

# Decision

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## Onshore competition in electricity transmission: Decision on the first project to be competitively tendered

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In November 2024 the National Energy Systems Operator (NESO) requested that a sub-component of the project WCN2 - a new double circuit between North-West England and South-West Scotland – be the first project competitively tendered through the new onshore electricity transmission early competition framework.

In December 2024 we consulted on the needs case justification for this sub-component of WCN2 and NESO’s proposed approach to identifying additional projects that could potentially form a future pipeline of onshore work to be competitively tendered.

This document sets out our consideration of the consultation responses, our policy decision on the needs case for WCN2 and our rationale.

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## Contents

<b>Onshore competition in electricity transmission: Decision on the first project to be competitively tendered .....</b>	<b>1</b>
<b>1. Introduction .....</b>	<b>4</b>
Background .....	4
What we consulted on .....	5
Next steps .....	6
Context and related publications .....	6
Our decision-making process .....	7
Decision-making stages .....	7
General feedback.....	8
<b>2. National Energy System Operator’s request for the first onshore early competition tender: sub-component of WCN2 .....</b>	<b>9</b>
Background .....	9
Appropriateness of WCN2 for the first onshore early competition tender ....	10
Attractiveness of WCN2 to potential investors and bidders.....	18
Future project pipeline.....	19
<b>3. Additional WCN2 information provided by respondents and funding approach.....</b>	<b>22</b>
Background .....	22
Additional information on WCN2 for Ofgem to consider .....	23
Approach to approving/funding the non-tendered component of WCN2.....	24
<b>4. Policy decision on needs case for WCN2.....</b>	<b>26</b>

# 1. Introduction

## Section summary

This section includes the background to onshore competition in electricity transmission and details of our consultation on the first project to be competitively tendered under the new onshore early competition framework.

## Background

- 1.0 Competition in the delivery of onshore electricity transmission network reinforcements has an important role to play in driving innovative solutions and cost efficiencies while also providing opportunities for new investment in our onshore networks. It has the potential to play a key role in the efficient delivery of our decarbonisation and Net Zero targets at the lowest cost to consumers. ‘Early competition for onshore transmission’ is one of the stated objectives in our [2024-25 Forward Work Programme](#). Government also strongly supports competition for projects required after 2030 where the process will not impact delivery timelines for time-critical projects required to deliver its Clean Power 2030 plan.<sup>1</sup>
- 1.1 The Early Competition model refers to a competition to determine a solution to a need on the network that is run before detailed design of the preferred solution has been carried out. It encourages cost efficiencies and additional innovation in the design, delivery and operation of transmission infrastructure which consumers will benefit from. Further details regarding the background to onshore competition is contained in our consultation<sup>2</sup> on this decision.
- 1.2 In November 2024, NESO made a formal request to Ofgem to tender a sub-component of the project WCN2, which is a new circuit between South-West Scotland and North-West England to increase boundary transfer capability across the B6 network boundary.
- 1.3 Under the Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2025<sup>3</sup> (referred to throughout this document as the “Tender Regulations”), following such a request from NESO, Ofgem must determine whether the request relates to a ‘qualifying project’. Under Regulation

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<sup>1</sup> [Clean Power 2030 Action Plan: A new era of clean electricity – main report - GOV.UK](#)

<sup>2</sup> [Onshore electricity transmission early competition: first project | Ofgem](#) Chapter 1

<sup>3</sup> [www.legislation.gov.uk](http://www.legislation.gov.uk), Tender Regulations

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**Decision** –Onshore competition in electricity transmission: Decision on the first project to be competitively tendered

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6(3) of the Tender Regulations, a project that relates to the total system is a 'qualifying project' if the Authority is satisfied that each of the requirements in paragraph 1 of Schedule 1 are met.<sup>4</sup> These requirements are that NESO has provided to us the following information to our satisfaction:<sup>5</sup>

- a) its assessment as to how the project has met each criterion of a relevant electricity project suitable for an early-model tender exercise pursuant to the Electricity (Criteria for Relevant Electricity Projects) (Transmission) Regulations 2024 ("Criteria Regulations");
- b) its assessment that there will be sufficient competition in an onshore transmission tender exercise for the project that the award of an onshore transmission licence in respect of that project will contribute to the protection of the interests of existing and future consumers in relation to electricity conveyed by distribution systems or transmission systems;
- c) the indicative dates and times for key milestones for the onshore transmission tender exercise; and
- d) any other such information in relation to the pre-qualification stage of the onshore transmission tender exercise as the Authority may determine is necessary.

- 1.4 In respect to projects for early competition, under the Criteria Regulations, the project must be new, separable, capable of addressing a network need with reasonable certainty, and likely to deliver an anticipated benefit to consumers.<sup>6</sup>

## **What we consulted on**

- 1.5 In December 2024 we consulted on the needs case justification for the sub-component of WCN2 that NESO requested be competitively tendered, referred to as the 'Stage Gate 1' decision in NESO's Early Competition Plan (ECP).<sup>7</sup> We considered it was appropriate to consult on the needs case for the sub-component of WCN2 because: (a) should WCN2 proceed to tender it would be the first of its kind in onshore electricity transmission; and more crucially (b) Ofgem had not previously confirmed the needs case for the project in our transitional Centralised Strategic Network Plan 2 ("tCNSP2 Refresh") consultation in August 2024.

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<sup>4</sup> [www.legislation.gov.uk](http://www.legislation.gov.uk), Tender Regulations, Schedule 1

<sup>5</sup> [www.legislation.gov.uk](http://www.legislation.gov.uk), Tender Regulations, paragraph 1 of Schedule 1.

