

Call for input

OFTO Build: Ways Forward for an Early Competition Model

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In December 2024, we published our views on the feedback received from our April 2024 ‘Consultation on initial proposals for an OFTO build model to deliver non-radial offshore transmission assets’ (the **April 2024 Consultation**). We also provided an update on our intention to shift away from late competition, in favour of developing an early competition OFTO build model.

To better aid model development, we sought to identify projects in the Holistic Network Design (HND) or Holistic Network Design Follow-Up Exercise (HNDFUE) that may be suitable before being taken forward as pilot projects under an early competition OFTO build model.

This publication informs industry of developments regarding the status of the search for a pilot project and presents key issues relating to the development of an early competition model informed by engagement with stakeholders. The engagement enables us to set the direction for the development of the OFTO build model for facilitating offshore coordination.

This publication seeks to gauge views on ways forward as well as the characteristics of some initial early competition offshore regime proposals.

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Executive summary

This publication provides an update on Ofgem’s work to develop an early competition Offshore Transmission Owner (**OFTO**) build model for non-radial projects, following our December 2024 policy update¹ (the **December Policy Update**). It outlines the outcomes of our engagement with stakeholders, our assessment of potential pilot projects, and our next steps in progressing towards an early competition OFTO build regulatory framework as a build option targeting non-radial assets.

While we have not identified a suitable pilot project to aid the development of the early competition OFTO build model, our engagement has provided valuable insights into the challenges and opportunities associated with an early competition OFTO build model, including the need for greater cooperation between generators, OFTOs, Original Equipment Manufacturers (OEMs) and other stakeholders, the importance of regulatory clarity, and the potential benefits of utilising some elements of the recently developed onshore Competitively Appointed Transmission Owner (**CATO**) commercial model.²

In light of these findings, we are now focusing on developing a robust early competition OFTO build model ahead of project identification alongside initial ideas on a new centralised tender approach. This approach will provide stakeholders with early visibility of the framework and support the delivery of non-radial assets.

This publication sets out:

- Our reflections and learning from the pilot project engagement process.
- Key features and design considerations for an early competition OFTO build model for non-radial assets.
- Our views on a centralised approach to the model, including the potential for a central body to trigger non-radial OFTO build tenders.
- Opportunities for alignment with some aspects of the onshore early competition (CATO) model.
- How the new concept of coordination in NESO’s draft methodology on the CSNP will be considered in the OFTO build model.

We welcome stakeholder feedback on the proposals and questions set out in this document. Our aim is to complete the development of the early competition OFTO build model before future offshore transmission projects are identified in NESO’s network design through the Centralised Strategic Network Plan (CSNP).

¹ [OFTO build model: policy update | Ofgem](#)

² [Decision and updated policy position on the onshore electricity transmission Early Competition commercial framework | Ofgem](#)

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1. Introduction

This section outlines the background to the early competition OFTO build model and context of the past publications. This section also includes developments since the last publication and highlights what is in this publication.

Background

- 1.1 Ofgem has been developing an OFTO build delivery model to facilitate offshore coordination and the build of non-radial assets. Our March 2023 publication (our **March 2023 Decision**)³ sets out our decision on delivery models to give generators the choice of either a very late competition generator build model, or a late competition OFTO build model for the delivery of non-radial offshore transmission assets.
- 1.2 We consulted in April 2024⁴ on our initial proposals for the development of a late OFTO build model for non-radial in-scope projects.⁵
- 1.3 The majority of the feedback received for our April 2024 Consultation indicated a preference for earlier OFTO involvement in the project development process because respondents considered this to better address potential cooperation and interface issues between multiple generators, OFTOs and supply chain. Stakeholders generally did not favour ownership transfer in the middle of project development.
- 1.4 Subsequently, we published the December Policy Update – here we announced a move away from late competition to an early competition OFTO build model, outlined our desire to engage with market participants, and said we would aim to ascertain whether there are suitable pilot projects.
- 1.5 An early competition OFTO build model is a regulatory approach that aims to facilitate offshore coordination by providing an option for generators on how the offshore electricity transmission infrastructure for each project is delivered in addition to the current generator build model. Unlike late competition models – where competition occurs after the preliminary works are completed – this model introduces competition earlier in the process, before the preferred solution is fully designed. The aim is to allow market participants to propose innovative and cost-effective solutions to meet identified network needs.

³ [Decision on Pathway to 2030 | Ofgem](#)

⁴ [Consultation on initial proposals for an OFTO Build model to deliver non-radial offshore transmission assets | Ofgem](#)

⁵ In-scope projects referred to non-radial assets included within the scope of the HND and HND FUE (including the floating wind projects in the Celtic Sea).

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- 1.6 By engaging bidders earlier, the model seeks to unlock greater innovation, reduce costs, reduce interface issues – both between multiple generators and between generators and OFTOs – improve offshore coordination, and ultimately benefit consumers while supporting the UK’s transition to a low-carbon energy system. The early competition OFTO build model will be an additional transmission asset building tool alongside the generator build model, which has been used for offshore transmission assets to date.

What has happened since our last publication?

