Making a positive difference for energy consumers

Consultation

OFTO Build: Early and Late Competition Models

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Contact:	Ho Man Lo and Alex Davison
Team:	OFTO Build Tender Development
Email:	oftobuild@ofgem.gov.uk

Executive summary

This publication sets out our proposals for an early competition Offshore Transmission Owner (OFTO) build model and our plans to update the late competition OFTO build model. This consultation follows our September 2025 Call for Input for an early competition model and our engagement with stakeholders through and since that publication.

Our proposals include the remit of our early competition OFTO build model, such as triggering a tender, and applicability to radial assets as well as non-radial assets. We also discuss the commercial model, informed by principles from the early competition onshore Competitively Appointed Transmission Owner (CATO) model, and provide an overview of the proposed tender process.

Our aim is to establish the regulatory framework for early competition OFTO build in advance of upcoming offshore network projects planned under the National Energy System Operator's (NESO's) Centralised Strategic Network Plan (CSNP). By doing so, we aim to create a clear pathway for delivering offshore transmission, including coordinated assets, whilst ensuring market participants have certainty on the available delivery frameworks before project-specific tenders are launched.

We are also updating the existing late competition OFTO build model to support our ambition to provide the greatest possible flexibility for the development of offshore transmission assets. We are consulting on options to manage delay risk, as well as setting out how we anticipate the late competition model working in practice. We discuss how the tender process will operate, the role of cost assessment and Ofgem's view on the Engineering, Procurement, and Construction (EPC) model as set out in 2014. We are aiming to be ready to run tenders under the late competition model by the end of the year and are keen to hear from developers who would be interested in applying to be a potential pilot project for the late competition model.

We welcome views on all aspects of our proposals.

1. Introduction

This chapter outlines the purpose of this consultation to seek feedback on our more detailed proposals for the early competition OFTO build model. It also sets out our intention to update the existing late competition OFTO build model.

Purpose of this consultation

Early competition OFTO build

In our September 2025 Call for Input (CfI)[1], we reaffirmed our intention to develop an early competition framework for OFTO build and set out our thinking on the development of the model. We stated our intention to develop the model to facilitate offshore coordination by providing a regulatory framework that enables the delivery of non-radial assets to be identified in the CSNP, with a possible expansion of scope to cover radial assets.

We also set out options for the model, introducing mandatory application through a centralised tender. We proposed a general approach of alignment with elements of the onshore CATO model[2] where appropriate[3].

Responses to the September 2025 CfI indicated broad support for the principle of developing an early competition OFTO build model, particularly as a means of enabling more coordinated offshore transmission solutions and delivering wider system benefits.

We also received valuable feedback on the key policy areas of a model, including delay risk allocation, investability, tender structure, evaluation processes, and cost assessment principles. Across these areas, there is general support for aligning with elements of the onshore CATO framework where appropriate.

The proposals for an early competition model as set out in the remainder of this consultation have been developed with careful consideration of this feedback.

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[1] Ways Forward for an Early Competition Model, Ofgem

[2] Early Competition, NESO

[3] Our proposal for a general approach of alignment with the onshore CATO model can be found in our previous Call for Input; Available at: OFTO build: ways forward for an early competition model | Ofgem, our approach is in light of developments made in the onshore CATO model, as seen here: Decision and updated policy position on the onshore electricity transmission Early Competition commercial framework (Ofgem)

The responses to the CfI also provided broad support for retaining a suite of delivery options, including generator build, late competition OFTO build, and early competition OFTO build. Late competition was viewed by some stakeholders as a means of building market capability and confidence, particularly for less complex assets.

Late competition OFTO build

In this consultation, we have also set out our intention to update the existing late competition OFTO build model. As the offshore wind market matures, the scale of projects increases, project needs evolve, and offshore coordination plans develop, we recognise the importance of providing the greatest possible flexibility for the development of related offshore transmission assets.

This is why, alongside further policy development on the early competition OFTO build model, this consultation seeks industry views on the best way to update the existing late competition OFTO build model to ensure that it is fit for purpose for the future offshore transmission landscape.

The OFTO regime was initially developed to facilitate a late competition OFTO build model, and this has always been an option for generators who wish to take it up.

Ofgem published an overview of how the late competition model should operate in 2014, which looked to introduce greater flexibility under an extended OFTO build framework. The intention was to provide the flexibility to respond to both the current and future requirements of offshore generators and to adapt to specific project characteristics, while continuing to protect the interests of present and future consumers.

We further consulted in 2024 on OFTO build models, where late competition for non-radial assets was considered and discounted as the primary model to support co-ordination.

However, we are aware that there is still a demand in the market for a late competition OFTO build model and this consultation looks to further explore issues raised by market participants, including in response to the CfI for early competition OFTO build, published last year.

Overview of major components in OFTO build

The current OFTO tender is initiated by generators. With the development of the early and late competition models, generator-choice will remain in respect of the timing of the tender, the asset to be tendered and the delivery model (i.e. generator build or OFTO build). As explained in the CfI, in addition to a choice model, we have been exploring the introduction of a mandatory tender for early OFTO build to better facilitate offshore coordination. Discussions related to the remit of the model, including the

definitions of early and late competition as well as the scopes of mandatory and optional OFTO build tender are set out in chapter 2.

The high-level tender process for the early and late OFTO build models will largely follow the current OFTO tender regime. In chapter 3, we discuss the tender process as well as the process before commencement of the tender, including the qualifying project criteria, entry conditions, and tender triggers.

While the roles of an OFTO will be different under the early or late model, in general an OFTO will take up new duties that may include preliminary works, procurement, and construction under the OFTO build model. We will develop new evaluation criteria to ensure that OFTOs have the suitable capabilities. Relevant criteria and processes are discussed in chapter 4.

Generation and transmission assets are developed by different parties under the OFTO build model. This raises questions around how to manage the risks if either the transmission or generation assets are late in delivery. Discussion of relevant measures are set out in chapter 5.

OFTOs will submit a tender bid based on estimated project cost before the start of preliminary works under the early model. The project cost may change after preliminary works. In chapter 6, we propose a mechanism to manage the cost adjustment.

The OFTO's revenue is expected to be based on TRS under the OFTO build model which is the same as the current regime. The length of TRS period and a proposed advanced payment to cover cost of preliminary works under the early model are discussed in chapter 7. It also suggests a new requirement for OFTO to provide assurance of delivery for the pre-revenue period through post-award securities.

The key issues covered in this consultation with reference to the project development stages are summarised in the following end-to-end process.

figure 1. *Outline of end-to-end process for early and late competition models*

- Scope of mandatory and optional model (chapter 2)
- Definitions of early and late competitions (chapter 2)
- Conditions of triggering mandatory and optional tenders (chapter 3)
- Alignment with CSNP and seabed leasing processes (chapter 3)
- Evaluation criteria (chapter 4)
- Tender process and structure (chapter 3)
- Post-award securities (chapter 7)
- Post-tender oversight (chapter 2)
- Preliminary works cost adjustment (chapter 6)
- Preliminary works payments (chapter 7)
- Addressing delay risks (chapter 5)
- TRS revenue period (chapter 7)

Context and related publications

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 (ofgem.gov.uk), May 2022.
- NESO, The Pathway to 2030 Holistic Network Design - 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 (ofgem.gov.uk), December 2022.
- Ofgem, Decision on Pathway to 2030 – Final Decision on Pathway to 2030 (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 (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 (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 (ofgem.gov.uk), July 2025.
- Ofgem, OFTO build model: policy update – OFTO build model: policy update (ofgem.gov.uk), December 2024.
- Ofgem, Ways forward for an early competition model - OFTO build: ways forward for an early competition model | Ofgem, September 2025.
- NESO, Centralised Strategic Network Plan methodology - NESO, Centralised Strategic Network Plan Methodology, April 2026

Overview

In this publication we are consulting on our proposal for an early competition OFTO build model. This includes the model scope, tender design, evaluation criteria design and the commercial framework.

We have also set out our intention to update how we see the late competition model working in practice, including how the tender process will operate, the role of cost assessment and our view on the EPC model set out in 2014.

Consultation stages

Stage 1 Consultation open: **7 May 2026**

Stage 2 Consultation closes. Deadline for responses: **2 July 2026**

Stage 3 Consultation outcome including publication of responses **2nd half 2026**

How to respond

We want to hear from anyone interested in this consultation. Please send your response to the person or team named on the front page of this document.

We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

We are also interested in hearing from projects who are keen to be pilots under the late competition OFTO build model and will be ready to tender by summer of 2027.

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 1.

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.

How to track the progress of a consultation

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 consultation has three stages: ‘Open’, ‘Closed (awaiting decision)’, and ‘Closed (with decision)’.

2. Model scope

This chapter sets out our proposals on the remit of the early and late OFTO build models. This chapter also explores the policy in the unlikely case of post-licence grant OFTO failure so far as it applies to the OFTO build models.

Introduction

2.1 As recognised by the industry,[4] offshore coordination is challenging, and the early competition OFTO build model is designed as a tool to facilitate its delivery. NESO has developed the concept of strategic and spatial coordination[5], and to support this we proposed exploring the extension of the early competition model to radial assets which would maximise the model's use for offshore network delivery.

2.2 Recognising issues with delivering coordinated assets, we considered the possibility of delivering these assets via a new centralised tender approach in certain circumstances. We consider that a centralised tender approach could help ensure that the delivery of the transmission assets is more consistent with NESO's CSNP outcomes. In response to CfI feedback, we have further developed our thinking, as outlined below.

2.3 This chapter also sets out the remit of the late competition model, and the timing of the late competition tender.

Summary of feedback to call for input

2.4 In our September 2025 CfI, we asked stakeholders about potential considerations or barriers to using an early competition OFTO build model to build coordinated assets and what challenges a mandatory OFTO build through a centralised tender approach might pose.

2.5 Views diverged on the appropriate remit of the early competition model, particularly in relation to radial assets. While some respondents supported extending early competition to radial assets in principle, this was typically

[4] Report Delivering the Shared Offshore Network, Offshore Wind Industry Council

[5] Centralised Strategic Network Plan Methodology, NESO

contingent on substantial flexibility and safeguards to mitigate specific risks[6]. The majority of respondents took the view that as far as radial assets are concerned, generators are best placed to decide whether or not the early competition model is most suitable. Hence, stakeholders preferred an optional approach for radial assets.

2.6 In general, there was broad support for retaining a suite of delivery options, including generator build, late competition OFTO build, and early competition OFTO build.

2.7 There was broad support for mandatory OFTO build through a centralised tender in principle for non-radial assets. Respondents highlighted potential benefits including improved system-level coordination, earlier supply chain engagement, reduced duplication, and clearer alignment with strategic planning.

2.8 However, respondents also noted key challenges, including loss of flexibility, potential for premature design freeze, regulatory complexity, governance arrangements, and accountability. Stakeholders suggested some mitigations including clear governance, dispute resolution and alignment between centralised tender, seabed leasing, and CSNP outputs.

Early competition

Remit

2.9 We propose that the early competition model will be available for both radial and non-radial assets. There is no major barrier to using the early model for radial assets, which is consistent with stakeholder feedback. Expanding the scope will give generators an additional option for delivering radial assets. Ofgem will also have greater flexibility in facilitating different types of offshore coordination.

Optional or mandatory implementation of the model

2.10 There is good rationale for keeping the early competition OFTO build model as an option for generators alongside generator build and late competition OFTO build. This will provide flexibility for generators to choose a delivery model that is best suited for a project that has a specific timeline and circumstances. This also aligns with the stakeholder feedback from the CfI.

[6] Responses emphasised several risks, including reduced generator flexibility in choosing delivery approaches, exposure to OFTO-attributed delay or non-delivery, and cost uncertainty arising from earlier tendering.

2.11 We propose that early competition OFTO build should be optional for generators by default. However, we also propose mandatory implementation of the early competition OFTO build model under certain circumstances (as set out below). As explained in the CfI, a centralised tender mechanism will allow a central body (e.g. Ofgem) to run a tender to identify an OFTO to deliver offshore transmission assets without a request to tender from generators connecting to them.

2.12 We consider the mandatory centralised tender to be an effective tool to ensure that proposed coordinated CSNP designs will be built. It will also provide a clear and effective decision-making mechanism when multiple generators cannot agree on the best route for delivery of coordinated transmission assets.

2.13 For transparency, we expect to set out the mechanism and process for the centralised tender in guidance and new provisions in the Electricity (Competitive Tenders for Offshore Transmission Licences) Regulations 2015[7] (the OFTO Tender Regulations) (or any replacement regulations governing the OFTO tender process).

2.14 When NESO publishes further information on the offshore design in the CSNP, we will further consider the scope of projects which may be suitable for mandatory OFTO build. In general, the scope of mandatory tender should prioritise projects that can bring coordination benefits.

2.15 NESO uses a definition of coordination which includes spatially coordinated assets in addition to electrically coordinated assets[8]. The former may include radial assets. Therefore, we consider that the scope of mandatory OFTO build could include certain radial assets, such that we can better realise the benefits of different types of coordination.

2.16 An example of spatial coordination is where multiple radial assets are located in the same geographical area[9]. There may be benefits in coordinating the development of these radial assets through, for example, sharing a cable corridor to reduce landing points and disruption to the seabed.

2.17 In parallel, we will examine the benefits and possibility of appointing an OFTO to build a cluster of transmission assets in the same geographical area (i.e. appointment of a "zonal OFTO"). We consider that developing a zonal approach

[7] The Electricity (Competitive Tenders for Offshore Transmission Licences) Regulations 2015

[8] Centralised Strategic Network Plan Methodology, NESO

[9] See p. 56 of Centralised Strategic Network Plan Methodology. NESO discusses a plan to investigate whether there is the potential to cluster smaller leasing areas into a single project lease area under the concept of spatial coordination.

may benefit from economies of scale, optimising network design, better supply chain management, and enabling spatial coordination.

2.18 We would welcome feedback on all the potential use cases of mandatory OFTO build, including the benefits and challenges of potentially appointing a zonal OFTO.

Questions	
Q1.	In addition to non-radial assets, are there other circumstances in which you consider that there could be benefits to the use of a mandatory early competition OFTO build? What are your views on the appointment of an OFTO to develop a cluster of radial assets located in the same geographical area?

Defining early competition

2.19 In policy development since the CfI, we have considered whether to create an early or very early competition OFTO build model. A very early model would involve inviting network design solutions based on a defined system need. It means the bidders would play a direct role in system and network planning. As the CSNP is already intended to deliver a whole system network plan for electricity transmission, a very early model could duplicate NESO's work and might be confusing for the market.

2.20 In contrast, an early competition model would rely on NESO's preferred design solutions as the basis for the tender and invite proposals from bidders to deliver the identified solution. We consider that an early tender provides greater certainty in terms of project scope and requirements. This would enable interested parties to make investment decisions. For this reason, we will develop an early competition model to run a tender after a preferred network design has been developed by NESO through the CSNP.

2.21 We intend to define early competition to establish which projects can enter an early tender. An early competition project could in theory be defined as either: a project that (i) has not yet commenced preliminary works (i.e. detailed design and consent); or (ii) the preliminary works have reached a certain stage[10]. We are proposing to proceed with option (i) for both the optional and mandatory early competition OFTO build model.

[10] For reference, in the onshore CATO regime, the "early-model tender exercise" is defined as a tender exercise which relates to a project before the completion of preliminary works (Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2025)

2.22 Option (i) maximises early OFTO involvement and, therefore, reduces the likelihood of complex mid-project handovers between the generator and the OFTO. It removes the need for coordination between multiple generators, reducing complexity and interfaces for delivering non-radial assets.

2.23 The drawback of option (i) is that significant time will pass while the tender is being run[11]. During this time, little progress can be made towards development of the transmission assets.

2.24 In contrast, option (ii) has the potential to allow for the fastest possible development of the transmission assets by allowing this to begin as early as possible, before the tender, and by allowing this work to continue during the tender. Generators would need to bring the projects preliminary works to a minimum level of development before the tender can be commenced to provide clear expectation for stakeholders.

2.25 A drawback of option (ii) is its limitation for overcoming the challenges faced in coordinating the delivery of non-radial or highly coordinated assets because it requires generators' involvement in preliminary works. We consider that this makes option (ii) less favourable.

Roles and responsibilities

2.26 There are three key roles necessary to run the early competition tender process: the delivery body, licence entity, and payment counterparty.

