

Consultation

Non-statutory Consultation: Transmission Licence for Competitively Appointed Transmission Owner (CATO) - Early Competition in Onshore Electricity Transmission

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This is a non-statutory consultation on the details of the draft generic Transmission Licence for Competitively Appointed Transmission Owners (“**CATO Licence**”), which will be awarded upon the successful completion of an onshore early competition tender. We would like views from parties interested in participating in onshore competition, wider industry participants, incumbent Transmission Owners (TOs) and stakeholders with an interest in the development of competition in onshore electricity transmission networks. We would also welcome responses from other stakeholders and the public.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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1. Introduction

This section provides an introduction and background information relating to the CATO regime and development of the draft generic CATO licence and the Competitively Appointed Transmission Owner Guidance (“CATO Guidance”).

- 1.1 Competition in the delivery of onshore electricity transmission network reinforcements has an important role to play in driving innovative solutions and cost efficiencies while also providing opportunities for new investment in our onshore networks. It has the potential to play a key role in the efficient delivery of our decarbonisation and Net Zero targets at the lowest cost to consumers.
- 1.2 Last year, we published our decision¹ on the commercial framework for the early competition regime, which has been developed with the National Energy System Operator (NESO), the delivery body for onshore competition tenders. It outlines the terms under which a Competitively Appointed Transmission Owner (CATO) will be responsible for designing, financing, constructing, operating and maintaining its transmission assets, and includes a range of mechanisms such as incentive structures, re-pricing model, payment arrangements and a CATO’s post-licence-award obligations.
- 1.3 The commercial framework, as well as other regulatory obligations that will apply to CATOs, will be implemented through the proposed standard and special conditions that will comprise a “CATO licence”. In line with its designation under the Energy Act 2023,² NESO will be referred to as the Independent System Operator and Planner (ISOP) in the respect of the relevant CATO draft licence conditions.

Purpose of this consultation

- 1.4 The purpose of this non-statutory consultation is to seek early stakeholder views on the proposed structure, detail and drafting approach for the CATO licence before Ofgem undertakes any formal statutory consultation to actually modify the current electricity transmission licence and incorporate CATO-specific provisions.
- 1.5 Early Competition in onshore electricity transmission introduces a competitive tender process to appoint a CATO to design, finance, build and operate assets on

¹ Ofgem, Decision and updated policy position on the onshore electricity transmission Early Competition commercial framework, July 2025.

² Legislation.gov.uk, [Energy Act 2023](#), October 2023.

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the electricity transmission network, and the CATO licence will need to give effect to the obligations, incentives and entitlements that apply to that licensee.

- 1.6 We consider that a non-statutory consultation is appropriate at this stage because the CATO licence concerns a new set of licence arrangements for Early Competition in onshore electricity transmission. It provides stakeholders with an opportunity to comment on whether the proposed licence drafting reflects the intended policy approach, and whether any CATO-specific drafting requires further clarification before statutory consultation.
- 1.7 We will consider responses to this consultation in developing the proposed CATO licence conditions for statutory consultation. The statutory consultation will provide stakeholders with a further opportunity to comment on any revised or updated licence text before any final decision is made.

Context and related publications

- 1.8 For the context of this consultation and related publications, the following documents and links are key resources:
- Ofgem, [Decision on early competition in onshore electricity transmission networks](#), March 2022
 - Ofgem, [Decision on Early Competition in onshore electricity transmission networks: policy update](#), July 2024
 - Legislation.gov.uk, [The Electricity \(Criteria for Relevant Electricity Projects\) \(Transmission\) Regulations 2024](#), March 2024
 - Legislation.gov.uk, [The Electricity \(Early-Model Competitive Tenders for Onshore Transmission Licences\) Regulations 2025](#)
 - Ofgem, [Modifications to the special licence conditions in the electricity transmission licences: Early Competition in Onshore Electricity Transmission - Decision | Ofgem](#), April 2025
 - Ofgem, [Modifications to the Electricity System Operator Licence: Early Competition in Onshore Electricity Transmission | Ofgem](#), May 2025
 - Ofgem, [Consultation on the onshore electricity transmission Early Competition commercial framework](#), October 2024
 - Ofgem, [Decision and updated policy position on the onshore electricity transmission Early Competition commercial framework](#), July 2025
 - Ofgem, [Modifications to the Electricity System Operator Licence: Early Competition in Onshore Electricity Transmission](#), June 2026
 - Department for Energy Security and Net Zero, [Transmission Acceleration Action Plan](#), November 2023
 - Legislation.gov.uk, [Energy Act 2023](#), October 2023

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- Legislation.gov.uk, [Electricity Act 1989](#), July 1989
- National Energy System Operator, [Early Competition Plan](#), April 2021
- National Energy System Operator, [Early Competition - Implementation \(EC-I Update\)](#), February 2024

Consultation stages

1.9 This consultation will be open until 16 October 2026. Responses will be reviewed and an update will be published in early 2027.

Stage 1 Consultation open: 19 August 2026

Stage 2 Consultation closes (awaiting decision). Deadline for responses: 16 October 2026

Stage 3 Consultation outcome (decision or policy statement): intend to publish update following consideration of consultation responses in early 2027

How to respond

1.10 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.

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

1.12 We will publish non-confidential responses on our website.

Your response, data, and confidentiality

1.13 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.

1.14 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.

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- 1.15 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 2.
- 1.16 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.
- 1.17 A consultation has three stages: 'Open', 'Closed (awaiting decision)', and 'Closed (with decision)'.

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2. Our approach to drafting the CATO licence

This section describes our approach to drafting and structuring the CATO licence and provides details of the CATO Guidance that will accompany the licence.

- 2.1 The CATO licence is intended to support the Early Competition policy implementation for onshore electricity transmission. Early Competition introduces a competitive process to appoint a CATO to design, finance, build and operate assets on the electricity transmission network.
- 2.2 The purpose of this non-statutory consultation is to seek stakeholder feedback on the proposed content of the CATO licence, and particularly the novel conditions, obligations and processes specifically related to the CATO commercial framework.³ We have, for the purposes of this consultation, presented the draft CATO licence conditions in proposed Section F of the standard conditions for onshore electricity transmission. The draft conditions predominantly draw on Sections B and E of the existing transmission licence standard conditions⁴ to maintain consistency with other transmission licences. Draft special conditions, as necessitated by and suitable for CATOs, are listed after the draft standard conditions. Based on stakeholder feedback, we will revisit and finalise the structure of the proposed CATO licence conditions ahead of implementation.
- 2.3 In developing the CATO licence, we have sought to reflect the specific features of the CATO commercial framework so that it adequately covers the obligations of a CATO in financing, building, operating and maintaining assets on the electricity transmission network.
- 2.4 The draft licence therefore intends to do two things. First, it gives effect to the CATO-specific commercial arrangements for Early Competition by way of novel licence conditions, including the areas identified in our decision on the commercial framework: post-award security obligations, payments during the preliminary works stage, post preliminary works cost assessment, payment to the CATO, performance incentives, additional works obligations, the revenue period and next steps following the end of the revenue period.
- 2.5 Second, since the CATO will perform the role of a licensed transmission owner, the licence should remain aligned with the wider electricity transmission licensing

³ Ofgem, [Decision and updated policy position on the onshore electricity transmission Early Competition commercial framework](#), July 2025.

