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Ofgem**Attn: Joe Underwood, Anthony Nevin, Allegra Evans-Jones**

OFTO Build Tender Development Team, Ofgem

Delivered to: oftobuild@ofgem.gov.uk

4 November 2025**Ocean Winds response to Ofgem Call for Input - OFTO Build: Ways Forward for an Early Competition Model**

Ocean Winds develops, finances, builds, and operates offshore wind farms around the globe. The UK is one of our key markets with nearly 2GW of operational assets and an additional 4GW of projects in our development pipeline.

Dear Joe, Anthony and Allegra:

Please find enclosed Ocean Winds' response to Ofgem's consultation on the Early Competition OFTO Build Model. This submission outlines both the opportunities and key barriers associated with deploying early competition to deliver coordinated offshore transmission assets. While the model has strong potential to enhance system coordination and consumer value, it will require targeted regulatory, governance, and risk-allocation reforms to become fully operational. Clear provisions on delivery sequencing, supply-chain maturity, and compensation for delay or outage-related risks are essential to ensure generator confidence and investor participation.

Our response also highlights the importance of proportionality between non-radial (coordinated) and radial (standalone) assets. While the underlying principles of transparency, competition, and cost efficiency should remain consistent, their application must differ according to project complexity and coordination needs. A flexible suite of delivery models—combining early competition for coordinated systems with late competition or generator-build options for simpler radials—would optimise value, delivery certainty, and market participation.

We further support a balanced evaluation framework that integrates both price and non-price elements to ensure early competition rewards capability, reliability, and innovation,

rather than lowest cost alone. Adaptations of the Post Preliminary Works Cost Assessment (PPWCA) and preliminary works payment mechanisms are recommended to reflect the distinct challenges of the offshore environment, ensuring competitive tension is maintained while safeguarding financial viability. In parallel, stronger performance incentives, post-award securities, and well-defined compensation mechanisms are vital to maintain delivery discipline and protect generators from delay-related risks.

Finally, we recognise the potential long-term benefits of a centralised tender approach in driving offshore coordination but caution that such a framework must be introduced gradually, with clear governance and transitional support to avoid misalignment with generator timelines and investor expectations. A phased, proportionate approach will best support the Centralised Strategic Network Plan's (CSNP) strategic objectives while ensuring practical deliverability and stakeholder confidence.

If you have any questions or would like to discuss anything further, we would be happy to provide additional information or set up a meeting.

Sincerely,

Paul Cavanagh (via email)

Asset Director, Ocean Winds

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Ocean Winds Response to Questions

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

The early competition OFTO build model offers an attractive opportunity to advance coordinated offshore transmission, but regulatory and policy barriers must be addressed before it becomes deployable within the CSNP framework.

Delivering coordinated assets through early competition will require overcoming technical integration, supply-chain, and sequencing barriers unique to offshore environments. For early competition OFTO build to succeed under the CSNP framework, its design must prioritise clarity of governance, maturity thresholds, and incentive alignment, rather than assuming risk tolerance from commercial developers. Without regulatory alignment, centralised tender powers, and forward visibility, early competition OFTO build will remain a conceptual tool rather than a workable delivery pathway under the CSNP.

Early competition OFTO build could unlock significant consumer value but must be underpinned by controlled design flexibility, integrated supply-chain scheduling, and pre-tender site maturity to manage offshore uncertainty and maintain bid credibility.

Clarity will be required with respect to risk sharing in circumstances of delay to build-out, asset failure and selection process for OFTOs to ensure that there is a proven track record of both construction and operational experience. Generators must be compensated where delays to delivery and transmission outages occur. Without that, a significant barrier will exist, with generators unable to control potential impacts to their project timeline, which can have material impacts on route to market arrangements.

Q2. Do you think the principles regarding the process and the commercial framework 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?

There is merit in maintaining conceptual alignment between early competition OFTO build and radial delivery models to promote consistency and investor familiarity. However, the delivery mechanics, commercial framework and tender structure must scale with project complexity. A more bespoke framework for each would allow Ofgem and NESO to deploy proportionate early competition tools without over-engineering the process for radial connections.

The core principles of early competition, transparency, cost efficiency, and innovation through market entry before design finalisation, are solid and should underpin any OFTO build framework. However, applying early competition principles wholesale to radial projects would add process risk without material coordination gain. A differentiated model, with

generator-led preliminary works and late-stage OFTO competition, would better serve radial project realities.

The early competition OFTO build model should remain optional and scalable, with lighter governance for radial assets to avoid unnecessary cost and delay. The core principles relevant to risk sharing for delay and outage impact should of course be the same.

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

A single, uniform early competition framework would not optimise value for all radial assets. Certain projects would benefit from a substantively different model where the generator retains design and development responsibility until consent and procurement maturity.

