Email to:

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

X October 2025

Dear OFTO Build team,

**Response to OFTO build: ways forward for an early competition model**

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 400 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.

As affirmed in our [response](https://www.scottishrenewables.com/publications/1891-sr-response-ofgem-s-ofto-build-model-policy-update) to Ofgem’s [policy update](https://www.ofgem.gov.uk/decision/ofto-build-model-policy-update), we strongly support the recognition and ultimate decision to pursue the benefits of an early competition model for Offshore Transmission Owner (OFTO) build of non-radial assets. This also builds on the recommendations made by the Offshore Wind Industry Council (OWIC) in its report published last year. The current OFTO-build model for radial assets has historically never been adopted due to unviable levels of risk of delayed delivery; however, the proposals in this consultation offer some promise of improved uptake. As the Centralised Strategic Network Plan (CSNP) begins to envisage more coordinated offshore alongside radial, we welcome the opportunity to help inform policy that offers the feasibility of efficiently connecting the generation required to meet our climate targets.

The shift to an early competition model offers twofold benefits in that it not only unlocks greater potential for future coordinated schemes by mitigating risk factors but could also serve to optimise the current design for radial assets. The global supply chain for HVDC is notoriously constrained at present with lead times of up to eight years, causing numerous challenges for delivery timescales across different elements of project delivery. Evolving the current OFTO-build model for radial, as well as non-radial, to early competition would allow procurement processes to start much earlier, as is required for timely delivery in the current market conditions. RenewableUK and Scottish Renewables members are open to the idea of early competition OFTO build for radial assets, however this should only be considered as an option available to developers alongside developer build.

The management of risk of delays to delivery moving outside the generators’ control acts as the primary disincentive to generators adopting OFTO-build for both radial and non-radial. The regime must compensate for this loss of control with appropriate incentives on the OFTO-builder to deliver on time, for example, the CATO regime has sharp delivery incentives (compared to the incumbent TO delivery) delaying the start of its revenues and reducing the total lifetime-TRS to reflect the delay in commissioning date. To complement this, Ofgem should consider mechanisms to facilitate early action on the part of the OFTO-builder. The onshore CATO model also allows recovery of a proportion of preliminary works’ costs before construction, thereby de-risking capital expenditure required for early supply chain engagement. Likewise, the recently developed Advanced Procurement Model (APM) affords TOs early access to funding for demonstrably constrained areas of the supply chain. Ofgem’s March [decision](https://www.ofgem.gov.uk/sites/default/files/2025-03/APM-Decision-Document-and-Impact-Assessment.pdf) on the APM highlighted the possibility of extending the benefits of such a mechanism to the developing OFTO-build model, which we would encourage, particularly considering the required use of HVDC for more complex coordinated designs.

The benefit of such financial support mechanisms in reducing the potential for delay is compounded by the fact that a more attractive model encourages more OFTO competition, thus raising the standard and expertise of delivery, in turn further reducing risk of delay or failure, as well as cost to consumer. Likewise, Ofgem’s suggestion of a securities model for OFTOs would help provide assurances that the Preferred Bidder (PB) is committed to delivery by sharing similar risk to that of generators paying securities, reducing the risk of asset abandonment.

As identified by Ofgem, the early competition model is accompanied by the heightened risk of cost increases and variability due to the early nature of the tender process in project delivery. Generators can weather such increases up to the point of submitting Contracts for Difference (CfD) bids as beyond this point, further increases could not be accounted for and would instead reduce total revenue. To protect generators, Ofgem should consider an approach that socialises costs after a certain point, for example related to the CfD bid to ensure consumers are only paying once to cover the cost variance risk.

An alternative approach could allow the OFTO to contract the generator to build the asset, thereby allowing the generator self-management of any cost increases as well as reducing the risk of failure, and the need for compensation mechanisms. Ofgem should give consideration as to how they can leverage the significant experience offshore wind developers have gained in building offshore transmission assets, while still progressing an OFTO build model.

Aside from financial elements of the build, we are strongly supportive of aligning with the CATO model in assessing non-price criteria of bidders and are pleased to see Ofgem consider our recommendation. The majority of members think that the tender process to date has overly focused on the price element of bids to the detriment of delivery. Ofgem should consider demonstrable experience in completing transmission assets and/or having the necessary staff expertise with proven project engineering, management and delivery capabilities. For the complexity of non-radial assets, the process needs to be designed to attract the most suitable bidders with high standards for delivery as well as operations and maintenance (O&M) practices to avoid the risk of OFTO failure. By attracting a more experienced bidder pool, generators will in turn feel more confident in participating in the model.

Ofgem’s proposal of a centralised tender approach is also a welcome evolution to the regime as industry moves to more elaborate designs that require oversight and heightened coordination for timely delivery. In the longer term, i.e., when the CSNP and the Strategic Spatial Energy Plan (SSEP) are more integrated with leasing rounds, a more prescriptive tender that removes optionality could be attractive in mitigating against delay. However, in the short term, there is the risk that a sub-optimal model would prove too risky for generators by limiting the scope of their design. Should a centralised approach lead to a failed tender, this will lead to large delays and increased costs, as well as impacting the confidence of the sector. Scottish Renewables and RenewableUK are happy to work closely with Ofgem to facilitate engagement with our members to help shape further thinking on a new tendering approach.

An additional risk that threatens the delivery of early competition in both a centralised and non-centralised tender is the likelihood of design changing dramatically over time and the additional challenges this brings for project design and delivery. The Holistic Network Design and Follow Up Exercise (HND/FUE) serve as an example of how coordinated designs can change dramatically when reaching detailed network design, due to a multitude of reasons including market conditions, supply chain constraints, technical specifications. The challenges and implications of accommodating designs that vary considerably from initial bids needs to be acknowledged within the OFTO-build frameworks.

Ultimately, we are very appreciative of Ofgem’s work to develop this area of thinking and encourage them to consider additional risks and opportunities that would require design modifications. 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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