<sup>6</sup> See regulations 4-7, the [Electricity \(Criteria for Relevant Electricity Projects\) \(Transmission\) Regulations 2024](#)

<sup>7</sup> <https://www.neso.energy/document/191246/download>

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**Decision** –Onshore competition in electricity transmission: Decision on the first project to be competitively tendered

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- 1.6 We also consulted on NESO’s proposed approach to identifying additional projects that could potentially form a future pipeline of onshore work to be competitively tendered, and our proposed regulatory treatment for the sub-components of WCN2 that NESO had not requested be tendered.
- 1.7 We asked stakeholders:
- Q1: Do you consider the sub-component of WCN2 requested by NESO to be an appropriate project for the first onshore Early Competition tender?
  - Q2: Do you consider this project to be suitably attractive to potential investors and bidders for the first onshore Early Competition tender?
  - Q3: Do you agree with NESO’s approach to identifying a future pipeline of projects that could be competitively tendered?
  - Q4: Is there any additional information in respect of WCN2 that Ofgem should consider before making our decision on NESO’s Stage Gate 1 request to tender a sub-component of WCN2?
  - Q5: Do you agree with our proposed approach to approving and funding the components of WCN2 that NESO is not requesting are tendered?
- 1.8 Chapters 2 and 3 below summarise the stakeholder views in response to our consultation and detail Ofgem’s consideration of these views, which informed our policy decision on the needs case for WCN2 as detailed in Chapter 4.

## **Next steps**

- 1.9 Our next step is to make our formal determination under regulation 6(3) of the Tender Regulations regarding whether NESO’s request to competitively tender a sub-component of WCN2 is a ‘qualifying project’ for the purposes of the Tender Regulations. The responses we have received to our December 2024 consultation have informed our policy decision on the needs case for WCN2 and this will in turn inform our determination under the Tender Regulations.

## **Context and related publications**

- 1.10 Other publications related to this decision include:
- Ofgem, [Decision on early competition in onshore electricity transmission networks](#), March 2022
  - Ofgem, [Decision on Early Competition in onshore electricity transmission networks: policy update](#), July 2024

**Decision** –Onshore competition in electricity transmission: Decision on the first project to be competitively tendered

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- Ofgem, [Consultation on Draft Electricity \(Early-Model Competitive Tenders for Onshore Transmission Licences\) Regulations 2024](#), September 2024
- Ofgem, [Consultation on the proposed regulatory funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects](#), August 2024
- Ofgem, [Consultation on the onshore electricity transmission Early Competition commercial framework](#), October 2024
- Department for Energy Security and Net Zero, [Transmission Acceleration Action Plan](#), November 2023
- [Energy Act 2023](#), October 2023
- [Electricity Act 1989](#), July 1989
- [The Electricity \(Criteria for Relevant Electricity Projects\) \(Transmission\) Regulations 2024](#), March 2024
- Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2025, available from [www.legislation.gov.uk](http://www.legislation.gov.uk), April 2025
- National Energy System Operator, [Early Competition Plan](#), April 2021
- National Energy System Operator, [Early Competition - Implementation \(EC-I Update\)](#), February 2024

## Our decision-making process

1.11 Our consultation opened on 3 December 2024 and closed on 9 January 2025. We received 11 responses to the consultation. Three were from the incumbent TOs, one was from a member of the public, and the other respondents were from transmission industry companies with a potential interest in participating in onshore competition. The non-confidential responses have been published on our website.

## Decision-making stages

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Date	Stage description
03/12/2024	Stage 1: Consultation open
09/01/2025	Stage 2: Consultation closed, deadline for responses

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**Decision** –Onshore competition in electricity transmission: Decision on the first project to be competitively tendered

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Jan/Feb 2025	Stage 3: Responses reviewed
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04/03/2025	Stage 4: Consultation decision
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General feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this report. We would also like to get your answers to these questions:

1. Do you have any comments about the overall quality of this document?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Are its conclusions balanced?
5. Did it make reasoned recommendations?
6. Any further comments

Please send any general feedback comments to

[OnshoreCompetitionsPolicy@ofgem.gov.uk](mailto:OnshoreCompetitionsPolicy@ofgem.gov.uk).



## 2. National Energy System Operator’s request for the first onshore early competition tender: sub-component of WCN2

### Section summary

This section sets out the details of NESO’s request to tender a sub-component of WCN2 and its approach to identifying a future pipeline of projects for competitive tender. It also summarises the responses to our consultation and details Ofgem’s consideration of those responses.

### Questions

- Q1. Do you consider the sub-component of WCN2 requested by NESO to be an appropriate project for the first onshore Early Competition tender?
- Q2. Do you consider this project to be suitably attractive to potential investors and bidders for the first onshore Early Competition tender?
- Q3. Do you agree with NESO’s approach to identifying a future pipeline of projects that could be competitively tendered?

### Background

- 2.1 WCN2 is a new circuit between south-west Scotland and north-west England that increases the boundary transfer capability across the B6 transmission boundary as well as facilitating connections for a number of generators. Further details regarding WCN2 are contained in Chapter 3 of the consultation document.<sup>8</sup>

**Table 1: WCN2 project details**

Description	NOA signal	TO EISD	NESO ODD	TO area
New circuit between South West Scotland and North West England	Proceed - Critical	2037	2037	SPT / NGET

- 2.2 In November 2024 NESO requested to Ofgem that a sub-component of WCN2 be the first onshore project to be competitively tendered through onshore early competition. The scope of work NESO requested to tender comprises of the following components:

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<sup>8</sup> [Onshore electricity transmission early competition: first project | Ofgem](#)

**Decision** –Onshore competition in electricity transmission: Decision on the first project to be competitively tendered

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- A new 400kV double circuit from Glenmuckloch to the new substation to be delivered as part of this project;
  - A new 400kV substation referred to as Dumfries North;
  - A new 400kV double circuit from the new substation to Carlisle; and
  - The turn in of circuits at Wyseby Hill.
- 2.3 NESO's cost-benefit analysis (CBA) indicated that delivering the sub-component of WCN2 requested for tender is likely to provide a net benefit to consumers, with a Net Present Value (NPV) saving of £44m in the base case scenario and NPV savings ranging between £12m to £81m across different scenarios.<sup>9</sup>
- 2.4 NESO also set out its intention to assess whether (i) projects determined to be onshore projects following the Holistic Network Design 1 and Holistic Network Design Follow Up Exercise asset classification exercises,<sup>10</sup> and (ii) projects recommended in the transitional Centralised Strategic Network Plan 2 Refresh (tCSNP2 Refresh)<sup>11</sup> may be suitable for onshore competition. NESO intends that these projects could form the beginning of a future pipeline of projects to be tendered through early competition.

