultation, and range from civil structure support issues, safety issues (insulation) and

the electrical assets condition (e.g. oil circuit breakers). Additionally, there is a need for intervention to reduce Sulphur hexafluoride¹¹ (SF₆) leakages at the 275kV and 400kV sites.

2.3. At an estimated whole life cost in the CBA at £237m, the scope of works presented to rebuild Harker and address the load and non-load drivers include:

- i. Construction of new 132kV and 400kV substations, incorporating any extension and upgrading required for new circuits and additional super grid transformers (SGTs).
- ii. Tendering for SF₆ free solutions across the site - while NGET are exploring the opportunity for SF₆ free technology across the site, with its viability expected to be confirmed during the Project Assessment stage, our expectation is that the site will eventually be fully SF₆ free when constructed¹².
- iii. Addition of six 400/132kV 240MVA transformers to replace existing transformers, providing capacity required for present and future load drivers.
- iv. The removal of the 275kV substation as it is no longer needed but maintaining existing connection to Stella West and Fourstones connected to the 400kV substation¹³.

Our view on NGET's proposal

Our INC conclusions on why the project was brought forward

Consultation position

¹¹ Sulphur hexafluoride is an extremely potent and persistent greenhouse gas that is primarily utilized as an electrical insulator and arc suppressant.

¹² Our review of NGET's CBA is justified on the basis of an SF₆ free site being used, we expect this to be specified as part of the LOTI Output.

¹³ Two 275kV transmission circuits are connected at the Harker 275kV substation. The primary functions of these circuits are to connect Harker 275kV to NGET's Fourstones and Stella West 275kV substations located in the North-East England.

2.4. In our August consultation, we noted the strategically important role of Harker on the B6 boundary and agreed there was a needs case for intervention to address both the non-load and load drivers present across the site to prevent any detrimental consequences.

2.5. We noted that the need for timely intervention is evident as indicated by structural assessments, as well as physical observation by Ofgem in a visit to the Harker site¹⁴ which had formed a major part of our considerations. Based on our understanding, we viewed that asset health condition represents a key driver within the need case for the proposed works at Harker, and that the current conditions of these assets are sub-optimal for the long-term operation of the Harker site.

2.6. Additionally, we explained that the current capability of the civil structures and assets places various constraints on the ability to implement more targeted lower cost solutions to the load drivers. Without intervention, we perceived that the current assets on the Harker site cannot support forecast load growth, and therefore reinforcement is required.

2.7. We concluded that there is a clear benefit in the driver to remove SF₆ and as such our minded-to position was based on the expectation that the entire substation will eventually be SF₆ free.

Consultation responses and our consideration of them

2.8. We received two responses to the Harker INC consultation. Both respondents agreed with our minded to position on the INC.

2.9. Electricity North West (ENWL) emphasised the need for additional capacity and flagged that this need was in place for several years, and that inadequate capacity did not allow generation on the distribution system to connect.

2.10. NGET welcomed our minded to position.

¹⁴ Ofgem Harker site visit in June 2020 to understand the project further. This was also to ascertain

2.11. NGET confirmed they are pursuing delivery of an SF6 free solution but flagged that its expectation is that this can only be confirmed as part of the Project Assessment process, which is the final assessment stage of the LOTI process.

2.12. NGET pointed out specific paragraphs in the consultation that, in their view, were not entirely reflective of the decision-making process they carried out. They also did not agree with our view that “due to the significant deterioration of assets on the site, this intervention should occur as soon as possible”¹⁵.

2.13. We note NGETs comments. This does not change our view on the INC.

Our INC conclusion

2.14. We remain satisfied with our position at the INC consultation, in that there is a valid technical needs case for the Harker project because of several interactive drivers across the site. Having considered both INC consultation responses, our view that timely intervention is necessary remains unchanged.

Our view on how NGET arrived at their preferred option for intervention

Consultation position

2.15. In our August consultation, we agreed with NGET’s rationale to firstly assess solutions to address individual drivers in isolation, which led to the assessment that all the project needs could not be addressed individually, hence the case for a holistic approach was evident.

2.16. However, we highlighted our view that a reduced scope could have been considered to address the load drivers (customer connections) across Harker if the assets and civil works did not also need to be addressed to its current extent.

