Making a positive difference for energy consumers

Consultation

Offshore Cost Assessment: Consultation on Redrafted Guidance and Process

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Response deadline:	7 September 2026
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Executive Summary

This consultation seeks views on an updated draft of the Offshore Transmission Cost Assessment Guidance (CAG), attached in the subsidiary documents to this consultation. The guidance sets out Ofgem's approach to assessing the economic and efficient costs of offshore Transmission Assets, prior to their transfer to an Offshore Transmission Owner (OFTO).

This update reflects the increasing scale, complexity, and technical diversity of offshore transmission projects, incorporating insights from stakeholder feedback and Ofgem's experience of applying the 2022 guidance to date. Recent engagement with stakeholders identified areas where greater clarity, consistency, and transparency would improve the operation of the cost assessment process.

The draft guidance introduces targeted updates to improve how the framework operates in practice. These include:

- updates to the operation of the cost assessment process, including a more comprehensive Indicative Transfer Value (ITV) stage and a streamlined Final Transfer Value (FTV)
- greater structure and transparency in the assessment of spares
- clearer application of Interest During Construction (IDC) in complex delivery scenarios
- improved clarity on evidencing and process expectations
- an updated approach to benchmarking, reflecting stakeholder concerns around duplication of effort

The guidance also reflects wider policy developments to ensure alignment with the evolving offshore transmission framework. These include:

- Anticipatory Investment
- Community Benefit
- the Clean Industry Bonus (CIB)
- the Extension of the Tender Revenue Stream (EoTRS)
- connections at OFTO sites

The proposed changes support several key objectives in updating the guidance:

- to clarify existing and evolving cost assessment processes
- establish clearer expectations and best practices
- respond to industry feedback received through engagement and experience of applying the current framework

In doing so, this update seeks to improve transparency in how costs are assessed and how decisions are reached, while reducing unnecessary regulatory and administrative burden[1] within the process. By providing greater clarity and consistency, the updated guidance is intended to support more predictable assessment outcomes and the timely and efficient delivery of offshore transmission infrastructure, while continuing to protect consumers by ensuring that only economic and efficient costs are included in the FTV.

We are seeking views on whether the draft updated guidance provides sufficient clarity, transparency, and usability ahead of finalisation. Following this consultation, Ofgem will review responses, refine the draft of the CAG where appropriate, and publish the final updated version later in 2026.

[1] New approach to ensure regulators and regulation support growth - GOV.UK

1. Introduction

This consultation focuses on updates to Ofgem's Offshore Transmission Cost Assessment Guidance which are intended to better reflect how cost assessment operates in practice, clarify existing processes and evolving approaches, and establish clearer expectations for submissions and assessment. They also respond to industry feedback to improve the effectiveness and usability of the guidance.

Purpose of this consultation

This consultation seeks stakeholder views on proposed updates to Ofgem's Offshore Transmission Cost Assessment Guidance (CAG), ahead of its planned publication later in 2026.

The aim is to ensure that the updated guidance is clear, proportionate, and reflective of stakeholder feedback before it is finalised. Responses received through this consultation will inform the development and finalisation of the updated guidance.

Context and related publications

Ofgem undertakes cost assessments under the Offshore Transmission Owner (OFTO) regime. Their purpose is to determine the economic and efficient costs of developing and constructing offshore Transmission Assets prior to their transfer to an appointed OFTO. Our current approach is set out in Offshore Transmission: Guidance for Cost Assessment (2022)[2].

Since publication of the first CAG, offshore transmission projects have continued to increase in scale, complexity, and technical diversity. Stakeholders have also gained further experience of the cost assessment process across multiple tender rounds. In this context, Ofgem has received feedback from industry that some aspects of the guidance, and its application in practice, would benefit from greater clarity, consistency, and transparency.

