

Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

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OFTO build: ways forward for an early competition model

Please find enclosed our response to the consultation on OFTO build: ways forward for an early competition model¹ dated 4 September 2025.

Equinor has been a reliable energy partner to the UK for 40 years, providing a stable supply of oil and gas, developing the UK's offshore wind industry, and pioneering solutions to decarbonise the UK economy. Today, Equinor supplies 27% of the UK's gas, 15% of the UK's oil and our wind farms power 750,000 UK homes. Equinor built the world's first floating offshore wind farm in Scotland and is developing the world's largest offshore wind farm, Dogger Bank. By 2030, Equinor will supply around seven million UK households with green electricity from our offshore wind farms.

Equinor is delivering the UK's first large-scale Carbon Capture and Storage (CCS) projects in the north-east of England and advancing plans for hydrogen production and storage in the Humber region to support industrial decarbonisation. Equinor works in close partnership with the UK and devolved governments to deliver a just transition. Our experience in decarbonising energy in Norway informs our efforts in the UK - helping to develop homegrown solutions that align with climate goals, create and protect jobs, boost supply chain opportunities and support economic growth.

Our main comments to the consultation are:

- Equinor supports the development of an early competition OFTO build delivery model as an additional option to the Generator Build delivery model for non-radial offshore transmission assets. We believe that a well-designed model may ease collaboration between competing developers sharing the same offshore transmission link and thereby reaching GB's offshore wind ambitions. To ensure the continued development of optimal and cost-efficient offshore transmission assets, we urge Ofgem to keep the OFTO regime as flexible as possible.
- An early competition OFTO build delivery model should incorporate regulatory and policy-based safeguards, alongside financial guarantees, to mitigate potential impacts on offshore wind developers in case the offshore transmission assets are delayed or experience reduced availability. An OFTO SPV will have limited financial strength, and it will be very costly for an OFTO to provide large guarantees as required by the generator. As this cost will flow directly into the OFTO's Tender Revenue Stream (TRS) and hence paid by the generator, it is necessary that regulatory safeguards

¹ [OFTO build: ways forward for an early competition model | Ofgem](#)

are in place to reduce this impact in a controllable manner. The remaining financial risks could be addressed through guarantees underwritten by a governmental body, NESO or others.

Our detailed response to the relevant questions is in the appendix.

We would welcome the opportunity to present our response to the consultation in more detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Yinglin Wang".

Yinglin Wang

Equinor ASA

APPENDIX:

Question 1: What are the potential considerations or barriers to using an early competition OFTO build model to build coordinated assets as outlined in the draft CSNP methodology? How could those barriers be addressed?

All offshore transmission assets connecting offshore wind farms to the onshore grid have so far been planned and constructed by the offshore wind developer. When completed, the offshore transmission assets have been divested to an OFTO appointed by Ofgem (the Generator Build model). A key benefit of this model is the generator's ability to balance the cost and delivery risk against each other and thus minimise the delivery risk for the wind farm as a whole to the benefit of the consumers as well as the generator.

Greater coordination of offshore transmission assets is expected in the future, enabling one or more offshore wind farms to share a non-radial transmission link to shore. While greater coordination may save CAPEX, it also introduces regulatory, commercial and technical risks to the affected developers. The Generator Build model is, and should continue to be, available to developers should they agree to follow this model. Equinor explored this possibility on a previous project and recognised that coordinating two or more competing projects with separate schedules is a complex task from both regulatory and commercial perspectives. While it was difficult to use the Generator Build model in this case, we believe that the option needs to be available as a delivery model to developers.

Certainty on where and when to connect and the cost of system connection and usage are key considerations that need to be available to offshore wind developers at an early stage. An early competition OFTO build model must therefore provide such certainty to developers. In a non-radial OFTO build scenario, this information should be available before launching a sea-bed lease auction.

As certainty on connection date is important, it is also important that the regime guarantees that delays/defaults by the other coordinated party will not impact cost and delivery time to the non-defaulting party. There must be transparent rules that regulate generator's compensation for OFTO outages fairly between all users of the assets.

Given that OFTO most likely will be a SPV with no or limited financial strength, it is required that NESO or a governmental body underwrites the delivery guarantees towards the generator. It is very difficult to see that an OFTO SPV would be able to provide sufficient bank guarantees without a significant uplift to the tender revenue stream.

All in all, OFTO build model will require a different profile from existing OFTOs, with offshore wind developers facing more development and construction risks and technical capabilities. Such OFTO market is currently non-existent.

Question 2: Do you think the principles regarding the process and the commercial framework (discussed below) of the early competition OFTO build model targeted at non-radial assets can be directly applied to a mechanism for delivering radial assets? If the principles are not the same, what might be the differences?

Question 3: Will some radial projects benefit from a substantively different framework, e.g. a late competition model in which generator will be responsible for design and other preliminary works? What are the possible circumstances and what are the potential benefits of using a substantively different model?