2.27 Ofgem is the delivery body in respect of the determination of offshore transmission licences.[12]

2.28 We assume that the delivery body will be Ofgem, given that the early-competition OFTO build model is an extension of the current generator build and late-competition OFTO build tenders, which are run by Ofgem. A single delivery body for generator build and OFTO build models will ensure a unified regime for offshore transmission. This should increase efficiency and integration of different policies. We also anticipate this will be simpler from a stakeholder perspective.

2.29 While we did not seek stakeholder feedback on the role of a delivery body in our CfI, a few responses suggested that the delivery body should be either an organisation with offshore experience or with network planning experience (e.g.

[11] The tender timeline and its interaction with other process is discussed in chapter 3

[12] The Electricity (Designation of Delivery Bodies) (Transmission) Regulations 2023

NESO). We take note of these comments but we are not consulting on the roles of delivery body which is a decision for the Secretary of State.

2.30 The licence counterparty will grant the OFTO Licence. Ofgem is the licensing body under the Electricity Act 1989.

2.31 The payment counterparty will manage financial transactions between the winning bidder and the other counterparties, including –

- administering post-award securities (discussed in chapter 7)
- funding and administering the recovery of preliminary works payments (PWPs)
- setting the PWP cap

2.32 We anticipate that NESO will undertake the role of payment counterparty.

Post-tender regulatory oversight

2.33 In the next stage of our policy development, we will be considering the framework of overseeing delivery post-tender. This includes specific obligations and responsibilities that will be placed on OFTOs and the regulatory duties and powers Ofgem will have. This will likely require changes to the OFTO licence.

Post-licence grant OFTO failure

2.34 While unlikely, early competition opens up the possibility of an OFTO failure between OFTO licence award and the point of energisation – that is during construction or pre-construction. While not anticipated, should such circumstances arise, we propose the following process to address an OFTO failure that takes place pre-energisation -

- Seek to identify early warning signs that an OFTO is in operational or financial difficulty through monitoring, including under their licence obligations. If this information indicates the OFTO is at risk, proactive engagement would take place in order to resolve any outstanding issues, with the intention of allowing the original OFTO to remain the licensee.

Where the OFTO cannot continue as a licensee -

- Consider whether appointment of the Reserve Bidder (if there is one) or re-tender is appropriate considering the project circumstances.
- An open market sale/transfer of the assets by the OFTO (in which the OFTO would sell the assets to a company and transfer the licence to the purchaser).

2.35 If all these options are exhausted, depending on an assessment of the particular project circumstances, we may then either consider:

- extending the OFTO of Last Resort (OoLR) powers[13] to early competition to seek the appointment of other OFTOs or TOs; or
- allowing the generator to step in to take over development of the transmission assets.

2.36 Given the variety of circumstances in which, and stages at which, an OFTO may fail (during the period post-licence grant, and pre-energisation), we consider it would be beneficial to ensure that the decision whether to appoint a new transmission developer, and the selection of which type of parties may be considered for appointment, remains flexible and can be shaped on a case-by-case basis.

2.37 The selection of the new transmission developer, and the order by which these stakeholders are approached, would be subject to the particular circumstances of the project. For example, we may consider generator takeover if the project was at a pre-determined critical stage. For projects that have been subject to mandatory early competition tender, it may be more desirable to use the OoLR powers.

2.38 The above process would not differ for radial and non-radial assets. In the case of a generator takeover for a non-radial asset, we would expect generators to coordinate delivery with other generators involved.

Implementation Challenges

2.39 Under early competition, OFTO failure could take place part-way through preliminary works or construction. Due to this, there are challenges with transfers to a new OFTO either through sale or OoLR appointment. We want to ensure that the appointment of a new OFTO does not result in the abandonment of coordinated and efficient delivery. In the case of an appointment under OoLR, this could potentially be achieved through a robust selection process, subject to achieving a timely and efficient appointment. However, this would not ensure a robust approach to delivery in the case of a sale. We are keen to receive views on whether and, if so, by what mechanism we should require transfer of the winning bid specifications (solution and planned approach to delivery) and associated project-specific commercial framework to the new OFTO.

[13] Pursuant to standard license conditions B18/E21 of the electricity transmission license.

Late competition

2.40 The late competition OFTO build model is available for all assets, but we expect that its primary use will be for radial assets that are well progressed in design.

2.41 We expect that tenders under the late competition model will be for the construction and operation of the offshore transmission asset. We will therefore expect generators to have developed a detailed asset design and progressed the project sufficiently to hand over to an OFTO to begin construction. We are aware that for some projects there may additionally be some remaining procurement and late-stage design decisions to be made by the appointed OFTO.

2.42 The original late competition OFTO build model was set up to facilitate an EPC model in which the OFTO would sub-contract the developer or another contractor to construct the asset for them. In the 2014 guidance, Ofgem proposed four different models for the EPC[14], ranging from a pure generator sub-contracted by the OFTO, the generator carrying out all procurement and the OFTO managing construction, the generator and OFTO splitting responsibility for various aspects of the build, or an OFTO sub-contracting another body to construct the asset.

2.43 These remains options, but we are open to other ways of structuring the build, including the OFTO directly undertaking construction.

2.44 We will consider how late competition will fit into future discussions on adopting mandatory implementation of the model, but the intention is that initially (like early competition) the late competition model will be generator choice by default.

Questions	
Q2.	Do you agree with the proposed remit of the late competition model?
Q3.	Do you agree that there should be approaches other than the EPC models set out in 2014 available under late competition model?

[14] ofto_build_policy_update_master_hc_proofread_09122014_0.pdf

Summary of proposals

	Early Competition	Late Competition
Remit	An early competition project would be defined as a project that has not yet commenced preliminary works (i.e. detailed design and consent)	A late competition project will be for projects that are well progressed in design.
Optional or Mandatory	Default – optional Mandatory only in specific circumstances	Optional
Roles and Responsibilities	Delivery body: Ofgem Licence entity: Ofgem Payment counterparty: NESO	Delivery body: Ofgem Licence entity: Ofgem Payment counterparty: NESO
Post-Tender Regulatory Oversight	Where there is a post-tender OFTO failure, we propose the following staged process: (i) Ofgem to monitor early warning signs and engage with OFTO where concerning markers identified, enforcement where necessary and appropriate Where the OFTO cannot continue as a licensee - (ii) appointment of Reserve Bidder (if any) or re-tender when considered appropriate by Ofgem (iii) An open market sale/transfer of the assets by the OFTO (iv) seek the appointment of other OFTOs, TOs, or the generators (on project-specific basis)	The OoLR process as set out in the licence would be available, with the option to revert back to generator build if appropriate.

3. Tender process

This chapter sets out proposals for how the OFTO build tenders will be structured and how they will be run. This chapter also explores the process which will apply if a tender is re-run or cancelled or where the tender does not result in the appointment of an OFTO.

Introduction

3.1 Our development of the proposed early competition OFTO build tender structure and process has been informed by the existing OFTO tender process under the generator build model, and the new CATO model for early competition onshore transmission assets. In this chapter, we look at the tender trigger, qualifying project requirements and staged process for choice and mandatory models.

3.2 The late competition tender structure and process is largely based on the current generator build OFTO tender process, with timings adjusted to address potential complexity of tender evaluation. We will also discuss the appropriate point to commence the tender process and grant the licence.

Summary of feedback to call for input

3.3 There was broad support for a structured, multistage tender process, typically involving a prequalification stage, followed by an invitation to tender. Respondents emphasised that a robust prequalification stage is essential to ensure that only bidders with the necessary technical, financial, and organisational capability proceed to more resource intensive stages of the process.

3.4 Many respondents highlighted the importance of clear tender triggers and sequencing, particularly for non-radial assets involving multiple generators. Concerns were raised that poorly defined triggers or misalignment with project development milestones could delay delivery or create uncertainty for both generators and bidders. Stakeholders stressed that tender timing should be carefully coordinated with seabed leasing, strategic planning outputs, and generator development timelines.

3.5 In relation to more coordinated or centralised approaches, respondents emphasised the need for clear governance arrangements, including clarity on the roles and responsibilities of the delivery body, generators, and OFTOs.

3.6 A limited number of respondents highlighted concerns around the possibility of OFTO failure. These stakeholders emphasised that any OoLR arrangements should be subject to clear governance, realistic timelines and appropriate risk

sharing. They also considered such provisions complementary to post-award securities and other delivery assurance mechanisms.

3.7 Two respondents explicitly suggested solutions – namely, an adapted OoLR process that would set out how this process would work in the case of non-radial assets, and the possibility of the generator being permitted to continue construction in the event of OFTO failure.

Tender process for early and late OFTO build

Tender process principles

3.8 Ofgem intends, across both the early and late competition models, to mirror the high-level tender process as set out in the existing OFTO Tender Regulations. However, the triggers and Tender Entry Conditions (TECs) will vary between generator build, early competition OFTO build and late competition OFTO build. We will set these out in the relevant sections below. Post Project Qualification, we expect OFTO build tenders to proceed through the usual stages of an OFTO tender, although timings may vary.

Enhanced Pre-Qualification (EPQ)

3.9 There is usually one EPQ for each tender round, during which we assess any person or bidder group that makes a submission.[15] Under the generator build model, we assess a bidder's suitability, relevant experience, financial standing and technical capabilities. Those successful at this stage may be shortlisted as Qualifying Bidders (QBs) and invited to participate in the ITT stage for some or all of the projects in that tender round. Bidders do not have to express interest in all the projects in a tender round.

3.10 In a generator build scenario, this usually takes around 5 months. We anticipate that this stage of the tender process for OFTO build will at least initially take longer than for a generator build project as it will be new to market. Furthermore, the evaluation process will be updated to include a different type of scrutiny to ensure the bidders are able to manage the complexity of the construction of the asset, in addition to owning and managing the operations.

3.11 For the late competition model, we forecast up to 6 months for the bidding and evaluation in this stage, but this will be subject to review as our first projects

[15] As set out in the OFTO Tender Regulations Ofgem also has the option to run a Pre-Qualification and Qualification to Tender stages. However, since Tender Round 3 Ofgem has opted not to use these stages and has instead just run an EPQ stage prior to ITT.

progress. It may vary for early competition OFTO build. Chapter 4 sets out in more detail the evaluation criteria that we propose using to assess the bids.

Invitation to Tender (ITT)

3.12 This process runs individually for each project in the tender round. QBs are issued with the ITT documentation (including the ITT questionnaire and evaluation criteria) and granted access to the relevant project specific data room(s). Under the generator build model each QB must submit a completed and compliant ITT submission by the required deadline.

3.13 We assess received bids to ensure that the evaluation criteria are met. Such satisfactory bids are subsequently ranked by the price submitted by each QB. The lowest priced bid submitted by a QB that has satisfied the pass criteria wins, leading to this QB becoming the Preferred Bidder (PB).[16] A Reserve Bidder may also be appointed.[17]

3.14 In a generator build scenario, the ITT stage is normally planned to take around 6 months for bidding and evaluation, though this is planned to increase as we implement a new process following the Generator Commissioning Clause (GCC) extension[18].

3.15 We anticipate that this stage of the tender process will initially take longer than the current 6 months allowed during a generator build project to allow further time for bid scrutiny. The timeframe for late competition OFTO build will likely be in line with the proposed new generator build tender process of around 8 months, but it may vary for early competition OFTO build.

Preferred Bidder (PB) and Successful Bidder (SB)

3.16 Following appointment of the PB, a period is allowed for the transaction to be undertaken and concluded, during which commercial arrangements for the purchase of the offshore electricity transmission infrastructure are completed.

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[16] Ofgem recently consulted on updating this process for generator build projects to move towards a more qualitative assessment. The responses are under review and Ofgem plan to publish a response later in 2026. https://www.ofgem.gov.uk/sites/default/files/2026-01/Consultation_Equipping_the_OFTO_regime_for_the_future.pdf

[17] The Reserve Bidder is the second choice Bidder to which Ofgem would consider granting the Offshore Transmission Licence should Ofgem ultimately decide not to grant the Offshore Transmission Licence to the Preferred Bidder.

[18] DESNZ recently extended the Generator Commissiong Clause from 18 to 27 months. In order to make best use of the time. Ofgem are delaying the start of the ITT until 6 months after the start of the GCC, or the developer is ready, whichever is sooner. OFTO-Further-evolution-of-a-mature-asset-class-decision.pdf

3.17 We anticipate that this stage of the tender process could be similar to that planned for a generator build project and could take around 6 months. Finalising the transaction for generator build projects involves addressing all outstanding construction issues and snags to allow for asset transfer. As the OFTO would be constructing the asset in an OFTO build arrangement, we do not believe there should be significant due diligence to conclude and therefore asset transfer and licence grant should take place promptly.

3.18 During the PB stage there are some requirements that have a statutory timeframe, such as the unbundling certification, which is a 4-month process. Similar to a generator build project, this certification process will need to take place during the PB stage, running alongside the tender process.

3.19 We propose that the unbundling application is submitted within 4 weeks of PB announcement to ensure this certification process can begin promptly. Allowing a 6-month period in total for the PB stage reflects the time required for legal and regulatory requirements at this stage.

3.20 Subject to the relevant consultation and notice periods, Ofgem grants the SB with an offshore electricity transmission licence, which will then lead to them becoming the OFTO and allow them to commence construction of the assets. Financial Close of the transaction takes place at this stage.

Tender costs and bid costs

3.21 Tender costs refer to the fees that the generator(s), bidders, or the OFTO pays towards the running of the tender process by Ofgem. We propose that the process and responsibility for paying the bid costs would mirror the tender process under the generator build model.

3.22 Under the generator build model, at the conclusion of the bid process, generators are compensated for the costs they have incurred in developing the transmission assets following a cost assessment process. Ofgem's view is that this is maintained across the OFTO build models.

3.23 We considered a range of options to manage the cost of bidding, such as all bidder ITT costs being covered as standard to ensure a competitive tender process. On balance, we decided that allowing bidders to claim reimbursement of certain costs incurred during ITT stage, should the project be cancelled by the developer, was an appropriate balance of cost and risk. This is the approach currently set out in the OFTO Tender Regulations and it will, therefore, apply for late competition OFTO build. We propose that the same arrangement be applied to early competition.

3.24 If the project is cancelled by the developer during the ITT stage, the generator would be required to cover the costs of all bidders. In accordance with the Tender Regulations, this would be up to a maximum cap that Ofgem sets at the outset of the tender.

3.25 If the project is cancelled within 3 months of a PB being selected, then the generator would be required to cover the costs of all bidders, and the costs that the PB incurred. If the project is cancelled after this point, then the generator would be required to cover the ITT costs for the PB only, and the costs incurred by the PB during the PB stage. We would be keen to receive stakeholder views on whether this should apply for both early and late competition projects.

3.26 Within the generator build model, meeting the bidding costs for the EPQ stage has been raised by stakeholders as a barrier to entry for new bidders into the regime. This could also apply for an OFTO build project progressing through tender at an earlier stage where there is more uncertainty about the project. Also included in our recent consultation was the proposal to allow bidders to claim reimbursement of certain costs (e.g. consultancy support), up to a specified cap that will be determined by Ofgem for one successful attempt at an EPQ.

3.27 A final decision has not yet been taken on EPQ passporting and EPQ bidding costs, but if introduced we would implement for both OFTO Build and generator build regimes.

Questions

Q4. Do you agree that the generator should cover the costs of an ITT stage bid where the project is cancelled after this stage, as set out in the Tender Regulations?

Q5. Do you agree that replicating the generator build proposal to allow bidders to claim reimbursement of certain costs incurred for their first successful EPQ application is appropriate?

Q6. Do you think the EPQ passporting proposal would work in an OFTO build context? Please explain your reasoning.

Events of re-run and cancellation of tender or no appointment of OFTO

3.28 The OFTO Tender Regulations set out the events and processes available for re-runs and cancellations of a tender.

3.29 For the late competition model, the existing framework allows sufficient flexibility to move to a generator build OFTO model or re-run the tender, should an OFTO build tender be unsuccessful, or if the project has to be withdrawn from tender.

3.30 This is also largely true for early competition but there is some further nuance for early competition projects (particularly for those undertaken under a mandatory tender). We have discussed this further in the early competition section below.

3.31 We welcome stakeholder views in relation to whether the current events of re-run and/or cancellation as set out in the OFTO Tender Regulations should be amended in any way to account for non-radial assets.