To inform this update, Ofgem undertook a programme of bilateral workshops with developers and OFTOs between January and April 2026, ahead of this consultation. These highlighted recurring themes where clearer drafting would support more consistent and efficient outcomes. The key recurring themes raised by stakeholders were:

- the need for clearer expectations on spares, including treatment, criticality, and evidencing

[2] Offshore Transmission: Guidance for Cost Assessment (2022) - Ofgem

- concerns around the transparency, role, and influence of benchmarking;
- uncertainty in the application of Interest During Construction (IDC), including definitions and treatment of inactive or phased construction periods
- a broader need for improved evidencing requirements, submission clarity, and process transparency, including duplication and overlap across assessment stages

In updating the guidance, Ofgem's objectives are to:

- clarify existing processes and provide additional guidance where practices have evolved
- establish clearer expectations and promote best practice in cost assessment submissions and evaluation
- address feedback received from industry to improve the effectiveness and usability of the guidance
- increase transparency in how costs are assessed and how decisions are reached
- reduce unnecessary administrative and regulatory burden
- reduce duplication across the cost assessment process

Related publications that readers may find helpful include:

- Offshore Transmission: Guidance for Cost Assessment (2022)[3]
- Evolving the OFTO Regime to Enable the Next Wave of Offshore Wind (RenewableUK and Scottish Renewables)[4]

Overview

This consultation presents an updated draft CAG, which includes updates to areas such as spares and IDC, refinements to the cost assessment process (ITV and FTV), provides greater clarity on evidencing expectations, and reflects wider policy developments such as Anticipatory Investment and community benefit, alongside an updated approach to benchmarking.

Overall, the updates are intended to improve clarity and transparency in the cost assessment process, establish more consistent expectations in its application, and reduce administrative and regulatory burden in line with Government policy.[5]

[3] Offshore Transmission: Guidance for Cost Assessment (2022) - Ofgem
[4] Evolving the OFTO Regime to enable the next wave of offshore wind - RenewableUK and Scottish Renewables
[5] New approach to ensure regulators and regulation support growth - GOV.UK

Consultation stages

The update to the CAG has been informed by stakeholder engagement and will progress through the stages set out below before a final decision is taken.

Stage 1 – Stakeholder engagement and evidence gathering (completed)

Between January and April 2026, Ofgem carried out a programme of bilateral workshops with developers and OFTOs as part of the CAG review. These sessions were used to gather evidence on stakeholders' experience of the cost assessment process and to identify areas where the guidance would benefit from clearer drafting, greater consistency, or a revised approach. The feedback received during this stage has directly informed the proposals set out in this consultation.

Stage 2 – Consultation opens

This consultation opens on 13 July 2026. Stakeholders are invited to review the proposed CAG update and respond to the consultation questions set out in this document.

Stage 3 – Consultation closes

The consultation will close on 7 September 2026. Responses received by this date will be considered by Ofgem.

Stage 4 – Review of responses and publication of consultation response

Ofgem will review consultation responses in the period following closure of the consultation. We expect to publish a consultation response summarising the views received and setting out our final positions later in 2026.

Stage 5 – Publication of updated Cost Assessment Guidance

Subject to the outcomes of this consultation, Ofgem intends to publish an updated version of the CAG later in 2026. The updated guidance will take effect upon publication. For projects that are already in progress at that point, Ofgem will take a pragmatic approach to the application of the updated guidance, having regard to the stage and circumstances of each project.

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 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 UK 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. Update to the Cost Assessment Process (ITV and FTV)

This section sets out Ofgem's proposal to refine the cost assessment process by rebalancing the roles of the Indicative Transfer Value (ITV) and Final Transfer Value (FTV) stages. ITV will become the primary assessment stage, with FTV refocused as a streamlined exercise.

This approach is intended to reduce duplication between stages, streamline the process, and reduce the administrative burden associated with cost assessment.

Context and rationale

2.1 The cost assessment process currently involves an Initial Transfer Value (InTV) assessment, followed by two key stages: the ITV and FTV. The InTV stage is undertaken on a light-touch basis, while both ITV and FTV can involve detailed review of project costs, reflecting the level of cost certainty available at each point in time.