The response below is relevant to both Q2 and Q3.

For radial projects there are currently two delivery models available to developers, the Generator Build model and a late competition OFTO build model. While we believe that two options are sufficient, we may see merit in assessing as a third option an early competition OFTO build model. However, more information is required to assess if this third option will provide additional benefits and thus deserves to be developed into a complete and robust early build OFTO model for radial connections.

Question 4: Do you agree we should include both price and non-price elements in the bidding process and assessment criteria for prospective early competition OFTOs? What do you consider is a proper weighting of price and non-price elements?

Question 5: What non-price elements of an OFTO bid should form evidence of a potential OFTO's capability to deliver transmission infrastructure as part of an early competition OFTO build tender?

The response below is relevant to both Q4 and Q5.

We agree that both price and non-price elements should be included in the bidding process and assessment criteria. Prospective OFTOs' financial, delivery as well as O&M capabilities need to be thoroughly assessed in the (pre-)qualifying stage of the bidding process, ensuring that only OFTOs with documented qualities are eligible as bidders. In addition, concrete non-price elements will have to be included in the assessment criteria, including but not limited to technical capabilities for developing and constructing offshore transmission infrastructure and knowledge of offshore wind development to interface with developers and financial robustness.

Question 6: Can the PPWCA mechanism from the CATO model be appropriately applied to the early competition OFTO build model when substantive cost changes occur between bid submission and construction commencing? What changes are needed to adapt the PPWCA mechanism for use in OFTO build?

A major difference between the OFTO regime and the CATO regime is that any cost increases allowed by Ofgem are borne by the generator in the OFTO regime while it is "socialised" in the wider element of the TNUoS in the CATO regime. The Post Preliminary Works Cost Assessment (PPWCA) process is introduced to adjust costs as they change between bid submission and the commencement of the construction. While the principles of the PPWCA mechanism may seem appropriate, further information on who will be liable to pay for allowed cost increase needs to be clarified before we can have an informed view.

Question 7: Within the onshore early competition commercial framework, preliminary works payments are proposed to be capped at up to 50% of the NESO's estimated preliminary works costs. NESO as the

Delivery Body will communicate with potential bidders on whether or not a preliminary works payment mechanism is proposed in respect of a project for tender. Will preliminary works payments be necessary to allow for early competition OFTOs to build transmission assets before their TRS begins? If so, should the preliminary works payments be determined in the same way as the CATO model?

No comment.

Question 8: Do you agree with imposing a post-award securities obligation on a successful OFTO bidder to reduce the risk of stranded generation assets and increase the confidence and appetite for early competition OFTO build assets?

Yes. The security amount needs to be balanced against the cost of procuring it, as it will be the generator who must pay for the cost incurred by the OFTO to procure the security through the charges. Please see our response to Q1 and Q9.

Question 9: What forms and levels of compensation are appropriate to mitigate the risks faced by generators in the event that an OFTO delay impacts a generator's route to market under an early competition framework?

We expect the OFTO to provide delivery guarantees towards NESO. OFTO will most likely be a financial SPV requiring expensive bank guarantees. This cost will be added to the TRS and borne by the generator. However, towards the generators the delivery time obligation needs to be underwritten by NESO and/or government. The level of these guarantees needs to compensate the generator for its full documented cost caused by the delay. The Dutch/French/ German models may serve as examples.

Question 10: Do you agree that OFTOs would be sufficiently incentivised under a similar payment mechanism to CATO and generator build regimes to deliver transmission assets on time and to sufficient quality?

No comment.

Question 11: What challenges would a centralised tender approach pose to generators, OFTOs and other stakeholders? How can these challenges be mitigated?

Question 12: Do you consider that centralised tenders can offer benefits by enabling the tendering of projects at their initial development, potentially at the point of seabed leasing?

The response below is relevant to both Q11 and Q12.

We agree that centralised tenders can offer benefits delivering non-radial OFTO transmission assets in some cases. Examples may be when generators sharing an OFTO cannot agree to use the generator build model or in very early phase of the development stage prior to or as part of the sea-bed lease auction. In the latter case this will remove the generators' optionality to choose the OFTO delivery model.

Key challenges will be clarifying what kind of certainty the OFTO can provide to generators on connection date and costs and how to guarantee them. In addition, the Government and the relevant authorities need to clarify how anticipatory investments will be governed, how the user commitment framework (both OFTO and generators) will apply and how the transmission charging methodology will be for these assets.

It is inevitable that the early competition OFTO build delivery model will introduce additional cost and timing risks to generators, which need to be mitigated by regulatory and policy-based safeguards in addition to financial guarantees.

During the development phase of the proposed non-radial transmission assets, changes to the design assumptions may occur and the initial design (as proposed by the CSNP or others) may become obsolete. Regulatory safeguards must therefore include a possibility to revert to radial offshore transmission solutions if this represents the most optimal solution for the generator(s).