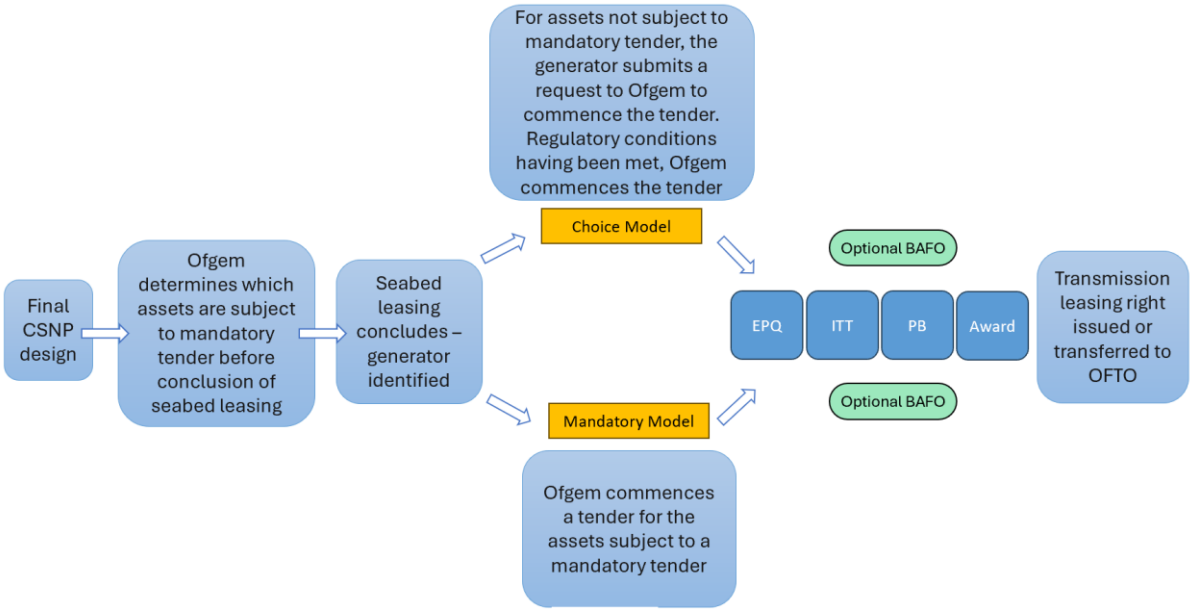
Specific considerations for early competition OFTO build

Structure of the tender

3.32 As set out above, uniquely, early competition projects may be subject to a mandatory centralised tender. Elements of the pre-tender process will differ where the assets are subject to a mandatory centralised tender. The process for tender by generator choice and mandatory centralised tender is set out in Figure 2 below.

Pre-tender process and tender trigger

figure 2. *Outline of proposed pre-tender process for generator choice and mandatory centralised tender*



3.33 The above indicative sequence of events which leads to the commencement of the early tender will depend on the future process for post-CSNP activities, which will include connections and seabed leasing processes. The actual sequence is subject to future policy development and may slightly differ case by case.

3.34 However, in the case of both a tender initiated by generator choice and a mandatory tender, seabed leasing (at minimum, for the windfarm) should have concluded before the tender can commence. Where we determine a connection agreement is needed, we may also require that the generator has this is place before the tender can commence. We discuss the qualifying project criteria and tender entry conditions for early competition in this chapter.

Generator choice

3.35 Under the OFTO Tender Regulations, the generator must submit a written request to Ofgem to commence a tender exercise. We propose the same process for early competition OFTO build.

3.36 The generator must be in place to trigger the tender. Therefore, the tender will take place after the relevant leasing rounds have concluded.

3.37 Under the existing generator build model, once a written request to commence a tender has been received from the generator, Ofgem must determine that the project request relates to a qualifying project and be satisfied that certain requirements have been met[19]. They must also be satisfied that the tender entry conditions have been met, and that necessary payment has been received. If satisfied these conditions are met, Ofgem may commence the tender by issuing a written notice, in accordance with Regulation 8(8) of the OFTO Tender Regulations. We propose the same process for early competition OFTO build, with the necessary amendments to conditions and criteria for entry.

Mandatory centralised tender

3.38 The timing of when a mandatory centralised tender commences should also follow the conclusion of seabed leasing where relevant generators are identified. It can also only occur after the publication of the final CSNP design.

3.39 We propose that the first step of running a mandatory centralised tender would be asset identification. The mechanism and process for initiating a mandatory tender is intended to be set out in tender regulations. We expect to issue guidance on the exercise of the mandatory tender including the scope of projects where a centralised tender could be applied.

3.40 We expect NESO to consult stakeholders on the preferred delivery options of certain assets in the strategic design (e.g. whether the assets will be subject to a

[19] In the case of a generator -build tender exercise, the qualifying project requirements are set out in paragraph 2 of Schedule 1 of the OFTO Tender Regulations and in the case of OFTO build tender exercise, the current qualifying project requirements are set out in paragraph 1 of Schedule 1 of the OFTO Tender Regulations.

mandatory centralised tender for OFTO build) as part of the third-party option consultation in the CSNP process[20].

3.41 After NESO has developed a preferred network design through the CSNP, Ofgem will conduct an administrative review internally to establish whether certain assets in the design meet the scope of using mandatory centralised tender. Those assets meeting the conditions set out in guidance will be shortlisted.

3.42 Ofgem will then determine whether all or some of the shortlisted assets will be subject to centralised tender. We will then publish the decision before the conclusion of seabed leasing.

3.43 Ofgem will work with the leasing authorities to try to align the decisions with the seabed leasing process. The intention is to enable the generators wishing to bid for seabed leases to have an earlier and clearer understanding of whether development areas will have connections built by an OFTO following a mandatory centralised tender.

3.44 Ofgem will commence the OFTO build tender after conclusion of seabed leasing.

Qualification of Project (QP)

3.45 At this stage in the process, the project is assessed against the requirements within the OFTO Tender Regulations to determine whether it meets the criteria to qualify for tender.

3.46 We are proposing that the qualifying project criteria for the early competition OFTO build model (as applicable to both the generator choice and mandatory models) would:

- establish that preliminary works on the transmission assets have not yet commenced,
- confirm that the generator has entered into an agreement for lease of the seabed, and
- seek evidence from the generator of their commitment to secure financing to construct the relevant generating station,

  and also, potentially -

- confirm that the generator has a connection agreement

3.47 We are working with the leasing authorities to clarify the seabed leasing process for early OFTO build projects. At this stage we anticipate a possible arrangement

[20] See p.108 of NESO's Centralised Strategic Network Plan Methodology

that the leasing round for radial assets will provide generators with the leasing rights to both generation and transmission. The generators would then be required to transfer the transmission leasing rights to the OFTO builder as part of the tender.

3.48 In the case of non-radial assets, there are a number of potential arrangements for how transmission-related seabed rights could be treated. We will work with the leasing authorities to further explore how the OFTO will be granted these rights in relation to both radial and non-radial assets.

3.49 We are continuing to work with NESO to confirm the detailed interaction between the OFTO build tender and the future connections processes. If it is possible, we may not require that generators obtain a connection agreement before the tender can commence. The rationale for this is to allow for the tender to commence as soon as possible, to decrease the risk that the development of the transmission asset and offshore wind farm become significantly misaligned. However, we will require a connection agreement where this is necessary to inform the tender.

3.50 Where a connection agreement is not needed, we believe that it makes sense to allow the generator to initiate the tender as soon as possible after award of seabed rights to the generator. The generator(s) may continue works on the generating asset(s) during the tender, including obtaining a connection agreement.

Preparation for tender and tender entry conditions

3.51 Ofgem must also confirm that the entry conditions have been met by the generator before commencing the tender. For non-radial assets, we propose that all of the tender entry conditions (entry conditions) are met by a lead generator (for example, for the choice model, the generator who triggered the tender), and only some (e.g. where information is needed for the tender) are required to be met by the secondary generators. Requiring that some entry conditions are met by all generators will ensure we have the agreement of all interested generators to proceed with early competition.

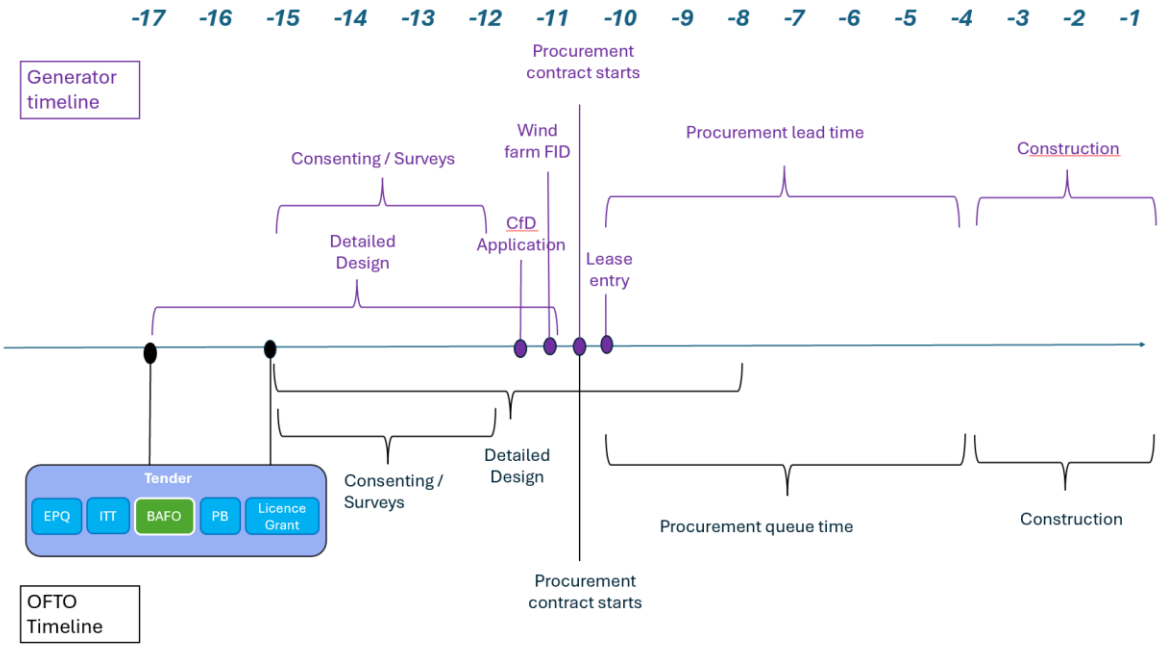
3.52 In addition to confirming that the relevant entry conditions are satisfied, we will ensure that the project scope is well defined before commencing the tender.

Generator obligations

3.53 As the generator(s) will not have commenced preliminary works on the transmission asset, the generator(s) will have limited information available to provide to Ofgem to inform the tender. However, we believe the generator should provide an indicative project timeline for generation.

3.54 The early competition model will require the parallel development of transmission and generation assets, led by separate parties. The development timelines will have interdependencies. For example, decisions for procurement and the consenting process will require close communication and potentially require alignment of timelines. Efficiencies could also be achieved through timeline alignment. Recognising that the timeline will be different for different projects, we anticipate an indicative timeline for an early competition project may resemble the timeline in Figure 3 below. This timeline assumes a long procurement lead time:

figure 3. *Indicative timeline for an early competition project*[21]



3.55 We are proposing that submission of the timeline of the generation project would be an entry condition. While the timeline will support alignment between the OFTO and generator, it would also assist in the commercial model to establish an OFTO delay under the commercial model and potentially inform milestone dates. With the tender being at an early stage in the project, the generator's timeline will need to be estimated. There will, therefore, have to be scope for the timeline to be amended, at least up to a certain point of the early competition process.

[21] The timeline is indicative only. It will differ project to project and could change significantly depending on technology type.

3.56 For the mandatory centralised tender, we expect that the generators will already be identified by the time that the tender is being run (see Figure 3 above). We expect that generator will be able to provide a project timeline before the ITT stage to help inform the detailed bids.

3.57 We welcome stakeholder feedback regarding other conditions which should be satisfied by generators before a tender can be commenced.

Delivery body obligations

3.58 Before tender commencement, Ofgem will need to verify that the tender should proceed and to set out the commercial framework (as set out in chapters 5 to 7) for the project before bidders enter the process. We are proposing that Ofgem will identify whether preliminary works payments will apply and set the cap for the cost of preliminary works at this stage (details in chapters 6 and 7).

Roles of NESO and leasing authorities

3.59 Ofgem will run the OFTO build tender based on NESO's network design and additional technical requirements. In order to run an effective tender, we will work with NESO to aim to provide the technical information relied upon to develop the CSNP. This will aid Ofgem's assessment and bidder understanding of the tendered design.

3.60 We will work with the leasing authorities to aim to provide tender participants with relevant information, which is likely to include the terms associated with the transmission agreement for lease and lease, together with any associated guidance on engagement requirements.

Questions

Q7. Do you agree with the proposed tender process where a generator chooses early competition?

Q8. Do you agree with the proposed use of a mandatory centralised tender? Do you agree with the proposed steps towards commencing a mandatory centralised tender?

Q9. Do you agree with the proposed qualifying project criteria as well as the proposed stakeholder obligations and tender entry conditions?

Events of re-run and cancellation of tender or no appointment of OFTO

3.61 The OFTO Tender Regulations set out the events and processes available for re-runs and cancellations of a tender.

3.62 In general, we consider that the events of re-run and cancellation in the current OFTO Tender Regulations are suitable for the early competition model. However, there may need to be some model appropriate adjustments. For example, where there is a mandatory centralised tender, a generator would not be able to withdraw.

3.63 We welcome stakeholder views on this. and in relation to whether the current events of re-run and/or cancellation as set out in the OFTO Tender Regulations should be amended in any way to account for non-radial assets.

OFTO of Last Resort

3.64 Ofgem's OoLR process allows Ofgem to appoint another licensed transmission owner outside of the competitive tender process in set circumstances.[22] Under the existing OoLR guidance, Ofgem can use the OoLR for a generator build model, where a tender fails to result in the appointment of an OFTO. However, the guidance does not anticipate that this process will be used for an unsuccessful OFTO build tender.[23]

3.65 For a generator-choice early competition tender, we propose that the OoLR process would not be available in these circumstances. We remain of the view previously expressed that exclusion of OFTO build from the OoLR process is appropriate given that failure to appoint an OFTO may demonstrate that the market does not see an economic case for investment, that there is not a significant risk of stranded assets, and acquisition would be risky for the OoLR and, therefore, a higher risk premium would be required to compensate the OoLR[24].

3.66 However, we consider that discretionary use of the OoLR mechanism for mandatory centralised tender projects would be appropriate. By the nature of the project selection process, projects selected for a mandatory tender call for a coordinated delivery approach. The OoLR process would provide a secondary mechanism to ensure these projects could be delivered in a coordinated manner.

3.67 We welcome stakeholder views on this, including whether the current events of re-run and/or cancellation as set out in the OFTO Tender Regulations should be amended in any way to account for non-radial assets.

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[22] Transmission Licence Standard Conditions, condition E21.

[23] Guidance on the Offshore Transmission Owner (OFTO) of Last Resort mechanism | Ofgem

[24] *Ibid.*

Questions

Q10. Do you agree with the proposals for tender costs and bid costs and the events of re-run and cancellation of the tender?

Specific considerations for late competition OFTO build

Qualification of Project (QP) and tender entry conditions

3.68 At this stage in the process, the project is assessed against the requirements within the OFTO Tender Regulations to determine whether it meets the criteria to qualify for tender. There is flexibility within the Tender Regulations to allow generators to propose OFTO build projects with varying commercial structures, or at different stages of development, dependent on what is right for that project. To qualify, there are certain requirements that must have been met, such as having a connection agreement and a seabed lease agreement. These are in paragraph 1, schedule 1 of the current Tender Regulations.[25]

3.69 As an example of the flexibility, a project at a more mature stage of development could put forward a 'Generator Engineering, Procurement and Construction (EPC)' contract as the basis for the tender.[26] Alternatively, a project that is at an earlier stage in development (but does not meet the early competition definition) might instead propose the detailed designs, consent and connection as the basis for the tender, allowing the successful OFTO to run the procurement as well as the construction. Previous work on this in 2014 suggested that the Generator EPC contract was the preferred model, though this has not been used to date.[27] These proposals for the tender process are based on the EPC model remaining our preferred model.