2.2 Under the current process, the commencement of the ITV assessment is negotiated with the Developer and can be triggered at any point after at least 50% of project costs have been incurred. The ITV must be set for the Invitation to Tender (ITT) stage of the Tender Process to be run. The FTV assessment should be scheduled for when circa 90 to 95% of project costs have been incurred. The FTV must be set before the divestment of the asset to the Successful Bidder and should be completed as soon as reasonably practicable so as to not impact the Developer's divestment of the OFTO assets before the end of the 18 month commissioning period under the Generator Commissioning Clause (GCC).[6]

2.3 In 2025, the Department for Energy Security and Net Zero (DESNZ) amended the GCC provision by the Planning and Infrastructure Act 2025.[7] This increased the duration of the time available to an offshore wind farm developer to divest the Transmission Assets from 18 months to 27 months. Following this increase to the GCC period, the tender timetable has been revised. As a result, ITV reviews are

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[6] Ss6F and 6G of the Electricity Act 1989. The GCC is the colloquial name for the "commissioning period" during which a developer will not be regarded as participating in the transmission of electricity if certain conditions are met (as set out in those sections).
[7] Planning and Infrastructure Act 2025, CHAPTER 34.

being carried out at a later stage in a project's development than previously under the 18-month GCC. [8]

2.4 Additionally, through stakeholder engagement, concerns have been raised regarding duplication of assessment activity across these stages. In particular, some stakeholders considered that similar cost items could be subject to detailed review at both ITV and FTV, requiring repeated submissions of evidence and re-examination of issues that had already been considered. Stakeholders noted that this can create unnecessary administrative burden and introduce uncertainty regarding the eventual FTV that will be set.

2.5 In our experience, at the current ITV stage, some issues are partially assessed or deferred due to cost maturity, limitations in available information, or the evolving nature of certain cost elements. This results in a concentration of detailed assessment activity at FTV, increasing the risk of late-stage cost disallowances.

2.6 In light of this feedback, we consider there is scope to improve the efficiency of the cost assessment process by reducing duplication between stages and providing greater certainty to developers.

2.7 The proposed changes are also consistent with Ofgem's objective to reduce unnecessary regulatory and administrative burden, while maintaining robust assessment to ensure economic and efficient costs in line with Government policy.[9]

Overview of proposed changes

2.8 Ofgem proposes to refine the operation of the cost assessment process by rebalancing the roles of ITV and FTV reviews. The intention is to undertake a single, comprehensive assessment of costs at ITV and limit FTV to a more targeted, streamlined exercise.

A more comprehensive ITV assessment

2.9 Under the proposed approach, the ITV assessment will commence at least 7 months prior to the issuance of a completion notice for the Transmission Assets. This is to allow us to complete the ITV review prior to commencement of the ITT. It will occur at a later stage in the project's timeline when cost information is more

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[8] The Generator Commissioning Clause (GCC) establishes a time-limited commissioning period—now 27 months from the issue of the completion notice—during which a generator may lawfully operate offshore Transmission Assets without a licence, for the purposes of commissioning and transferring those assets to an Offshore Transmission Owner.

[9] [New approach to ensure regulators and regulation support growth (HTML) - GOV.UK]

mature, for example, where a greater proportion of contracts have been agreed, executed or fulfilled. This is intended to reduce reliance on estimates and enable a more robust assessment of costs.

2.10 The ITV assessment will be more comprehensive in scope, with the expectation that all material cost components are assessed at this stage and key issues are resolved, rather than deferred to FTV. This establishes a more concrete baseline for the economic and efficient cost of the project.

2.11 This proposed approach requires developers to provide sufficiently complete and robust information at the ITV stage to enable a full cost assessment. As ITV will occur later in project delivery, when most key contracts are agreed or executed, developers are expected to have a high degree of cost certainty and supporting evidence. Unlike the previous approach, limited scope remains for deficiencies in ITV submissions to be addressed at FTV, placing greater responsibility on developers to ensure all material costs are well-evidenced at ITV.

