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Re: OFTO Build: Ways forward for an Early Competition Model

Dear Sir/Madam,

About RWE

RWE is the leading power generator in the UK, with a diverse portfolio of onshore wind, offshore wind, solar, hydro, biomass and gas. We produce enough energy to power the equivalent of around 12 million UK homes.¹

We are investing today, with 2.2GW of new renewable projects currently in construction. This includes our 1.4GW Sofia offshore wind farm, four new onshore wind farms totalling 231MW, 10 new solar farms totalling ~500MW and four co-located battery storage sites totalling 105MW.

We have ambitious plans to expand our UK footprint even further, with over 15GW of renewables at various stages of development. This includes nine new offshore wind farms totalling nearly 10GW, and a GW scale pipeline of onshore wind and solar projects. Complementing our renewable pipeline, we have over 3.6GW of battery storage under development and we are in the early stages of developing four gas carbon capture and storage (CCS) projects across the UK, totalling up to 4.6GW. In addition, as a key component in the energy transition, RWE is developing ~500Mwe green hydrogen opportunities across the UK. We directly employ over 3,100 people across the UK and our planned investment will continue to create green jobs, developing green skills up and down the country.

We are committed to working in partnership with the government to deliver its 2030 clean power mission, and to deliver clean, secure, and affordable energy for the UK.

Key Messages

RWE welcomes the opportunity to respond to this consultation regarding the OFTO regime.

Our key points of feedback in relation to this consultation are:

- We note Ofgem's proposal to prioritise non-radial OFTO build. There is an opportunity to broaden eligibility, as several early-stage development projects could adopt an early-competition OFTO build model, particularly if applied to radial connections.
- Consistent commercial and tender frameworks for both radial and non-radial assets are essential. Developers should have a full suite of delivery models available to enable efficient and economic project delivery.
- The early competition OFTO-build model offers considerable potential for coordinated transmission solutions, but key barriers—such as structured developer engagement and comprehensive bidder assessment—must be addressed to maximise system efficiency and consumer value. For some projects, improved delivery incentives may make a late OFTO build competition model preferable.
- Alignment between offshore and onshore transmission regimes is important. Any technical or commercial distinctions should only be made where necessary.
- The CATO regime remains largely untested, reflecting limited market participation. As Ofgem considers the design and implementation of early competition OFTO-build, lessons learned from CATO and relevant market experience should inform future approaches.
- Robust OFTO tender processes should evaluate both price and non-price criteria, including experience, capability, and financial strength, to ensure qualified and reliable delivery partners are selected.
- Effective and enforceable compensation mechanisms, including for delays, are key to incentivising timely delivery and protecting the interests of generators.
- Flexibility within a centralised tender framework is essential, allowing for major design changes and supporting project deliverability. Early tendering at the seabed leasing stage is supported where it adds greater clarity and certainty for developers.

Please find our detailed response to Ofgem's Consultation questions below.

Yours Sincerely,

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Future Expansion of Scope

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 proposed introduction of an early competition OFTO build model for coordinated offshore transmission, as outlined in the draft CSNP methodology, presents a valuable opportunity to enhance system efficiency and lowers costs for consumer. However, there are several key considerations and barriers which must be carefully addressed to ensure success.

Capital Cost Threshold and Eligibility

The proposed asset cost threshold in the CSNP draft methodology (currently below £100 million) is likely to exclude most coordinated OFTO projects due to their inherent scale. While no precedent exists in the UK for early competition at this value, there appear to be no insurmountable barriers to revisiting this threshold. Ofgem and NESO should consider an explicit review to enable coordinated projects under an adjusted, higher cap.

Developer Engagement—Auction Design and Delivery Oversight

Designing the auction process and tender assessment must involve early and substantive engagement with offshore wind developers. Consultation mechanisms – such as policy workshops, written consultations, and bilateral meetings – are essential to ensure that the tender framework reflects real project needs. Developers possess unique insights into the technical feasibility and deliverability of proposals; it is therefore critical to establish a formal process for their input throughout both the assessment and selection stages. Additionally, during the delivery phase, a forum comprising all project partners, with Ofgem attending as an observer, should be established. This forum would facilitate regular progress reviews and support evidence gathering related to delivery milestones (as noted below).

Tender Assessment: Price vs. Capability

Protecting consumers and keeping energy bills low requires more than simply selecting the lowest bid; it necessitates a balanced approach where both price and bidder capability are rigorously evaluated. Considering bidder capacity and track record as part of the assessment is essential to ensuring infrastructure is delivered on time and to a high standard—which ultimately minimises long-term costs to consumers. Prioritising only headline price can undermine this objective, leading to false economies and increased risk of costly transmission delays (the risk of which will materialise in CfD bids).