For most radial connections, the primary driver is schedule certainty, not multi-party coordination. Introducing early competition at concept stage may extend timelines and transfer design risk to a party less experienced in construction and less familiar with project-specific constraints and with different commercial imperatives.

The case for early competition is strongest where system-level coordination is material. For radial connections, a flexible suite of models is more appropriate, including late competition or generator-build options, depending on how each asset fits within NESO's CSNP strategy. A graduated regime, early competition for coordinated non-radial systems, late competition for self-contained radials, would maximise both consumer value and delivery certainty while maintaining strategic flexibility as the CSNP framework evolves.

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

Yes. Both price and non-price elements should be integral to the evaluation of early competition OFTO bids. A dual price/non-price framework will help ensure early competition delivers both value and certainty in a complex, multi-stakeholder environment. Tender evaluation needs to uphold transparency and protect consumer value.

A heavy price weighting (70:30) could encourage underbidding or cost deferral, undermining financeability and delivery certainty.

A balanced 50:50 weighting will create a healthy early-competition market that rewards competence, innovation, and financial sustainability alongside cost efficiency, ultimately delivering the best long-term outcome for consumers and generators alike.

The non-price dimension is critical to filtering credible, competent bidders before price differentiation becomes decisive.

Given the strategic and construction risk transfer inherent in early competition OFTO build, the tender process must reward capability, reliability, and ESG performance, not just cost minimisation.

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

Non-price assessment should reflect whole-life performance, evidence should provide confidence that bidders can manage end-to-end delivery risk, sustain quality and HSE excellence, and integrate effectively within the offshore coordination framework, rather than relying solely on post-construction operational credentials.

Non-price evidence should reflect a bidder's proven ability to coordinate complex supply chains, manage interfaces proactively, and ensure delivery certainty, not merely its cost base.

Non-price elements should robustly demonstrate the technical, financial, and organisational capability of a bidder to deliver complex offshore transmission assets safely, on time, and to specification.

In an early competition model, the OFTO's scope will extend beyond construction to include design, consenting, and interface management, therefore capability evidence must move beyond conventional operational credentials.

A credible early competition OFTO must prove it can operate as a lead developer within the offshore environment, managing high-value, multi-contract interfaces. The tender evaluation should therefore prioritise organisational capability, resilience, and supply-chain readiness alongside financial efficiency.

Incorporating non-price criteria provides an opportunity to future-proof the early competition regime by rewarding innovation, sustainability, and lifecycle performance, ensuring OFTOs are not incentivised to underbid on capital cost at the expense of enduring system value.

Q6. Can the PPWCA mechanism from the CATO model be appropriately applied to the early competition OFTO build model when substantive cost changes occur between bid submission and construction commencing? What changes are needed to adapt the PPWCA mechanism for use in OFTO build?

Rather than transferring the PPWCA directly, Ofgem should develop a fit-for-purpose offshore cost adjustment framework, transparent, time-bound, and risk-calibrated, that

preserves competitive intent while recognising the realities of offshore construction volatility.

A bespoke offshore mechanism may deliver better outcomes. The offshore environment is more exposed to global supply chain, weather, and installation risks that evolve rapidly after bid submission. Replicating an onshore-style PPWCA could create frequent cost re-openers, investor uncertainty, and protracted regulatory review cycles.

Unlike onshore CATOs, OFTO build projects are tightly coupled to generator delivery milestones, meaning that late or misaligned cost adjustments could impact connection timing and consumer outcomes.

A modified PPWCA framework can support a stable early competition model but should be underpinned by generator protection clauses, transparent change governance, and incentive-aligned sharing mechanisms to maintain delivery confidence and consumer value.

Q7. 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?

The inclusion of a preliminary works payment mechanism within the early competition OFTO build framework is essential to maintain bidder liquidity, sustain market participation, and ensure that credible investors remain engaged throughout the tender process. While the principle draws from the CATO model, the offshore delivery environment is materially different and requires a tailored, risk-informed, and proportionate approach rather than a direct replication of onshore provisions.

Offshore projects typically involve longer development timelines, higher mobilisation costs, and greater supply-chain exposure, resulting in a multi-year funding gap between early expenditure and the commencement of the Tender Revenue Stream (TRS). Without an appropriate mechanism for early cost recovery, only a limited pool of highly capitalised entities would be able to participate, reducing competition and increasing long-term costs to consumers.

A well-calibrated payment structure, capped, milestone-linked, and verified by the regulator, would enable early competition OFTOs to recover legitimate preliminary works costs without eroding value-for-money safeguards. Aligning the principle with CATO precedent but adjusting for offshore scale, risk, and duration would support investor confidence, lower financing premiums, and strengthen market diversity.

