

Email to:

[oftobuild@ofgem.gov.uk](mailto:oftobuild@ofgem.gov.uk)

19 March 2025

Dear Ho Man Lo,

### **Feedback on Ofgem's OFTO build model: policy update**

*Scottish Renewables is the voice of Scotland's renewable energy industry. The sectors we represent deliver investment, jobs and social benefits and reduce the carbon emissions which cause climate change. Our 360-plus members work across all renewable energy technologies, in Scotland, the UK, Europe and around the world. In representing them, we aim to lead and inform the debate on how the growth of renewable energy can help sustainably heat and power Scotland's homes and businesses.*

*RenewableUK members are building our future energy system, powered by clean electricity. We bring them together to deliver that future faster; a future which is better for industry, billpayers, and the environment. We support over 500 member companies to ensure increasing amounts of renewable electricity are deployed across the UK and access markets to export all over the world. Our members are business leaders, technology innovators, and expert thinkers from right across industry.*

Scottish Renewables and RenewableUK are writing to officially recognise and welcome [Ofgem's policy update](#) to move towards an early competition OFTO build model following consultation with industry. We are delighted to see that [our feedback](#) has been meaningfully considered and subsequently adopted by Ofgem alongside contextual changes, and are eager to aid Ofgem in their development of this choice of model through conversation with our members. In line with the recommendations in the Offshore Wind Industry Council's (OWIC) recent [report](#) on delivering offshore coordination, we think that this policy pivot offers a much greater possibility of realising the ambitious, coordinated offshore designs that authorities are pursuing in time for our climate targets.

As previously stated, we consider the complexities of a late competition, non-radial OFTO build model, as was Ofgem's previous proposal, to carry insurmountable levels of risk and coordination to both parties while potentially undermining critical relationships with external parties, such as suppliers. By expanding the scope of OFTO responsibilities and simplifying the overall process through an early-competition model, Ofgem is expanding the pool of relevant potential bidders and/or joint ventures that could be attracted to the market. In turn, more competent, ambitious parties bidding reduces risks and issues that have arisen through the current OFTO-regime, strengthening confidence for generators involved.

Within Ofgem's policy update, we welcome the proposal to introduce pilot projects from HND and HND FUE for the reasons outlined of enabling faster implementation and the ability to shape enduring regulatory frameworks from lessons learnt for the success of wider coordination. We note that for the realistic adoption of a non-radial OFTO build model for projects connecting in the early to mid-2030s, the relevant model, framework and tender regulations need to be developed at pace. Thus, Ofgem has a key role to play in inciting interest in sufficient prospective pilot projects to realise this ambition, while crucially affording flexibility of arrangements for earlier projects.

Notably, many developers involved in the HND FUE are already advancing asset design and relevant consenting processes, thus Ofgem should explore flexibility and collaboration arrangements if OFTOs

are appointed during or after design finalisation or consent grant. This would avoid delays to consenting activities led by the developer up until OFTO appointment and any unforeseen design changes that could detrimentally impact final project delivery. We thus look forward to forthcoming information on pilot projects in Q2, 2025.

Regarding late delivery of assets, we advocate for a mechanism that provides adequate compensation to cover the material impacts and losses to developers that fairly reflects predetermined roles and responsibilities. In terms of revenue models for OFTOs, a key point to note regardless of model chosen is that generators need clarity of costs before bidding for CfDs and thus, the eventual model chosen needs to be able to provide this in advance. Unforeseen cost increases during construction by the OFTO that are passed to the generator will harm business cases and thus increases beyond a certain threshold should be capped to provide greater developer certainty.

The option to reduce TRS does not provide the level of reassurance required to make the framework sufficiently attractive to developers. Several of our members believe a combination of options will be required to provide sufficient protection. A shift to early competition is a positive step but the developed framework must strongly incentivise timely and to-budget delivery by OFTOs, with compensation to be allocated in the case of under-performance to alleviate risk to developers.

Finally, with a shift to OFTO build, we would stress the importance when selecting OFTOs of Ofgem's assessment of demonstrable experience in completing transmission assets and/or having the necessary staff expertise with proven project engineering, management and delivery capabilities. The tender process should be centred around a high standard of suitability to attract the relevant bidders, which, critically, is not wholly price focused. For the success of the model, the competition needs to set robust standards for delivery but also the maintenance and operation of the asset for the longevity of assets.

We would also encourage Ofgem to explore options to unlock supply chain for OFTOs and de-risk the procurement of subsea cables, such as HVDC. While both [Scottish Renewables](#) and [RenewableUK](#) were both supportive of Ofgem's development of an Advanced Procurement Mechanism (APM) for onshore transmission operators, we did highlight the potentially negative ramifications this could have in further constraining the supply chain if similar options are not implemented for offshore parties. We would love to engage with Ofgem further on developing appropriate options for OFTOs by organising a future roundtable discussion with our members.

Scottish Renewables and RenewableUK would be keen to engage further with this agenda and would be happy to discuss our response in more detail.

Yours sincerely,



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