3.70 Once we are satisfied an OFTO build project meets all qualifying project requirements, we will notify the generator of the information it will be required to provide in order to be satisfied that the entry conditions are met, in accordance with Regulation 11 of the Tender Regulations. Ofgem's notice will include a request for specific information that a generator must submit, by specified deadlines, so we can determine whether each entry condition has been met.

[25] https://www.legislation.gov.uk/uksi/2015/1555/made/data.pdf

[26] The generator carries out all supply chain procurement and manages construction under an 'EPC' contract with the OFTO. The generator (as 'EPC' contractor to the OFTO) receives milestone payments from the OFTO to fund construction. The generator manages construction of the asset under the terms of the 'EPC' contract, providing the OFTO with protection against construction risk.

[27] https://www.ofgem.gov.uk/sites/default/files/docs/2015/11/epc_principles_guidance_open_letter-for_publication.pdf

Once we are satisfied, a Tender Exercise can commence for the Qualifying Project (QP). Where generators do not meet the entry conditions by the specified date, we may cancel the tender exercise for their projects.

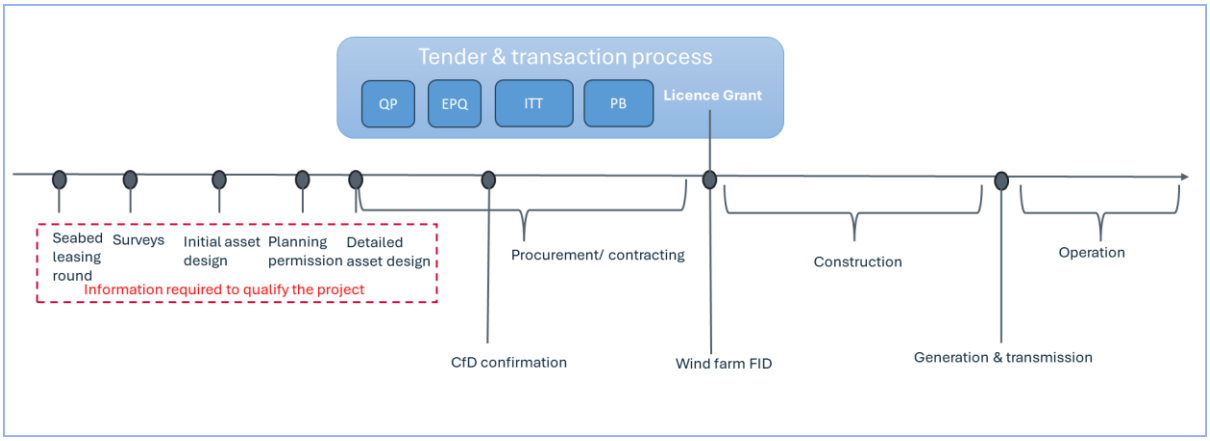
3.71 In a generator build scenario, the QP and entry condition stage usually takes around 5-6 months. We anticipate that this stage of a late competition OFTO build tender process will take a similar amount of time to a generator build project.

Tender process triggers and Licence Grant (LG)

3.72 The generator build model has well-established milestones within the project that help to define the timings of the tender process. For example, the ITT stage is usually triggered when we receive the completion notice from the generator[28], and the GCC provides a statutory deadline for asset divestment. These milestones will not be applicable to a late competition OFTO build model, and we have been carefully considering when would be a suitable trigger to commence the tender process in this case. These will need to be appropriately aligned with the stages in the development of the generation asset, as well as what is set out in the Tender Regulations. Figure 4 below sets out the key milestones in the development of generation and transmission assets and how the OFTO build tender process could map on to this.

[28] This is issued by the generator when the wind farm secures an Interim Operation Notice (Part B) (ION B) from the NESO: https://www.neso.energy/industry-information/connections/compliance-process#Operational-Notifications

figure 4. *Tender and transaction process vs key development moments*



3.73 As set out above, the Tender Regulations set out a number of requirements that a project must meet in order to qualify for a tender. Gathering this information into a data room will allow the generator to submit a request to Ofgem to commence a tender exercise. The QP stage can therefore commence once the generator has secured the seabed lease, conducted surveys, completed the detailed asset design and secured planning permission. This ensures there is a sufficient level of detail to understand the project and for bidders to consider through the EPQ stage.

3.74 Once the project has been qualified, we can open the competition for participants to express their interest and submit bids for the EPQ stage. This stage is expected to take around 6 months for bidding and evaluation. We therefore expect that this stage of the tender process should start before the opening of the relevant Contracts for Difference (CfD) Allocation Round (AR) to allow bidders to qualify in good time. Due to the possibility of project delay, there may be some time between the finalisation of the EPQ stage and the move to ITT. The EPQ passporting proposal set out in the recent consultation 'Equipping the OFTO Regime for the Future'[29] could help bidders manage this delay by allowing them to access other OFTO build projects that may move ahead sooner.

3.75 Once the offshore wind farm has secured a CfD through an Allocation Round, there should be reasonable confidence that the wind farm project will progress to construction, and therefore the OFTO asset will be required. We propose that the ITT stage commences at this point, subject to the satisfaction of other conditions.

[29] Equipping the OFTO regime for the future | Ofgem

3.76 As mentioned in paragraph 3.15, Ofgem anticipates this will be longer than the 6 months under generator build, possibly up to 8 months. We understand that compiling an ITT bid is both time consuming and costly, and we are keen to gather stakeholder views on what information would be required to put together a bid at this point in the project development.

3.77 Following the ITT period, a PB will be determined, with a shorter PB stage planned to conclude the transaction within 6 months. This should allow Ofgem to grant the SB with an offshore electricity transmission licence aligned with the point where the generator is making its Final Investment Decision (FID) on the wind farm to begin construction (either after the FID is taken, or very shortly before). This aligns the beginning of construction for both assets and reduces the risk of stranded assets for both parties.

3.78 In terms of the expected timings for this, the CfD contains an expected initial Milestone Delivery Date (MDD) 18 months after CfD award. By this point, the wind farm would be expected to show sufficient commitment to the project, consistent with an FID decision. It is likely that, in order to make this decision, the wind farm would need to have the OFTO in place to avoid any risks to generation. This would therefore mean that there would be approximately 18 months in total for the ITT stage and PB stage.

Questions

Q11. Do you agree with the timing estimations for each stage of the tender process? Please explain your reasoning.

Q12. Do you agree with the trigger proposed for commencing the tender process, with CfD award being the trigger for starting the ITT stage? Would this allow enough time to run the transaction process? Please explain your reasoning.

Q13. Do you agree that OFTO build licence grant should be aligned with the wind farm asset FID that indicates the start of asset construction?

Summary of proposals

	Early Competition	Late Competition
Tender Structure	QP, EPQ, ITT, optional BAFO, PB, SB and Licence Grant	QP, EPQ, ITT, optional BAFO, PB, SB and Licence Grant
Tender Trigger	Generator choice: written request from generator	Written request from the generator.

Consultation OFTO Build: Early and Late Competition Models

	Early Competition	**Late Competition**
	Mandatory centralised tender: Ofgem's published decision	
Qualification of Project	(i) establish that preliminary works on the transmission assets have not yet commenced, (ii) confirm that the generator has entered into an agreement for lease of the seabed, and (iii) seek evidence from the generator of their commitment to secure financing to construct the relevant generating station. And also, potentially - (iv) a connection agreement This is the current proposal but there may be more criteria as Ofgem develops the early competition model.	The Tender Regulations set out what is required in Regulation 8, Paragraph 1, Schedule 1. This includes a connection agreement and a seabed lease agreement, details of any preliminary works (planned or undertaken) and any agreed construction contracts.
Tender Entry Conditions	Indicative timeline submitted by the generator This is the current proposal but there may be more conditions as Ofgem develops the early competition model.	The Tender Regulations set out the entry conditions in Regulation 11, Paragraph 1, Schedule 2.
BAFO, PB, and SB	The high-level process will mirror generator build.	The process is set out in the Tender Regulations and will mirror generator build, but the timings will be aligned to the key milestones in the development of the windfarm.
Tender Costs and Bid Costs	Bid costs will mirror the approach under the tender regulations In relation to cost assessments, the generator costs are expected to be minimal. View being sought on compensating generators.	The high-level process will mirror generator build and is set out in the Tender Regulations.

Consultation OFTO Build: Early and Late Competition Models

	Early Competition	Late Competition
Events of re-run and cancellation of tender or no appointment of OFTO	We expect to mirror the processes set out under the tender regulations with the exception of removing a generator right to withdraw for the mandatory centralised tender. The OoLR powers will be available where the tender has not led to the appointment of an OFTO in the case of a mandatory centralised tender	The Tender regulations set out the process should a tender be re-run or cancelled.

4. Evaluation criteria

In this chapter we set out our views on including qualitative evaluation criteria. We also set out our thoughts and welcome views regarding what should be required of bidders to become Qualified Bidders (pre-qualification), what requirements should be placed on the bid submissions (at ITT), and how criteria should be used to assess the submissions. Finally, we discuss how the evaluation process should be structured.

Introduction

4.1 In our CfI we considered that there may be a need to introduce appropriate non-price elements in the early competition OFTO build tender. Our CfI set out our proposal to include both price and non-price elements in the bidding process and assessment criteria. In this chapter, we outline further details on bid submission requirements, evaluation criteria, where alignment with the CATO methodology might be useful, and invite feedback on the structure and approach to scoring for early competition.

4.2 The late competition OFTO build model tender evaluation process will broadly be run in a manner similar to that under the generator build process. The assessment of bids will also include non-price elements and broadly align, where appropriate, with the evaluation criteria being developed across CATO and the early competition OFTO build model.

Summary of feedback from call for input

4.3 In our September 2025 publication, we asked stakeholders whether we should include both price and non-price elements in the bidding process and assessment criteria. We also asked what the appropriate weighting of price and non-price elements would be, and which non-price elements should be included for an early competition model.

4.4 There was strong consensus across all stakeholder groups that both price and non-price elements should be included in the bidding process and assessment criteria for early competition OFTO build.

4.5 Most respondents supported either a balanced weighting between price and non-price criteria or a greater emphasis on non-price elements. Many stakeholders warned against an over-emphasis on price, citing the risk of a “race to the bottom” that could undermine delivery quality, increase long-term system risk, and ultimately reduce value for consumers.

4.6 A widely supported theme was the use of a two-stage evaluation process, with non-price criteria assessed at a pre-qualification stage, followed by a combined

assessment of both price and non-price elements. This approach was seen as critical to ensuring that only credible and capable bidders participate in price competition.

4.7 Respondents identified a range of non-price elements as important indicators of delivery capability, including delivery track record, technical and engineering expertise, project and programme management, supply chain access and coordination, financial resilience, and operational readiness.

4.8 Generators placed particular emphasis on offshore specific experience, reflecting the complexity and novelty of coordinated offshore transmission assets.

Evaluation principles

4.9 We see a strong case for the inclusion of non-price metrics, alongside price, when assessing bids under the OFTO build models. We see value in aligning policy and processes across Ofgem's competitive tender models. Therefore, where it is appropriate to do so, Ofgem will consider aligning with the evaluation criteria being developed across CATO and the OFTO build models.

4.10 It is also worth noting that Ofgem has recently consulted on non-price metrics for generator build OFTO tenders.[30] No decisions have yet been made.

Early competition

Bid evaluation

4.11 This section sets out high level proposals for the bid submission requirements and evaluation criteria for the early competition model. Following input on high level proposals, we will develop the more detailed assessment criteria. Equally, the stage at which the criteria will be assessed (EPQ vs ITT) and the approach to assessment (scoring approach and weighting between price and non-price elements) of those criteria has also not been developed. We have set out the options identified following the responses to our CfI and set out of our policy thinking regarding these proposals.

4.12 CATO is a valuable reference for us as an early competition model. The CATO proposals for evaluation criteria are still in the process of development. NESO published the Delivery Readiness Update 2026 in March.[31] This update includes

[30] Consultation_Equipping_the_OFTO_regime_for_the_future.pdf

detailed proposals for the appraisal method and evaluation criteria for the onshore early competition model. We are aligning with their policy development process where appropriate to ensure we can take valuable learning from the onshore regime.

Bid submission requirements

4.13 The early competition tender will have the CSNP preferred design as the basis for bidders to make their submissions. Relying on this, at the ITT stage, we expect that bidders would submit desktop-based design proposals as part of their bid. In order to inform the desktop design, we will also expect bidders to meaningfully engage with Original Equipment Manufacturers (OEMs) before the bid is submitted.

4.14 Subject to the level of specification required in the desktop design, we expect the desktop design proposal to provide a benefit to speed up delivery timescales overall as work on design would progress during the tender. Similarly, by engaging with the OEM(s) during the tender, this should ensure the fastest progress can be made post-tender in relation to procurement, subject to the level of engagement required.

4.15 The desktop designs will be fundamental to the assessment process of the PPWCA under the commercial model (see chapter 6). The desktop design will form the baseline from which cost uplift submissions are assessed against in the PPWCA. We welcome views on whether and how the desktop design should be assessed. We also welcome views regarding what level of engagement with the OEMs should be required.

Questions
Q14. Do you agree with the proposals for the bid submission requirements? Should the desktop designs be assessed and, if so, how should they be assessed? What level of engagement with OEMs should be required?

Evaluation criteria

4.16 A number of responses to the CfI supported including a criterion for experience in offshore construction projects. We recognise the value in direct experience in offshore projects. However, we are also keen to ensure that that bidders who have other comparable experience can also qualify to attract new investors.

4.17 The criterion of offshore experience could either be assessed in a higher score, or it could be assessed as a non-negotiable requirement (pass/fail evaluation). If the criterion is included, we propose that this should be assessed at the EPQ stage to avoid unqualified bidders putting considerable time and expense into more detailed proposals.

Consultation OFTO Build: Early and Late Competition Models

4.18 Some respondents advocated for aligning OFTO build with the CATO methodology for consistency and a broader bidder pool. The CATO evaluation criteria remain in the process of development and NESO's Delivery Readiness Update is open for comment. The proposals are rooted in NESO's earlier ECI-Update[32], which set out some high-level proposals for the early onshore model.

4.19 The PQ criteria proposed in the ECI-update as compared to the offshore generator build model criteria are summarised below for reference:

CATO ECI-Update proposal *(all pass/fail scoring)*

1. Financial Standing -
   - Raising debt finance
   - Raising equity finance
   - Holding equity finance
   - Net worth equity investors
   - Annual Turnover Lead Construction Contractor
   - EBITDA for each Lead Construction Contractor
   - Audited annual accounts and other material financial information

2. Technical –

Experience in comparable scale and complexity for:

   - Preliminary works
   - Planning and consenting Construction
   - Operation and maintenance
   - Subcontractors and Supply Chain

3. General –
   - Bidder details
   - Shares, adviser details and licences

Generator Build (TR13)

1. Suitability (*pass/fail*)
   - Identification information
   - Grounds for mandatory exclusion
   - Grounds for discretionary exclusion

2. Economic and Financial Standing (*pass/fail*)

3. Technical and Professional Ability (*pass/fail*)
   - Experience of asset takeover
   - Capability in management and operations

4. Limitation Criteria (*scored*)
   - Approach to asset takeover
   - Approach to management and operations
   - Financing solution
   - Financial and Commercial Risk Management

5. Other
   - Draft Transfer Agreement(s) Comments (*optional*)
   - EPQ Certificate (*obligatory*)Confidentiality of submissions (*optional*)

4.20 As an early competition model, the CATO evaluation criteria is a useful starting point to consider appropriate design for the offshore model. However, we anticipate that offshore projects could potentially be more complex than those

[32] EC-I Update February 2024.pdf

anticipated under CATO. The context for the models differs and, therefore, the CATO evaluation criteria are likely to need to be adapted.

4.21 We welcome feedback in relation to whether and where CATO evaluation criteria, as set out in the ECI-Update, could be used and adapted for the offshore model. We also welcome feedback on the structure and approach to scoring, considering what would be appropriate for an early model.

Questions

Q15. What should the EPQ and ITT evaluation criteria be and how should each criterion be assessed? How should the assessment of the evaluation criteria be structured between the EPQ and ITT stages?

Late competition

4.22 As is the case for generator build tenders, we plan to have a set of minimum standard criteria that will be assessed at the EPQ stage to ensure only appropriately qualified bidders will become Qualified Bidders (QBs) and can proceed with their bid proposals, following up with a more in-depth assessment of further non-price, quality-related standards.