## **Appropriateness of WCN2 for the first onshore early competition tender**

### **Summary of responses**

- 2.5 The majority of (non-TO) respondents expressed support for WCN2 as an appropriate project for the first onshore early competition tender, considering it a well-designed project with strong needs case drivers. While some respondents stated that more detail was required before they could comment on EISDs or Competitively Appointed Transmission Owner (CATO) deliverability, others expressed confidence in the ability of a CATO to deliver the project on time (or earlier).
- 2.6 Some respondents acknowledged potential complexity associated with the project due to different consenting regimes and design interlinkages. Others considered that the project's perceived complexity would not be a concern for established parties that have experience consenting projects across different planning

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<sup>9</sup> These figures are in the 2022/23 price base

<sup>10</sup> [Offshore Transmission Network Review: Decision on asset classification | Ofgem](#) (HND1); [Offshore transmission network review: decision on asset classification for Holistic Network Design Follow Up Exercise | Ofgem](#) (HND FUE)

<sup>11</sup> [tCSNP2 decision](#) Page 57

**Decision** –Onshore competition in electricity transmission: Decision on the first project to be competitively tendered

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- jurisdictions. One respondent noted that a degree of complexity could be beneficial in testing the robustness of the early competition model.
- 2.7 Three respondents also requested further clarity on how connections (both existing and future) related to WCN2 will be managed should the project be tendered.
- 2.8 While respondents generally agreed that NESO's request represented an appropriate scope for the first tender, one respondent proposed that all components of WCN2 are included in the scope of the tender. Two others encouraged that there was no further 'de-scoping' to reduce the size of the project further since this could result in reduced market interest and less consumer benefit.
- 2.9 There was a mixed response from the incumbent TOs; one was not against WCN2 as the first project, one highlighted concern with the early competition approach more generally rather than specific to WCN2, while another was strongly against tendering WCN2.
- 2.10 Two TOs opposed confirming the project needs case ahead of the tCSNP2 Refresh<sup>12</sup> and decisions on the Strategic Spatial Energy Plan (SSEP)<sup>13</sup> and Connections Reform.<sup>14</sup> They noted that approving WCN2 would be inconsistent regulatory treatment with other immature projects in the tCSNP2 and that the required network solution may change or that alternative options could be developed which better meet the system requirements.
- 2.11 TOs raised concerns around a lack of transparency regarding NESO's project identification process and how NESO undertook its assessment and requested further clarity around this. Specifically, one TO requested guidance on how the Criteria Regulations are assessed as part of NESO's process.
- 2.12 TOs also highlighted issues with the CBA used to assess the benefits of tendering WCN2. TOs disagree with a number of assumptions NESO made in the CBA - including on capex efficiency, consenting benefits due to existing stakeholder relationships, economies of scale, gearing, cost of equity/debt and constraint costs - and stated that the CBA has not been revised in response to previous TO feedback. A TO also proposed that the qualitative assessment should be

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<sup>12</sup> NESO published the tCSNP2 in March 2024: [Beyond 2030 | National Energy System Operator](#). This assessment will be refreshed in the tCSNP2 Refresh in early 2026.

<sup>13</sup> [Strategic Spatial Energy Planning \(SSEP\) | National Energy System Operator](#)

<sup>14</sup> [Connections Reform | National Energy System Operator](#)

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**Decision** –Onshore competition in electricity transmission: Decision on the first project to be competitively tendered

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broadened to also align with NESO's multi-criteria assessment (deliverability, operability, environment, community), as presently the assessment does not add value due to producing a nil result.

- 2.13 In its submission, SPT raised a number of specific concerns regarding tendering WCN2. SPT do not consider that the project is eligible for onshore competition under the Tender Regulations and disagree with NESO's assessment that WCN2 is a qualifying project. SPT considers that (i) the project need has not been demonstrated ahead of the tCSNP2 Refresh, (ii) the 'novelty' criterion has not been met (it considers part of WCN2 involves uprating of existing circuits), (iii) the 'separability' criterion has not been met due to design interlinkages with other projects; and (iv) the 'consumer benefit' criterion has not been met as it disagrees with the assumptions NESO used in the CBA.
- 2.14 SPT also raised a concern over whether work had been done to consider the impact of NESO's request to tender WCN2 on existing licensees' key statutory duties, including SPT's duty under the Electricity Act 1989 to develop and maintain an efficient, coordinated and economic network.
- 2.15 SPT highlighted the number of connections related to WCN2 and the uncertainty tendering it could cause. It also queried the choice of WCN2 and why it had been requested by NESO over other tCSNP2 projects. It considers that there are alternative credible options other than WCN2 that should be considered in the tCSNP2 Refresh and that further studies may necessitate changes to the current design of WCN2 (and interlinked projects) in order to optimise network capability. SPT also noted its view that the proposed substation at Dumfries North is not part of WCN2 and should not be included in the scope of the tender.
- 2.16 SPT submitted that WCN2 would form a key part of the future Main Integrated Transmission System (MITS) and that introducing a CATO risked unintended consequences to the resilience of the wider transmission system, and also that tendering could cause delays and impact on security of supply.
- 2.17 SPT also submitted that it does not think it appropriate to announce a first tender ahead of all onshore competition framework decisions being made, covering legislation, licensing, industry codes and the commercial framework.

Ofgem consideration of responses

- 2.18 We note the feedback from the (non-TO) respondents expressing general support for WCN2 as the first onshore project to be competitively tendered. We also recognise that it is difficult to provide a completely accurate EISD at this point –

**Decision** –Onshore competition in electricity transmission: Decision on the first project to be competitively tendered

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both via onshore competition and the counterfactual of TO delivery - without undertaking further analysis and engaging with supply chains. However, the analysis undertaken by NESO indicates there is no reason to suggest a risk of material delay through CATO delivery and no respondents indicated that a CATO would not be able to deliver the project by NESO's required delivery date, with some confident in achieving an earlier delivery date.