Grid Alignment and Timelines

Project development timelines must be set realistically, accounting for the additional time required to conduct a competitive tender before construction commences. Unlike the current late competition framework—where construction and generation can proceed in parallel with the tender process—the early competition model places the

completion of the tender on the project's critical path. Timelines for the development of necessary onshore reinforcements, downstream of the OFTO connection, may also need to be accelerated to provide sufficient confidence to both generators and the OFTO. Acceleration may, in some instances, require the regulator to approve a higher degree of anticipatory investment. Options such as standardised asset designs, which allow long lead-time items to be reassigned to other projects if needed, could help minimise abortive costs and facilitate greater regulatory comfort with earlier project commitments. Offshore wind developers would be unwilling to take on costs “at-risk” which would more appropriately be borne by the party responsible for delivering the assets.

OFTO Build – Radial

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

As Ofgem notes, the late competition “OFTO build” framework has not been adopted by offshore wind generators for radial transmission projects. While concerns over loss of control during critical development and construction phases are a factor, a key issue is the absence of grid delay protections for offshore wind developers if an OFTO delivers the connection asset late. This creates commercial risk that the current regime does not address, making it unattractive to both developers and OFTOs. RWE believes the most significant improvement would be the inclusion of robust grid delay provisions within the OFTO build model.

With grid connection assets—particularly HVDC—now representing a substantial share of total CAPEX, RWE would consider an OFTO-build arrangement if regulatory and commercial certainty were enhanced. Interest in this model is likely to increase for both radial and non-radial connections, provided the framework is efficient and offers adequate risk protection.

RWE supports regulatory reforms that promote efficient and timely grid delivery while minimising risk and delays to project schedules. It is essential that new arrangements do not undermine the attractiveness of the OFTO regime. We welcome this consultation and urge Ofgem to design a regime responsive to developer and market needs, drawing lessons from other successful markets such as Germany's TenneT model.

We advocate for harmonised delivery options and regulatory protections between radial and non-radial assets. Ofgem's proposal for a central body to initiate OFTO build tenders under a centralised model is supported, provided the regime delivers sufficient certainty and does not introduce new commercial risks. Clear upfront arrangements—set prior to seabed lease awards—regarding whether connection assets will be delivered under OFTO-build or developer-build are vital for project planning and investment decisions.

Ultimately, consistent application of robust tender criteria, revenue models, and timely delivery incentives across both radial and non-radial projects will be key to a reliable and attractive OFTO build regime.

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?

As noted above, the late OFTO build competition model has not been utilised to date, primarily due to insufficient incentives for timely delivery. If the current policy framework is revised to address these shortcomings, the late competition model OFTO build model could become a more attractive option for delivering radial projects. We believe developers should have access to the full range of delivery models. This will enable them to select the most efficient and economic option for each project.

Non-Price Elements

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?

We consider it essential that both price and non-price elements are included in the bidding process and assessment criteria for radial and non-radial OFTO transactions for OFTO-build and developer-build, as referenced in response to Q1. RWE previously opposed the removal/reduction of these criteria in our Consultation response ahead of TR6.

To successfully implement the OFTO build model, we expect the tender process to require a high standard of suitability and experience in offshore asset delivery. As highlighted by RUK in its Offshore Coordination Report the introduction of pre-qualification criteria, which comprehensively assesses financial capability, consenting, supply chain, design, construction and project management expertise is required to ensure all bidders meet a robust minimum standard prior to qualifying as a bidder.

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?

The Evaluation Criteria proposed in NESO's Early Competition Implementation Update¹ for the CATO regime appear broadly appropriate for the OFTO build tender process, however we would encourage Ofgem to review and ensure the key areas highlighted by

¹ [download](#)

RUK in its Offshore Coordination Report are addressed appropriately and take into account any learnings from The Crown Estate on Leasing Round 4.

Revenue Models

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?

We consider it unlikely that the untested PPWCA mechanism can be copy-and-pasted for use in OFTO-build without further consideration and consultation of its use in this context. In general RWE supports having the same, or similar, regulatory frameworks in place for both offshore and onshore transmission. It is crucial to consider how the early competition OFTO build process would interact with wider regulatory frameworks, particularly the Contracts for Difference (CfD) allocation process before we can provide a definitive view.

While we recognise that the principle of allowing flexibility to adjust for legitimate cost changes between bid submission and commencement of construction is necessary—there must also be mechanisms to prevent offshore wind generators from being exposed to excessive, uncontrollable risks. Ofgem should consider carefully how the PPWCA mechanism, and the resulting adjustments to the Tender Revenue Stream (TRS), will interact with the generator's CfD bidding timing and approach. To place a CfD bid, generators require certainty on costs. If costs are unpredictable or volatile, it undermines the generator's ability to confidently bid for a CfD – and could even lead to CfD bids being either too low (risking project non-delivery) or too high (therefore offering poor value to consumers).