4.23 This will run similarly to the generator build tender process – the EPQ stage will be scored with a minimum criterion to ensure that the bidders proceeding to ITT are suitable. Under OFTO build, the submissions made at ITT will be marked on further non-price criteria, weighted against price.

4.24 The EPQ criteria will likely mirror what is already asked as part of the generator build tenders, but it is likely that the criteria at ITT will include questions on the following areas, aligning with CATO and the proposals for generator build, as well as assessment on price:

- Capability in management and operations (including operations and maintenance approach, operational availability strategy, physical and cyber security)
- Construction (construction phase plan, procurement (where applicable), health and safety, environment and sustainability)
- Technical and professional ability, including financing strategy (financial advisory, model audit, funding of preliminary works and equity funding, debt term sheet compliance, debt financing strategy)
- Risk management and pricing (risk assessment and mitigation, pricing methodology and long-term cost assumptions)
- Approach to decommissioning

4.25 At ITT the responses to each question/section will be scored and then will be weighted respectively. Respondents to the CfI on early competition OFTO build suggested a range of weightings for non-price metrics, and we are considering these as we develop our evaluation policy.

4.26 We will further develop the weighting mechanisms and evaluation criteria, including the scoring of quality vs price, and will publish them in advance of any tender.

Questions

Q16. Do you agree with the two-stage evaluation approach through EPQ and ITT for Late Competition? If yes, which criteria should be assessed as minimum entry standards at EPQ? If not, why not, and what would be better?

Q17. Do you agree with the proposed areas for assessment for Late Competition? Do you have views on any specific metrics that should be looked at?

Summary of proposals

	Early Competition	**Late Competition**
Qualitative (non-price) criteria	Yes	Yes, weighted at ITT

5. Delay risk allocation

This chapter outlines our proposed framework for allocating and managing delay risk under early competition OFTO build, including our preferred model for OFTO-attributed delay. It also highlights initial challenges that may arise where OFTO is ready, but the generator is delayed or does not proceed.

Summary of feedback to call for input

5.1 In our CfI, we asked stakeholders how delay risk should be allocated under an early competition OFTO build model and what protections are needed for generators. Stakeholders had mixed views on how delay risk should be allocated. The majority of generators argued that the existing arrangements do not adequately protect them from delays caused by an OFTO. Others, namely OFTOs, considered the current framework broadly workable, provided any new measures remain proportionate and clearly defined.

5.2 Several generators emphasised that clear and predictable financial protections are essential to support their route-to-market arrangements and investment decisions. They expressed interest in approaches aligned with established mechanisms such as CfD milestones, Liquidated Damages (LD) frameworks, or comparable European models.

5.3 In contrast, many OFTO bidders and financial investors considered that linking commencement of the Tender Revenue Stream (TRS) to asset energisation already provides a strong delivery incentive. They cautioned that introducing additional penalties or open-ended liabilities could challenge financeability or deter market entry. Industry bodies similarly emphasised the importance of a balanced package that supports timely delivery while avoiding disproportionate or uncertain risk for bidders.

5.4 Some stakeholders suggested dual frameworks that combine deterrents for late delivery with potential rewards for timely or high-quality delivery. Others proposed variants of socialised risk sharing or consumer funded backstops, noting that such mechanisms could provide additional confidence where delay risk may be material.

Risk of an OFTO delay under early competition model

Introduction

5.5 Here we set out Ofgem's proposed framework for allocating delay risk generators are exposed to under the early competition OFTO build model, including the mechanisms towards ensuring OFTOs deliver on time, and the

protections available to generators. We also identify specific issues that arise where the OFTO is ready, but the generator is delayed or does not proceed.

5.6 Under OFTO build, responsibility for delivering the transmission assets is with the OFTO. While this reduces generator exposure to construction and delivery risk for the transmission assets under the generator build model, it has the potential to increase the operational and commercial consequences that generators may face if energisation is delayed for reasons outside their control.

5.7 To support confidence in the early competition OFTO build model, it is important that the framework includes proportionate, transparent and financeable mechanisms supporting OFTOs to deliver on time, with appropriate protections for generators and consumers.

Cost allocation and risk sharing

5.8 Below, we set out how delay-related risks are allocated between OFTOs, generators and consumers under the early competition OFTO build model. We provide the contextual foundation for the later assessment of options for mitigating generator exposure to OFTO-related delay.

Mitigating generator risk in OFTO delay

5.9 Under the Allocation Round 7 Standard Terms,[33] where delay to a CfD project is caused by a TSO, TO or OFTO, the Milestone Delivery Date, Target Commissioning Window and the Longstop Date may be extended day for day. Based on discussions with DESNZ, these provisions are expected to apply under future CfD rounds. These mechanisms should substantively reduce the risk of CfD termination or CfD term erosion where OFTO delay is the cause.

5.10 However, we understand through engagement with generators that they may still face a range of residual commercial and operational impacts that remain material even where the CfD term is protected. These include technical preservation and asset readiness, financing impacts, supply chain and contractor-related costs, as well as port, storage and logistics costs.

5.11 These residual costs may influence generator decisions when assessing whether early competition OFTO build is the most suitable delivery model. They may also affect how generators price risk in their CfD bids. For these reasons, we have considered a suite of mechanisms to mitigate the impact of OFTO attributed delay.

[33] AR7_-_Standard_Terms_and_Conditions_July_2025_84916781.18_.pdf

Options approach

5.12 We have considered a range of mechanisms to manage OFTO attributed delay risk. These measures fall into two groups:

- **Ex ante mechanisms**, which aim to reduce the likelihood of delay (e.g. milestone-based reporting).
- **Ex post mechanisms**, which aim to address generator impacts where OFTO attributed delay occurs (e.g. TRS on energisation, milestone-based penalties, insurance, or limited consumer backstop).

5.13 These options are not mutually exclusive and can be combined, for example, through a hybrid approach as elaborated below.

TRS-on-energisation

5.14 Under the existing OFTO regime, the OFTO's TRS begins only once the transmission assets are energised and capable of enabling export. We propose to retain this principle for early competition OFTO build. Linking revenue to energisation provides a clear and outcome-based delivery incentive, ensuring that OFTOs do not earn revenue while the wind farm is ready to generate but unable to export due to transmission delay.

5.15 There should be appropriate carve outs for unforeseeable and outside the reasonable control of the OFTO, with clear attribution rules to ensure that OFTOs are not penalised for genuinely uncontrollable events.

5.16 We also plan to address separately the treatment of cases where the OFTO is ready to energise but the generator is delayed, to ensure that TRS commencement arrangements remain fair, consistent and do not inadvertently weaken delivery incentives. The risk of a generator delay and OFTO readiness is discussed in more detail in the following section.

Milestone-based penalty

5.17 We propose introducing a licence-based mechanism under which an OFTO should pay a penalty for delay in delivering transmission assets. The penalty would serve two purposes. Firstly, it aims to provide a stronger measure to ensure timely delivery in addition to TRS-on-energisation. We consider that an extra measure is needed because the OFTO has substantive control of the project development over a long-time horizon under the early competition model. The OFTO should be best placed to manage the timely delivery and take the risk of delay.

5.18 Secondly, the penalty aims to allow generators to partially recover residual costs as mentioned above in case of delay in transmission caused by the OFTO. This

will enable the generators to better mitigate the risk of delay which is reasonable because they do not have control over the delivery of transmission assets. We consider that this will also help lower the CfD price and benefit consumers as generators would not need to factor the entirety of delay risks in the CfD bid.

5.19 However, we do not propose that generators should be fully compensated for any or all residual costs in case of OFTO delay. This is because a full compensation might create too much risk for an OFTO which would affect OFTO's financeability and hence the viability of the OFTO build model. Generators are already taking some delay risks in the current generator build model. It is reasonable to design measures that do not aim to completely remove generators' delay risk in this proposed alternative delivery model.

5.20 We propose to introduce penalties for late delivery by OFTOs under a milestone-based approach. We aim to introduce some defined milestones along the key stages of project development. When the OFTO has missed the milestones and delays are attributable to the OFTO, the OFTO would be liable to penalties.

5.21 The penalties under each milestone will be accrued. If the OFTO is late for the final milestone, e.g. the energisation, the OFTO will need to pay all the accrued penalties. Under the early competition model, we suggest that the penalties received will be transferred to the generators after the agreed energisation date given that the generators might expect to start to have cash flow at that time for various reasons, e.g. debt servicing.

5.22 We suggest that if the OFTO can meet the final milestone, any penalties accrued for missing the previous milestones will be written off. This is to avoid penalising the OFTO for timely delivery and to provide incentives for OFTO to catch up with delays in the process.

5.23 Under the milestone-based approach, the OFTO is expected to report the completion of key stages of project development and provide satisfactory evidence to Ofgem which can be shared with generators. It offers visibility and transparency of OFTO's delivery performance. It allows oversight and intervention by Ofgem and the generators where appropriate. It may also allow generators to adjust the schedule for windfarm construction where necessary to better match the overall timeline, which could mitigate additional cost risk in some areas.

Consumer backstop

5.24 We consider that the measures mentioned above should be sufficient for generators and OFTOs to manage the risks of delay caused by OFTO in many circumstances. However, in some situations, for example when the residual costs are very large because multiple generators are involved in non-radial

assets, or when a low probability but high impact incident happens, the above measures might not be sufficient for generators and OFTOs to mitigate the risk of delay.

5.25 In these exceptional circumstances, on the assumption that the OFTOs and generators would cover a reasonable share of the delay cost, we propose that Ofgem should have discretion to introduce a capped consumer-funded backstop to share part of the delay risks. The intention is to provide a mechanism to reduce the risks and enhance the viability of complex and system-important projects which deliver consumer and system-wide benefits.

5.26 We anticipate that any consumer backstop payments would be funded through network charges. The detailed governance, payment arrangements, and any necessary legislative changes for such a mechanism would require further investigation and development following this consultation.

5.27 We anticipate that the consumer-funded backstop will be considered on a case-by-case basis when strong reasons, e.g. consumer and system-wide benefits, apply. The discretionary nature of this mechanism will provide flexibility for Ofgem to accommodate projects with different risk profiles under the same early competition OFTO build model.

5.28 An illustrative example that may justify consumer-funded backstop would be a project that will deliver a large-scale non-radial asset through a mandatory centralised tender, and the asset will bring substantive consumer and system-wide benefits through coordination. The consumer-funded backstop will not be a standard feature in the early competition OFTO build model and will not be available for every project.

Insurance-based mechanisms

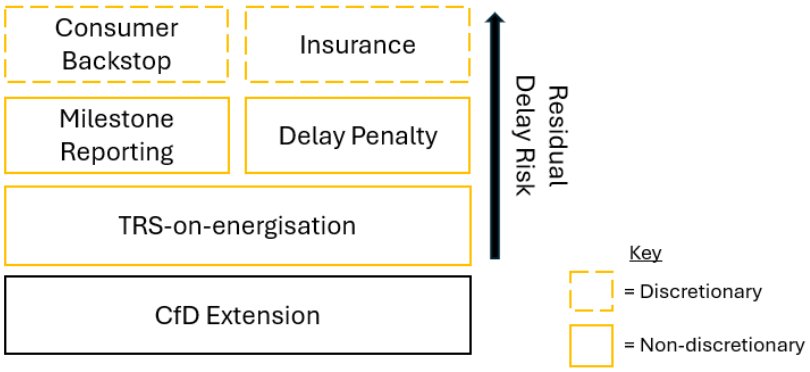
5.29 In parallel, we recognise that the insurance market and other commercial solutions are likely to have a role to play in managing delay risk. We expect that generators and OFTO bidders may choose to use insurance as part of their commercial risk management. At this stage, we do not propose to mandate delay insurance because the decisions should be best made by the generators and the OFTO as part of their financial arrangements and risk mitigation strategy. Where a OFTO bidder relies on insurance to mitigate exposure to delayed revenue and penalties, we may examine the robustness of that approach and

how that would contribute to financial resilience and risk management under non-price evaluation.[34]

Hybrid framework

5.30 A hybrid approach would allow the different elements of the delay risk framework to work together in a simple, coherent way. Under this approach, TRS on energisation and milestone-based penalties would be the core measures to ensure timely delivery. In exceptional circumstances, a consumer-funded backstop could provide additional protection where residual risks cannot be managed through other tools. Insurance is an optional tool that generators and OFTOs might use to further reduce delay risk. This approach is intended to maintain a flexible framework to cater for projects with different characteristics and risk profiles.

figure 5. *Measures to mitigate generator risk in OFTO delay*



Generator as EPC subcontractor

5.31 In addition to the above measures that specifically aim to address delay risks, OFTOs may choose a different commercial approach that also has the effect of reducing delay risks. An OFTO may choose to appoint the generator as its EPC contractor which has the benefits of retaining generator expertise in managing supply chain procurement and construction, while keeping the transmission asset off the generator's balance sheet.[35]

5.32 The EPC option is essentially a commercial contracting choice to be considered by OFTOs through negotiation with the relevant generator(s). Conceptually, this allows the generators to retain the control of project development timeline and

[34] For the avoidance of doubt, Ofgem recognises that some products described as "insurance-based" in this context may, in substance, take the form of surety or guarantee arrangements.

[35] This model draws from Ofgem's 2014 publication which introduced alternative tender options for OFTO build: OFTO Build: Providing additional flexibility through an extended framework | Ofgem

should reduce the need for additional penalty by OFTO to mitigate generators' delay risk.

5.33 An EPC approach is likely to be most relevant for relatively simple radial assets and may be less suitable for more complex or coordinated OFTO build projects where multiple generators are involved. We also consider that the motivation of using early competition OFTO build (i.e. to ask OFTO to take up the whole project development) may not be aligned with the motivation of using an EPC model (i.e. to ask generators to carry out the key duties). But we are open to engagement with industry to develop further details of the EPC model under early competition if there is substantive interest.

Preferred approach

5.34 Extensions available under the CfD framework already protect generators from the significant cost impacts of OFTO-attributed delay. For addressing the residual costs, our preferred approach is to use the hybrid framework built around TRS-on-energisation and a milestone-based penalty that applies only where the OFTO misses the final energisation date. Milestone tracking would support this by providing early visibility of progress throughout construction, but interim slippage would not give rise to penalties where the OFTO ultimately delivers on time.

5.35 In some circumstances, Ofgem should have a discretion to introduce a consumer-based backstop to share the risk of complex but system-important projects that bring consumer and system-wide benefits. The detailed design, legal basis and governance of any consumer-funded backstop would require further development following this consultation. Generators and OFTOs would have an option to use insurance to manage the delay risk.

5.36 We welcome views on whether this approach is sufficient for generators and OFTOs to manage the risk of delay caused by OFTO under early competition.

Questions

Q18. Do you consider that the proposed hybrid approach comprising measures of TRS-on-energisation, milestone-based reporting and penalty, discretionary consumer-based backstop and optional insurance would be sufficient for generators and OFTOs to manage the risk of delay?

Generator delay or failure

Introduction

5.37 The early competition model introduces new sequencing interactions between OFTO delivery timelines, generator development schedules and CfD allocation outcomes. While the preceding section sets out our view on how OFTO-attributed delay may be treated, questions would arise where OFTO works are ready, or are underway, but the connecting generator is delayed or does not ultimately proceed.

5.38 There are two distinct issues, namely:

- generator delay, where the transmission project is still expected to be needed (albeit later than originally anticipated); and
- generator failure or withdrawal prior to energisation, where a decision is required on whether the transmission project should continue at all.

These scenarios raise different policy considerations and are intended to be addressed through different parts of the OFTO build framework, as set out below.

Delay due to CfD outcomes

5.39 In some cases, a generator may not secure a CfD in the relevant allocation round, or may defer progressing the project. Where the transmission project is still expected to proceed (for example, because a future CfD round is anticipated or a replacement generator may come forward), this constitutes a timing delay rather than a project failure.

5.40 In these circumstances, we propose that delay should be managed using the same tools considered under the late competition OFTO build model outlined below (see “OFTO risk of developer delay” below).

Generator failure or withdrawal

5.41 A separate issue arises where a generator withdraws from, or cancels, its project prior to energisation of the transmission assets. In these circumstances, a decision is required on whether the transmission project should continue. Relevant considerations include whether a replacement generator is expected to connect and whether the asset retains a system or coordination use case beyond connecting the original generator.