⁴ [Electricity licensing \(from October 2025\) - Publications - Ofgem Public Register](#)

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frameworks as far as appropriate.⁵ The existing standard electricity transmission licence conditions include areas such as definitions and interpretation, regulatory accounts, provision of information to the Authority, prohibition of cross-subsidies, restriction on activity and financial ring fencing, availability of resources, security arrangements, the System Operator – Transmission Owner Code, Regulatory Instructions and Guidance, data assurance requirements, and industry code and charging obligations. In the proposed CATO licence, we have maintained proximity with these areas where possible to avoid divergences with current transmission licences.

- 2.6 This approach is intended to make the CATO licence familiar where it can be, and specific where it needs to be. It avoids creating different licence arrangements where existing electricity transmission licence provisions remain suitable and appropriate, while ensuring that the licence can reflect the commercial framework needed for competitively tendered onshore transmission projects under Early Competition.

Structure of the Licence

The Licence Conditions

- 2.7 In developing the proposed CATO licence, we have drawn on the existing electricity transmission licence framework where appropriate. This includes conditions from the standard electricity transmission licence conditions, conditions applicable to transmission owners, and conditions developed for offshore transmission owners. Ofgem's licence framework distinguishes between standard conditions, amended standard conditions and special conditions; the OFTO licence also uses amended standard conditions to reflect circumstances specific to offshore transmission licensees.
- 2.8 The proposed CATO licence therefore seeks to maintain alignment with existing transmission licence drafting where the underlying obligation is also relevant to CATOs. In some cases, the drafting has been amended to reflect the CATO context. In other cases, new CATO-specific conditions are proposed because the CATO licence needs to implement elements of the CATO commercial framework, including the Technical Annex, Post Preliminary Works Cost Assessment, security during construction, revenue conditions, asset health, refinancing, exit arrangements, CATO of Last Resort and milestone payments.

⁵ See [Standard Electricity Transmission Licence](#) and [Generic Offshore Transmission Owner licence](#) (OFTO licence).

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2.9 To assist stakeholders, we have included a table indicating whether each proposed CATO licence condition is based on existing transmission licence drafting with no or only very minor changes; has been tailored for the CATO context; or is proposed as a new CATO-specific condition. The table also identifies the source condition relied on where applicable.

Licence Schedules

2.10 This licence contains two schedules which provide further detail on the scope and duration of the licence as follows:

- Schedule 1 sets out the area in respect of which the licence is granted. This schedule seeks to define the territorial scope of the licensee's authorised transmission activities.
- Schedule 2 sets out the arrangements for revocation of the licence. This schedule seeks to clarify the circumstances and process by which the licence may be revoked.

Licence Annex

2.11 To ensure the licence operates and functions effectively, we are proposing to include a licence annex that is referred to throughout the draft CATO licence conditions which sets out, in three separate parts:

- Part A Tendered Scope of Works: The Tendered Scope of Works issued by NESO, setting out the project requirements, technical outputs, interfaces, standards and performance obligations that the CATO must satisfy.
- Part B Bid Baseline Solution: The successful bidder's technical, delivery and operational proposals submitted at ITT and evaluated as part of the tender process.
- Part C Post-Adjustment Solution: An updated version of Part B reflecting any design modifications approved through the PPWCA process prior to construction.

Competitively Appointed Transmission Owner Guidance (CATO Guidance)

2.12 Our general drafting approach for the CATO licence has been to keep the drafting on the face of the licence as succinct as possible. For areas such as design and design changes, additional works, PPWCA process, post-award security obligation, preliminary works, agreed refinancing, payment mechanism and performance incentive and additional works obligation, we have included dedicated chapters in the accompanying CATO Guidance document. These are novel areas of the CATO commercial framework and bidders, especially new

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market entrants, would benefit from guidance on the application of related obligations.

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3. Transmission Licence for Competitively Appointed Transmission Owner – Overview of the Licence Conditions

This section gives a short, non-technical summary of the licence conditions of the transmission licence for competitively appointed transmission owners (“CATO Licence”) that we are proposing.

Proposed CATO standard conditions

Condition F1: Housekeeping

- 3.1 The purpose of this condition is to enable non-substantive, criteria-based housekeeping modifications that improve coherence, definitions and cross-references within the CATO transmission licence. It intends to preserve the licence’s substantive effect, ensuring no change to rights, obligations, incentives or revenues; any material change would proceed under section 11A of the Electricity Act.

Condition F2: Regulatory Accounts

- 3.2 The purpose of this condition is to ensure transparency and accountability in the financial reporting of CATO. It requires CATOs to maintain and provide Ofgem information on their financial accounts covering aspects such as the revenues, costs, assets, liabilities and reserves. Consequently, Ofgem will be able to monitor whether CATOs are operating efficiently in the best interest of consumers.
- 3.3 This condition also iterates the separability requirements for CATOs under the Electricity (Criteria for Relevant Electricity Projects) (Transmission) Regulations 2024 applicable to early competition. It requires a licensee to prepare, publish and maintain regulatory accounts so that financial information of the transmission business and affiliates is separately identifiable. The ownership and control must be separable from the ownership and control of the transmission system. Accordingly, where the CATO is structured as a Special Purpose Vehicle (SPV), the requirement may be met through the submission of statutory financial statements, reflecting the ring-fenced nature of such entities.

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Condition F3: Disposal of Relevant Assets

- 3.4 This purpose of this condition is to establish the framework for regulatory scrutiny and our approval of asset disposals by CATOs. It is intended to ensure that any disposal of relevant assets does not compromise the integrity, reliability, or long-term value of the transmission system, and that we retain appropriate oversight of material changes to the asset base. This condition also supports the development of a clear and enforceable mechanism for the transfer of assets at the end of the revenue period.

Condition F4: Prohibition of cross-subsidies

- 3.5 This purpose of this condition is to prevent the CATO from providing any form of cross-subsidy to, or receiving a cross-subsidy from, any other business or entity particularly those within the same corporate group or involved in other parts of the electricity system. It ensures that the CATO operates on a financially independent and transparent basis, protecting consumers and maintaining a level playing field in the competitive delivery of transmission infrastructure.