Conversely, rigid alignment with onshore funding caps or prescriptive thresholds could unintentionally exclude capable bidders and diminish the effectiveness of early competition. A more flexible, offshore-specific mechanism would therefore strike the right balance between financial sustainability, competitive tension, and consumer protection.

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

Yes. A post-award securities obligation is essential, provided it is proportionate to project scale, timing, and offshore delivery risk. The offshore context, involving long lead times, supply-chain dependency, and multi-generator interfaces, creates a strong case for mechanisms that enhance confidence in bidder commitment and delivery follow-through. Post-award securities should be used not merely as a deterrent, but as a structured assurance mechanism, ensuring generator protection, consumer confidence, and OFTO accountability in early competition delivery.

A post-award security obligation could materially strengthen market confidence in early competition OFTO build, but it must be designed to protect generator delivery timelines and avoid deterring bidders through excessive capital lock-up.

Instead of mirroring the onshore CATO approach, the early competition OFTO build regime should adopt a graduated, performance-linked commitment structure. This would safeguard generator and consumer interests without constraining bidder diversity or inflating financing costs.

Q9. What forms and levels of compensation are appropriate to mitigate the risks faced by generators in the event that an OFTO delay impacts a generator's route to market under an early competition framework?

A defined and transparent compensation framework will be essential to making the early competition OFTO build model investible for generators. Under the generator build model, developers retain control of transmission delivery, and therefore the route-to-market risk is largely within their control. Transferring this risk to a third-party OFTO under an early competition regime requires clear financial redress mechanisms for any delay directly attributable to the OFTO.

Without a contractual and automatic compensation mechanism, the early competition OFTO build model would transfer unacceptable delivery risk to generators and weaken investor confidence. Alignment with existing market standards for delay liquidated damages will ensure fairness, clarity, and continued generator support for OFTO build.

The early competition OFTO build model must include a balanced incentive-penalty mechanism linking OFTO remuneration to delivery performance. Compensation for delay should reflect the commercial loss and schedule impact faced by generators, ensuring

generators have predictable and credible compensation if their route to market is materially delayed.

Q10. Do you agree that OFTOs would be sufficiently incentivised under a similar payment mechanism to CATO and generator build regimes to deliver transmission assets on time and to sufficient quality?

While the CATO-style payment mechanism provides a useful foundation, it does not fully account for the unique delivery risks inherent in offshore transmission projects. Unlike onshore CATOs, where delays tend to have broader but indirect system impacts, an OFTO's performance in the offshore environment has a direct and immediate effect on a generator's ability to commence operations, earn revenue, and meet contracted Power Purchase Agreement (PPA) or CfD obligations.

For generators, any delay in transmission asset completion translates directly into lost generation revenue and potential exposure to liquidated damages or PPA penalties. This creates a level of dependency and risk that is not present in the onshore context. Consequently, a TRS-only incentive model, where revenue simply commences at operational start, does not provide sufficient deterrence against delay or quality shortfalls that impact timely energisation.

To safeguard generator market access and protect consumer value, the OFTO build regime must therefore be augmented with stronger schedule and performance-based incentives. These could include pre-commissioning milestones, partial TRS adjustments linked to delivery timing, or performance bonds released only upon verified energisation. Such measures would reinforce delivery discipline, ensure timely connection of generation assets, and prevent the cascading financial and contractual consequences that delay imposes on both generators and the wider market.

While the CATO framework provides a solid conceptual basis, offshore conditions demand a more robust, outcome-focused incentive regime. Strengthening the link between OFTO performance, generator revenue enablement, and consumer protection is essential to achieving the intended benefits of early competition without compromising delivery certainty.

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

A centralised tender could improve system-level coordination but introduces regulatory, financing, and accountability challenges. These can be mitigated through early statutory clarity, transitional implementation, and transparent governance to protect investor confidence and delivery certainty.

Under the existing generator-build framework, developers retain control over timing, design, and interfaces. Transferring this decision-making to a central body may risk

misalignment between project-level delivery and system-level objectives, particularly in the early development phase.

A centralised tender mechanism could add value by overcoming stalemates between multiple generators, but it must be supported by robust governance, consent, and interface frameworks to ensure alignment with project delivery schedules and generator obligations. A specific delivery body with competence in offshore transmission and experience of delivering high value construction projects would be essential to ensure that the tender process was carried out in as robust a manner as possible.

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

Centralised tenders could be beneficial once the regulatory, planning, and data frameworks are mature enough to ensure tender integrity. Until then, a phased introduction would be more proportionate.

Centralised tenders initiated at the seabed leasing stage would represent a fundamental shift from the current model where developers integrate transmission planning with generation design to achieve optimised cost, risk, and environmental outcomes.

Centralised tenders at seabed leasing are not yet suitable for individual project delivery. They may deter investment and slow progress toward 2030 targets. A limited, opt-in application for multi-user or anticipatory assets may be appropriate as a first step.