- 2.19 We understand that some stakeholders, including TOs, have different views on the benefits of competition and the role it should play in delivering onshore projects, as well as on particular elements of the early competition framework. The model has been developed by NESO over a number of years and the key elements of the model, such as the stage the competition takes place and the CBA methodology, have been consulted on and decided already by Ofgem having given consideration to those consultation responses. We are not revisiting these decisions as part of the consultation and decision on WCN2 as the first project for tender. While we acknowledge that the CBA cannot definitively tell us the precise benefit that competition will deliver, we consider it proportionate for the purposes of NESO's assessment.
- 2.20 Below we have set our responses to submissions, broken down into key submission areas.

*'Complexity: consenting and design interlinkages'*

- 2.21 We note some differing views regarding the project's complexity and whether this could make it a challenging first project to be competitively tendered. The main stakeholder concerns were around the need to secure planning consents in two separate jurisdictions, and design interlinkages with projects in geographical proximity, as well as scope uncertainty due to an uncertain generation background. We accept that the project does have some complexity from a technical perspective, particularly around the design interlinkages with other projects. However, we note that (non-TO) responses to the consultation do not suggest that this would deter interest from bidders and so we consider the NESO CBA remains robust.
- 2.22 We acknowledge that the project does require consenting in separate jurisdictions, although it is not clear to us that this would necessarily introduce unacceptable levels of risk. For example, it is not clear why a single company consenting a single project in two jurisdictions is any more challenging and problematic than two companies consenting a single project across the same two jurisdictions, especially for industry participants with a track record of delivering

**Decision** –Onshore competition in electricity transmission: Decision on the first project to be competitively tendered

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projects in both England and Scotland. However, we accept that for a first onshore tender this does introduce some consenting complexity compared to a project requiring consents in a single jurisdiction only.

- 2.23 While the TOs offer the view that their consenting experience and existing stakeholder relationships can better facilitate the securing of planning consents, we see no reason why a CATO cannot secure consents in a timely manner and we consider this submission point is essentially an argument not to introduce competition at all, rather than a reflection of concerns specific to WCN2.

*'Connections'*

- 2.24 We recognise that introducing a new delivery framework and delivery body could impact on customer connections related to WCN2, and that this is further complicated by potential changes to our approach to managing connections following the upcoming Connections Reform. NESO wrote to impacted customers to inform them of its request to tender WCN2 and set out its intended approach to managing connections and Ofgem has not received any correspondence from these customers expressing concern with NESO's intended approach. More generally, we agree that a methodology should be developed by NESO for how connections are treated and managed in future for projects selected for competitive tendering.

*'Project scope'*

- 2.25 Under the Tender Regulations, NESO requests to competitively tender projects and Ofgem's role is to determine if these are qualifying projects. NESO's request to tender WCN2 was based upon its assessment of the project's suitability for competition. This included determining the most appropriate scope of the WCN2 project for a CATO tender. While we welcome the ambition and confidence of one respondent in its ability to consent and deliver all aspects of WCN2 on time (including elements required by 2033), we accept NESO's assessment of what it considers to be an appropriate project scope for an onshore tender and would not expect NESO to recommend a scope of work it has deliverability concerns around.
- 2.26 We acknowledge that Dumfries North substation was not included in the design for WCN2 submitted by SPT into the tCSNP2 options assessment, however we see no relevant reason why it could not be included in the tendered scope of WCN2 if the network need for its inclusion is justified. There is a requirement for a substation in the geographical vicinity to collect regional generation and it is not clear why it would be more beneficial to deliver it as part of a separate scheme

**Decision** –Onshore competition in electricity transmission: Decision on the first project to be competitively tendered

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rather than within the scope of WCN2. Options to reinforce the network can be submitted for consideration by NESO by parties other than TOs and the ultimate network solution is not limited to the project designs as submitted into the process. Therefore we are satisfied that it is reasonable for NESO to include Dumfries North within the scope of WCN2 and do not consider its inclusion to be an error by NESO.

*'Needs case justification'*

- 2.27 In our consultation paper we set out our consideration of the project needs case, the scope of work and the impact on connections related to the project. We noted the strong connection drivers and the project's requirement across all Future Energy Scenarios (FES) 2024,<sup>15</sup> however we also recognised the risk of approving the project now ahead of the tCSNP2 Refresh and decisions on Connections Reform, market reforms such as REMA, and the SSEP - both in terms of whether network reinforcement is required at all, or if it is, whether WCN2 is the optimal solution to the network need. Further information regarding Ofgem's initial views is in Chapter 4 of the consultation document.<sup>16</sup> Our response to comments on the needs case for the project is discussed in more detail in Chapter 4 below.

*'NESO's project identification process'*

- 2.28 We note the view submitted by TOs that they do not consider NESO's approach to identifying projects to be transparent. SPT also submitted that it does not consider WCN2 to be a qualifying project under the Criteria Regulations. The tCSNP2 and WCN2 consultation document provide details of the assessment and NESO's rationale for discounting or progressing particular projects. We do not have concerns with the approach NESO has undertaken to identify WCN2, however for the purposes of transparency we encourage NESO to share any further details of its assessment with the TOs, where appropriate.
- 2.29 The CBA was developed by NESO following extensive stakeholder engagement and benchmarking analysis. Ofgem consulted on the CBA methodology in February 2024<sup>17</sup> and the CBA applied by NESO was in accordance with Ofgem's CBA decision in July 2024.<sup>18</sup> Details of the benchmarks used and assumptions

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<sup>15</sup> [Future Energy Scenarios \(FES\) | National Energy System Operator](#)

<sup>16</sup> [Onshore electricity transmission early competition: first project | Ofgem](#) Chapter 4

<sup>17</sup> [Early Competition in onshore electricity transmission networks: policy update | Ofgem](#)

<sup>18</sup> [Decision on Early Competition in onshore electricity transmission networks: policy update | Ofgem](#)

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made by NESO are available on NESO's website.<sup>19</sup> We agree with the TOs that the CBA should be regularly updated and based on up-to-date assumptions, and while we acknowledge that TOs may disagree with some of the assumptions made in the model, we have not seen any evidence that the CBA is materially flawed or produced inaccurate or misleading results.