- 1.7 Since our previous publication in December 2024, Ofgem has continued to develop the early competition OFTO build model, with a focus on ensuring it aligns with the evolving needs of the offshore transmission landscape. We have undertaken the following key activities:
- **Stakeholder Engagement:** We have engaged extensively with a range of industry stakeholders, including existing and potential OFTO bidders, offshore generators, NESO, the Department for Energy Security and Net Zero (DESNZ), and other relevant parties across the regulatory and policy landscape. These discussions have focused on the potential for a pilot project, broader challenges in facilitating coordination and general supply chain challenges.
 - **Pilot Project Assessment:** We have explored the feasibility of launching a pilot non-radial OFTO build project. This included considering a number of potential future projects as candidates for a pilot project, defining the objectives and potential learnings of a successful pilot, and evaluating whether to proceed.
 - **Strategic Fit and Regulatory Framework:** We have considered how OFTO build can be integrated into the broader regulatory framework, including its interaction with other Ofgem workstreams. This has informed our approach to shaping a long-term OFTO build model that supports coordination, system needs, and the delivery of network plans as set out by NESO.
 - **Learnings from the Onshore Early Competition Framework:** Having identified the onshore electricity transmission early competition framework as a valuable reference point, where appropriate, we have engaged with the relevant organisations to identify ways we can accelerate the development of OFTO build.
 - **Draft CSNP methodology:** Since the Offshore Transmission Network Review (OTNR), Ofgem has indicated an intention to develop an OFTO build model for non-radial assets that better facilitates coordination. In the CSNP Draft Methodology for Consultation, NESO introduces a broad concept of coordination. The NESO consultation identifies a range of potential

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coordinated design options, which includes electrically coordinated, and spatially coordinated designs. While the consultation on the methodology is ongoing, and the final CSNP design is not yet known, we intend to develop an OFTO build model that aims to deliver non-radial assets. Once the details of the CSNP are available, we intend to explore the applicability of the model across all assets.

What is in this publication?

1.8 This document provides an update on our work since the December 2024 Policy Update publication and sets out our current thinking on the development of the early competition OFTO build model. It includes:

- **Findings from our pilot project engagement and wider stakeholder discussions:** We present the outcomes of our engagement with stakeholders regarding the feasibility of launching a pilot project under the early competition OFTO build model. We also outline the valuable insights the process provided into the conditions required for early competition to succeed.
- **Initial thinking on the OFTO build regime:** We outline our early thinking on the development of an early competition OFTO build model and our intentions to develop the model ahead of project identification. We explore how the model could support the build of non-radial assets and explore how OFTO build can draw from the onshore early competition (CATO) framework.
- **Next steps:** We outline what our next phase of work will focus on. This includes collaboration with NESO, further stakeholder engagement and development of detailed policy proposals for an early competition OFTO build model.
- **Stakeholder questions:** We invite stakeholder views on key aspects of the OFTO build policy framework. This includes feedback on the use of principles of the onshore early competition model, and how OFTO build can best facilitate the build of non-radial assets, potentially through a centralised tender approach.

Definitions

1.9 For the purpose of this publication, the following definitions apply:

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1.10 A radial transmission asset is where the asset is constructed for the purpose of transporting offshore-generated power from a single generating station.⁶

1.11 A non-radial transmission asset is where the asset is constructed for the purpose of transporting offshore-generated power from more than one generating station.⁷

Related Publications

1.12 Other publications related to this consultation include:

- Ofgem, Minded-to Decision and further consultation on Pathway to 2030 - [Minded-to Decision and further consultation on Pathway to 2030](https://www.ofgem.gov.uk/minded-to-decision-and-further-consultation-on-pathway-to-2030) ([ofgem.gov.uk](https://www.ofgem.gov.uk)), May 2022.
- NESO, The Pathway to 2030 Holistic Network Design - [A Holistic Network Design for Offshore Wind](https://www.neso.co.uk/a-holistic-network-design-for-offshore-wind), July 2022.
- Ofgem, Revised Minded-to Decision and further consultation on delivery models in Pathway to 2030 – [Revised Minded-to Decision and further consultation on Pathway to 2030](https://www.ofgem.gov.uk/revised-minded-to-decision-and-further-consultation-on-pathway-to-2030) ([ofgem.gov.uk](https://www.ofgem.gov.uk)), December 2022.
- Ofgem, Decision on Pathway to 2030 – [Final Decision on Pathway to 2030](https://www.ofgem.gov.uk/final-decision-on-pathway-to-2030) ([ofgem.gov.uk](https://www.ofgem.gov.uk)), March 2023.
- Ofgem, initial proposals for an OFTO Build model to deliver non-radial offshore transmission assets – [Consultation on initial proposals for an OFTO Build model to deliver non-radial offshore transmission assets](https://www.ofgem.gov.uk/consultation-on-initial-proposals-for-an-ofto-build-model-to-deliver-non-radial-offshore-transmission-assets) ([ofgem.gov.uk](https://www.ofgem.gov.uk)), April 2024.
- Ofgem, Offshore Transmission Network Review: Decision on asset classification for Holistic Network Design Follow Up Exercise – [Offshore Transmission Network Review: Decision on asset classification for Holistic Network Design Follow Up Exercise](https://www.ofgem.gov.uk/offshore-transmission-network-review-decision-on-asset-classification-for-holistic-network-design-follow-up-exercise) ([ofgem.gov.uk](https://www.ofgem.gov.uk)), April 2024.
- Ofgem, Decision and updated policy position on the onshore electricity transmission Early Competition commercial framework – [Decision and updated policy position on the onshore electricity transmission Early Competition commercial framework](https://www.ofgem.gov.uk/decision-and-updated-policy-position-on-the-onshore-electricity-transmission-early-competition-commercial-framework) ([ofgem.gov.uk](https://www.ofgem.gov.uk)), July 2025.
- Ofgem, OFTO build model: policy update – [OFTO build model: policy update](https://www.ofgem.gov.uk/ofto-build-model-policy-update) ([ofgem.gov.uk](https://www.ofgem.gov.uk)), December 2024.