2.17. We emphasised our continuing expectation for NGET to seek the use of SF6 free switchgear and assets on the project. As explained in our consultation, NGET indicated its intention to proceed on this basis, depending on market availability, but highlighted that it

¹⁵ See page 7 of our consultation: [Harker – Consultation on the project’s Initial Needs Case and initial thinking on its suitability for competition | Ofgem](#)

will become clearer during our Project Assessment process whether an SF6 free solution can be implemented, or not. In our consultation we said that should Harker progresses to the Project Assessment Direction stage we may consider specifying a LOTI Output which will seek to ensure that NGET eventually delivers appropriate SF6 abatement at Harker¹⁶ through appropriate monitoring and associated actions.

2.18. We agreed with NGET that the 275kV substation should be rationalised¹⁷, as there is limited need for these assets due to the investment, via NOA associated works, to replace/bank the interbus transformers.

2.19. In their INC submission, NGET submitted a preference for the application of Gas Insulated Switchgear (GIS) technology over Air Insulated Switchgear (AIS), citing the implications on the length of planning consent application for the project and lower costs of having a smaller geographical footprint as major factors. We also noted NGET's engagement with the Local Planning Authority (LPA), in which a preference for GIS was made informally by LPA. We stated that we are minded-to approve the GIS technology, more specifically due to the impact that the alternative AIS technology may have in increasing the length of the planning application process as a result of the associated geographical footprint.

Consultation responses and our consideration of them

2.20. Electricity North West (ENWL) did not provide any view on the technical solution needed to address the various drivers but welcomed our minded to position.

2.21. NGET agreed with our conclusions. They emphasised that seeking AIS technology represents a risk not only to timely delivery but also to obtaining planning consent.

Our INC conclusion

2.22. We remain satisfied that NGET took a logical approach to addressing the project drivers at Harker by assessing the feasibility of individual options to address each driver

¹⁶ In accordance with Special Conditions 3.13.2 and 3.13.9 and also paragraphs 1.17-1.20 of the LOTI Guidance.

¹⁷ In this context, this will mean the appropriate and efficient removal of the 275kV substation.

before considering holistic solutions. We acknowledge that this reflected the complexities presented by the interacting load and non-load related drivers.

2.23. Although we maintain the view that a reduced scope may have been possible to address the load drivers had the assets and civil structures been in superior condition, we acknowledge that the current state of the assets and civils justifies the scope of intervention selected by NGET to address all drivers.

2.24. We continue to maintain our expectation for NGET to apply SF₆ free technology in their delivery of the project scope. We will continue to engage with NGET on the feasibility of this towards the Project Assessment stage of the LOTI process, currently expected to be in late 2023.

3. Delivery model considerations

Section summary

This chapter sets out our views on the Harker project against the criteria for competition. It also confirms our views on the application of late competition models.

Background

3.1. Competition in the design and delivery of energy networks is a central aspect of our RIIO-2 price controls. Competition has a key role to play in driving innovative solutions and efficient delivery that can help us meet our decarbonisation targets at the lowest cost to consumers. We set out in our Final Determinations¹⁸ for RIIO-2 that during the RIIO-2 period all projects that meet the criteria for competition and are brought forward under an uncertainty mechanism will be considered for potential delivery through a late competition model. As explained in the INC consultation, Harker is being brought forward for assessment under the LOTI mechanism, which is an uncertainty mechanism in RIIO-2.

Whether Harker meets the criteria for competition

3.2. The criteria¹⁹ for late model competition are as follows:

- i. New;
- ii. Separable; and
- iii. High value projects of £100m or greater expected capital expenditure at the point of our initial assessment of the appropriate delivery model.

Consultation position

Assessment against the criteria for late competition

¹⁸ [RIIO-2 Final Determinations](#), Core Document (REVISED), chapter 9

¹⁹ As defined in the [Guidance on the Criteria for Competition | Ofgem](#)

3.3. In our consultation we explained that we consider it unlikely that the Harker project, as a whole, meets the criteria for late competition. This is particularly due to the project being unlikely to meet the 'separable' criterion, as we viewed that ownership and operation of the Harker project under a third party under competition may mean that certain assets would become non-contiguous with the NGET system.

3.4. We considered it possible that elements of the project that do meet the 'new' and 'separable' criteria could be repackaged into a standalone project that also meets the 'high value' criterion and so could have competition applied to it. However, we viewed that it would not be appropriate to pursue this approach for Harker as we determined that it would not be in the best interest of consumers.

Delivery model considerations

3.5. Since we considered that the elements of the Harker project that met the full criteria for competition could theoretically be repacked as a standalone project, our consultation considered the feasibility of the application of each criterion of late model of competition.