- 2.30 Regarding the request to align the qualitative assessment with NESO's multi-criteria assessment (see para 2.12 above), we recognise that the multi-criteria assessment needs to be considered when NESO recommends any project, however the CBA is to determine whether there is likely to be more benefit delivering a project through a CATO rather than a TO. The multi-criteria factors appear agnostic to which party ultimately delivers the project, so it is not clear incorporating these into the qualitative assessment adds value to that assessment.

*'SPT concerns with WCN2'*

- 2.31 We do not agree with SPT's analysis that WCN2 does not meet any of the relevant criteria required for onshore competition under the Criteria Regulations. The criteria are defined in the regulations themselves,<sup>20</sup> and we set out our views of the applicability to WCN2 below:

- **Novelty criterion:** The overhead lines and substation requested by NESO within the scope of the proposed tender constitutes 'wholly new' infrastructure. While some of the scope of WCN2 as submitted by SPT does involve uprating of existing circuits, this component was not included in NESO's request.
- **Separability criterion:** The scope of the project is from an interface point in the north and a further interface point in the south, with a turn-in to an interface point in the east. Only assets required to construct WCN2 are used to transmit electricity between the interface point, therefore we consider the solution is clearly distinguishable from any other part of the transmission system.
- **Consumer benefit criterion:** The CBA methodology was decided by Ofgem in summer 2024 and applied in accordance with the methodology, with a positive result for tendering WCN2.

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<sup>19</sup> <https://www.neso.energy/document/301781/download>

<sup>20</sup> Criteria Regulations, regulations 4-7.



- 2.32 Network Need criterion:** As set out in our consultation paper, there is uncertainty around what NESO’s coordinated network plan will look like in the tCSNP2 Refresh. We acknowledge that WCN2 was required in all four FES 2024 scenarios in the tCSNP2, however there is a risk that the background assumptions the tCSNP2 is based on (FES 2024) could look materially different following implementation of the Clean Power Plan 2030, publication of the SSEP and implementation of Balancing Mechanism, REMA and connection reforms. Further consideration of the project need is provided in Chapter 4.
- 2.33 We note SPT’s concerns regarding its ability to efficiently and effectively discharge its obligations under the Electricity Act 1989. However, it is not clearly apparent to us why running a competitive tender of a component of WCN2 in accordance with regulations made under the Electricity Act 1989 would mean SPT could not discharge its duty to develop and maintain an efficient, coordinated and economical network.
- 2.34 We agree with SPT that WCN2 is likely to be an important network reinforcement of the B6 boundary and is located at a key part of the MITS for transmitting power flows south from Scotland. However, we disagree with the assertion that a CATO delivering this project would impact the resilience of the system or cause delays and security of supply issues. Assets installed must be Security and Quality of Supply Standard (SQSS)<sup>21</sup> compliant and in accordance with the standards set out across the industry codes, and independent deliverability analysis from AECOM<sup>22</sup> suggests that the project could potentially be delivered earlier by a CATO than by the incumbent TOs.
- 2.35 The onshore competition framework has been in development for a number of years with various consultations and policy decisions published by Ofgem and NESO. We expect to publish our final decisions on all elements of the legislative and licensing frameworks, as well as industry code modifications and the commercial framework, over the coming months and all decisions will be made well in advance of the first tender. Accordingly, we consider the full framework will be well understood by TOs and potential bidders by the time the first tender is commenced.
- 2.36 We are introducing onshore competition in the context of ambitious government Net Zero targets and, following the introduction of the Accelerated Strategic

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<sup>21</sup> [Security and Quality of Supply Standard \(SQSS\) | National Energy System Operator](#)

<sup>22</sup> [AECOM](#) – NESO contracted AECOM as consultants to undertake independent deliverability analysis on its behalf

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Transmission Investment (ASTI) framework in 2022, want to maintain our focus on delivering projects at pace and not causing regulatory uncertainty and delay. We do not consider it in TO, consumer or industry's interest to delay a decision on WCN2 until all wider framework decisions have been made as the specific details of those decisions do not impact whether or not WCN2 is a qualifying project for onshore competition in accordance with the Tender Regulations, which is the specific decision Ofgem is making.

## **Attractiveness of WCN2 to potential investors and bidders**

### **Summary of responses**

- 2.37 In general, (non-TO) respondents consider WCN2 to be an appropriate first project in onshore competition, providing the terms of the commercial framework are suitably appealing and the scope of tendered work does not reduce. Respondents recognised potential consenting issues across different planning regimes and current interface uncertainty, however they consider these issues to be manageable.
- 2.38 One respondent queried whether construction companies (as opposed to investors/operators) would be interested, noting that if only a small number of Engineering, Procurement and Construction (EPC) contractors enter the process then construction costs could increase.
- 2.39 One respondent suggested that it may be more beneficial to procure construction and operation finance separately, while another proposed that the tender takes place earlier and on the basis of the network need rather than an indicative network solution. Other respondents raised issues regarding the commercial framework and the impact of that on the attractiveness of WCN2 to potential bidders, including management of unclear/uncapped risk and the importance of risk predictability and capping to secure more competitive bids.
- 2.40 A TO considered WCN2 will be unattractive to potential bidders due to insufficient detail regarding the project scope and financial arrangements, and stated that decisions on the Tender Regulations, industry codes, licences and the commercial framework should be made prior to approving a project for tender. The TO further noted that the Tender Regulations require an assessment from the Delivery Body that there will be sufficient competition, which it does not consider possible until the full early competition framework is finalised and risk exposure is understood. Another TO stated there was not enough information available to take a view on the attractiveness of WCN2 to potential bidders.