⁶ NESO, Centralised Strategic Network Plan Draft methodology for consultation (June 2025) (page 62)

⁷ Offshore Transmission Network Review: Decision on asset classification (Oct 2022) (page 4)

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- [NESO, Centralised Strategic Network Plan Draft methodology for consultation \(June 2025\)](#).

How to respond

- 1.13 We want to hear from anyone interested in this call for input. Please send your response to the person or team named on the front page of this document before the response deadline.
- 1.14 We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.
- 1.15 We will publish non-confidential responses on our website.

Your response, data, and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 2.

If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

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How to track the progress of a call for input

1. Find the web page for the call for input you would like to receive updates on.
2. Click 'Get emails about this page', enter your email address and click 'Submit'.
3. You will receive an email to notify you when it has changed status.

A call for input has two stages: 'Open' and 'Closed'.

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2. Pilot project engagement

This section sets out the results of Ofgem's engagement in the search for a pilot project. We have not identified a suitable pilot project that would facilitate the development of an OFTO build model. However, the engagement was successful in informing us of some basic principles and key elements of the early competition OFTO build model.

Approach to engagement

- 2.1 Since the December Policy Update, Ofgem has engaged with offshore windfarm generators, current OFTOs, potential new OFTO entrants and wider stakeholders to assess the feasibility of progressing a non-radial project as an OFTO build pilot. We also explored key areas of development for a robust OFTO build regulatory framework.
- 2.2 We began our approach with broad, exploratory conversations to understand stakeholder perspectives on early competition and the role of OFTO build. As our thinking developed, we moved towards more targeted discussions focused on specific pilot project opportunities and delivery challenges.

Pilot Project

- 2.3 At the outset, we identified HNDFUE projects as potential candidates for a pilot. These network designs presented multiple non-radial configurations, which aligned well with the objectives of the OFTO build regime.
- 2.4 The discussion with generators of the relevant projects was aimed at understanding whether a pilot could be delivered in a way that would meaningfully inform the design of an early competition OFTO build regime.
- 2.5 From the engagement, there was a clear interest in the early competition OFTO build model and in exploring the potential for a pilot project. Several generators recognised that developing an offshore network using an early competition OFTO build model should deliver significant benefits for both the system and consumers. They viewed it as an attractive proposition because non-radial connections potentially require less infrastructure and improve system efficiencies, have a more limited impact on the environment and communities, and provide enhanced system resilience through reducing onshore reinforcement needs and ensuring alternative routes for electricity exports.
- 2.6 At the project level, generators would like to consider OFTO build as an option because it means generators would no longer need to design and build the transmission asset they would not eventually own or operate. They could concentrate their resources, including workforce and capital, on developing the offshore windfarms which is their core business. This has become an important

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consideration for generators because the scale of transmission assets has grown, and the cost of capital has increased over the last few years.

2.7 However, we have observed the following challenges for a pilot OFTO build model project:

- **Timelines:** Any potential OFTO-build pilot on HNDFUE projects would serve offshore wind farms which already have agreed connection dates, and the delivery schedules are tight, having regard to the lead time to engage with the supply chain. In some cases, the timelines could have required generators to enter the supply chain queue and novate contracts to an OFTO. This was however not compatible with a core benefit of running an early competition tender – to reduce interface between generators and OFTOs, and to allow the OFTO to confirm the final detailed design.
- **Decision-making:** There was a lack of an effective mechanism for multiple generators connected to the same asset to make decisions about the choice of delivery model. Generators are competitors and may have conflicting interest in making decisions related to network development.
- **Preference for certainty:** Given the time pressure to connect, relevant generators prioritised choices that provide greater certainty for delivery. Generators were more inclined to pursue well developed and established options, rather than using a pilot model.
- **Design evolution:** In the current regime, generators retain control over the detailed network design of their projects. They can propose, with suitable evidence, a reversion to a radial connection, which is evaluated through an impact assessment process conducted by NESO. This has provided generators further options to build the transmission assets using the prevalent generator build option.
- **OFTO availability:** Some generators were uncertain about the immediate availability of capable OFTOs willing to take on delivery responsibilities under an early competition model. They wanted to have visibility of the tender criteria to ensure that the bidding entities were rigorously selected through a robust pre-qualification process.
- **Bid cost:** Some potential OFTO bidders expressed reservation for committing to a pilot because of the absence of a visible pipeline or future project clusters. These parties were less confident that their cost involved in a pilot bid and investment in early competition in general would be recoverable without certainty on a future pipeline of projects.