A streamlined FTV assessment

2.12 Under the proposed model, FTV will be refocused as a more streamlined stage of assessment.

2.13 Rather than repeating any detailed assessment, the FTV will focus on validating costs against the ITV position. It is proposed that we will assess any material changes since ITV and any new additional costs not reviewed in the ITV. This avoids re-examination of previously assessed issues, unless justified by new information.

Reducing duplication and cost uncertainty

2.14 By concentrating assessment activity at ITV and limiting FTV to a review of changes, the proposed approach is intended to reduce any duplicative evidence submissions and minimise any repetition of cost items across stages. This supports a more proportionate process, reducing administrative and regulatory burden, and reducing the associated costs for developers, which have been highlighted as an issue by some developers.

2.15 By concentrating on cost movements and any new costs at the FTV stage, this will enable the duration of the FTV review to be decreased, reducing the resource requirements for all stakeholders.

2.16 Resolving material issues at ITV is also expected to provide greater certainty over assessed costs ahead of transfer, reducing the risk of significant late-stage adjustments and improving predictability of outcomes.

2.17 Overall, the changes are intended to improve the efficiency of the cost assessment process, while continuing to ensure that only economic and efficient costs are included in the FTV.

Invitation to comment

2.18 We invite views on the proposed updates to the cost assessment process, including the reformed roles of ITV and FTV.

2.19 In particular:

Q1. Do you agree with Ofgem's proposal to undertake a more comprehensive ITV assessment, with the intention of resolving, so far as is practicable, all material cost issues at this stage?

Q2. Do you agree with the proposed refocusing of FTV limited to assessing any new costs and material changes since ITV?

Q3. Do you consider that the proposed approach will reduce administrative/regulatory burden and improve proportionality in the cost assessment process?

Q4. Do you have any concerns about the practical implementation of these changes, including the timing of ITV or the treatment of cost changes arising after ITV?

Q5. Do you have any other comments on the proposed reforms to the cost assessment process?

3. Spares

This section sets out Ofgem's proposed updates to the CAG relating to the treatment of spares in offshore transmission projects. The proposed changes introduce a more structured and transparent framework for classifying and assessing spares, reflecting stakeholder feedback and increasing project complexity.

Context and rationale

3.1 Spares were discussed extensively during recent bilateral workshops, with consistent feedback that the current guidance would benefit from greater clarity and structure.

3.2 The 2022 guidance sets out core principles for the treatment of spares, alongside some specific positions on particular spare types. However, stakeholders have told us that the guidance would benefit from a clearer and more structured framework for how spares are classified, evidenced and assessed in practice.

3.3 A key theme was lack of clarity on scope and eligibility, particularly the distinction between spares that are included as part of the Transmission Asset and should be included in the transfer value, and those that represent operational or maintenance stock.

3.4 Stakeholders also raised concerns regarding the transparency of the assessment approach, noting that factors such as supply-chain risk, repair strategies, lead times and system design are not explicitly set out in the current guidance. This has contributed to variability in how spares are justified and assessed.

3.5 In addition, developers highlighted inconsistent evidencing expectations, with limited clarity on what constitutes sufficient justification. This has resulted in differing levels of supporting analysis across submissions.

3.6 Given this, Ofgem considers that the current guidance would benefit from a more structured and transparent approach to ensure that spare provision is assessed consistently, remains aligned with economic and efficient delivery, and addresses concerns raised by developers during our bilateral workshops.

Overview of proposed changes

3.7 Ofgem has revised the spares section to provide a clearer and more structured framework for how spares are identified, justified and assessed.

3.8 The updated proposed guidance introduces a structured classification framework for spares, reflecting the different roles that spares can play in supporting system availability, recovery and operational performance. This includes categories such as system-critical spares required to meet availability targets, long-lead or high-impact components that mitigate outage risk, and other classes of spare provision, reflecting differing operational and resilience functions.

3.9 The revised guidance also sets out a more transparent assessment framework, clarifying the key factors Ofgem will consider when determining whether spares provision is economic and efficient. These include the contribution of spares to system availability, their interaction with system design and redundancy, the impact of failure scenarios, and the role of lead times.