Condition F5: Restriction on Activity and Financial Ring Fencing

- 3.6 This purpose of this condition is to ensure the financial stability and independence of the CATO by restricting it from engaging in activities unrelated to the transmission business. It requires the CATO to operate solely for the purpose of developing, financing, constructing, operating, and maintaining the licensed transmission assets. This ring-fencing protects consumers by insulating the CATO from financial risks arising from other business ventures within the same corporate group. The condition also sets out the circumstances under which the CATO may hold shares or investments and retains the ability to carry out limited 'de minimis' activities, provided they do not compromise the licensee's core functions or financial integrity.

Condition F6: Availability of Resources

- 3.7 This purpose of this condition is to ensure that the CATO maintains sufficient financial, managerial, and operational resources to carry out its licensed transmission activities safely, reliably, and efficiently. It reinforces the principle that the CATO must be self-sufficient and capable of delivering its obligations throughout the lifecycle of the project. This condition complements the financial ring-fencing provisions in Condition F7 by requiring the licensee to actively monitor and confirm the adequacy of its resources, thereby supporting our

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oversight of financial resilience and operational readiness in a competitive delivery model.

Condition F7: Undertaking from ultimate controller

- 3.8 The purpose of this condition is to ensure that the ultimate controllers of the CATO formally acknowledge and support the licensee's obligations under the transmission licence. It requires the parent company or controlling entity to provide a binding undertaking confirming that it will not take any action that could cause the CATO to breach its licence conditions. This reinforces accountability at the group level and ensures that strategic or financial decisions made by the parent company do not compromise the operational or financial integrity of the licensed transmission business. The condition complements the financial ring-fencing provisions in Condition F7 by helping to isolate the CATO from group-level risks and ensuring that the licensee remains focused on its regulated duties.

Condition F8: Indebtedness

- 3.9 The purpose of this condition is to limit the financial risks associated with the CATO taking on debt, thereby safeguarding the financial stability and independence of the licensed transmission business. It sets out the types of debt arrangements the CATO may enter into and imposes restrictions to prevent excessive or inappropriate borrowing that could compromise its ability to meet its regulatory obligations. The condition also supports the ring-fencing framework by ensuring that any indebtedness is structured in a way that does not expose the CATO to group-level financial risks or undermine its creditworthiness. This is particularly important in a competitive regime where the licensee may be an SPV and reliant on project-specific financing.

Condition F9: Credit Rating of Licensee and related obligations

- 3.10 The purpose of this condition is to make an external credit rating a conditional requirement on a CATO. The condition sets out our proposed credit rating requirements for all stages of project development, construction and operation. We are particularly keen to hear industry and stakeholder responses to the proposed level of credit worthiness (investment grade) and whether this should remain consistent across all the above stages.

Condition F10: Security Arrangements (Fuel Security Code)

- 3.11 The purpose of this condition is to ensure that the CATO implements and maintains effective security arrangements to protect its systems, assets, and operations that are critical to the delivery of transmission services. These

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arrangements should be proportionate to the risks faced and reflect good industry practice, including alignment with national security objectives. The condition supports the resilience and integrity of the wider electricity transmission network by requiring the CATO to identify, assess, and manage physical, cyber, and information security risks in a coordinated and transparent manner.

Condition F11: System Operator – Transmission Owner Code

- 3.12 The purpose of this condition is to ensure that the CATO works collaboratively with the ISOP in accordance with the System Operator – Transmission Owner Code (STC). This includes complying with the STC, maintaining its provisions, and implementing any modifications. The condition supports coordinated planning, operation, and development of the transmission system, ensuring that the CATO's activities are fully integrated with the wider network and contribute to its safe, secure, and efficient functioning.

Condition F12: Scottish Settlement Agreement

- 3.13 The purpose of this condition is to require the licensee, where relevant, to comply with the Settlement Agreement for Scotland in relation to its transmission activities. It ensures that the CATO is subject to the applicable Scottish settlement arrangements, while allowing the Authority, with the Secretary of State's consent, to relieve the licensee of those obligations where appropriate..

Condition F13: Obligation to provide transmission services

- 3.14 The purpose of this condition is to place a clear obligation on the CATO to provide transmission services to the ISOP. This condition underpins the reliable and efficient delivery of transmission services by ensuring that the CATO supports the ISOP in fulfilling its system operation responsibilities. It reinforces the CATO's role in maintaining system integrity, facilitating energy flows, and contributing to the overall performance and resilience of the transmission network.

Condition F14: Regulatory Instructions and Guidance (RIGs)

- 3.15 The purpose of this condition is to ensure that the licensee provides us with accurate and timely information necessary to monitor the financial and operational performance of the consolidated transmission business. It supports our ability to assess the licensee's compliance with the terms of the licence and its obligations in relation to the design, construction, operation, and maintenance of the onshore transmission system.

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- 3.16 This condition secures the collection of specified actual and forecast information (including both annual reporting and more frequent in year reporting) to an appropriate degree of accuracy so that we can monitor the delivery, operation and revenue of the CATO's project and assets. It creates the reporting framework that enables us to monitor the CATO's revenue entitlement, cost information, availability incentive information, incremental capacity incentive information, SF6 information and forecast revenue information.
- 3.17 We intend that all relevant CATO reporting is established through Condition F14. We will consult on the specific details of the CATO reporting requirements through the RIGs in due course.

Condition F15: Transmission system security standard and quality of service

- 3.18 The purpose of this condition is to ensure that the CATO designs, operates, and maintains its transmission assets in accordance with defined security and reliability standards. This condition supports the safe and secure operation of the electricity transmission system by requiring the CATO to meet minimum thresholds for system performance and resilience. It also underpins the delivery of a reliable service to users and contributes to the overall stability and efficiency of the wider transmission network.

Condition F16: Functions of the Authority

- 3.19 The purpose of this condition is to empowers Ofgem to oversee and, where appropriate, approve the methodologies used by the CATO in relation to system access and connection offers. This oversight ensures that the CATO's processes are transparent, consistent, and aligned with regulatory expectations. The condition supports effective coordination with the ISOP and enables Ofgem to assess whether the CATO's approach facilitates fair access to the transmission system while maintaining compliance with licence obligations.

Condition F17: Prohibition on engaging in preferential or discriminatory behaviour

- 3.20 The purpose of this condition is to ensure that the CATO acts fairly, impartially, and without discrimination when interacting with system users. This includes the provision of transmission services (Condition F13), the handling of connection offers (Condition F36), and the operation and maintenance of the transmission system to defined standards (Condition F15). It also supports transparent

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coordination with the ISOP under the STC (Condition F11), reinforcing the integrity and openness of the CATO's role within the wider transmission framework.

Condition F18: Prohibition on selling electricity

3.21 The purpose of this condition is to maintain a clear separation between the CATO's role as a transmission service provider and the competitive activities of electricity generation and supply. This condition prohibits the CATO from buying or selling electricity, thereby preventing conflicts of interest and preserving the integrity of the electricity market. It supports a level playing field for market participants and reinforces the CATO's focus on delivering impartial and reliable transmission services.