2.8 We have reflected on why a suitable pilot cannot currently be identified. In addition to the factors outlined above, one major reason is that offshore

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transmission is a mature industry sector and there is a readily available generator build option. Feedback from generators suggested that the early competition OFTO build model would need to be suitably developed before there is a good chance for it to be compared with, and preferred over, other readily available options.

- 2.9 In conclusion, we have not identified a pilot project that would be useful for developing an early competition OFTO build model at this stage. Notwithstanding this, we consider that proceeding with developing an OFTO build regime is prudent, given all the reasons why stakeholders have indicated such a regime is needed. We expect that this will help to provide clarity on options for developing future non-radial offshore transmission assets.

Other engagement findings

- 2.10 The engagement process provided valuable insights into the conditions needed for early competition to succeed.
- 2.11 **Design changes** to non-radial assets was a common theme in the engagement with generators. There was broad recognition among stakeholders that non-radial network designs offer significant benefits to the energy system and end consumers. These included more efficient use of infrastructure, reduced onshore reinforcement needs, and improved system balancing.
- 2.12 However, many individual stakeholders expressed concerns about the balance of benefits and risks at the project level. Individual generators were not sufficiently incentivised to pursue non-radial solutions, particularly when these introduce additional complexity and risk without immediate benefits at the project level.
- 2.13 Based on this finding, we considered that attempts to de-risk and facilitate non-radial network design may need to go beyond individual projects. They may need to take place at a higher and more systemic level. We would explore factoring this into the design of OFTO build, which would serve as a tool to facilitate the development of a non-radial network.
- 2.14 Several stakeholders explicitly suggested **aligning elements of the offshore and onshore competition models**, i.e. non-radial OFTO build and CATO models. They cited that, as indicated in the HNDFUE network design, OFTO assets and equivalent subsea assets that form part of the onshore network are very similar in terms of the challenges and solutions to development. Aligning elements of the two models where possible and desirable could promote simple and consistent regulatory regimes for transmission assets. This could make it easier for stakeholders and for interested bidders to participate in both programmes.
- 2.15 Nevertheless, some stakeholders pointed out that the landscapes of offshore and onshore transmissions are different in some respects. For example, it was

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suggested that it is easier to secure Engineering, Procurement, and Construction (**EPC**) and fixed-priced supply chain contracts for onshore transmission assets, as compared with offshore. There are also other costly items specific to development offshore, e.g. vessel cost. This means offshore projects are more susceptible to cost fluctuation and this might justify different tender arrangements and revenue model, e.g. the acceptable range of cost variation post-tender, for OFTO build and CATO tenders.

- 2.16 We consider that onshore and offshore transmission assets do share some common features, but they also differ in certain ways. It seems sensible to align some elements of OFTO build and CATO regimes where possible and desirable and will explore this in more detail. We believe this alignment will streamline processes, reduce regulatory complexity, and leverage existing regulatory frameworks to expedite the development of OFTO build policy.

3. Key components of an early competition OFTO build model

This section introduces some key components and the broad direction of travel of the early competition OFTO build regime, including possible alignment with some elements of the onshore CATO model, and the potential for enabling a new centralised tender approach for soliciting stakeholders' feedback.

Driver of the model

- 3.1 As discussed in the previous section we intend to continue developing an early competition OFTO build model ahead of future project identification. The model aims to facilitate offshore coordination by providing an optional regulatory framework that is specifically able to target non-radial assets.
- 3.2 We consider that early competition OFTO build model is the optimal approach for delivery of non-radial assets, as it facilitates coordination and addresses interface issues between multiple generators and OFTOs through an early tender process.
- 3.3 The draft CSNP methodology introduces broad concepts of electrical and spatial coordination. Whilst these definitions are not final and are subject to change, they differ from the classification of non-radial and radial assets used in HND/HNDFUE and recent Ofgem publications on OFTO build.
- 3.4 We consider electrical coordination as currently defined in the CSNP to be closely aligned in concept and intent to non-radial configurations. To ensure consistency with emerging system planning frameworks and to avoid excluding relevant use cases, we will keep the evolution of terminology under review to ensure clarity and consistency across system planning and delivery frameworks.
- 3.5 Whilst we have focused on early competition in the context of facilitating non-radial designs, we welcome views from relevant stakeholders on the wider use of early competition OFTO build across the full range of potential offshore coordination options, including in regard to its potential to extend to radial assets in future .
- 3.6 The early competition OFTO build model is intended to be optional for generators in the majority of scenarios. Generators may choose the early competition OFTO build model or generator build model to deliver non-radial assets. The early competition OFTO build model will run in parallel to existing generator build model.
- 3.7 We anticipate that a central body (e.g. Ofgem) may need to undertake a “centralised tender approach” (as discussed below) to trigger and run a tender without the consent of all generators under certain circumstances, e.g. in

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situations where Ofgem plans to run a very early tender at the point of seabed leasing, or when multiple generators cannot agree on decisions relating to delivery model and the tender.