5.42 Where it is decided that the transmission project will continue, it should proceed on a business-as-usual basis. Where a delay to the generator is occurring, the

approaches outlined under "OFTO risk of developer delay" below would apply in principle.

5.43 Where it is decided that the transmission project should be cancelled, we consider that, in principle:

- the OFTO should be protected against efficiently incurred, sunk costs (including financing and development costs); and
- the OFTO should not be compensated for expected returns.

Any such protection would need to be carefully bounded, interact appropriately with the PWP and post-award securities frameworks, and be subject to appropriate caps to protect consumers.

Questions

Q19. Where a generator delay arises from CfD outcomes (including unsuccessful bids or deferred bidding) do you agree that this should be treated as distinct from the OFTO-attributed delay under the early competition OFTO build model? How should such delay be managed in practice, particularly in relation to OFTO incentives, consumer protection and decisions on project continuation?

Q20. Where a generator withdraws after an OFTO has incurred development costs, do you agree that protection should be given to an OFTOs efficiently incurred, sunk costs and should exclude compensation for foregone returns?

Defining OFTO readiness

5.44 In generator-delay scenarios, it may be challenging to determine when an OFTO should be considered "ready", as certain commissioning activities require generator export power. This creates a risk that an OFTO could be technically complete, but unable to demonstrate full compliance solely due to generator delay.

5.45 Under existing offshore transmission arrangements, this distinction is reflected in the processes for issuing Interim Section K Notices (ISKNs) and Final Section K Notices (FSKNs) found in the System-Operator Transmission Operator Code (STC).

5.46 An ISKN confirms that the transmission asset has been energised and that initial commissioning activities – such as cable soak testing and high-voltage equipment commissioning – have been completed, but it does not confirm performance under load.

5.47 By contrast, an FSKN is issued only once the asset has satisfied the relevant grid-compliance requirements associated with Initial Operational Notification

Part A (ION-A) stage, which typically necessitates power flowing from the generator through the transmission system at, or close to, its designed rating. In practice, full verification of load-dependent performance characteristics cannot take place until generation is connected.

5.48 Our current view is that an ISKN-type construct (or an equivalent technical certification) should be used as the basis for determining OFTO "readiness" under early competition OFTO build in circumstances where generator delay prevents full commissioning. This would provide an objective and technically grounded means of recognising when an OFTO has delivered the transmission asset to a state that is materially complete and energised, without penalising the OFTO for the absence of generator export power.

5.49 We recognise that this approach would require adaptation for the early competition framework, and we therefore welcome views on how ISKNs, FSKNs, or similar mechanisms could be applied in practice, including any conditions needed to ensure appropriate incentives, consumer protection and operational assurance.

Questions

Q21. Do you agree that an ISKN-type construct (or equivalent technical certification) should be used as the primary basis for determining OFTO "readiness" where generator delay prevents full commissioning? If so, how should such a construct be adapted for the early competition OFTO build context to ensure: appropriate delivery incentives, consumer protection and sufficient operational assurance?

Next steps

5.50 We will use stakeholder feedback to determine whether additional protections, clarifications or mechanisms are required to manage OFTO exposure in these scenarios, and to ensure appropriate risk allocation across generators, OFTOs and consumers.

Late competition

5.51 As set out above, the late competition OFTO build model has been available to generators and OFTOs since the launch of the OFTO regime. We understand from engagement with stakeholders that one reason that this has not yet been taken up is due to concerns around the risk allocation between both parties.

5.52 Under generator build, the generator constructs the transmission asset and is therefore able to manage and mitigate any delay risk. The transmission asset and the wind farm are also constructed simultaneously so, at the point of

divestment, both the wind farm and the transmission asset should be at the same or similar stages of completion.

5.53 This is not the case where a third party is constructing the transmission assets, and therefore we are proposing a number of measures to manage delay risk across both parties.

Developer risk of OFTO delay

5.54 As set out above in the early competition section, there are existing provisions in the CfD that enable a developer to delay the subsidy if the delay is outside their control. This will also apply in a late competition OFTO build scenario, protecting the generator's CfD from term erosion in the event of OFTO delay.

5.55 We are also proposing that OFTOs will not begin to receive the TRS until the asset has been energised, to align with other similar regimes like CATO. This will ensure that there is a strong incentive on the OFTO to complete the work in a timely manner. We are proposing for the late competition OFTO build model that the revenue period is kept whole, to ensure that generators are not disadvantaged by a reduced transmission licence period.

5.56 The cost of delay to the OFTO is significant, as it delays the start of its revenue stream under the TRS until commissioning. Extending the TRS term at the end of the licence could allow the OFTO to recover the same revenue in real terms, but this would only partly offset the effect of delay because revenues received later in the licence term have a lower present value than revenues received earlier. The overall effect of a significant delay is therefore a material reduction in the lifetime discounted value of revenues to the OFTO.

5.57 However, given we are proposing to keep the licence and revenue period whole in the event of OFTO delay and given that Ofgem is aware that generators will continue to incur costs during a delay period, we consider that further measures, such as penalties for delayed delivery may be required.

5.58 We are proposing the use of milestones for the early competition OFTO build model, drawing on the use of defined milestones in existing onshore regimes. We plan to align with this approach, introducing a set of clearly defined construction milestones that, if missed, will accrue penalties.

5.59 If the OFTO is late for the final milestone, i.e. the energisation, the OFTO will need to pay all the accrued penalties. However, if the OFTO can meet the final milestone, any penalties accrued for missing the previous milestones will be written off. This is to avoid penalising the OFTO for timely delivery and provide incentives for OFTO to catch up with delays in the process.

5.60 The OFTO regime already has a system of bonuses and penalties under the availability incentive. Negative adjustments to an OFTO's annual TRS payment are applied on a sliding scale for failing to meet the 98% availability target in any specific year. The total deduction that can be applied is equivalent to 50% of a single annual TRS payment. This deduction is capped at 10% of the TRS in any year, with the remaining unavailability penalties carried forward for up to 4 additional years. This could result in a 10% revenue loss in each year over a 5-year period.

5.61 We propose that the payment of the penalties accrued through missed milestones should follow a similar model, as we are mindful that OFTOs undertaking a late competition OFTO build will have a limited cashflow pre-TRS commencement.

5.62 This will also act as indirect compensation to the developer through reduced TNUoS charges, while remaining proportionate and not overly detrimental to the OFTO's financial model. It will also provide reporting and visibility to the generator on any possible delays to the build. It will also not apply to delays outside the OFTOs' control.

5.63 We are aware that the quantum of penalties will be key for both developers and OFTOs.

5.64 In a previous consultation in 2024[36], we proposed a 1% reduction in first-year operational TRS penalty where in the event of a 12-month delay, the TRS payable in the first year of operational phase could reduce by 1%. Some responses considered that this was an inadequate level of compensation for potentially significant revenue losses and questioned whether TRS reductions alone would sufficiently incentivise OFTOs to avoid delays.

5.65 Therefore, based on analysis, and reflecting on stakeholder feedback from previous consultations, we are considering a range of options, including a maximum penalty equivalent to 50% of 1 year's TRS % for each year of late delivery, applied at a rate of 1/365 for each day of delay beyond an agreed start date. This penalty would be capped at 5% of the base TRS in any given year, with the maximum penalty for one year's delay being spread across 10 years. We are considering how this interacts with the availability target, including whether it should replace the penalty entirely or be additional.

[36] Ofgem, *Consultation on initial proposals for an OFTO build model to deliver non-radial offshore transmission assets*, April 2024.

Questions

Q22. What are your views on penalties through milestoning, with a total maximum penalty of 50% of 1 year's TRS, spread over 10 years, for each year of late delivery?

Q23. How do you expect the penalty regime to impact the capital structures of OFTOs, including financing requirements, rate of returns and other factors?

OFTO risk of developer delay

5.66 As set out above, we are aware that OFTOs will also carry the risk of the wind farm not being completed by the agreed date and therefore being unable to transmit when planned. To manage this risk, Ofgem is considering three options to support OFTOs where the transmission asset is ready (as deemed by ISKN or FSKN, or other appropriate technical measures, as discussed above).

TRS is paid from the agreed commencement date

5.67 This is the most straightforward and administratively simple of the proposed options. The OFTO would receive the TRS from the original date, even in the absence of active transmission. The availability incentive in the OFTO licence requires 98% technical availability and has no requirement for transmission, so this is aligned with the intention of the regime. Ofgem will also need to do further work to set how availability is calculated in this period.

5.68 However, this would need to be paid for by demand residual TNUoS customers, as the generator does not pay TNUoS where there is no transmission. This would likely need to be charged back to the generator once the wind farm is operational, resulting in increased initial TNUoS liabilities for the generator. It would also reduce the years available to the generator under the transmission licence.

5.69 Ofgem may also need to consider the interaction between ensuring that the transmission assets are fully commissioned (for example, through ION-B or similar) at the point when the generator is ready to transmit. If, at that point, the OFTO asset is not ready, there may be a consumer benefit in repaying the TRS that has been paid ahead of this point.

Paying the OFTO's financing costs

5.70 An alternative option would be to allow the OFTO to claim financing costs in addition to its TRS, up to the cap of the Interest During Construction rate set for generator build. This would cover debt financing obligations and would be rolled into the TRS.

5.71 This would look to cover any additional costs the OFTO is accruing through the delay period but would mean that the OFTO has no cash flow through the period of delay.

Mirroring the penalties proposed for OFTO delay, paid for by the delayed generator

5.72 Alternatively, we could require payment of a similar penalty to that proposed for a delay in the OFTO's delivery, in the form of either increased TRS payments from the point of energisation, with equivalent extensions to the licence period, or direct payments from the generator to the OFTO, which would mean that the consumer carries no financial impact.

Questions

Q24. What are your views on the proposed measures to manage the OFTO risk of generator delay?

Q25. Should TRS be repaid if the OFTO asset isn't fully commissioned when the generator connects?

Summary of proposals

Management of delay risk	**Early Competition**	**Late Competition**
Application of CfD protections	Yes	Yes
TRS-on-Energisation	Yes	Yes
Use of milestone-based penalties for OFTOs	Yes	Yes
Penalties wrapped into the TRS for late delivery of the OFTO asset	No	Yes
Consumer funded backstop	Ofgem's discretion under certain circumstances	No
Insurance based mechanisms	OFTO or generators' choice	Only as usual commercial practice
Situations where the OFTO is ready before the generator	Possible approach to generator delay or cancellation prior to construction under consideration	Options to manage this risk under consideration

6. Managing cost uncertainty during development

This section sets out our proposals for how cost uncertainty should be managed under the early competition OFTO build model through the Post-Preliminary Works Cost Assessment (PPWCA). It explains how the PPWCA tests would apply in an offshore context, proposes an approach to capping upward cost adjustments, and sets out how the timing of PPWCA interacts with CfD bidding. It also invites views on how PPWCA-related uncertainty should be communicated to generators during CfD preparation.

Summary of feedback to call for input

6.1 Stakeholders broadly supported applying the PPWCA mechanism found in the onshore CATO model to the early competition OFTO build model, subject to appropriate adaptation for the offshore context. This includes flexibility around caps, milestone-based payments, and differentiation between onshore and offshore works.

6.2 Most respondents agreed that the PPWCA can apply in principle but should not be directly copied from the onshore CATO model. Generators, OFTOs and investors highlighted longer lead times and higher uncertainty as reasons why offshore-specific adjustments are required. Several respondents emphasised the importance of clear trigger points, transparent cost definitions, and early communication of cost changes.

6.3 Supply chain constraints and long lead times were highlighted as material risks, with respondents noting that early competition could exacerbate these challenges unless accompanied by improved pipeline visibility, advance procurement mechanisms, and early engagement with suppliers.

Early competition

Post-Preliminary Works Cost Assessment

Introduction

6.4 This chapter sets out Ofgem's proposals for how cost uncertainty should be managed under the early competition OFTO build model. The approach draws on the PPWCA developed for the onshore Competitively Appointed Transmission Owner (CATO) regime, which provides a structured mechanism for reconciling project costs between bid submission and the start of construction.

6.5 While we intend to use the PPWCA for early competition OFTO build projects, we note the offshore context differs in important respects, including longer

development timelines, higher cost volatility, dependence on long-lead supply chain packages, and closer interaction with generator development programmes.

Policy context and framework

The PPWCA in the CATO regime

6.6 Under the onshore early competition framework, the PPWCA mechanism is designed to address the cost uncertainty that arises in the period between bid submission and the commencement of construction for transmission projects (see Figure 6 below).

6.7 The desktop designs and cost assumptions submitted by the successful bidder at ITT will form the baseline against which cost adjustments are assessed under the PPWCA.

6.8 In the onshore CATO model, the PPWCA operates as a three-step process, administered by Ofgem:

- **Reasonably Foreseeable Test** ('Permissible' costs)**:** Determines whether cost changes could have been anticipated by a competent bidder at the time of bid submission, based on good industry practice and the information available.[37] Costs deemed "reasonably foreseeable" are not eligible for upward adjustment.[38]
- **Economic and Efficient Test:** For costs deemed "reasonably unforeseeable", Ofgem assesses whether they were incurred economically and efficiently, referencing market benchmarks and comparable costs.[39]
- **Cap on Upward Adjustments:** Any permitted cost increases are subject to a cap (initially proposed at 40% of forecast construction costs, but with flexibility for higher caps in early tenders), to incentivise robust risk assessment by bidders and protect consumers from unlimited exposure.[40]

6.9 The PPWCA also includes a mechanistic indexation step to adjust for inflation, using pre-agreed indices, and is designed to be transparent and predictable. The

[37] Primarily desktop studies and optioneering outputs from the Centralised Strategic Network Plan (CSNP). The CSNP has stated it will provide: Identified network needs and reinforcement options, High-level routeing and optioneering, Initial asset assumptions (e.g. HVAC vs HVDC, indicative capacities), Desktop environmental and engineering constraints. Also, the ECI says it expects bidders to price on the basis of desktop-level studies.

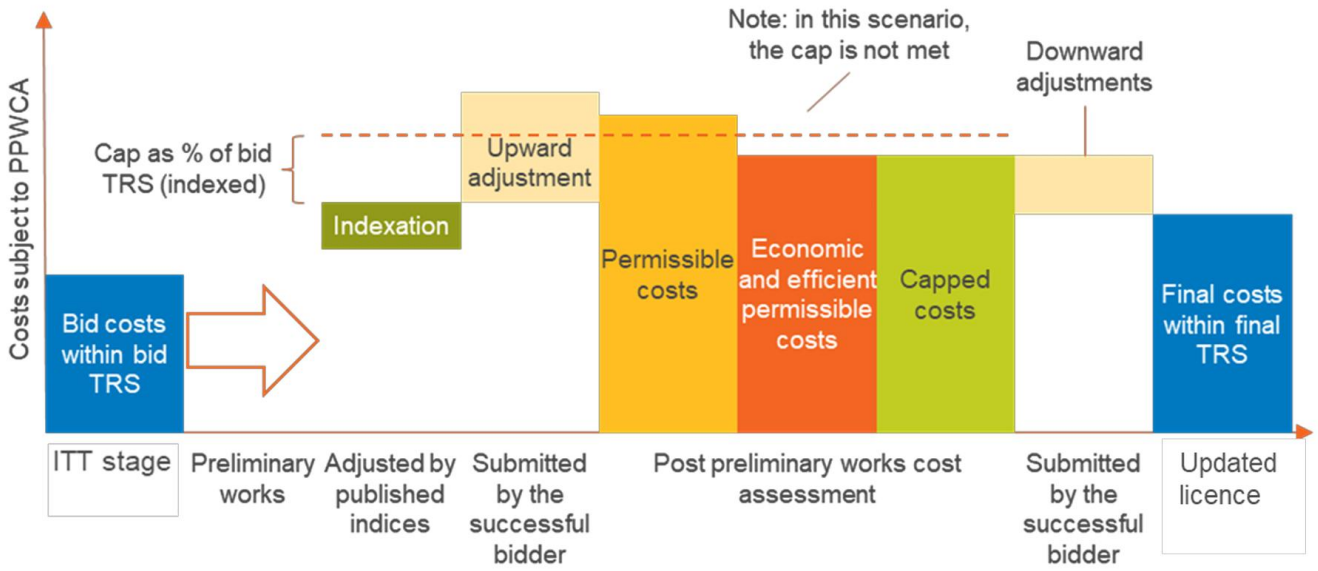
[38] *NESO, Early Competition Implementation* EC-I Update February 2024.pdf

[39] Decision-and-updated-policy-position-on-the-onshore-electricity-transmission-Early-Competition-commercial-framework.pdf

[40] *NESO, Early Competition Implementation* EC-I Update February 2024.pdf

'Downward adjustments' involves reductions to the CATO's construction cost baseline at PPWCA, reflecting where risks priced into the bid have fallen away, contingencies are no longer needed, or design and procurement outcomes show that elements of the project will cost less than originally assumed. The CATO is required to submit these reductions alongside any uplifts so that the TRS reflects *actual efficient costs* rather than assumed bid-stage costs.

figure 6. *PPWCA Process; between bid submission and the commencement of construction.*



Source: NESO, Early Competition Implementation, EC-I Update February 2024, *pg. 27.*

Rationale for adaption

6.10 We consider there are good reasons to apply the PPWCA mechanism to the early competition OFTO build model, to address similar issues and for consistency. That said, applying PPWCA to offshore should be subject to appropriate adaptation to reflect the offshore context, including the scale, complexity and delivery risks associated with offshore transmission projects.