Condition F19: Requirement for sufficiently independent directors

3.22 The purpose of this condition is to strengthen corporate governance by requiring the CATO to appoint at least two Sufficiently Independent Directors to its board. These directors must not be involved in the management of any affiliated business. The condition is designed to safeguard against conflicts of interest and ensure that the CATO's decision-making remains independent from undue influence by parent or affiliate companies, thereby supporting transparency, accountability, and regulatory confidence.

Condition F20: Notification of changes that may affect eligibility for certification

3.23 The purpose of this condition is to ensure that the CATO remains compliant with the ownership unbundling requirements under the Electricity Act and relevant post-Brexit UK regulations. It requires the CATO to notify us of any changes that may affect its eligibility for certification as an independent transmission operator. This condition supports the legal and structural separation of transmission from generation and supply activities, helping to prevent conflicts of interest and promote a competitive and transparent energy market.

Condition F21: Whole Electricity System Obligations

3.24 The purpose of this condition is to ensure that transmission owners, including CATOs, coordinate and cooperate with each other, the ISOP, and electricity distributors to support a fully integrated and efficient electricity system. This includes building a shared understanding of where actions taken by one party may have cross-network impacts, positive or negative, on others. The condition promotes system-wide planning and operation, helping to maintain reliability, optimise investment, and support whole-system outcomes.

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Condition F22: Activities Restrictions

- 3.25 The purpose of this condition is to define the scope of activities that the CATO is authorised to undertake under its licence. It restricts the licensee from engaging in activities that fall outside the provision of transmission services, unless expressly permitted. This condition ensures that the CATO remains focused on its core function as a transmission owner, avoids conflicts of interest, and maintains clear operational and financial separation from other commercial activities.

Condition F23: Conduct of the Transmission Business

- 3.26 The purpose of this condition is to ensure that the CATO conducts its transmission business in a manner that is consistent with its obligations under the licence and wider regulatory framework. This includes maintaining operational independence, acting in a transparent and non-discriminatory manner, and avoiding conflicts of interest. The condition supports the integrity of the CATO regime by reinforcing high standards of conduct, accountability, and alignment with the public interest.

Condition F24: Separation and Independence of the Transmission Business

- 3.27 The purpose of this condition is to ensure that the CATO's transmission business operates independently from other affiliated activities, including generation, supply, other transmission businesses, and the ISOP. It supports regulatory and operational separation, helping to prevent conflicts of interest and undue influence. It reinforces the integrity of the CATO regime by ensuring that decision-making, resource allocation, and commercial conduct are aligned solely with the responsibilities of the transmission licence.

Condition F25: Restriction on Use of Certain Information

- 3.28 The purpose of this condition is to prevent the misuse of confidential or commercially sensitive information obtained by the CATO in the course of its licensed activities. It ensures that such information is not used to gain an unfair commercial advantage or distort market competition. The condition supports fair market conduct, protects the interests of system users, and reinforces trust in the regulatory framework.

Condition F26: Appointment of Compliance Officer

- 3.29 The purpose of this condition is to ensure that the CATO appoints a suitably qualified Compliance Officer responsible for monitoring and facilitating compliance with the licence, particularly in relation to business separation,

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information restrictions, and independence obligations. The condition supports effective internal governance, helps prevent conflicts of interest, and provides assurance to the Authority that the CATO is meeting its regulatory responsibilities in a transparent and accountable manner.

Condition F27: Excluded Services

3.30 The purpose of this condition is to set out the basis on which certain services provided by the licensee may be treated as Excluded Services under the CATO licence. These are services that fall outside the scope of the regulated Transmission Owner Revenue and conform to the general principles defined in the condition. By identifying and excluding revenue derived from these services from the calculation of the licensee's Transmission Owner Revenue, we ensure that only revenues associated with core regulated activities are subject to revenue restriction provisions. This supports transparency in the licensee's financial reporting and helps maintain the integrity of the regulatory framework by clearly distinguishing between regulated and non-regulated income streams.

Condition F28: Ongoing Fit and proper requirement

3.31 We have included a placeholder for this condition in the draft licence. We expect to include a fit and proper requirement pending decision on a closed Ofgem consultation (pending decision at the time of publishing this consultation) specifically on the subject-matter related to this condition.⁶

Condition F29: Project Specification/Technical Annex

3.32 The purpose of this condition gives effect to the CATO commercial framework by requiring the licensee, before the TRS Commencement Date, to plan and develop the licensee's Transmission System in accordance with the Technical Specification and, following the PPWCA, the Post Adjustment Technical Specification. Its purpose is to ensure that the transmission system developed through Pre-Construction Works, Construction and Commissioning remains aligned with the project requirements approved through the early competition process, while giving the Authority the information and independent assurance it may need to assess compliance. This reflects Ofgem's Early Competition commercial framework, which covers the CATO's preliminary works and construction stages, the post preliminary works cost assessment, and the

⁶ [Introducing a general ongoing fit and proper requirement](https://www.ofgem.gov.uk/publications/consultations/consultation-on-a-general-ongoing-fit-and-proper-requirement), ofgem.gov.uk.

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arrangements that apply after a CATO licence is granted. The condition has the following parts:

Part A. Tendered Scope of Works (TSW) – The TSW issued by NESO, setting out the project requirements, technical outputs, interfaces, standards and performance obligations that the CATO must satisfy including:

- The network need being addressed
- Required transmission capability and performance outputs
- Connection requirements and system interfaces
- Technical and operational boundaries
- Applicable codes, standards and engineering requirements
- Any project-specific technical data and mandatory requirements

Part B: Bid Baseline Solution – These are the successful bidder's technical, delivery and operational proposals submitted at Invitation to Tender (ITT) and evaluated as part of the tender process.

- Technical solution design
- Delivery and construction methodology
- Operations and maintenance approach
- Planning and consenting strategy
- Key technical assumptions and parameters
- Programme and target delivery milestones
- Other technical commitments made in response to the ITT requirements

Part C. Post-Adjustment Solution – An updated version of Part B reflecting any design modifications approved through the PPWCA process prior to construction, such as:

- Design refinements informed by surveys, investigations and stakeholder engagement
- Changes required to secure planning permissions or consents
- Other design variations accepted through the PPWCA process
- Any associated adjustments to scope, programme or technical parameters approved by Ofgem

Condition F30: Provision of information to the Authority

3.33 The purpose of this condition is to mandate that CATOs provide pertinent information to Ofgem as requested from time to time for the purposes of performing its functions under an applicable statute or regulations. Where

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relevant, the parent company of the licensee will need to sign an undertaking to the effect that it will provide to the licensee any information needed under this condition by Ofgem.