Possible future expansion of scope

- 3.8 NESO's recent publication, the CSNP: Draft Methodology for Consultation, outlines a broad definition for coordination. NESO's concept of coordination includes electrical coordination and the concepts of strategic and spatial coordination which focus on delivering the benefits of coordination through spatial optimisation and strategic foresight.
- 3.9 This concept of spatial coordination is broad in nature and may entail aligning leasing area capacities with standardised cable capacities. When certain areas of the seabed may not be able to host single large windfarms, there is the potential to cluster smaller leasing areas into a single project lease area.
- 3.10 NESO's concept of coordination also specifically identifies standardisation of assets to better support the supply chain by reducing the need for bespoke or novel technologies, which is stated as complementary to spatial coordination.
- 3.11 NESO suggests that electrical coordination, and strategic and spatial coordination approaches are not mutually exclusive. NESO also sees the possibility of utilising the aspects of strategic and spatial coordination to deliver a meshed or electrically coordinated offshore network. A few illustrative examples of different uses cases of electrical coordination are included in NESO's draft methodology.⁸
- 3.12 The concepts and the use cases of different types of coordination are still being developed in the CSNP. While in principle we are open to using the early competition OFTO build model on assets that are not non-radial, it is currently challenging to assess whether the model is suitable and beneficial for those specific use cases in the CSNP.
- 3.13 We will consider whether the benefits of the OFTO build model would make it a beneficial alternative to the existing generator-build model and anticipatory investment policy in some situations. When further details of coordination are available, we will later explore whether and how the early competition OFTO build model might be used to support the delivery of the types of coordination identified in CSNP other than for non-radial designs.

⁸ [NESO, Centralised Strategic Network Plan Draft methodology for consultation \(June 2025\)](#): Pages 62-67

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Q1. What are the potential considerations or barriers to using an early competition OFTO build model to build coordinated assets as outlined in the draft CSNP methodology? How could those barriers be addressed?

OFTO build for delivery of radial assets

- 3.14 Late competition OFTO build can already be requested by developers under the existing regulatory arrangements for radial assets. Whilst no developer has chosen to pursue this approach to date, it offers commercial benefits to developers by allowing them to concentrate their resources on building windfarms, rather than financing and delivering transmission assets.
- 3.15 Given the option to pursue OFTO build for radial projects is unlikely to be driven by concerns around facilitating offshore coordination or managing interface risks, we recognise that developers may not necessarily see the early competition OFTO build model as their preferred approach. Irrespective, we will explore whether an early competition OFTO build model could be viable for radial projects and the extent to which the supporting commercial arrangements can be tailored to suit these projects.

Q2. Do you think the principles regarding the process and the commercial framework (discussed below) of the early competition OFTO build model targeted at non-radial assets can be directly applied to a mechanism for delivering radial assets? If the principles are not the same, what might be the differences?

Q3. Will some radial projects benefit from a substantively different framework, e.g. a late competition model in which generator will be responsible for design and other preliminary works? What are the possible circumstances and what are the potential benefits of using a substantively different model?

Potential CATO alignment

- 3.16 In developing our early competition OFTO build model, we have investigated a range of existing models for reference, including the prevailing OFTO tender under the generator build model as well as the new CATO model for early competition onshore transmission assets.
- 3.17 Following stakeholder feedback, we believe there is scope for some aspects of the early competition OFTO build model to be aligned with elements of the CATO model. We would like to invite stakeholders' feedback on whether alignment in the areas identified is possible and desirable. If not, we would like to know what changes to those principles should be made before they can be used to address similar issues in the OFTO build model.
- 3.18 Ofgem has been developing the CATO model with NESO to introduce a new competitive tender arrangement for certain onshore transmission assets. Recent

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developments within the CATO policy framework include a Decision and updated policy position on the commercial model⁹ to be applied to CATOs, the tender regulations¹⁰ for early competition in onshore electricity transmission, and the requirements of TOs¹¹ and the NESO¹² under their licences for which a decision on the NESO licence changes is pending.

3.19 The possible alignment of some aspects of the early competition OFTO build model with elements of the CATO regimes as suggested in this document could bring about the following benefits:

- Simplifying regulatory frameworks for onshore and offshore transmission assets that make it easier for stakeholders to follow.
- Facilitating investors that have experience in CATO to participate in OFTO build tenders with less adjustment in business assessment and commercial configuration. This might help expand the pool of potential investors for OFTO build projects.
- Our current non-radial OFTO build concept and the CATO model are both early competition regimes and have some similarities in terms of challenges for bidders. They may require similar policy solutions particularly regarding the commercial framework. As a set of policy solutions for the CATO model has already been developed in consultation with stakeholders, they should provide a reasonable reference point for OFTO build.
- We can leverage the experience of CATO to expedite the development process of OFTO build model.

3.20 In the following paragraphs, we will set out a few areas where potential alignment with the CATO regime will be assessed. We anticipate that the commercial framework of an early competition OFTO build model would be different from the prevailing generator build OFTO regime. Hence, to implement the OFTO build model, we might need to create a new licence, new cost assessment process, new tender procedures, etc. for early competition OFTO build projects. We will review the necessary changes to the instruments and processes once the policy principles are settled.