**Decision** –Onshore competition in electricity transmission: Decision on the first project to be competitively tendered

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Ofgem consideration of responses

- 2.41 We acknowledge the general comment from respondents that WCN2 appears an appropriate first project (subject to terms of the commercial framework) for onshore competition. The complexity outlined in the consultation was acknowledged by respondents however nothing in these responses suggest to Ofgem that the complexity is such that potential bidders and investors would be deterred from participating in a tender.
- 2.42 We understand the potential supply chain risk if major Original Equipment Manufacturer (OEM) contractors do not wish to engage with CATOs, however feedback from respondents is that supply chains can be secured (and indeed new supply chains potentially introduced) in time to ensure the timely delivery of WCN2. Ability to secure supply chains and deliver on time remains a live issue for Ofgem and government, and we will continue to consider what further actions can be taken to ensure CATOs are able to procure suppliers and deliver projects on time given that CATOs will not be eligible to utilise the forthcoming Advanced Procurement Mechanism.<sup>23</sup>
- 2.43 We recently consulted on the details of the onshore competition commercial framework<sup>24</sup> and are currently working to finalise our position on the different elements of the model. We note the comments in response to this consultation that the commercial framework will be key in determining whether or not parties will bid, and our consideration of stakeholder views on the commercial model will be set out in that decision.
- 2.44 We acknowledge the view from one TO that WCN2 will be unattractive to potential bidders, however this view is at odds with the responses received from potential bidders, who we consider are better positioned to assess the attractiveness of WCN2 to the market.

## **Future project pipeline**

### **Summary of responses**

- 2.45 The majority of respondents emphasised the importance of having a clear and stable future pipeline of projects for the onshore competition regime to be a success and deliver consumer benefits, as a pipeline ensures continuous opportunities for contractors, drives innovation and strengthens market

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<sup>23</sup> [Electricity Transmission Advanced Procurement Mechanism | Ofgem](#)

<sup>24</sup> [Consultation on the onshore electricity transmission Early Competition commercial framework | Ofgem](#)

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**Decision** –Onshore competition in electricity transmission: Decision on the first project to be competitively tendered

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participation. Some respondents also stated that without a clear project pipeline and regulatory commitment to competition beyond WCN2, bidders may choose not to enter the first tender.

- 2.46 Two respondents broadly agree with NESO’s approach to identify further projects from the ‘asset classification’ decisions and the tCSNP2 Refresh (and enduring Centralised Strategic Network Plan (CSNP)<sup>25</sup>), with a view that projects should be well-assessed and aligned with industry’s broader energy and net zero objectives.
- 2.47 In general, respondents (including TO respondents) requested clarity around NESO’s assessment criteria for identifying potential pipeline projects. TO respondents submitted that there is a lack of transparency around NESO’s current CBA and project identification process, with one TO suggesting NESO should consult on the metrics used for recommendations and assessment against the Criteria Regulations, and another requesting assessment assumptions and methodologies are shared to foster trust and accountability.
- 2.48 Some respondents requested NESO/Ofgem develop a clear methodology for identifying and approving pipeline projects, citing the importance of this in allowing participants to prepare consortia and structure multiple bids. Some respondents also encouraged NESO to accelerate its competition assessment to ensure there is no delay to project delivery.
- 2.49 A TO respondent requested clarity on the process and governance around competition assessments on projects that reach maturity outside of the Network Options Assessment (NOA)<sup>26</sup> cycle, and also that decisions on ‘asset classification’ projects will be made following assessment of the TO-submitted project delivery plan as per their ‘Provisional ASTI’ status in the ASTI decision/guidance.

Ofgem consideration of responses

- 2.50 We acknowledge the widely expressed view amongst respondents that a clear and stable pipeline of potential projects will be critical in potential bidders deciding whether to commit resources into bidding. We also accept the general point that to maximise consumer benefit and deliver on the objectives of introducing onshore competition there needs to be a sufficient amount of work to maintain the competitive pressure to drive down costs. Ofgem is not currently in a position to make decisions on the specific projects in a future pipeline due to (i)

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<sup>25</sup> [Decision on the framework for the Future System Operator’s Centralised Strategic Network Plan | Ofgem](#)

<sup>26</sup> [Network Options Assessment \(NOA\) | National Energy System Operator](#)

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**Decision** –Onshore competition in electricity transmission: Decision on the first project to be competitively tendered

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needs case uncertainty ahead of the tCSNP2 Refresh means it is currently difficult to satisfy the 'Need' criterion under the Criteria Regulations, and (ii) under the Tender Regulations NESO must make a request to tender a specific project before it can be included in a pipeline, and WCN2 is the only project currently being requested for competitive tender.

- 2.51 However, we are supportive of NESO's proposed approach to assess the 'asset classification' projects for their suitability for competition followed by assessment of tCSNP2 Refresh projects (and CSNP projects on an enduring basis). We encourage NESO to align its assessments where possible with the publication of its updated network designs and minimise any period of uncertainty around project delivery bodies.
- 2.52 We agree with respondents that clarity and transparency around NESO's project identification assessment is important and that projects should be selected on a known and consistent basis. As such, we will work with NESO to develop a methodological approach to assessing and recommending future projects for onshore competition and the basis upon which it will make recommendations to Ofgem.
- 2.53 We note a TO response requesting clarity on the process and governance around competition assessments on projects that reach maturity outside of the NOA cycle. We agree this is worthwhile and clarity from NESO around how projects identified outside of the NOA cycle will be assessed for competition would be welcome.

### 3. Additional WCN2 information provided by respondents and funding approach

#### Section summary

This section summarises additional information in respect to WCN2 provided by respondents and details submissions on our proposed funding approach to WCN2 and our response.

#### Questions

- Q4. Is there any additional information in respect of WCN2 that Ofgem should consider before making our decision on NESO's Stage Gate 1 request to tender a sub-component of WCN2?
- Q5. Do you agree with our proposed approach to approving and funding the components of WCN2 that NESO is not requesting are tendered?