Condition F31: Provision of Information to the ISOP

- 3.34 The purpose of this condition is to ensure that we receive timely and accurate estimates from the licensee of its TRS for the current financial year (t) and the following financial year (t+1). These estimates must also be provided to NESO to support effective financial planning and coordination. The condition sets out when these estimates should be submitted, including initial notifications following licence grant, annual updates, and any revisions where the licensee identifies a material change. This helps us monitor the licensee's expected revenue profile and supports transparency and alignment with the financial arrangements under the CATO regime.

Condition F32: Data Assurance Requirements

- 3.35 The purpose of this condition is to reduce the risk and impact of inaccurate, incomplete, or misleading information being reported to us. It requires the CATO to implement appropriate data assurance processes and controls to support the integrity of regulatory reporting. The condition also sets out the process by which we may issue and amend Data Assurance Guidance, ensuring that expectations remain clear, consistent, and proportionate over time.

Condition F33: [blank]

Condition F34: Equity Transaction Reporting Requirement

- 3.36 The purpose of this condition is to ensure that the licensee provides us with consistent and transparent information on equity transactions relevant to the financial structure of the licensee. It requires annual reporting of equity investments and changes, including those occurring at the point of asset transfer and throughout the licence term, where such transactions may affect the valuation or ownership profile of the licensee. The condition supports our ability to monitor the financial arrangements underpinning the CATO's delivery of its obligations, assess the implications of equity movements for the stability and suitability of the licensee, and maintain oversight of the competitive regime's integrity.

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Condition F35: Sulphur Hexafluoride Reporting Requirements

3.37 The purpose of this condition is to require the licensee to submit annual information to us on sulphur hexafluoride (SF₆) emissions arising from its Transmission Business. The purpose is to ensure we receive consistent, accurate, and transparent data on the use and release of SF₆, a potent greenhouse gas, to support our environmental monitoring and decarbonisation objectives. The condition allows us to specify the format, content, and supporting commentary required through the F14 Regulatory Instructions and Guidance (RIGs). It also requires the licensee to make this information publicly available, reinforcing transparency and accountability in the environmental performance of the licensee's operations.

Condition F36: Additional Works: Obligations in relation to offers for connection etc.

3.38 The purpose of this condition is to ensure that, on ISOP notification, the licensee makes timely, coordinated and non-discriminatory offers and information for connection and additional works aligned with the ISOP's network planning, setting clear scope, dates and costs, cooperating with STC parties, and subject to proportionate limits where compliance would breach statutory or licence duties.

Condition F37: Requirements of a connect and manage connection

3.39 The purpose of this condition is to ensure that CATOs provide connection offers that enable earlier access to the transmission system, in line with the Connect and Manage regime. By avoiding unnecessary delays to grid access, this condition supports the timely connection of new projects, particularly low-carbon generation, and contributes to the achievement of net zero and wider decarbonisation targets.

Condition F38: Duration of the Revenue Restriction Provisions

3.40 The purpose of this condition is to set out the process by which a licensee may formally request the disapplication of the Charge Restriction Conditions, either in full or in part. It enables us to consider such requests where the licensee provides sufficient justification and supporting information and ensures that any disapplication takes effect only after a defined minimum period and in accordance with the terms of the licence. The condition also provides a mechanism for the licensee to terminate the application of the relevant provisions in specified circumstances, including where we have not published a decision on the proposed modifications or where a decision has been successfully appealed.

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This framework ensures clarity and predictability around the duration of the revenue restriction arrangements, while preserving our ability to assess and respond to changes in the licensee's regulatory or commercial circumstances.

Condition F39: Requirement for Security During Construction

- 3.41 The purpose of this condition is to require the licensee to put in place and maintain security arrangements during the period from licence grant until the TRS Commencement Date, in respect of delivery of the development of the licensee's Transmission System. The condition supports the CATO's obligation to progress delivery during the preliminary works and construction stages by requiring security for the Protected Amount, reporting to us on the sufficiency of those arrangements, and having regard Chapter 2 of the CATO Guidance.

Condition F40: Allowances in respect of Security Costs

- 3.42 The purpose of this condition is to provide a targeted mechanism for recovering Allowed Security Costs during a Security Period. It does so by enabling temporary adjustments to Charge Restriction Conditions, permitting equitable increases to charges, requiring post-year reporting, and intends to protect consumers through reconciliation and reimbursement of any excess recovery.

Condition F41: Basis of Transmission Owner Charges

- 3.43 The purpose of this condition is to set out the process by which we require the licensee to prepare and submit a statement detailing the basis on which it will make transmission owner charges. These charges may relate to Transmission Owner Services, connections to the licensee's Transmission System, and Outage Changes. The condition ensures that the licensee provides sufficient detail to enable NESO to make reasonable estimates of the charges it may incur.
- 3.44 It also supports transparency and accountability in how site-specific charges are calculated, including the recovery of costs and a reasonable rate of return. We may direct the licensee to revise or resubmit statements to reflect changes in policy or operational requirements, and we expect the licensee to keep these statements accurate and up to date throughout the licence term.

Condition F42: Restriction of Transmission Revenue: Revenue from Transmission Owner Services

- 3.45 The purpose of this condition is to establish the revenue restriction governing the licensee's Transmission Owner Services. It provides the core revenue recovery mechanism for a CATO throughout the licence term. It establishes how the Tender

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Revenue Stream submitted during the competition is translated into the annual revenue that may be recovered from consumers, while also providing for adjustments to reflect inflation, financing outcomes, operational performance, reconciliation of over- and under-recovery, and end-of-term asset value. Together, these provisions are intended to ensure that revenue recovery remains aligned with the licence framework over the full duration of the project.

- 3.46 The condition sets the framework for Allowed Transmission Owner Revenue ($CATO_t$) per Relevant Year from the TRS Commencement Date, including: Base Revenue (TRS adjusted for milestone, PPWCA, debt-funding and market-rate adjustments), indexation and partial-year factors, availability adjustment, revenue correction (K_t), post-financial-close adjustments (PT_t), and residual value treatment ($\mu_t \times RV_t$). This is the key condition for treating the CATO's revenue under the licence.

Condition F43: Restriction of Transmission Revenue: Post-Financial Close Revenue Adjustments

- 3.47 The purpose of this condition is to provide mechanisms for adjusting a CATO's allowed revenue after Financial Close where specified events, costs or circumstances arise that were not incorporated into the revenue stream established under Condition F42. It establishes the Post-Financial Close Revenue Adjustment Term (PT_t), which allows for recovery of certain pass-through costs and approved revenue adjustments. These include costs such as licence fees, network rates, Crown Estate lease payments and tender fees, as well as adjustments relating to Additional Works, decommissioning obligations, temporary physical disconnection payments and qualifying Income Adjusting Events. The condition is intended to ensure that CATOs can recover efficiently incurred costs arising from specified exogenous events while maintaining appropriate consumer protections and regulatory oversight.