⁹ [Decision and updated policy position on the onshore electricity transmission Early Competition commercial framework | Ofgem](https://www.ofgem.gov.uk/consultation/consultation-onshore-electricity-transmission-early-competition-commercial-framework)
<https://www.ofgem.gov.uk/consultation/consultation-onshore-electricity-transmission-early-competition-commercial-framework>

¹⁰ [Decision on the Electricity \(Early-Model Competitive Tenders for Onshore Transmission Licences\) Regulations 2025 \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/consultation/consultation-onshore-electricity-transmission-early-competition-commercial-framework)

¹¹ [Modifications to the special licence conditions in the electricity transmission licences: Early Competition in Onshore Electricity Transmission - Decision \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/consultation/consultation-onshore-electricity-transmission-early-competition-commercial-framework)

¹² [Modifications to the Electricity System Operator Licence: Early Competition in Onshore Electricity Transmission \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/consultation/consultation-onshore-electricity-transmission-early-competition-commercial-framework)

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Non-price element in OFTO build tender

- 3.21 In the onshore early competition model, a CATO is tasked with undertaking certain activities, including consenting, procurement, and construction.¹³
- 3.22 To ensure a robust assessment of bidder's experience and capability to undertake these tasks, the onshore early competition model has incorporated non-price elements into the tender application evaluation process. The non-price element of the tender application evaluation process – specifically the commercial and technical capacity and capabilities to deliver the project – is considered in NESO's Early Competition Implementation (ECI) update.¹⁴
- 3.23 As an early competition model, we believe there will be a similar need for the assessment of tender applications, which is likely to arise in the early competition OFTO build framework. These concerns could be addressed by introducing appropriate non-price elements in the early competition OFTO build tender which are not present under the existing OFTO generator build tender regime.
- 3.24 By introducing non-price elements to the non-radial OFTO build tender, the pool of potential investors might be expanded or different as compared with the pool of potential investors in the current OFTO regime. We also consider that investors interested in the CATO regime might also be interested in OFTO build projects.

Q4. Do you agree we should include both price and non-price elements in the bidding process and assessment criteria for prospective early competition OFTOs? What do you consider is a proper weighting of price and non-price elements?

- 3.25 As part of the non-price element of OFTO bids, there are a number of possible characteristics and capabilities a bidder may wish to disclose as means of evidence to support their bids. These could include detailed project plans, past project experiences, partners and consortiums, as well as other characteristics and capabilities.

Q5. What non-price elements of an OFTO bid should form evidence of a potential OFTO's capability to deliver transmission infrastructure as part of an early competition OFTO build tender?

¹³ [Decision and updated policy position on the onshore electricity transmission Early Competition commercial framework | Ofgem](#)

¹⁴ [Early competition | National Energy System Operator](#): ECI update

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Revenue Model

- 3.26 In the onshore early competition framework, Ofgem have decided¹⁵ to introduce a Post Preliminary Works Cost Assessment (PPWCA)¹⁶ process to adjust project costs as they change through the project development process. The PPWCA can adjust costs between bid submission and commencement of construction - through indexation and cost adjustments driven by changes to the detailed project design - updating the Tender Revenue Stream (TRS) after the preliminary works phase. A policy intention behind the PPWCA mechanism is that it is transparent, does not distort the competitive tender process, and ensures bidders cannot submit artificially low bids with a view to increasing costs after a successful bidder is determined.
- 3.27 Given that OFTO build also adopts an early competition framework, we consider that there is merit to allow for cost changes of OFTO build projects in a regulated manner akin to that of the PPWCA mechanism in the CATO model.

- Q6. Can the PPWCA mechanism from the CATO model be appropriately applied to the early competition OFTO build model when substantive cost changes occur between bid submission and construction commencing? What changes are needed to adapt the PPWCA mechanism for use in OFTO build?
- Q7. Within the onshore early competition commercial framework, preliminary works payments are proposed to be capped at up to 50%¹⁷ of the NESO's estimated preliminary works costs.¹⁸ NESO as the Delivery Body will communicate with potential bidders on whether or not a preliminary works payment mechanism is proposed in respect of a project for tender. Will preliminary works payments be necessary to allow for early competition OFTOs to build transmission assets before their TRS begins? If so, should the preliminary works payments be determined in the same way as the CATO model?

Commitments and Securities

- 3.28 The CATO model includes a post-award security obligation as a tool to increase confidence in the commitment of a successful CATO bidder and also as a source

¹⁵ [Decision and updated policy position on the onshore electricity transmission Early Competition commercial framework | Ofgem](#): Section 4.12, page 23

¹⁶ [Early competition | National Energy System Operator](#): ECP: Section 4.2.2, page 41 and the EC-I Update: Section 4.3, page 26

¹⁷ Ofgem may exercise its regulatory discretion in raising this cap above 50% if market feedback ahead of each tender suggests this would be beneficial to the success of the tender and in consumer interest.

¹⁸ [Decision and updated policy position on the onshore electricity transmission Early Competition commercial framework | Ofgem](#): Section 3, page 18

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of consumer protection if a CATO abandons a project under development.¹⁹ Due to the early involvement of the OFTO, and the reliance of multiple generators on the timely delivery of their routes to market, it may be important to similarly increase confidence in the commitments of a successful OFTO bidder by requiring a post-award securities obligation.

Q8. Do you agree with imposing a post-award securities obligation on a successful OFTO bidder to reduce the risk of stranded generation assets and increase the confidence and appetite for early competition OFTO build assets?