- **Interaction with Generators:** The established role of generators in offshore networks introduces additional timing and coordination challenges absent in the onshore CATO regime, which predominantly focuses on onshore transmission reinforcement works. The use case for early competition OFTO build projects can be the build of one or more generator's route to market. This entangles the development timelines of the generators and creates interdependencies with timings of their CfD.
- **Higher Complexity and Risk:** Offshore projects potentially face greater technical and delivery risks, including longer lead times, constrained supply

chains, and more challenging consenting environments. These factors increase the likelihood and potential magnitude of cost changes between bid and construction.

- **Need for Flexibility:** Under an early competition OFTO build model, stakeholders emphasise the importance of flexibility in the PPWCA cap, the scope of permissible adjustments, and the timing of cost assessments to reflect the unique risk profile of offshore projects.

PPWCA in an offshore context

Triggering the PPWCA

CATO approach and rationale

6.11 In CATO, PPWCA is triggered at the end of the preliminary works stage, after the CATO has completed consenting, early design, and procured firm contractor offers and before construction contracts are signed.

6.12 PPWCA occurring at this point ensures sufficient design maturity exists to distinguish between expected/normal and unforeseeable cost movement. Running PPWCA too early would risk adjusting for costs that are not grounded in real design data. Running it too late undermines bidder confidence and jeopardises financial close.

OFTO build considerations

6.13 We consider that the offshore context does not undermine the rationale (as in CATO) to trigger the PPWCA before construction contracts are signed, and after preliminary works. Hence, OFTO build PPWCA should occur after preliminary works, and before construction contracts are signed, just as in CATO.

Scope of cost assessment

CATO approach and rationale

6.14 The PPWCA applies a structured 'Reasonably foreseeable' versus 'Unforeseeable' cost test, consistent with Ofgem's established approach to cost assessment, but applied at an earlier stage of project development.

6.15 The 'Reasonably Foreseeable' tests determine costs that a competent bidder, using available information (e.g., desktop studies, CSNP outputs), could have anticipated at bid submission. These are not eligible for upward adjustment. 'Reasonably Unforeseeable' tests determine costs arising from factors that could not have been foreseen at bid submission, such as unexpected ground conditions, regulatory changes, or supply chain shocks.

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OFTO build considerations

6.16 Offshore projects have the potential to be more cost volatile when compared to onshore CATO projects. Examples include, but are not limited to: OEM queue dynamics, vessel scarcity, weather windows, seabed investigation uncertainties, and interface complexities for non-radial networks. Restricting the PPWCA scope to the CATO model may not be able to fully capture the unpredictability of offshore construction.

6.17 We intend to retain the assessment principles of the CATO PPWCA whilst also widening the scope of early competition OFTO build assessments to include cost volatility incumbent in offshore developments. These may include changes in OEM pricing that could not have been fixed at ITT, and design changes confirmed post-consent where those changes were not reasonably foreseeable at bid submission and are economic and efficient.

6.18 In practice, this means that cost movements arising from offshore-specific factors such as longer supply-chain lead times, OEM queue dynamics, vessel availability, marine weather constraints and seabed uncertainty may be capable of being considered within the scope of PPWCA where they were not reasonably foreseeable at bid stage.

6.19 We will develop the early competition OFTO build PPWCA guidance documents in due course, with reference to the onshore versions to be published.

Cap on upward adjustments

CATO approach and rationale

6.20 The CATO PPWCA process has set an upward cap (initially 40% of construction cost) on recoverable unforeseeable cost increases. The inclusion of a cap on PPWCA adjustments incentivises competitive bidding behaviour from prospective CATOs as bidders cannot assume full pass through. This prevents race to the bottom bidding. Further, the cap gives consumers predictability as it protects against unlimited exposure to cost increases and transfers some risk to the CATO.

6.21 In the CATO regime, the PPWCA ‘cap’ functions as an indicative ceiling rather than a fixed universal limit. Ofgem sets the cap level for each tender, with the 40% figure used in early policy development intended as a starting reference rather than a binding value. Once set for a given tender, the cap applies as a firm limit on recoverable upward adjustments.

6.22 We recognise that, under the onshore CATO framework, certain high-impact low-probability (HILP) risks may, in limited and well-defined circumstances, be treated outside the general PPWCA cap where they could not reasonably have been anticipated or efficiently mitigated at bid stage. We acknowledge that the

offshore context may increase the relevance of certain HILP-type risks when compared to onshore projects.

6.23 Any decision to permit HILP cost adjustments outside an OFTO build PPWCA cap would need to be tightly defined, evidence-based and subject to strong consumer protections. We welcome stakeholder views on whether, and in what circumstances, an offshore PPWCA framework should allow for targeted HILP treatment.

OFTO build considerations

6.24 Compared to anticipated onshore CATO projects, offshore transmission projects are expected to have, amongst other features, higher cost variance, longer exposure windows, and larger single package contracts (e.g., HVDC substations/assets and longer cable lengths). Therefore, a fixed 40% cap may be too tight.

6.25 A cap constrains cost uplifts and thus constrains TRS and TNUoS increases. A cap on PPWCA adjustments, within an early competition OFTO build context, can improve the information available to Generators when making CfD bids pre-PPWCA. Generators may find it easier to factor the uplift with a cap into their decision making.

6.26 A cap should be used within the early competition OFTO build PPWCA to give consumers and generators predictability and protect against unlimited exposure. Early competition OFTO build may require a greater cap than CATO projects given the offshore specific cost variances.

6.27 Ofgem's position is that the prevailing 40% cap figure in CATO should be used as a starting point for consideration in the early competition OFTO build context. Further, an analysis of offshore characteristics should inform whether, and by how much, the CATO baseline cap should be increased. Consultation feedback is sought on whether a higher or more flexible cap is appropriate for offshore assets.

6.28 Any permitted upward cost adjustments following the PPWCA would be incorporated into the OFTO's allowed revenue and recovered through the TRS in line with existing OFTO and CATO arrangements.

Questions
Q26. Do you agree with Ofgem's approach to adjust the onshore PPWCA mechanism in the offshore context, including a higher and flexible cap, and a wider scope of eligible cost categories?

Cost predictability: cost adjustment and CfD timing

Introduction

6.29 This section sets out how cost-related uncertainty should be managed in cases where the timing of the OFTO's PPWCA does not align with the generator's CfD bid.

6.30 Under early competition OFTO build, generators may need to submit a CfD bid before the OFTO's PPWCA has been completed, meaning the final TRS and TNUoS charges cannot be fully known at the point of CfD bid. This timing mismatch introduces uncertainty that could affect bidding behaviour, project viability, and competitive neutrality between OFTO build and generator build projects.

6.31 This subsection therefore explores options for managing PPWCA-related cost uncertainty, evaluates their impacts on incentives, competitive discipline, and presents Ofgem's preferred approach. We also explore whether non-binding information could be shared during PPWCA to improve predictability without requiring changes to the CfD or charging frameworks.

Worked options

1. Generator bears PPWCA-timing risk

6.32 Where the CfD window precedes PPWCA, the generator continues to price the uncertainty around the OFTO's TRS into its CfD bid. This is the simplest approach administratively, avoids changes to the CfD or charging frameworks, and keeps accountability with CfD bidders, who remain responsible for pricing transmission-related uncertainty into their strike-price bids.

6.33 The trade-off is that risk premia may be added to CfD bids, particularly on projects with greater offshore cost variance, which could dampen participation and raise consumer cost.

6.34 There are practical steps Ofgem could take in order to give generators clearer information ahead of their CfD bids, helping them form a more realistic view of potential PPWCA outcomes. These could include:

- Regulatory Clarity:
    - Signalling PPWCA cap policy early so CfD bidders have a clear view of potential maximum TRS uplift.
    - Providing early guidance on PPWCA and how the foreseeability and economic-and-efficient tests will be applied in an early competition OFTO

build context, so generators understand which costs are likely to move at PPWCA.

- Information Exchange:
  - Exploring whether non-binding interim information – for example indicative ranges or high-level cost drivers from the OFTO's Upward Adjustment submission (see Figure 6 earlier in this chapter) – could be shared with the connecting Generator where appropriate and non-commercially sensitive.
  - Such information could help generators form a more accurate view of potential PPWCA outcomes during CfD bid preparation.

2. CfD "walk-up"

6.35 Under a CfD "walk-up" approach, the CfD strike price would be adjusted once the OFTO's TRS is finalised at PPWCA, so that the CfD can reflect PPWCA-driven changes. In practical terms, the generator would bid its CfD on the basis of information in the winning TRS bid. At PPWCA close, a single adjustment would then be applied to the strike price to mitigate the impact of any permitted TRS changes. While this construct would reduce generators' pre-PPWCA pricing risk and potentially sharpen CfD competition, it introduces significant operational and budgetary challenges.

6.36 Introducing a walk-up adjustment could create an uneven playing field between generator build/late competition OFTO build and early competition OFTO-build projects, since only the latter would receive retrospective cost protection. This could distort behaviour in the CfD auction and weaken incentives for both bidders to forecast diligently ex-ante.

6.37 DESNZ have highlighted the difficulty of determining, in advance of any allocation round, an appropriate and evidence-based estimate of the potential percentage uplift that might arise across all early competition OFTO build projects undergoing a PPWCA.

6.38 If this estimate is set too high, the CfD budget envelope may be unnecessarily constrained, reducing the number of projects that can secure a contract. If set too low, the uplift may be insufficient to cover any PPWCA-driven changes, leading to shortfalls that would either be borne by generators or require additional fiscal intervention.

6.39 These constraints amplify the fairness concerns associated with the walk-up model. Two otherwise similar projects could face materially different outcomes purely because of CfD timing, rather than differences in efficiency, planning or delivery.

3. TNUoS socialised across users

6.40 A TNUoS socialisation approach would spread a part of any PPWCA-driven TRS uplift across a wider group of network users, rather than leaving the full increase on the connecting project. While this could reduce cost uncertainty for an individual generator, it introduces several risks:

- First, **it weakens cost-reflectivity**. This means that projects no longer internalise the full, project-specific costs of their own transmission charge. Costs arising from one project could instead be partially transferred to unrelated users, which breaks the link between those who drive the cost and those who ultimately pay it.
- Second, **it reduces incentives for accurate bidding**. If generators expect that some future cost increases will be absorbed by the wider user base, they may have weaker incentives to price transmission risk carefully at CfD bid stage. This can lead to less disciplined bidding and less efficient outcomes.
- Third, **it risks cross-subsidies**. Users with no direct connection to the project could end up paying for costs that arise from the design, delivery, or specific characteristics of another project. A mechanism that shifts project-specific transmission costs away from the connecting generator and onto unrelated users could raise concerns around cost reflectivity and non-discrimination objectives, and the wider charging framework.

Preferred approach

6.41 Our preferred approach is Option 1: the generator bears the PPWCA-timing risk. This option provides a clear and familiar regulatory approach and avoids the need to change the CfD or TNUoS frameworks.

6.42 It also keeps cost responsibility with the CfD bidder, who is best placed to price this risk. We will explore whether interim information-sharing during PPWCA could help generators form a more informed view of likely project charges. This should go some way to improve the accuracy of CfD bids and improve the efficiency of the regime.

6.43 It is also helpful to contrast this with the generator build model where we understand the generator typically bids into the CfD towards the end of development and consenting work. Because the generator is directly involved in the preliminary works for the transmission asset, it has reasonable visibility of the expected costs before submitting its CfD bid. Any Ofgem cost assessment then takes place after the asset is completed, meaning the generator can factor any residual risk of disallowed costs into its strike-price using information from its own activities.

6.44 During the PPWCA, the upward adjustment submission marks the point at which the OFTO provides Ofgem with its initial view of any cost movements it considers eligible for adjustment. This stage is likely to contain much of the information that may assist generators to better understand potential TRS outcomes ahead of or during CfD bidding.

6.45 We therefore consider that, where appropriate and subject to commercial confidentiality, elements of the Upward Adjustment submission could be shared with the connecting generator to improve cost visibility.

6.46 We welcome stakeholder views on whether this represents a proportionate and useful form of information sharing.

Questions

Q27. Do you agree with Ofgem's preferred approach that generators should continue to bear PPWCA timing risk when CfD auctions occur before the OFTO's PPWCA has concluded, given that interim information about potential PPWCA submission would be available?

Summary of proposals

Policy area	Summary
Purpose of PPWCA	Mechanism adapted from the CATO regime to manage cost uncertainty between bid submission and construction start, ensuring only unforeseeable and efficiently incurred cost changes are adjusted.
Trigger Point	PPWCA takes place after preliminary works are completed and before construction contracts are signed, when design maturity is sufficient to distinguish between expected and unforeseeable costs.
Reasonably Foreseeable Test	Determines which costs a competent bidder could have anticipated at bid stage using desktop studies, CSNP outputs and industry practice. These costs cannot be adjusted upward.
Unforeseeable Cost Test	Allows upward adjustment only for cost movements driven by risks not reasonably foreseeable at bid (e.g., seabed surprises, OEM pricing shifts, offshore supply-chain shocks).

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Economic & Efficient Test	Applies to all unforeseeable costs; OFTO must demonstrate costs were incurred efficiently, benchmarked against comparable market evidence.
Upward Adjustment Cap	A cap (using CATO's 40% as the starting reference point) limits consumer exposure; offshore context may require a higher or more flexible cap due to volatility.
Interaction with Generator CfD Timing	Where CfD bidding occurs before PPWCA concludes, generators must price uncertainty into strike prices; clarity on PPWCA caps and possible interim information-sharing can reduce uncertainty.
Information Sharing During PPWCA	Non-binding interim information (e.g., indicative cost ranges, drivers) may be shared with generators where appropriate to support CfD bid formation without undermining competitive discipline.

7. Other OFTO build components

This chapter sets out our proposals for other mechanisms within the early competition OFTO build framework. It describes a post-award securities regime aligned with the CATO model with adaptations for offshore delivery. The chapter also outlines a Preliminary Works Payments framework to support early development and supply-chain engagement. It outlines Ofgem's proposed approach to TRS commencement and the revenue period.

Summary of feedback to call for input

7.1 We sought views on whether early competition OFTO build should include a post-award securities obligation. The majority of respondents – including generators, OFTOs, investors, manufacturers and TOs – acknowledged the benefit of introducing a mandatory security requirement. Stakeholders highlighted the importance of clear delivery assurance mechanisms in early competition contexts where offshore transmission projects are large-scale and complex.

7.2 Some respondents emphasised that securities should be proportionate, taper as capital is deployed, and integrate with the wider commercial framework. Several respondents supported broadly aligning the securities framework with the onshore CATO model, noting the benefits of consistency, predictability and reduced complexity for market participants.

7.3 On preliminary works and early-stage procurement, stakeholders recognised that offshore transmission projects face longer lead times and early supply-chain risks. Respondents broadly endorsed the principle of Preliminary Works Payments (PWPs), subject to clear scope and caps. They noted that PWPs could mitigate long-lead procurement risks and reduce pre-revenue exposure.

Post-award securities

Introduction

7.4 Post-award securities provide assurance that the appointed OFTO remains committed to delivering the project during the pre-revenue period, when delivery risk is highest. They are not intended to function as a performance or late-delivery penalty, but as a delivery assurance mechanism should the OFTO fail to progress or withdraw. Securities would operate as a targeted backstop, distinct from the penalties and other delivery incentives described in Chapter 5.