#### Background

- 3.1 In our consultation document we set out our initial views on NESO's request to competitively tender a sub-component of WCN2, setting out our consideration of the project needs case, the scope of work and the impact on connections related to the project. We noted the strong connection drivers and the project's requirement across all FES 2024 scenarios, however we also highlighted risk approving the project needs case ahead of confirming the need at the tCSNP2 Refresh. Further information regarding Ofgem's initial views is in Chapter 4 of the consultation document.<sup>27</sup>
- 3.2 We also set out our proposed approach to fund the non-tendered components of WCN2 should we accept NESO's request. If NESO's request to tender a sub-component of WCN2 progressed to tender, we proposed to accept the project needs case for WCN2 as a whole and to not re-assess the needs case as part of the tCSNP2 Refresh. We also proposed that development of the non-tendered components of WCN2 are funded in accordance with the tCSNP2 Development Track.<sup>28</sup>

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<sup>27</sup> [Onshore electricity transmission early competition: first project | Ofgem](#) Chapter 4

<sup>28</sup> [Funding and approval framework for onshore transitional Centralised Strategic Network Plan 2 projects: decision | Ofgem](#) Chapter 3

## **Additional information on WCN2 for Ofgem to consider**

### **Summary of responses**

- 3.3 Respondents raised a number of issues for Ofgem to consider in addition to the questions specifically consulted on. A common theme was the need for further information regarding the detailed project scope, specifically around the interfaces with NGET and SPT's network. The responses highlighted the need for effective coordination between TOs and CATO to mitigate delays as the project progresses.
- 3.4 One respondent stated that Ofgem need to consider how sensitive the needs case for WCN2 is to any changes in generation assumptions, while another requested that Ofgem consider the risk and impact of any delay to the tender process.
- 3.5 Some respondents stated that while the project itself seems appropriate for tender, the terms of the commercial framework will be the key determinant in whether they decide to bid.
- 3.6 SPT requested information from Ofgem on how it intends to direct any stop to development of WCN2 should the project be tendered. SPT also sought clarity as to why Ofgem consider WCN2 more suitable than other projects (such as CMN3/CLN2) or why BKUP was excluded due to scope for acceleration, while this was not the case for WCN2. SPT also submitted that it was not clear how NESO's EISD assumptions had been formed or whether they were endorsed by Ofgem.

### Ofgem consideration of responses

- 3.7 We agree that further work is required to develop WCN2. SPT has been funded as part of the tCSNP2 decision<sup>29</sup> to develop the project through to the end of 2025 ahead of the tCSNP2 Refresh.
- 3.8 Regarding consultation responses that address the project needs case for WCN2 and its treatment in the tCSNP2 Refresh, we provide our detailed view on the needs case justification in Chapter 4 below.
- 3.9 Should a project proceed to tender Ofgem's intention is that it will direct the relevant TO to cease further expenditure (beyond demobilisation costs), however existing licence obligations in the TO's Transmission Area (specifically around considering connection requests) will remain in effect unless directed otherwise by Ofgem. We recognise that different projects have different characteristics and

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<sup>29</sup> [tCSNP2 decision](#) Chapter 3

the nature of the direction to cease further expenditure will need to reflect the particular circumstances of the tender. Ofgem will further engage with TOs and NESO to understand the steps TOs must take to give effect to any Ofgem direction to cease expenditure and how related connections can be managed in the period between announcing a project for tender and identification of a preferred bidder.

## **Approach to approving/funding the non-tendered component of WCN2**

### **Summary of responses**

- 3.10 Most respondents agree with the proposed approach to approving and funding the non-tendered components of WCN2, highlighting its alignment with the broader project objectives. The tCSNP2 Development Track is widely seen as a sensible method for ensuring these components are delivered in a timely and efficient manner, particularly for those components connected to existing projects. One respondent suggested considering delivery incentives on the non-tendered components to encourage timely and coordinated delivery.
- 3.11 However, TO respondents expressed concern regarding regulatory uncertainty and its potential impact on the wider project. They emphasised the need for a clear and robust regulatory framework to define roles, manage interdependencies and reduce risks.
- 3.12 A number of respondents emphasised the importance of stakeholder collaboration, transparent funding mechanisms and a coherent timeline for project delivery, with alignment between tendered and non-tendered components seen as critical to minimising delays and delivering on time.
- 3.13 Two TO respondents highlighted risk approving any component of WCN2 ahead of the tCSNP2 Refresh and requested that the project is assessed as part of that network plan before confirming the needs case, to ensure a level playing field with other tCSNP2 projects with an ESO maturity rating of 1.

### Ofgem consideration of responses

- 3.14 We agree with respondents that it is important all components of WCN2 are delivered in a timely manner and not just the part requested for tender, and also agree aligning funding mechanisms to aid coordinated project delivery is a sensible approach. TOs received Initial Development Funding to continue development of all components of WCN2 until the end of 2025 with a Price Control Deliverable (PCD) attached, we expect the PCD to be delivered on time



**Decision** –Onshore competition in electricity transmission: Decision on the first project to be competitively tendered

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and therefore our decision should not cause delay to the development of any non-tendered component of WCN2.

- 3.15 More generally in future, where NESO requests to tender a sub-component of an existing design, we would like to see how the remainder of the project is intended to be treated from a network planning perspective (for example, updated NOA code or scope changes to other existing options).
- 3.16 We understand the need for regulatory certainty and confirmation of project need and delivery body to give TOs confidence to incur development expenditure and progress tCSNP2 projects at pace. As such, we encourage NESO to minimise the time between NESO publishing updated network plans (i.e., tCSNP2 Refresh / CSNP) and making requests to tender eligible onshore projects. As explained in the tSNP2 consultation, we intend to make decisions on project delivery body and funding arrangements following publication of the tCSNP2 Refresh next year.
- 3.17 We note the comment from TO respondents that approving WCN2 ahead of the tCSNP2 Refresh could create an unlevel playing field with other projects in the tCSNP2 with a maturity rating of 1. The consultation sought information from stakeholders on whether making a departure from the general tCSNP2 approach for immature projects is justified in the case of WCN2, and whether the risk of doing so is justified when considering the wider benefits introducing onshore competition can bring to consumers. We set out our decision on the regulatory treatment of all components of WCN2 in Chapter 4 below.

## 4. Policy decision on needs case for WCN2

### Section summary

This section details our policy decision on the needs case for WCN2 and next steps.