Condition F44 Restriction of Transmission Revenue: Availability

- 3.48 The purpose of this condition is to adjust Allowed Transmission Owner Revenue to reflect transmission system availability. It does so by deriving the performance availability revenue adjustment term from availability incentives and intends to incentivise timely restoration and good industry practice, with notification and justification required for extended service reductions to promote transparency and sustained performance.

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3.49 Note that in due course we may cover other incentives, if applicable, based on the RIIO framework. We will not be consulting on those incentives separately as they have already been consulted on as part of the RIIO-3 consultation.⁷

Condition F45 Restriction of Transmission Revenue: Adjustments

3.50 The purpose of this condition is to safeguard consumers by aligning Regulated Transmission Revenue with Allowed Transmission Owner Revenue. It does so by requiring explanations when variance exceeds defined thresholds, constraining future charge increases where over-recovery occurs, and enabling adjustments after persistent divergence. It intends to promote transparency, timely corrective action and revenue stability, while retaining accountability where revenue undershoots trigger explanation.

Condition F46: Application for PPWCA Adjustment

3.51 The purpose of this condition is to establish a structured application, assessment and determination process for PPWCA Adjustments, ensuring timely submission, evidenced Permissible Project Changes, indexation updates and independent assurance, and intends to reflect justified cost changes in Base Revenue in an efficient and economic manner.

3.52 The PPWCA occurs near the end of the preliminary works phase to fix Project Costs and the Target TRS Commencement Date for use in the debt funding competition. We will run the process (with NESO support as needed), using two baselines: a Technical Annex in the licence setting out required outputs, and the winning bidder's Project Specification, which captures the bid's baseline costs and assumptions (including the Financial Model, indices, tendered costs, construction spend profile, index forecasting, assumed financing terms and market rates).

3.53 Once all material planning consent applications have been submitted, the CATO must evidence (i) indexation movements and (ii) any permissible project changes (i.e., the changes that could not reasonably have been foreseen by a diligent bidder using appropriate desktop studies) that warrant TRS adjustments and, where applicable, changes to the Target TRS Commencement Date to manage changes-driven delays. For indexation, the CATO identifies actual inflation changes from the tender base date to the PPWCA date and applies forecast changes from the PPWCA date to when costs are expected to be incurred.

⁷ [RIIO-3 Final Determinations for the Electricity Transmission, Gas Distribution and Gas Transmission sectors](#), ofgem.gov.uk.

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- 3.54 We will scrutinise and determine the PPWCA Adjustment (subject to a 40% cap). We have considered the route any challenge to the PPWCA Adjustment would proceed on. It would either be via licence modification (with CMA appeal route) or via directions (with judicial review). Current drafting assumes directions to align with the timetable for the funding competition, though this could revert to licence modification based on the feedback gathered for this consultation.

Condition F47: Asset Health

- 3.55 The purpose of this condition is to require a health review of Transmission Assets, approved in scope and timing as per any guidance issued by the Authority, no later than five years before the TRS end date. It intends to secure timely remediation through Authority-directed works and, if necessary, cost determinations, to maintain asset condition and protect consumers.

Condition F48: Refinancing

- 3.56 The purpose of this condition is to set out the process for an Agreed Refinancing, both before and after commencement of the Tender Revenue Stream. It enables the Authority to assess whether the timing and proposed approach to any refinancing are in consumers' interests before the licensee proceeds.
- 3.57 The condition also requires the licensee to provide periodic refinancing reports, submit an Agreed Refinancing Proposal before commencing any refinancing Debt Funding Competition, and comply with any determination, direction or reporting requirement issued by the Authority.

Condition F49: Arrangements for the handover of business

- 3.58 The purpose of this condition is to ensure an orderly transfer of the Transmission Business to a CATO of Last Resort at revocation, expiry, or on Ofgem's direction. It does so by requiring a Business Handover Plan, prohibiting circumvention, enabling contract novation, and requiring support/information, with transfer facilitated under the Electricity Act by Schedule 2A property scheme.

Condition F50: Competitively Appointed Transmission Owner of Last Resort (CATO OLR)

- 3.59 The purpose of this condition is to ensure continuity and stability in the delivery of onshore electricity transmission services by enabling Ofgem to appoint a CATO of Last Resort (OLR) where necessary. This may arise if a competitive tender process fails to appoint a CATO. The condition provides a regulatory fallback mechanism that safeguards the integrity of the transmission regime, maintains investor

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confidence, and ensures that critical infrastructure can continue to be delivered without undue delay.

Proposed CATO special condition

Special Condition 1: Milestone Payments

3.60 The purpose of this condition is to establish the value and timing of Milestone Payments before the Commencement Relevant Year. It does so by conferring entitlement on milestone delivery and confirmation, specifying recovery in the next Relevant Year, and intends to net pre-PPWCA payments via the Milestone Payment Adjustment when determining Base Revenue.

Proposed Schedules to the CATO Licence

Schedule 1: Specified Area

3.61 This Schedule identifies the transmission area to which the licence applies, where the licensee's assets will be situated. It includes a technical description of the transmission assets (both pre- and post-construction), the geographic boundaries of the project, and the interface points with the existing transmission system. These details define the scope of the licensee's responsibilities and the physical extent of the licensed Transmission Business.

Schedule 2: Revocation

3.62 This schedule sets out the circumstances in which the licence may be revoked. It does so by specifying triggers including agreement to revoke, defined non-payment of fees, non-compliance with enforcement orders or financial penalties, non-compliance with specified competition/enterprise orders, failure to commence or cessation of the Transmission Business, loss of statutory certification, and insolvency events, with corresponding notice periods (including 24-hour and 7-day cases) and safeguards for bona fide disputes.

Applications of CATO-specific Section F of the Transmission Licence

3.63 We are also proposing, in due course, to modify the current electricity transmission licence with the insertion of a new condition, **A7: Applications of Section F**. This condition will state that Section F does not apply automatically to

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all licensees when the licence is granted. Instead, we will issue a formal direction saying that Section F, or parts of it, should apply to CATO licensees only.

- 3.64 When the direction is issued, it will say when Section F starts to apply, which parts apply, and on what terms. We can also later change how Section F applies, or stop it applying, but only with the licensee's consent. Any change, stopping, or reactivation of Section F will take effect from the date stated in our notice in this respect.
- 3.65 Based on the approach undertaken in the OFTO regime, this condition gives us flexibility to switch Section F on, change it, switch it off, or reactivate it when appropriate, rather than making those obligations apply to the licensee from the start.
- 3.66 All transmission licensees, including CATOs, are obliged to comply with all of Part A of the current electricity transmission licence. CATOs will not be obliged to comply with Parts B, C, D, or E.
- 3.67 We welcome stakeholder views on the proposed licence conditions and schedules set out in this consultation. Feedback received will help inform our approach to finalising the licence and ensure that it is fit for purpose in supporting the delivery of transmission infrastructure through early competition. We encourage respondents to provide comments on any aspect of the proposed licence, including the clarity, scope, and proportionality of the obligations.