To ensure regulatory predictability and align stakeholders' interests, it is essential that – should PPWCA or a version of it be utilised for OFTO build – that strict and transparent definitions are established for which costs are eligible to trigger a PPWCA adjustment and the process if Ofgem rejects any PPWCA uplift claims. All bid-stage costs with the potential for change should be explicitly identified and clearly communicated among all parties, as referenced in Section 4.3.1 of the 'Early Competition Implementation – Update' transparency in included and excluded cost categories is crucial to avoid disputes.

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?

We agree with the principle of allowing preliminary works payments to allow OFTOs to carry out activities ahead of construction, such as securing planning consents, surveys and engineering development before their TRS begins. We support potential alignment of the approach presented under the CATO regime, whereby payments are capped at up to 50% of preliminary works costs estimated by a delivery body such as NESO to ensure the OFTO is appropriately motivated to progress to financial close.

Further information with regards to the definition of what would be categorised as preliminary works, the payment mechanism, and key milestones and how the costs incurred by the OFTO will be assessed as economic and efficient as part of this process, is needed to give a more definitive view.

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, we support the introduction of a post-award security obligation as an effective mechanism to increase bidder commitment and enhance confidence for both consumers and generators.

We note the proposal under the CATO Decision² for the post award security to be set at 10% of the forecast construction cost, subject to a £50m cap for projects valued up to £1bn (with higher value projects considered on a case-by-case basis). As the CATO regime is untested, it is difficult to comment on whether this strikes the right balance between providing sufficient assurance and remaining proportionate to project risk and cost of capital impacts. The tapered approach, whereby the security remains in place during preliminary & construction stages before tapering down to zero appears sensible however it is difficult to comment as this is an untested process.

Regarding the form of financial security, we agree with the options proposed to consider letters of credit and performance bonds as standard, with parent company guarantee's being considered on a more case-by-case basis.

Finally, we encourage Ofgem to ensure consistency of approaches across all OFTO build frameworks – both radial and non-radial – and consistency of approach with onshore transmission, where appropriate. This will help avoid unintended disadvantages to either generators or potential OFTO build bidders and reduce the risk of a non-level playing field for treatment of multi-use grid assets whether on or offshore.

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

Timely Delivery Incentives

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?

As outlined in our May 2024 response to Ofgem's Consultation on Initial Proposals for an OFTO Model to Deliver Non-Radial Offshore Transmission Assets,³ any suitable OFTO build model—whether for non-radial or radial assets—must provide fair, clear, and standardised compensation to generators in the event of delay.

We acknowledge that there are differences between CATO and OFTO build models, the former being a wider network reinforcement, the latter being clearly attributable to a specific generator. However, as we move to a more coordinated system this distinction may change (for example non-radial OFTO assets can also encompass bootstrap reinforcements). Achieving an effective incentive mechanism that can apply across all variations of OFTO assets (in addition to onshore network build) will be fundamental to the success of OFTO build.

We encourage Ofgem to consider placing milestones into the tender agreement as practical enforcement tools (akin to those placed on generators in grid connection agreements), establishing clear expectations and accountability throughout project delivery. Where milestones are missed, there should be associated financial consequences for the OFTO—such as a reduction in the allowed rate of return—that cannot be passed through to either consumers or generators. This ensures that the OFTO remains fully incentivised to meet its commitments.

Given that offshore wind projects can vary significantly, milestones and related penalties should be carefully aligned with CfD (Contract for Difference) schedules and other critical project dates. In some cases—particularly for early coordinated projects—enhanced compensation for generators impacted by OFTO-caused delays may also be appropriate, providing additional assurance that timely delivery is prioritised, and generator interests are protected. We strongly recommend Ofgem look to precedents from other European regimes (please see Annex 1 for further details), where generators receive a fixed amount per MWh that cannot be exported after a contractually defined completion date—provided the generator is ready to export. The design of any such scheme must be robust however to ensuring it does not encourage network operators to extend connection timescales in order only to minimise this risk. The use of milestones, in conjunction with compensation, could help to alleviate this concern (as this gives visibility and accountability of progress). If milestones are too easily met, this implies that they need to be adjusted for future projects.

³ [Consultation on initial proposals for an OFTO Build model to deliver non-radial offshore transmission assets | Ofgem](#)

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?