7.5 For clarity, post-award securities under an OFTO build framework would be specific to the OFTO licence and operate alongside, but not replace, any

separate security or assurance requirements that may apply under other relevant arrangements, including connection agreements or seabed agreements.

7.6 This section summarises the existing CATO approach to securities and sets out how we propose to apply, and where necessary adapt, that approach for early-competition OFTO build projects.

Securities in the CATO model

7.7 Under the CATO regime, securities address situations where a CATO might withdraw after licence award, fail during preliminary works or construction, or leave a network need unmet. Ofgem has previously determined the detailed policy for CATO securities, including:

- a mandatory licence-based security requirement;
- a tapering mechanism, reducing the security as capital is invested; and
- flexibility in the forms of acceptable security, including letters of credit, performance bonds, cash escrow and parent-company guarantees.

7.8 Securities act as a backstop to reinforce delivery incentives; they do not replace other provisions such as revenue-withholding or penalty-based mechanisms. These principles form the starting point for our approach to early-competition OFTO build.

Application to early competition OFTO build

7.9 We agree that the principles of mandatory coverage, tapering and flexible security instruments in the CATO mode remain appropriate for early competition OFTO build. We consider that offshore-specific adjustments are required to reflect longer delivery timelines, marine construction risks, supply-chain dependencies and the system importance of timely offshore delivery.

7.10 The administration of post-award securities will need to sit within the wider institutional and regulatory framework for early competition OFTO build. One option is for securities to be administered by the payment counterparty. We recognise that there are multiple potential arrangements for this function, and we will explore the appropriate arrangements with relevant parties, including NESO, following this consultation.

Elements of post-award securities

A mandatory post-award security obligation

7.11 We propose that all early competition OFTO build projects include a mandatory post-award security requirement, set out through licence conditions. The

obligation would apply throughout the pre-revenue period – when delivery risk is greatest – to ensure the OFTO remains committed to delivering preliminary works, construction and commissioning.

Tapering mechanism

7.12 As in the CATO model, Ofgem proposes that the required security decreases over time as capital is committed and invested. Once the OFTO has invested an amount equivalent to the original security requirement, the security would be fully released. This reflects the principle that committed capital provides a natural deterrent against non-delivery.

Forms of acceptable security

7.13 Ofgem proposes to maintain flexibility by allowing the security requirement to be met through a range of robust financial instruments, including letters of credit, performance bonds, cash escrow, and parent company guarantees.

7.14 Flexibility supports bidder participation and reduces financing costs, providing the instruments used remain enforceable and compatible with offshore project finance structures.

Security calibration

7.15 Stakeholder feedback focused primarily on the calibration of the security requirement rather than its underlying structure. Respondents broadly supported retaining the core CATO construct of a percentage-based post-award security with a monetary cap, emphasising that this approach is predictable, proportionate, and consistent across regimes. Many stakeholders noted that a percentage-based requirement without a cap could impose excessive capital lock-up for large offshore schemes, whereas a capped structure provides a clear ceiling on exposure and supports financeability.

7.16 We propose to retain the CATO security parameters – a requirement set at 10% of forecast construction costs, subject to a £50 million cap. This approach has several advantages:

- It ensures consistency across early-competition regimes, supporting regulatory clarity and reducing complexity for investors familiar with the CATO model.
- The percentage-plus-cap structure maintains proportionality, preventing excessive capital lock-up while still providing a credible deterrent against non-delivery.
- Retaining existing parameters enables early implementation without requiring substantial redesign or bespoke calibration ahead of the first early competition tenders.

7.17 We consider that, at this stage, the CATO parameters strike an appropriate balance between delivery assurance and financeability. We will continue gathering evidence as the early competition OFTO build pipeline develops and will keep the calibration of the requirement under review if project characteristics materially evolve.

Triggers for security retention or drawdown

7.18 Post-award securities are designed to address circumstances where an OFTO fails to progress the project in line with its licence obligations, withdraws from delivery, becomes insolvent, or otherwise leaves the transmission asset undelivered. In these circumstances, securities provide a backstop against the consumer and system impacts associated with abandonment, material non-progression, or the need for re-procurement.

7.19 We propose an approach under which post-award securities may only be drawn where there has been a failure to comply with relevant licence obligations and no applicable relief applies (for example, force majeure or external dependency events). This ensures that securities are clearly linked to defined regulatory failure events and applied consistently and proportionately. Where drawn, post-award securities could be used to fund the costs associated with managing non-delivery or abandonment, such as re-tendering or addressing unrecovered preliminary works expenditure.

Questions	
Q28.	Do you agree with the proposed features of the post-award securities under early competition OFTO build model?

Preliminary works payments

Introduction

7.20 Early competition OFTO build requires the successful OFTO to undertake material early-stage activity, including design development, surveys, consents preparation and time-critical supply-chain engagement, significantly before TRS commences. These activities can involve meaningful expenditure during the pre-revenue period, when key dependencies (such as generator CfD outcomes, system-operator sequencing and permitting milestones) may still be subject to change.

7.21 Without a mechanism to support efficient preliminary works, bidders may defer or minimise early commitments to manage unrecoverable cost risk. This would increase delivery-risk for strategic offshore assets, particularly given global supply-chain lead times and constrained manufacturing capacity.

7.22 Preliminary Works Payments (PWPs) therefore provide a targeted, proportionate tool to support progress during the pre-revenue period. PWPs are not intended to fund bidding activity and are available only to the successful OFTO, subject to clearly defined milestones and caps. They complement, but do not replace, the delivery-assurance mechanisms set out in Chapter 5 (TRS-on-energisation, milestone reporting and penalties).

Rationale for introducing PWPs

7.23 PWPs were developed in the CATO model to allow the successful bidder to progress essential development and early procurement activity while maintaining competitive discipline and protecting consumers. Stakeholder responses to the September 2025 CfI broadly supported applying PWPs to early-competition OFTO build, provided offshore-specific adaptations were made and the scope, triggers and caps were clearly defined.

7.24 Our proposed approach to PWPs is intentionally aligned with the principles underpinning the onshore early-competition CATO framework. While CATO policy on PWPs is not yet fully specified and retains flexibility to be developed at a project-specific level, we consider it appropriate to adopt the same underlying intent in the offshore context. Further detail on the application of PWPs will be developed through both CATO and OFTO build licence drafting and subsequent consultation.

Ofgem's proposed approach

Project-level availability of PWPs

7.25 PWPs should be applied on a project-specific basis. Ofgem as the delivery body would determine, prior to tender launch, whether PWPs should be available for a given project. Where PWPs are available, a consistent PWP framework and cap would apply to all bidders for that project.

7.26 A project-level determination allows PWPs to be targeted at projects where early procurement risk is most acute, such as those involving HVDC solutions, coordinated non-radial designs, or supply-chain bottlenecks affecting long-lead items.

7.27 This approach also:

- ensures comparability of bids, because all bidders know whether PWPs apply from the outset
- supports investor predictability, as bidders understand whether early-stage cashflow will be supported; and

- ensures PWPs are only used where they deliver genuine system-level benefit (e.g. avoiding delay risks caused by OEM queue congestion).

Scope of eligible preliminary works

7.28 PWPs should be available for activities undertaken during the preliminary works phase that are necessary to progress the project towards a construction-ready state. Eligible activities include design development, planning and consenting work, seabed surveys, land-rights activity, and time-critical supply-chain engagement, including reservation of manufacturing slots. PWPs will **not** fund construction, tendering activity, or general bid preparation.

7.29 This will provide flexibility while maintaining clear boundaries.

Payment principle and treatment within project revenue

7.30 PWPs will be treated as an advance on future regulated revenue and will be netted off the TRS if the project proceeds.

7.31 This approach prevents over-remuneration by ensuring that PWPs adjust timing, not the total revenue envelope and ensures consumers do not pay twice for the same works; and ensures competitive discipline, because bidders cannot rely on PWPs as an additional funding stream.

Funding source

7.32 We intend for PWPs to be funded by NESO as the payment counterparty, recovered through network charges, with final PWP amounts deducted from the OFTO's TRS.

7.33 We recognise that, in practice, NESO is the only body within the current electricity transmission framework with the capability to administer and fund PWPs in this way, given its role in collecting and distributing transmission revenues and managing related charging arrangements.

7.34 This approach is consistent with the CATO framework. PWPs do not insulate the OFTO from late-delivery consequences, but instead provide early-stage cashflow support prior to the commencement of regulated revenue.

7.35 We understand that the practical implementation of this approach may raise operational considerations, including cashflow timing, as early-stage payments are made in advance of revenue recovery. We will therefore work closely with NESO and other relevant parties following this consultation to design suitable operational arrangements.

Milestone-based release of PWPs

7.36 We are proposing that PWPs will be released only on achievement of defined development milestones and subject to usual cost assessment processes where evidence that associated costs were efficiently incurred. Bidders will propose milestone frameworks within parameters set by Ofgem.

7.37 A milestone-based framework:

- ensures payment follows tangible progress, not elapsed time;
- prevents front-loading of payments, which could dilute delivery incentives;
- allows milestone design to reflect the technical diversity of offshore options;
- enables oversight of cost efficiency at each stage;
- ensures greater transparency for generators, who rely on OFTO progress to inform their own programme plans.

7.38 This framework allows bidders to propose milestones, within constraints, ensuring that milestones align with the specific delivery approach while enabling Ofgem to prevent excessive back-loaded or front-loaded structures.

Caps on PWPs

7.39 PWPs will be subject to an ex-ante project-specific cap, with up to 50% of estimated preliminary works costs used as an initial reference point. The cap will be decided by Ofgem as the delivery body.

7.40 The cap is a key consumer protection measure, preventing excessive early exposure and ensures OFTOs retain incentives to manage early costs efficiently. A cap also reduces the risk of strategic bidding, where bidders could otherwise anticipate full recovery of preliminary costs regardless of delivery efficiency.

Questions
Q29. Do you agree with the proposed approach to PWPs?

OFTO revenue

7.41 Under the early competition OFTO build model, Ofgem proposes to retain a Tender Revenue Stream (TRS) approach consistent with the existing OFTO and CATO frameworks. The TRS would provide the OFTO with a stable, performance-based revenue over the operational period, reflecting efficient capital and operating costs determined through the tender process and subsequent cost assessment mechanisms.

7.42 This section outlines the proposed TRS structure and revenue period for early competition OFTO build, and seeks views on whether any offshore-specific adjustments are appropriate.

Ofgem position

7.43 We propose that the revenue period for early competition OFTO build should remain consistent with the existing OFTO framework. A long-term, fixed revenue period provides certainty for investors, supports efficient financing structures, and reduces the risk premiums priced into bids.

7.44 Our current view is that the revenue term of up to 25-years, applied in the current OFTO tenders, remains appropriate for early competition OFTO build. If the revenue period for the generator build regime is revised in future, we would expect the early competition OFTO build revenue period to change accordingly to maintain alignment and competitive equivalence across delivery models within the OFTO regime.

7.45 Ofgem has published guidance on life extension for assets approaching the end of their TRS[41]. We recognise that the operational life of assets constructed under the OFTO build model may extend beyond the initial TRS term, and that offshore leases are typically granted for longer durations. With this in mind, assets delivered under OFTO build may be considered for life extension in line with Ofgem's published framework. We will continue to keep the appropriate length of the TRS under review as the offshore transmission regime evolves.

7.46 We note that the onshore CATO regime applies a 35-year revenue period. However, we currently consider this inappropriate for early competition OFTO build, as the existing OFTO build models reflects the economic life, financing structures and risk profile of offshore transmission assets.

7.47 We note that early competition OFTO build may be used to deliver a wider range of asset types than the existing generator build OFTO regime. These assets can have different technical aspects, risk profiles and system roles compared with conventional radial links. For this reason, we welcome views on whether the standard 25-year revenue term remains appropriate for all early competition OFTO build use-cases, or whether limited, evidence-based flexibility may be justified for particular asset types.

Questions

Q30. Do you agree that the revenue period for early competition OFTO build should remain aligned with the existing OFTO framework (up to a 25-year term)? Should certain project types justify a different revenue period, and what factors should inform this?

[41] Decision: OFTO extension and evolution of a mature asset class | Ofgem

Late competition

7.48 We propose that for late competition OFTO build, the tender revenue stream period will remain aligned with the existing OFTO framework, at up to 25 years.

7.49 We are also mirroring early competition in that the TRS would commence on energisation of the transmission assets, consistent with the preferred approach discussed in Chapter 5. This aligns revenue recovery with service availability and provides a clear, outcome-based incentive for timely delivery.

7.50 Availability-based revenue would remain the core operational incentive. As under the existing OFTO regime, revenue would be subject to standard availability deductions, ensuring consumers only pay for assets that are operational and providing transmission service.

7.51 Ofgem's Cost Assessment approach for late competition OFTO build is set out in Part 3 of the Tender Regulations.[42] Ofgem is required to perform a cost assessment of the value of costs incurred (or ought to have been incurred) by the developer ahead of the tender (i.e. the costs of the preliminary works and the value of the contracts which will need to be novated to the OFTO). These costs will form the 'transfer value' of the asset.

7.52 The regulations also require Ofgem to estimate the costs which ought to be incurred by the successful OFTO through the construction phase contracts.

7.53 These will be added to the 'transfer value' of the asset and together form the baseline value that we expect to see in any bid from the potential OFTOs. Ofgem's assumption is that there will need to be a mechanism to adjust the TRS in the event of unforeseeable costs outside of the OFTO's control. These will have to be cost assessed in order to manage the consumer's exposure to rising costs, as is the case with TRS adjustments in the generator build model.

Questions	
Q31.	Do you agree with our proposed approach to TRS adjustments for late competition OFTO build?

[42] The Electricity (Competitive Tenders for Offshore Transmission Licences) Regulations 2015

Consultation OFTO Build: Early and Late Competition Models

Summary of proposals

Topic	Summary (Key Provisions under the early-competition OFTO build Model)
Purpose of Post-Award Securities	Provides assurance that the appointed OFTO remains committed during the pre-revenue period, reducing the risk of abandonment, under-delivery or non-progression. Securities act as a delivery backstop, not a performance penalty.
Calibration of Securities	Ofgem proposes 10% of forecast construction costs, capped at £50m – mirroring CATO – ensuring predictability, proportionality, and avoiding excessive capital lock-up.
Purpose of Preliminary Works Payments (PWPs)	PWPs support early design, surveys, consents and long-lead supply-chain commitments during preliminary works, avoiding under-investment and reducing delivery risk pre-revenue.
PWP Caps	Each project will have an ex-ante cap, with up to 50% of estimated preliminary works cost used as an initial reference point. Caps prevent over-exposure and encourage cost efficiency.
Tender Revenue Stream (TRS)	Ofgem proposes to retain the existing OFTO TRS approach, providing stable, long-term regulated revenue over a 25-year period, consistent with current OFTO practice.

Conclusions and next steps

Our aim is for the earliest possible deployment of the early competition OFTO build model, to establish the regulatory foundation in advance of upcoming offshore network projects planned under NESO's Centralised Strategic Network Plan. By doing so, we create a clear pathway, ensuring market participants have certainty on the available delivery frameworks before project-specific tenders are launched.

Based on the feedback received in response to this consultation, we will continue to refine our proposals. Consulting stakeholders further where appropriate, we will aim to develop a minded-to-position by winter 2026.

For late competition OFTO build, we aim to be in a position to open the first set of tenders for projects from the end of 2026. This will necessitate a decision document, the production of a model OFTO build licence and any necessary guidance, as well as any further consultations over the course of 2026.

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 consultation. 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.

Appendix 1. Privacy policy

Personal data

The following explains your rights and gives you the information you are entitled to under the UK 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 UK 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

We may share consultation responses with the Department for Energy Security and Net Zero, National Energy System Operator (NESO), the Crown Estate, the Crown Estate Scotland, and our consultants. If you do not wish us to do so, please clearly let us know in your response. Please note that the responses not marked as confidential will be published on our website. Please be mindful of this when including personal details.

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 six months after the project is closed, including subsequent projects or legal proceedings regarding a decision based on this consultation, is closed.

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. (If using a third party system such as Survey Monkey to gather the data, you will need to state clearly at which point the data will be moved from there to our internal systems.)

10. More information For more information on how Ofgem processes your data, click on the link to our "Ofgem privacy promise".