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Questions

- Q1. Do you consider that the proposed CATO licence conditions are sufficiently clear, proportionate and enforceable? If not, please identify the specific conditions or areas where further clarification is needed.
- Q2. Do the proposed licence conditions appropriately reflect the policy set out in our Early Competition commercial framework decision? If not, please explain where the drafting does not align with the policy position.
- Q3. Do you agree with our approach of drawing on existing transmission and OFTO licence conditions where appropriate, while introducing CATO-specific conditions where needed? Please identify any conditions or areas where further alignment or divergence would be appropriate.
- Q4. Do you consider that the proposed licence structure provides sufficient flexibility to accommodate project-specific requirements through the Technical Annex, schedules and special conditions? Please explain your response.
- Q5. Are the proposed arrangements for the Technical Annex sufficiently clear, including the distinction between the original system requirements, the CATO's tendered solution and post-PPWCA updates?
- Q6. Are there any CATO-specific issues or risks that are not adequately addressed by the proposed conditions, schedules or CATO Guidance? Please identify the relevant risk and any drafting changes you consider necessary.
- Q7. Are there any proposed conditions that could create unnecessary barriers to participate in Early Competition? Please provide evidence where possible.
- Q8. Are the proposed conditions related to CATO credit-worthiness appropriate and proportionate for all stages of the project lifecycle? We particularly welcome views on the pros and cons of a requirement for the project to have investment grade credit ratings during (i) the construction period and (ii) the operational period.
- Q9. Are the proposed conditions related to debt refinancing appropriate? Please identify any alternative approaches taking into account (i) the potential for multiple debt facilities and debt types in a single project, (ii) the changing risk profile of the project from the construction period to operations and (iii) matching debt tenors to the tenor of the Tender Revenue Stream.

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4. Competitively Appointed Transmission Owner Guidance (CATO Guidance)

This section provides details of the CATO Guidance that will enable a CATO licensee to better understand its obligations.

Purpose

- 4.1 We are publishing a draft CATO Guidance document alongside the proposed generic CATO licence conditions. The purpose of the CATO Guidance is to help the market understand how the proposed CATO licence conditions are intended to function and how key components of the CATO framework interact with the generic CATO licence. In due course, the CATO Guidance is also intended to support CATOs in understanding the processes, roles and responsibilities, information submission requirements and obligations placed on them under the CATO licence.
- 4.2 The draft CATO Guidance focuses on licence conditions being introduced for CATOs and provides detail on the following processes that are specifically related to the CATO framework: post-award securities, preliminary works and project design, post-preliminary works cost assessment, payment mechanism and the Tender Revenue Stream, Additional Works, agreed refinancing and CATO of Last Resort.
- 4.3 The CATO Guidance is intended to be read alongside the proposed generic CATO licence. Some processes and information submission requirements included in the guidance are obligated through the licence, while other parts of the guidance are intended to provide explanatory information. Where the generic CATO licence requires adherence to the guidance, this will be stated in the licence. The licence conditions will take precedence over the guidance.
- 4.4 The CATO Guidance as currently being consulted on does not apply to any current licensees. It will not come into force until directed through the licence awarded to a successful CATO.

Structure

- 4.5 The draft CATO Guidance has been structured, as far as practicable, to follow the chronological processes a CATO will follow in designing, consenting, financing, constructing and operating its assets, followed by an overview of other proposed CATO licence conditions.

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Chapter 1 Introduction

Chapter 2 Post-award securities

- Provides guidance on post-award security obligations, including the processes to post, maintain, adjust and call on securities. It also sets out the roles and responsibilities of the CATO, Ofgem and NESO.

Chapter 3 Preliminary works and project design

- Provides guidance on preliminary works and project design, including design changes, roles and responsibilities during the preliminary works period, Milestone Payments, and reporting and oversight requirements.

Chapter 4 Post-preliminary works cost assessment

- Provides guidance on the PPWCA process, including process steps, timings, information submission requirements, the ‘reasonably foreseeable’ test, the PPWCA upward-adjustment cap, downward adjustments and worked examples.

Chapter 5 Payment mechanism / Tender Revenue Stream

- Explains how the Tender Revenue Stream is established, adjusted and recovered over the revenue period, including the relevant licence formulae, adjustment mechanisms, performance-related adjustments and reporting requirements.

Chapter 6 Additional Works

- Provides guidance on Additional Works, including the approach to incorporating NESO-determined network requirements into a CATO’s asset base, the pricing approach, submissions and minimum evidence requirements, and Ofgem determinations.

Chapter 7 Agreed refinancing

- Provides guidance on agreed refinancing, including securing finance, the financing / refinancing process and worked examples.

Chapter 8 CATO of Last Resort

- Provides guidance relating to the CATO of Last Resort within the CATO framework.

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Chapter 9 Other CATO licence conditions

- Provides explanatory guidance on other proposed CATO licence conditions.

4.6 The draft CATO Guidance is published as a separate appendix to this consultation. We will update it following consideration of stakeholder feedback and will consult again on a final version in due course ahead of implementing it within the CATO licence as an Associated Document.

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Questions

- Q10. Do you agree with the proposed scope and structure of the CATO Guidance document? Are there any areas where additional guidance would be useful?
- Q11. Is the relationship between the CATO licence conditions and the accompanying guidance sufficiently clear, including where guidance is intended to be binding and where it is explanatory?
- Q12. Does the draft guidance provide sufficient clarity on the processes for post-award securities, preliminary works, design changes, PPWCA, payments, Additional Works, refinancing and CATO of Last Resort?
- Q13. Are the proposed information submission requirements in the guidance clear and proportionate? Please identify any areas where requirements should be added, removed or amended.
- Q14. Are there any areas where worked examples, process diagrams or further explanatory material would help stakeholders understand how the proposed licence and guidance would operate in practice?

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5. Next steps

- 5.1 This consultation is open for 8 weeks until 16 October 2026. Following this we will assess and consider all consultation responses and make any further changes to the proposed CATO licence and CATO Guidance as required.
- 5.2 As mentioned in Chapter 1 above, this is an informal licence consultation on the details of the proposed CATO licence and we are not currently modifying the electricity transmission licence. We will publish a further update in early 2027 following consideration of responses to this consultation.
- 5.3 In due course, we will publish a statutory consultation to implement Part F of the electricity transmission licence to incorporate CATO-specific standard conditions. We will also further consult when licensing successful CATOs.
- 5.4 NESO is currently assessing projects recommended in the transitional Centralised Strategic Network Plan 2 Refresh (tCSNP2 Refresh) for their suitability for onshore competition and Ofgem expects NESO to request the first project(s) for competitive tender later this year.
- 5.5 It is Ofgem's ambition to identify an initial CATO project and subsequent initial project pipeline from those recommended in the tCSNP2 Refresh.⁸ We then expect to NESO to launch the first CATO onshore competition tender during 2027.
- 5.6 We will look to provide a further update on CATO project identification when we publish our response to this consultation and the issues raised by stakeholders in response.
- 5.7 If any stakeholders require any further information to aid responses to this consultation, please contact onshorecompetitionsolicy@ofgem.gov.uk.