3.6. We explained that due to the uncertainty surrounding the progress of relevant legislation, the CATO²⁰ late competition model would be unlikely to support timely delivery of the Harker project. More specifically, we considered that the application of a CATO model at this point would negatively impact the clarity we view is required at the Invitation to Tender stage of the project, which is expected to proceed towards the end of 2022. A delay to the project programme because of uncertainty from the application of a CATO model would not be in the best interest of consumers.

3.7. On the application of the Special Purpose Vehicle (SPV)²¹ late competition model, our consultation explained that given there is still additional work required to finalise the model we do not consider it appropriate to implement at this time.

²⁰ Under the Competitively Appointed Transmission Owner (CATO) model a competitive tender would be run for the financing, construction, and operation of the Harker project with a transmission licence provided to the winning bidder setting out the outputs, obligations and incentives associated with delivering the Harker project. The CATO model requires legislative changes to allow for new parties to be able to be awarded a transmission licence following a competitive tender.

²¹ Under the SPV model, the incumbent network licensee would run a tender to appoint an SPV to finance, deliver, and operate a new, separable, and high value project on the licensee's behalf through a contract for a specified revenue period.

3.8. On the application of the Competition Proxy Model (CPM) late competition model, we explained that we generally did not have sufficient confidence that the model would deliver greater benefit to consumers than LOTI arrangements. This view was further endorsed by the observation of analysis of the consumer impact of applying CPM to the EHVDC²² projects.

Consultation responses and our consideration of them

3.9. Both ENWL and NGET agreed with our delivery model considerations.

3.10. ENWL flagged their concern that introduction of competition will lead to further delays to generation connection.

3.11. We agree that in the case of Harker, the introduction of competition may lead to delay and will not be in the interest of consumers. The legislative framework for onshore CATO tenders is set out in the Energy Bill, which was introduced into Parliament on 6 July 2022. We do not know currently when the Energy Bill will become law and therefore allow for a competitive tender process to be run for the building, ownership, and operation of onshore electricity networks.

Our INC conclusion

3.12. Having considered both responses to our consultation, we confirm our assessment that Harker should not be delivered through the late competition models, but instead under the LOTI mechanism.

²² [Eastern HVDC - Consultation on the project's Final Needs Case and Delivery Model | Ofgem](#) sections 4.19- 4.21, pages 40-41

4. Large Project Delivery

Section summary

This chapter sets out our approach to late delivery of the Harker project.

Background

4.1. In our RIIO-2 Final Determinations²³ we set out our approach to late delivery of large projects (>£100m) and these are further explained in paragraphs 7.13 – 7.26 of the LOTI Guidance. We aim to ensure a network company does not benefit financially from a delay to delivery of those projects by using one of the following options:

- i. If a project is delivered late, we may re-profile the allowances to reflect actual expenditure to avoid the network company benefitting from the time value of money; or
- ii. Milestone-based approach – we may set project allowances based on the delivery of specific, pre-agreed, milestones. The allowances would only be granted following confirmation that a milestone had been delivered.

4.2. We aim to ensure consumers are protected from any delay in delivery. To this end, we will consider setting a Project Delay Charge (PDC) for each day a project is delivered late.

4.3. We will consider a range of factors when considering a PDC, including:

- i. Estimates of potential consumer detriment;
- ii. Industry benchmarks for delay clauses on similar projects; and

²³ [RIIO-2 Final Determinations](#), ET Annex (REVISED), page 32 onwards

- iii. The delay clause(s) that the network company negotiates with its contractor(s) for that project, which would be shared with Ofgem through the project assessment submission.

Our position on Large Project Delivery

Consultation Position

4.4. We stated in our INC consultation that in the event of a delay to the Harker project, our mined-to position is to re-profile expenditure allowances in line with actual expenditure. We viewed that this would appropriately prevent NGET from financially benefitting due to the 'time value of money' concept.

4.5. We also explained that we are clear on the need to set a PDC at the Project Assessment stage, which we view protects existing and future consumers. In line with paragraph 4.3 above, we stated our PDC for Harker would consider:

- i. Constraint costs as a result of delay in delivery;
- ii. The value of continued SF₆ leakage determined via carbon pricing; and
- iii. The delay in embedded connection.

4.6. We noted that there is further engagement with NGET to be carried out ahead of the Project Assessment stage of the LOTI process to better understand how the impacts described in paragraph 4.5 can be monetised.