Timely Delivery Incentives

- 3.29 From generators' perspective, a major request of the non-radial OFTO build model is to provide sufficient incentives on the OFTO for timely delivery and require the OFTO to compensate the generators for the loss of revenue in case of project delay. The latter is considered important in mitigating the risk of transferring the control over the construction of generators' major routes to market to OFTOs.
- 3.30 In the CATO model, financial penalties and compensation for late delivery are not proposed. Ofgem has set out a payment mechanism that includes cost recovery after the network solution has been delivered.²⁰ These include a TRS model whereby the TRS does not begin until project commissioning, indexation and performance incentives (incorporating availability incentives). Ofgem have published a Decision²¹ on this payment mechanism along with a set of incentives for a CATO. The proposed CATO payment mechanism is generally aligned with the current generator build OFTO model.
- 3.31 Furthermore, framework developments ensure the CATOs' main role on the National Electricity Transmission System (NETS) is allocated to highly integrated networks within the Main Interconnected Transmission System (MITS). This essentially removes the commercial and regulatory interface with a specific new generator where compensation to generators might be necessary.
- 3.32 This explains how the context of CATO and OFTO build are different in terms of the need to compensate the generators in case of delay. We understand the preferences of generators regarding compensation in the event of delayed transmission asset delivery and how relevant considerations are important in making OFTO build and offshore wind projects investible. We also appreciate that

¹⁹ [Decision and updated policy position on the onshore electricity transmission Early Competition commercial framework](#): Section 2.12, page 12

²⁰ [Decision and updated policy position on the onshore electricity transmission Early Competition commercial framework | Ofgem](#)

²¹ [Decision and updated policy position on the onshore electricity transmission Early Competition commercial framework](#): Section 5, page 26-29

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the contextual differences between the onshore and offshore regimes might prevent a complete alignment of these two regulatory frameworks regarding pre-operation delivery incentives.

- 3.33 We would therefore like to invite comment on the appropriate use and inclusion of timely delivery incentives and compensation, as well as whether there is scope to align the key delivery incentives for the generator build OFTO regime, CATO and the OFTO build regime.

- Q9. What forms and levels of compensation are appropriate to mitigate the risks faced by generators in the event that an OFTO delay impacts a generator's route to market under an early competition framework?
- Q10. Do you agree that OFTOs would be sufficiently incentivised under a similar payment mechanism to CATO and generator build regimes to deliver transmission assets on time and to sufficient quality?

- 3.34 Ofgem welcome stakeholders' feedback on the above questions. We also welcome suggestions for addressing other issues faced by generators and OFTOs under an early competition OFTO build model.

Exploring a Centralised Tender Approach

- 3.35 Building non-radial assets under the current regulatory framework remains challenging. Decisions on whether, and how to coordinate are generally made at the project level when the projects are quickly progressing to maturity. There is currently no central body with the authority to make decisions on delivery model and tendering which could have facilitated the delivery of non-radial assets.
- 3.36 The key purpose of the non-radial OFTO build model is to facilitate the delivery of offshore non-radial assets. After our recent engagement with stakeholders, we consider that attempts to de-risk and facilitate these assets may need to take place at a higher and more systemic level. One potential solution is to explore a new centralised approach for development of offshore network transmission.
- 3.37 Under a centralised tender approach, the responsibility for triggering OFTO build tenders could lie with a central body (e.g. Ofgem). This would include giving the central body the power to trigger the tender, without generators requesting it. For example, it could address a situation where multiple generators cannot agree on decisions relating to delivery model and the tender.
- 3.38 After the tender has been run, the OFTO would take the lead in planning and delivering the assets which are the subject of the tender process. In this case, OFTO build could become a tool that enables the development of non-radial network design.

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- 3.39 An early competition OFTO build model that incorporates a centralised tender approach could help ensure that the delivery of the transmission assets would be more consistent with NESO strategic designs.
- 3.40 As network planning evolves towards a more centrally coordinated and strategic model under CSNP, the early competition OFTO build regime is well positioned to support this transition.
- 3.41 In the current generator build framework for offshore transmission, the generator determines when to initiate the tender, following trigger of the Generator Commissioning Clause.²² Ofgem then run the tender. Ofgem's role in running the tenders for offshore transmission assets is well established. However, for the purpose of an early competition OFTO build model, one option is a centralised trigger of tender approach. We will continue to explore questions related to centralised tender, including what legislative changes are required, and expect to provide a more concrete proposal in a future consultation.

Q11. What challenges would a centralised tender approach pose to generators, OFTOs and other stakeholders? How can these challenges be mitigated?

- 3.42 Giving a central body the power to trigger an OFTO tender would enable the development of different use cases of offshore non-radial projects. For example, the model would allow the OFTO build tender to be run much earlier, potentially at the point of seabed leasing. This will give generators an early signal that the network connecting to specific offshore windfarms will be connected via non-radial assets and OFTO built, such that early arrangement or corresponding plans to the windfarm projects can be made.
- 3.43 In circumstances where projects fall outside the final scope of the early competition OFTO build model or generators choose to pursue a generator build model, the current OFTO regime will continue to apply.
- 3.44 We will explore the need to develop criteria regulations to determine when and which offshore transmission assets should be tendered via an early competition OFTO build and a centralised approach.
- 3.45 While details of the criteria regulations are to be considered, broadly speaking there should be a strong case for applying early competition OFTO build with a centralised approach to particular assets if it would bring obvious benefits to consumers and the systems. In considering the criteria regulations, we would also refer to the criteria regulations applicable to the CATO model, which, amongst

²² Under Regulations 8(5) and 12 of the Electricity (Competitive Tenders for Offshore Transmission Licences) Regulations 2015, The Authority (Ofgem) would receive a request for assessing a qualifying project as well as payment and security from generators before Ofgem would commence a tender exercise.