### Ofgem policy decision

- 4.1 Following careful consideration of all responses to the consultation we consider that NESO identified a strong potential project for the first onshore early competition competitive tender. In terms of its applicability to the Criteria Regulations, WCN2 would be a new project, it can be designed to meet the separability criterion, and the CBA carried out indicates that onshore competition is likely to deliver consumer savings if applied to this project.
- 4.2 Our consultation explained the additional considerations around the robustness of the needs case that remain relevant for considering WCN2 for early competition and sought feedback from respondents on the extent to which the project would be suitably attractive to potential bidders.
- 4.3 In our view, at this point in time, we are not able to confirm the needs case for the subcomponent of WCN2 largely due to uncertainty of the impact of the tSCNP2 Refresh and SSEP on network requirements.
- 4.4 In addition, whilst (non-TO) respondents to the consultation did not raise significant concerns around the complexity of the interfaces on the project, we recognise that the project has particular challenges around consenting across different planning regimes and managing interactions with interlinked SPT and NGET projects.
- 4.5 One of the reasons we sought views on the sub-component of WCN2 was because, should WCN2 proceed to tender, it would be the first of its kind in onshore electricity transmission. Prospective bidders have emphasised the importance of ensuring that the CATO regime delivers a pipeline of projects to drive confidence in the model. We consider ensuring that the first project can garner maximum bidder appetite is an important step in building this future pipeline.

### Needs case for WCN2 sub-component

- 4.6 Our view is that, at this point in time, we are not able to confirm the needs case for the subcomponent of WCN2 until we have seen the output of the tSCNP2 Refresh, as there is a risk that WCN2 is not required or an alternative option

**Decision** –Onshore competition in electricity transmission: Decision on the first project to be competitively tendered

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could be recommended that could meet the boundary capability requirements across the B6 boundary more efficiently than WCN2.

- 4.7 This aligns with our policy position in the tCSNP2 decision that we are not yet able to confirm the needs case for projects recommended in the tCSNP2 with an ESO maturity rating of 1 (which is the case for WCN2) until they have been further developed and tested by NESO as part of the tCSNP2 Refresh.<sup>30</sup>
- 4.8 We welcome the response from industry that the project looks suitably appealing to potential bidders and investors and that industry participants consider timely delivery through a CATO to be achievable. However, it is also important to have reasonable certainty of project need to avoid potential bidders incurring costs mobilising bidding teams and developing a project that we may need to cancel should the needs case fall away.
- 4.9 We recognise the strong connection drivers for WCN2 identified by NESO and potential for regional generation to connect should some of the currently anticipated generation fall away. However, in our view, it is not currently possible to say with confidence what the generation mix and location will be following connections reform and publication of the SSEP. We consider there is a chance that the scope of WCN2 (or the optimal delivery date) may look quite different post these developments. As such, locking in the design at this point in time and not re-testing at the tCSNP2 Refresh may result in a suboptimal network design, the cost of which could outweigh any consumer benefit of tendering WCN2.

## **Next steps**

- 4.10 Following the Tender Regulations coming into force,<sup>31</sup> we will make our formal determination under regulation 6(3) of the Tender Regulations regarding whether NESO's request to competitively tender a sub-component of WCN2 is a 'qualifying project' for the purposes of the Tender Regulations.
- 4.11 Our policy decision on the needs case for this sub-component of WCN2 will inform our formal determination. As set out at paragraph 1.4 above, our determination under regulation 6(3) requires that we are satisfied that each of the requirements in paragraph 1 of Schedule 1 are met. One of those requirements is that we are satisfied with the assessment of how the project meets each of the relevant

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<sup>30</sup> To note that this does not mean Ofgem will not approve the needs case for onshore projects recommended in the HND / HND FUE (the 'asset classification' projects) as these options are not being re-tested in the tCSNP2 Refresh

<sup>31</sup> The Tender Regulations will come into force on April 25<sup>th</sup> 2025

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**Decision** –Onshore competition in electricity transmission: Decision on the first project to be competitively tendered

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criteria under the Criteria Regulations, which includes the 'Network Need criterion' that requires the project's electricity solution to be capable, with reasonable certainty, of addressing a 'network need' (a constraint or requirement on the transmission network).

- 4.12 If our formal determination is that WCN2 is not a 'qualifying project' for competitive tender, there will be no requirement to break down WCN2 into sub-components and the project can be developed by SPT and NGET in accordance with our tCSNP2 decision. This would mean that the TOs have been funded to develop WCN2 until the end of 2025 with more material funding decisions made following options assessment and needs case confirmation at the tCSNP2 Refresh.
- 4.13 In respect to NESO's approach to identifying potential projects for tender, Ofgem is committed to introducing competition in onshore transmission and agrees with NESO's approach of identifying potential projects from the 'asset classification'<sup>32</sup> projects and the tCSNP2 Refresh. We will consider any request from NESO to tender further projects in accordance with requirements set out in Schedule 1 of the Tender Regulations. We will engage further with NESO to understand how it will assess these projects and the basis upon which it will make further tender requests to Ofgem.
- 4.14 Ofgem and NESO are continuing to develop and finalise the onshore competition framework, as legislated for in the Energy Act 2023.<sup>33</sup> The Tender Regulations have now been made<sup>34</sup> and will come into force on April 25<sup>th</sup> 2025. We intend to publish decisions on the commercial framework, the TO licence modifications and industry code modifications shortly. We also intend to publish a consultation on the generic CATO licence in Spring 2025, which will form the basis of the licence that can be awarded to a successful CATO. This will set out the obligations on a CATO and the processes to apply the commercial framework.
- 4.15 Government is also committed to increasing competition in electricity networks and is keen that the first onshore competitive tenders can be launched as quickly as possible. Government is supportive of Ofgem and NESO agreeing a timeline to select an alternative first project and establish a schedule of tenders for future projects.

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<sup>32</sup> NESO intends to assess these projects for their suitability for onshore competition and make any request to run a competitive tender during 2025.

<sup>33</sup> [Energy Security Bill factsheet: Competition in onshore electricity networks - GOV.UK](#)

<sup>34</sup> [www.legislation.gov.uk](http://www.legislation.gov.uk), Tender Regulations

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