3.10 Greater clarity has also been provided on evidencing expectations, including the use of supporting analysis such as reliability of the spares, repair assessments, and the impact on system availability where appropriate. This is intended to improve consistency across submissions and provide developers with clearer expectations on how spare requirements should be justified and evidenced.

3.11 Overall, the proposed changes move from a largely principles-based approach to a more structured and transparent framework. This is intended to improve predictability for developers, reduce ambiguity in submissions, and support more transparent assessment outcomes.

Invitation to comment

3.12 We invite views on the proposed updates to the treatment of spares.

3.13 In particular:

Q1. Do you have any concerns or issues with the proposed classification systems?

Q2. Do you have any concerns or issues with the proposed review criteria?

Q3. Do you have any other comments on the proposed approach to spares?

4. Benchmarking

This section sets out Ofgem's proposed position to remove benchmarking from the cost assessment process, while continuing to review the benchmarking model internally as additional project data becomes available. This change is intended to simplify the process, reduce duplication and regulatory burden, and refocus the assessment on project-specific evidence.

Context and rationale

4.1 Project cost benchmarking, referred to as **benchmarking**, was an area of discussion raised by Ofgem for specific comment during recent bilateral workshops with developers. Through recent reviews we had increasingly noted a perception that Ofgem treats benchmarking outputs as an expected target for setting the transfer value, which is not the case. To correct this perception, we initially proposed clarifying the use of benchmarking as a solely pathfinding tool, used to identify areas of concern in cost assessment reviews, in the CAG.

4.2 During the bilateral workshops with developers, feedback consistently highlighted concerns about the accuracy of benchmarking results specifically for HVDC projects, given the small dataset of completed projects and the wide range of novel designs, technologies and delivery approaches currently being used.

4.3 We have also considered whether the existing benchmarking model remains a useful and proportionate input to our assessment of economic and efficient costs. In our view, the increasing scale, complexity and technical diversity of offshore transmission projects means that benchmarking outputs are becoming less comparable across projects and less material to our assessment. This is particularly the case where projects use rapidly evolving technologies, such as HVDC, or where projects of nominally the same technology have significant differences in design, procurement strategy, delivery programme, risk allocation, market conditions or project-specific constraints. As a result, the existing benchmarking model has become less effective as a tool for identifying whether submitted costs are economic and efficient, compared with direct review of project-specific evidence such as procurement records, contract information, cost allocations, variations, cost overruns and technical justification.

4.4 Developers also raised concerns that benchmarking outputs, even when described as indicative, can influence expectations and create uncertainty about how costs will be assessed. In particular, we noted that benchmarking may be perceived by stakeholders as setting the expected outcome of the cost assessment process, despite Ofgem's intention to base decisions on project-specific evidence.

4.5 Discussion in the workshops also indicated that the outputs of benchmarking sometimes created unnecessary internal issues for developers. Differences between the benchmarked values and the actual costs would cause internal stakeholders to demand further justification from their tender teams as to why there was a discrepancy, even though the contracts had already been procured at market rate through a competitive tendering process or otherwise supported by project-specific evidence. In our view, this can create additional work that is not proportionate where the benchmarking output is not a material input to Ofgem's assessment.

4.6 Taking these factors together, Ofgem is of the view that the existing benchmarking model no longer provides sufficient additional value to justify its continued use as part of the offshore transmission cost assessment process. The proposed removal of benchmarking is not intended to alter the economic and efficient cost test or reduce the requirement on developers to justify the costs they submit. Rather, it reflects Ofgem's view that, for current and future offshore transmission projects, the assessment is more appropriately focused on project-specific evidence, including procurement approach, allocation methodology, variations, cost overruns, technical justification and market context. Removing benchmarking is therefore intended to simplify the process, avoid duplication, and ensure that assessment effort is focused on the evidence most relevant to determining whether costs are economic and efficient.

Overview of proposed changes

4.7 Ofgem proposes to stop using the existing benchmarking model as part of the cost assessment process. Benchmarking outputs will no longer be shared with developers or used as an input to cost assessment decisions.