Whilst we acknowledge that the proposed payment mechanism under CATO - which delays access to the TRS until project commissioning - could be seen as an incentive for the OFTO to complete construction works in a timely manner, it (delaying TRS) has proven insufficient in practice. Under the current generator build model TRS is based on completion of asset transfer. This does not effectively motivate on time transactions, the Generator Commissioning Clause (GCC) periods are frequently exceeded due to prolonged transaction negotiations. We do not see that delaying TRS would motivate on-time delivery under the OFTO build model.

This mechanism does not address the lack of compensation to generators for late delivery. It should be developed alongside other measures – such as those referenced in the Annex 1.

Centralised Tender Approach

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

The risk of major design changes over time poses a threat to early competition. Experience from the Holistic Network Design (HND) with our Dogger Bank South projects highlighted how much the design can change (radial -> non radial -> back to radial). The extent to which coordinated/non-radial designs can evolve during detailed network planning, often driven by supply chain limitations and technical requirements presents a key area of risk. It is essential that the OFTO-build frameworks acknowledge and accommodate the reality of significant design variations between initial bids and final delivery. Failure to address these challenges would undermine project deliverability and investor confidence.

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?

We support the proposal to enable OFTO build tendering at the point of seabed leasing, provided this occurs at the point of leasing launch rather than at lease award. This approach would give generators clarity on both the appointed OFTO and connection design before bidding, thereby supporting more informed and competitive bids. It is also critical for the seabed lease process to be attractive to developers and that the OFTO-build framework does not pose significant commercial risk for project delivery.

The existing OFTO build framework would pose significant commercial risk, and throughout this response RWE has proposed ways of reducing this (grid delay protection, milestones for OFTO delivery etc).

Annex 1: Comparison of availability compensation methods in other European countries that could be considered for OFTO build.

Table 1: Lack of availability compensation in UK compared to other European countries

Country	TSO	Consequences for delays to contracted connection dates
Germany	TenneT/ 50 Hertz	<ul style="list-style-type: none"> - Compensation from the TSO for the MWh which could not be injected into the grid from the 11th day after the binding completion date (if a project is ready to export) - Compensation is 90% of the direct market price in accordance with the Renewable Energy Sources Act, minus 0.4¢ per kWh - If the project operator is responsible for the delay, no compensation is paid
Denmark	Energinet	<ul style="list-style-type: none"> - For tenders, if TSO does not meet the deadlines and comply with conditions for grid connection according to the terms of the tendering procedures, TSO will be objectively liable for damages and for any consequential loss suffered by the developer
UK	National Grid	<ul style="list-style-type: none"> - TSO not liable for any liquidated damages in the event the contracted connection date is missed. Offshore generators are heavily incentivized to use good construction practices for building offshore cables, as they face loss of revenue if they are unable to generate due to outages. - By contrast, for onshore generation, the local circuit charge faced by the generator is calculated through a number of inputs, but none of these factors are influenced by the TSO's activities to rectify faults on the local circuit assets, and so there is no route by which costs associated with rectifying cable faults will be passed through to the generator via local circuit charges.

Netherlands	TenneT	<p>- A wind energy producer is entitled to compensation for damage from the network operator of the offshore network if:</p> <p>grid operator delivers the part of the grid at sea necessary for connecting the wind farm, in whole or in part, later than is included in the developer framework referred to in Article 16e, first paragraph, and as a result the producer cannot have electricity exported in whole or in part</p> <p>- Compensation comes from TenneT as TSO but this is passed through from the electricity consumer. The compensation accounts for electricity price and subsidies</p> <p>- Parties will be fully compensated for lost income and consequential damages. However, parties must evidence (the burden of proof lying with the developer) that they have been ready at that time for grid connection</p> <p>- TenneT must take care of the judgement of claim, and are responsible for all admin associated with this</p>
Belgium	Elia	<p>- Compensation from the TSO for 90% of the LCOE per MWh which could not be exported, increased with an addition fee determined by a Commission for potential additional costs. It is owed from the first day of delay until the 90th calendar day following receipt of notification of the commissioning of the facilities that were the subject of the delay. The number of days for which compensation is due is deducted from the duration of the obligation to purchase the green certificates,</p> <p>- Compensation from the TSO for 100% of the LCOE per MWh which could not be exported in case of an intentional error of the TSO, increased with an additional fee determined by a Commission for potential additional costs</p> <p>- In case the delay exceeds 12 months, a wind farm developer can request additional compensation</p>

France	RTE	<ul style="list-style-type: none"> - TSO responsible for the works necessary for the grid connection (including permitting) - TSO bears grid connection costs for all the offshore wind projects implemented through a public tender - 90% of lost revenue is compensated in case grid connection delay leads to delay in CfD contract start. There is a cap at 3 years delay
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