⁸ [Beyond 2030 - Electricity Transmission Update | National Energy System Operator](#)

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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.

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Appendix 1. Proposed structure of generic CATO licence

Proposed Section F Condition	Source Relied on	Explanatory comment⁹
F1 Housekeeping	B24, SLC	Drafting retained
F2 Regulatory Accounts	B1, SLC	Drafting adjusted to suit the CATO context
F3 Disposal of Relevant Assets	B3, SLC	Drafting adjusted to suit the CATO context
F4 Prohibition of cross-subsidies	B5, SLC	Drafting retained
F5 Restriction on activity and financial ring-fencing	B6, SLC	Drafting retained with changes to cross-referencing based on CATO licence conditions sequence
F6 Availability of resources	B7, SLC	Drafting retained with changes to cross-referencing based on CATO licence conditions sequence
F7 Undertaking from ultimate controller	B8, SLC	Drafting retained
F8 Indebtedness	B9, SLC	Drafting adjusted to suit the CATO context
F9 Credit rating of licensee	B10, SLC	Drafting adjusted to suit the CATO context
F10 Security arrangements	B11, SLC	Drafting retained

⁹ This column explains where either (i) drafting in the condition is the same as existing conditions or with very minor modifications, (ii) where more substantive changes have been made to reflect CATO-specific circumstances, or (iii) where conditions are new and CATO-specific.

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F11 System Operator – Transmission Owner Code	B12, SLC	Drafting retained
F12 Scottish Settlement Agreement	D12, SLC	Drafting retained
F13 Obligation to provide transmission services	D2, SLC	Drafting retained
F14 Regulatory Instructions and Guidance	B15, SLC	Drafting adjusted to suit the CATO context
F15 Transmission system security standard and quality of service	D3, SLC	Drafting retained with changes to cross-referencing based on CATO licence conditions sequence
F16 Functions of the Authority	D4B, SLC	Drafting retained
F17 Prohibition on engaging in preferential or discriminatory behaviour	E19, SLC	Drafting retained with changes to cross-referencing based on CATO licence conditions sequence
F18 Prohibition on selling electricity	E20, SLC	Drafting retained
F19 Requirement for sufficiently independent directors	B22, SLC	Drafting adjusted to suit the CATO context
F20 Notification of changes that may affect eligibility for certification	B21, SLC	Drafting retained
F21 Whole electricity system obligations	D17, SLC	Drafting retained with changes to cross-referencing based on CATO licence conditions sequence

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F22 Activities restrictions	E12-B2, OFTO Licence	Drafting retained with changes to cross-referencing based on CATO licence conditions sequence
F23 Conduct of the Transmission Business	E12-C1, OFTO Licence	Drafting retained
F24 Separation and independence of the Transmission Business	E12-C2, OFTO Licence	Drafting retained with changes to cross-referencing based on CATO licence conditions sequence
F25 Restriction on use of certain information	E12-C3, OFTO Licence	Drafting retained
F26 Appointment of Compliance Officer	E12-C4, OFTO Licence	Drafting retained with changes to cross-referencing based on CATO licence conditions sequence
F27 Excluded Services	E12-J10, OFTO Licence	Drafting adjusted to suit the CATO context
F28 Ongoing Fit and Proper Requirement	Placeholder	NA
F29 Project Specification / Technical Annex	New	This is a novel condition required under the early competition policy framework
F30 Provision of Information to the Authority	E5, SLC	Drafting adjusted to suit the CATO context
F31 Provision of Information to the ISOP	E12-J6, OFTO Licence	Drafting adjusted to suit the CATO context
F32 Data Assurance Requirements	B23, SLC	Drafting adjusted to suit the CATO context
F33 [blank]		
F34 Equity transaction reporting requirement	E12-D2, OFTO Licence	Drafting adjusted to suit the CATO context

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F35 Sulphur hexafluoride reporting requirements	E12-J12, OFTO Licence	Drafting retained with changes to cross-referencing based on CATO licence conditions sequence
F36 Obligation in relation to offers for connections etc: additional works	E17, SLC	Drafting adjusted to suit the CATO context
F37 Requirements of a connect and manage connection	D16, SLC	Drafting retained with changes to cross-referencing based on CATO licence conditions sequence
F38 Duration of the Revenue Restriction Provisions	E12-J7, OFTO Licence	Drafting adjusted to suit the CATO context
F39 Requirement for Security during Construction	New	No precedent as this is a novel concept of the early competition policy framework
F40 Allowances in respect of Security Costs	E12-J8, OFTO Licence	Drafting retained with changes to cross-referencing based on CATO licence conditions sequence
F41 Basis of Transmission Owner Charges	E12-J9, OFTO Licence	Drafting retained
F42 Restriction of Transmission Revenue from Transmission Owner Services	E12-J2, OFTO Licence	Drafting adjusted to suit the CATO context
F43 Restriction of Transmission Revenue: Post-Financial Close Revenue Adjustments	E12-J3, OFTO Licence	Drafting adjusted to suit the CATO context
F44 Restriction of Transmission Revenue: Availability	Amended Standard Condition E12-J4, OFTO Licence	Drafting retained

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F45 Restriction of Transmission Revenue: Adjustments	E12-J5, OFTO Licence	Drafting adjusted to suit the CATO context
F46 PPWCA	New	No precedent as this is a novel concept of the early competition policy framework
F47 Asset Health Condition	New	No precedent as this is a novel concept of the early competition policy framework
F48 Refinancing	New	No precedent as this is a novel concept of the early competition policy framework
F49 Arrangements for Handover of Business	New	No precedent as this is a novel concept of the early competition policy framework
F50 CATO of Last Resort	New	No precedent as this is a novel concept of the early competition policy framework
Special Condition 1: Milestone Payments	New	No precedent as this is a novel concept of the early competition policy framework

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Appendix 2. Privacy policy

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the 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

Information: Include here all organisations outside Ofgem who will be given all or some of the data. There is no need to include organisations that will only receive anonymised data. If different organisations see different set of data, then make this clear. Be as specific as possible.

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 (be as clear as possible but allow room for changes to programmes or policy. It is acceptable to give a relative time e.g. ‘six months after the project 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

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- 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 (Note that this cannot be claimed if using Survey Monkey for the consultation as their servers are in the US. In that case use “the Data you provide directly will be stored by Survey Monkey on their servers in the United States. We have taken all necessary precautions to ensure that your rights in term of data protection will not be compromised by this”.

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, view our [Ofgem privacy policy](#).