4.8 Stakeholder feedback has reinforced the need for caution, particularly where indicative outputs may be perceived as influencing assessment outcomes. This proposed approach is intended to support a fair and proportionate cost assessment process by focusing Ofgem's assessment on project-specific evidence, including cost overruns, allocations, procurement evidence, contract information and technical justification, rather than requiring additional explanation of benchmarking deltas that are not material to the assessment. This has the additional benefit of reducing the burden on developers to explain deltas.

4.9 Ofgem will continue to update, test and review benchmarking internally as additional project data becomes available. This work will support learning and help assess whether benchmarking could be used to improve the cost assessment process in the future. However, benchmarking will not be used as an input to cost decisions going forwards.

4.10 We recognise that this approach may reduce transparency and insight for developers. However, based on experience and workshop feedback, Ofgem considers that removing benchmarking is more appropriate than applying it in a way that could create uncertainty or the perception of unfair outcomes. The cost assessment process will continue to focus on project specific evidence, clear justification of costs, and engagement with developers.

4.11 Should benchmarking be removed as part of the cost assessment process, we will not share benchmarking outputs on a "for information only" basis.

Invitation to comment

4.12 We invite views on the proposed changes to the benchmarking process.

4.13 In particular:

Q1. Do you agree with Ofgem's proposal to cease the use of benchmarking within the cost assessment process?

Q2. Do you have any other comments on benchmarking?

5. Interest During Construction (IDC)

This section consults on proposed updates to the CAG relating to IDC. The updates provide greater clarity on when IDC accrues, how it is linked to construction activity and cashflows. We also address how it is assessed for increasingly complex offshore transmission projects.

Context and rationale

5.1 IDC was discussed in detail during recent bilateral workshops, where developers raised several areas where greater clarity is required.

5.2 Feedback consistently highlighted uncertainty around how IDC should be treated during periods without obvious construction activity. Developers noted that modern construction strategies, including wet storage and sequencing optimisation, may involve planned periods of reduced activity and expressed concern that these could be interpreted as inefficient for IDC purposes.

5.3 Developers also raised questions on the definitions used within the guidance, including “active construction” and when assets are considered “available for use”. In particular, commissioning was identified as an area where existing guidance does not fully reflect how projects are delivered in practice.

5.4 Given the increasing scale and complexity of offshore transmission projects, Ofgem considers that the existing guidance would benefit from clearer drafting to ensure consistent application and to maintain alignment with the principle that IDC should reflect the economic and efficient financing of Transmission Assets.

Overview of proposed changes

5.5 Ofgem has revised the IDC section to provide greater clarity on how the existing principles are applied in practice.

5.6 The proposed guidance clarifies that IDC will not accrue during periods with no demonstrable construction activity, unless developers can evidence that such periods form part of an efficient and planned construction methodology. It also sets clearer expectations on the type of evidence that will be required.

5.7 The treatment of phased commissioning has been expanded to explain how IDC should reduce as Transmission Assets become available for use. This includes the use of disaggregated cashflows or percentage drawdowns, where appropriate.

5.8 The definition of when assets are considered “available for use” has been clarified, linking this more explicitly to energisation and commissioning, and distinguishing Transmission Assets from generation assets.

5.9 The guidance also introduces a benchmark for pre-FID (Final Investment Decision) development duration for non-acquired projects, alongside guidance on specific justifications where developers depart from this. Clarifications have been made to the treatment of Anticipatory Investment, confirming that IDC applies only during periods where those assets are actively under construction.

5.10 Finally, the updated section reinforces the use of actual cashflows and provides additional examples of how IDC may be adjusted to reflect inactivity or phased delivery.

Invitation to comment

5.11 We invite views on the proposed updates to Interest During Construction (IDC).

5.12 In particular:

Q1. Does the updated guidance provide sufficient clarity on when IDC accrues, including during periods of reduced or non-continuous construction activity?

Q2. Do you have any other comments on the proposed approach to IDC?

