
OFTO Tender Round 12 launch and Tender Round 13 preview: Q&A Summary

Summary

Question	Answered by	Response
There have been reports of wind farm developers reining in their spending on renewables; will that affect the OFTO pipeline?	Ofgem	The OFTO regime’s role is to respond to market demand by ensuring the reliable and cost-efficient operation of transmission assets for offshore windfarms – therefore naturally, the number and scale of offshore wind being developed is relevant. As the slide on the near-term pipeline shows, there is currently a significant pipeline of OFTO assets expected to come to market in the next few years. Additionally, government remains keenly focused on how best to meet its Clean Power goals for 2030 and beyond by ensuring that the UK continues to be an attractive market for offshore wind development, including through its Contract for Difference scheme on which the recent consultation for Auction Round 7 sets out proposals for ways in which to enable a nimble offshore wind budget which responds to market demand. Altogether therefore, while developers as commercial players will need to make their own decisions about what renewable development they wish to undertake across the board, we anticipate that the stability of the UK regulatory framework and continued focus on how best to support development will mean that there will continue to be a steady pipeline of OFTO assets coming to market over the long-term
Is there any discussion being held around automatic EPQ qualification for existing OFTO Managers?	Ofgem	So far the EPQ stage process has worked well. Where possible, Ofgem have tried to streamline aspects of the process and we will continue to review the effectiveness of this, including where beneficial revisions can be made to the EPQ process going forwards.
Can you please provide some additional detail of the type of Due Diligence that would be made available at the Invitation to Tender (ITT) stage vs that made available only to the Preferred Bidder (PB)?	Ofgem	<p>Ideally all information will be provided at the start of the ITT stage in order to facilitate an effective bidding process. Ofgem will work with Developers in the leadup to ITT commencement in order to ensure that as much information as possible is available on day one of the ITT.</p> <p>To note though, many OFTO projects at ITT commencement are still being constructed and therefore it won’t be possible for all information to be provided during the ITT. However, we wouldn’t expect materially new information to be being provided at the PB stage, but rather information that confirms the position set out at the ITT.</p>
What is the estimated timeline for the Dogger Bank B ITT?	Ofgem	Ofgem are working closely with the Developer to clarify the timings for this process. We will share further details with relevant parties once in a position to do so.

What will any impact be on OFTO cost of capital from current investor caution on investing in some renewables	Ofgem / Centrus	The cost of equity markets for OFTOs generally track in line/accurately with core renewables infrastructure. Over the last few years there has been an increase in cost of capital. On the debt side the market is well developed with many lenders looking to invest in this sector.
Developers can review Ofgem's Final Transfer Value (FTV) and have the opportunity to correct any errors. How long do Developers have for this review and is there a backstop to ensure the Successful Bidder stage is not delayed?	Ofgem	<p>The process to determine the FTV generally starts around the same time when ITT stage bidding commences. However due to the detailed forensic nature of the FTV process, the outcomes of this are unlikely to be shared at the ITT stage. Ofgem's expectation is therefore that the FTV should be finalised and issued to interested parties mid-way through the transaction stage.</p> <p>Whilst there isn't a backstop date for this value to be determined, Ofgem recognises the importance to progression of the transaction that this process is completed as swiftly as possible.</p>
Once a Preferred Bidder is selected, what commitment do they have to complete (recognizing that there is Due Diligence that remains to be completed at the PB stage)?	Ofgem	<p>Ultimately a PB will want to start receiving a return on their investment as soon as possible. There are various commercial drivers for them in this, because the longer the delay in closing the transaction, the bigger the impact likely to be for when they will start receiving their return. The live nature of market condition changes will also be a driver for them to swiftly conclude a transaction, not least because they will be keen to lock in a final Internal Rate of Return (IRR) and will not want to damage relationships with their investors (who will also be keen for there to be minimal delay in order that their committed debt is capitalised on in a timely fashion).</p> <p>However, as the question notes, it is important that all genuine Due Diligence is undertaken to the satisfaction of the PB and Ofgem would not expect the PB to take over the transmission assets until they were absolutely ready to do this.</p>
Is there any update on whether the National Wealth Fund (NWF) will continue to offer financing support in TR12 and beyond?	Ofgem	<p>NWF are still offering to support TR12. Please note the reference to this in the TR12 EPQ Document (available on Ofgem's website here: https://www.ofgem.gov.uk/publications/enhanced-pre-qualification-document-tender-round-12-tr12)</p>
How is the insurance for OFTO cables evaluated and factored into the decision-making process during the tender rounds?	Ofgem	There is an expected level of cover required on insurance from Bidders, which is LEG31 (or equivalent). The tender documentation explicitly sets out evaluation criteria that requires Bidders to ensure that they are sufficiently covered by insurance, or if not that there is a robust equivalent in place. This is a pass/fail requirement.

What is the key structure of the OMA contract that RWE intends to offer?	RWE	No further details at this stage; the intention will be to provide full O&M services to the OFTO, but further details on scope will be made available at the launch of ITT stage.
is the O&M proposal a pizza where we can take the pieces that we want or its all or nothing?	RWE	At this stage the intention is to provide a full, competitively priced O&M offer. This will be based on the whole offer being taken up
Has RWE previously proposed O&M services to OFTO bidders? Or is it a first time?	RWE	O&M commercial services have been offered on previous projects.