Consultation responses and our consideration of them

4.7. ENWL agreed that NGET should not benefit from the "time value of money" concept in case of delay to the project. They did not provide views on a PDC.

4.8. NGET also agreed that TOs should not benefit from late delivery and that re-profiling in such a case may be used to prevent this.

4.9. NGET agreed that TOs should be incentivised to provide timely delivery, however, NGET stated that they are not clear whether a PDC will achieve that. They flagged the need to engage early with Ofgem on the subject to inform their procurement activity.

4.10. In relation to NGETs comment on the PDC, we remain of the view that a PDC should be set to protect consumers from detriment due to delay. We welcome NGET’s suggestion to continue engagement on the subject in the coming months.

Our INC conclusion

4.11. We are of the view that expenditure allowances should be re-profiled in the event of a delay. We also currently hold the view that a PDC should be set to protect consumers. We will further engage with NGET on the subject and plan to consult on a PDC and the level of it as part of our Project Assessment consultation.

5. Final Needs Case

Section summary

This chapter sets out expectations for the next stage of the LOTI process, the Final Needs Case.

Final Needs Case Assessment

5.1. NGET's LOTI submission was framed as combined INC and FNC. However, NGET's delivery programme for the project originally expected planning consent to have been secured by March 2022. However, NGET later informed us that prioritisation of another project with a greater impact on the B6 boundary, as well as a scope change to one element of the contract, led to changes in contracting approach and project delivery timescales. As a result, NGET now expects to submit the planning application for Harker by the end of 2022 and receive a planning decision by Q1 2023.

5.2. We therefore considered that it would not be appropriate to undertake the FNC assessment until planning consent has been obtained for the project in line with Special Condition 3.13.14, which requires that (unless we direct otherwise) approval for an FNC can only be sought after the licensee has secured all material planning consents. On this basis, we therefore considered NGET's LOTI submission as an INC.

5.3. The LOTI Guidance²⁴ provides that at the INC assessment stage, we can state whether we will need to revisit any of the considerations at later stages in the LOTI assessment process, considering the strength, quality, and robustness of the evidence presented in the TO submission. In our consultation in relation to our INC assessment, we proposed that (subject to responses to the consultation and any other new information that may become known to us), no further assessment would be required at FNC stage except confirmation from NGET that the appropriate planning consents have been obtained for Harker.

²⁴ Paragraphs 2.5, 4.12 and 5.3 of the [LOTI Guidance](#)

5.4. Having considered both responses to the consultation, we continue to be of view that we do intend not to revisit areas covered in our INC assessment. However, in line with paragraph 5.3 of the LOTI Guidance, we may consider revisiting areas of our assessment where circumstances change or where new relevant information become known to us.

FNC Submission

5.5. In addition to the confirmation of planning consents for the Harker project, as part of the FNC we will need to determine whether the project has changed materially since the INC. Paragraph 5.4 of the LOTI Guidance details the relevant evidence that a TO must always submit, as a minimum for an FNC, from which we may assess how and whether a project has changed significantly between the INC and FNC stages:

- i. The key drivers of the 'need' for the project (e.g. local generation background, relief of system constraints or other technical requirements) have not fundamentally changed since the INC;
- ii. The anticipated costs of the project are broadly consistent with those set out at INC;
- iii. The technical design of the project has remained broadly consistent with that proposed at the INC; and
- iv. Where any of the areas described above have changed, such change has not materially altered the results of the CBA submitted at INC.

5.6. As per Paragraph 5.5 of the LOTI Guidance, we can then review this information and consider whether there are significant differences from the INC. If we decide there are then we would request further information and continue to assess until we are satisfied.

FNC Consultation

5.7. In line with the LOTI Guidance, we consult on all stages of our LOTI assessment for a period of 4-6 weeks. Where our assessment confirms that no material changes to the project between INC and FNC stages, we would expect to consult over the minimum period.

Appendices

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Appendix 1 – All Harker INC consultation questions

Question 1

Do you agree with the technical needs case for investment across the Harker site?

Question 2

Do you agree with our conclusions on the technical solution required to address the various drivers at the Harker site?

Question 3

Are there any additional factors that we should consider as part of our Initial Needs Case assessment?

Question 4

Do you agree with our proposal that late model competition should not be applied to the Harker project?

Question 5

Do you agree with our proposed approach to LPD for the Harker project?