6. Other updates to the Cost Assessment Guidance

This section sets out proposed additions to the CAG, reflecting wider developments in offshore transmission policy and related regulatory frameworks. These include updates on Anticipatory Investment, Community Benefit, the Clean Industry Bonus (CIB), Extension of Tender Revenue Stream (EoTRS), connections at OFTO sites, and the introduction of a submissions checklist.

Context and rationale

6.1 In addition to the targeted updates set out in previous sections, Ofgem has introduced a number of new or expanded guidance areas reflecting broader developments across the offshore transmission area.

6.2 These updates do not represent changes to the core cost assessment methodology. Rather, they incorporate guidance arising from parallel policy developments, including work led by other teams within Ofgem and wider changes in government policy.

6.3 Stakeholders have previously indicated that the absence of consolidated guidance in these areas can create uncertainty, particularly where requirements arise from outside the CAG itself. Incorporating these topics into the CAG is intended to improve transparency and ensure that developers have a clearer understanding of how such requirements are expected to be reflected within cost submissions.

Overview of proposed changes

6.4 The updated CAG includes several new sections and appendices covering areas not previously addressed, or only partially covered, in the 2022 guidance.

6.5 Guidance on Anticipatory Investment has been expanded to reflect ongoing work within Ofgem on offshore coordination. This provides additional context on how anticipatory investments are considered within the cost assessment process, including the interaction with Early-Stage Assessment (ESA) and the treatment of shared or future-facing infrastructure.

6.6 A new section has been included on Community Benefit, reflecting updated policy from DESNZ. This sets out expectations for the treatment of community benefit funding within the cost assessment framework, including how such costs may be evidenced and assessed where they relate to offshore Transmission Assets.

6.7 The guidance also includes new provisions relating to the CIB. This reflects the introduction of the CIB as part of the Contracts for Difference regime and clarifies how any associated revenue support should be treated within cost submissions to ensure that double recovery does not occur.

6.8 Updates are also included on the EoTRS, reflecting ongoing policy development within Ofgem. These clarify how asset health reviews and extension-related investment may interact with the cost assessment framework. See Section 3.24 and 3.25 in the Guidance for Health Reviews for further information related to investment works.

6.9 In addition, the guidance introduces clarification on connections at OFTO sites, setting out expectations for the treatment and evidencing of costs where Transmission Assets are modified or extended to accommodate new connections.

6.10 Finally, a submission checklist has been introduced within the appendices. This is intended to provide a clear and consistent reference point for developers on the information required at different stages of the cost assessment process, improving completeness and consistency across submissions.

6.11 Overall, these updates are intended to improve clarity and ensure that the CAG remains aligned with wider regulatory developments affecting offshore transmission projects.

Invitation to comment

6.12 In particular:

Q1. Do you have any comments on the guidance relating to Anticipatory Investment?

Q2. Do you have any comments on the guidance relating to Community Benefit?

Q3. Do you have any comments on the guidance relating to the Clean Industry Bonus?

Q4. Do you have any comments on the guidance relating to the Extension of Tender Revenue Stream?

Q5. Do you have any comments on the guidance relating to connections at OFTO sites?

Q6. Do you have any comments on the introduction of the submission checklist?

Q7. Do you have any comments on whether there are areas where further guidance would be helpful?

Conclusions and next steps

This consultation is the next step in our stakeholder engagement to support the 2026 update of the CAG, ensuring that it remains fit for purpose as offshore transmission projects continue to increase in scale, complexity, and technical diversity.

The draft CAG published as a subsidiary document to this consultation reflects both stakeholder feedback and Ofgem's learnt experience across multiple projects. It is intended to improve clarity, consistency, and predictability in the cost assessment process.

The updates introduce greater structure and transparency in key areas, including spares and IDC, refine the operation of the cost assessment process, provide clearer expectations on evidencing and process requirements, and reflect wider policy developments relevant to offshore transmission. The draft CAG also sets out Ofgem's updated approach to benchmarking.

Ofgem will consider responses to this consultation, refine the draft guidance where appropriate, and subsequently publish the final updated CAG later in 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 (UK 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 will not be sharing your personal data.

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 publication of the cost assessment guidance, 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".