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other things, specify the criteria an onshore transmission project must meet to be eligible for early competition.

Q12. Do you consider that centralised tenders can offer benefits by enabling the tendering of projects at their initial development, potentially at the point of seabed leasing?

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4. Next steps

- 4.1 We aim to develop an early competition tender framework to facilitate non-radial OFTO build projects. We will investigate whether the framework could be compatible with a new centralised tender approach, particularly where delivery challenges suggest that an early competition OFTO build model could offer advantages over the existing generator build model. We will continue to assess whether the early competition OFTO build model may have application to different types of coordinated and non-coordinated assets.
- 4.2 With the feedback to be received from the questions in this publication, we will progress to develop the different elements of the OFTO build model. When there are detailed proposals, we will consult stakeholders as appropriate. Our aim is to have developed the model by the time the next suitable OFTO build project is identified, although this will depend on several factors.

NESO collaboration

- 4.3 We intend to further our collaboration with the Ofgem and NESO teams responsible for the development of the CATO policy. This alignment will help ensure consistency in regulatory design and delivery expectations across the transmission system.
- 4.4 We will explore opportunities to closely work with NESO to support the development of the non-radial OFTO build model, drawing on their experience in the design and implementation of the CATO regime.
- 4.5 We will continue to draw on Ofgem's experience of the established generator build model, and will continue to consider where this model needs to further evolve.

Further engagement

- 4.6 Our engagement work since our last publication has been valuable. We have mostly discussed general topics with stakeholders but would value more focussed and engagement on specific topics.
- 4.7 We will therefore continue our engagement with external stakeholders and encourage interested parties to respond in writing to any relevant questions outlined throughout this report, or to request a meeting with us at OFTObuild@ofgem.gov.uk. In addition to the specific questions outlined, we are happy to discuss other general or specific areas of interest or concern.

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5. Appendices

Appendix 1 – Call for Input Questions

- What are the potential considerations or barriers to using an early competition OFTO build model to build coordinated assets as outlined in the draft CSNP methodology? How could those barriers be addressed?
- Do you think the principles regarding the process and the commercial framework (discussed below) of the early competition OFTO build model targeted at non-radial assets can be directly applied to a mechanism for delivering radial assets? If the principles are not the same, what might be the differences?
- Will some radial projects benefit from a substantively different framework, e.g. a late competition model in which generator will be responsible for design and other preliminary works? What are the possible circumstances and what are the potential benefits of using a substantively different model?
- Do you agree we should include both price and non-price elements in the bidding process and assessment criteria for prospective early competition OFTOs? What do you consider is a proper weighting of price and non-price elements?
- What non-price elements of an OFTO bid should form evidence of a potential OFTO's capability to deliver transmission infrastructure as part of an early competition OFTO build tender?
- Can the PPWCA mechanism from the CATO model be appropriately applied to the early competition OFTO build model when substantive cost changes occur between bid submission and construction commencing? What changes are needed to adapt the PPWCA mechanism for use in OFTO build?
- Within the onshore early competition commercial framework, preliminary works payments are proposed to be capped at up to 50% of the NESO's estimated preliminary works costs. NESO as the Delivery Body will communicate with potential bidders on whether or not a preliminary works payment mechanism is proposed in respect of a project for tender. Will preliminary works payments be necessary to allow for early competition OFTOs to build transmission assets before their TRS begins? If so, should the preliminary works payments be determined in the same way as the CATO model?
- Do you agree with imposing a post-award securities obligation on a successful OFTO bidder to reduce the risk of stranded generation assets and increase the confidence and appetite for early competition OFTO build assets?

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- What forms and levels of compensation are appropriate to mitigate the risks faced by generators in the event that an OFTO delay impacts a generator's route to market under an early competition framework?
- Do you agree that OFTOs would be sufficiently incentivised under a similar payment mechanism to CATO and generator build regimes to deliver transmission assets on time and to sufficient quality?
- What challenges would a centralised tender approach pose to generators, OFTOs and other stakeholders? How can these challenges be mitigated?
- Do you consider that centralised tenders can offer benefits by enabling the tendering of projects at their initial development, potentially at the point of seabed leasing?

Appendix 2 – Privacy notice

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

Your personal information is never shared with anyone outside of Ofgem.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for as long as an audit trail on decision-making relating to the questions discussed in this document should reasonable be available.

Call for input OFTO Build: Ways Forward for an Early Competition Model**6. Your rights**

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas**8. Your personal data will not be used for any automated decision making.****9. Your personal data will be stored in a secure government IT system.****10. More information**

For more information on how Ofgem processes your data, click on the link to our “ofgem privacy promise”.

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Send us your feedback

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

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.