

FAO: Jonathan Brearley

By email: FWP@Ofgem.gov.uk

10 February 2025

Dear Jonathan,

Ofgem's Forward Work Programme – 2025/26

Transmission Investment (TI) is a leading independent electricity transmission business in the UK, with over ten years of experience developing, acquiring and managing large complex infrastructure projects. TI manages one of the largest offshore electricity transmission portfolios in Great Britain (GB), in total we currently manage a portfolio of approximately 4GW and £3billion in capital employed. TI is also leading the development of two electricity interconnector projects in support of the UK's Net Zero ambition. This includes a proposed 700MW link between Northern Ireland and Scotland known as "LirIC", as well as the FAB interconnector between GB and France. We have successfully participated in the NESO Pathfinder programme and are a strong advocate of introducing competition to deliver electricity transmission faster and cheaper.

We are pleased to offer our views on the priorities in your FWP 2025/26. Our response focuses on three areas, including our views on the importance of network build and the options available for delivery, taking actions now to prepare for 2030 and beyond, and the importance of ensuring a joined-up approach in policy and decision-making.

Are Ofgem proposing to tackle the right set of problems in the sector?

The world in which Ofgem is operating within is becoming more complex as we push to transition to Net Zero. Ofgem's principal objective, to protect the interests of existing and future gas and electricity consumers, has evolved to now include an explicit link to the UK targets set out in the Climate Change Act and require Ofgem to have regard to the promotion of economic growth under the Growth Duty. These changes bring further complexity to policy and Ofgem decision-making.

A key challenge for the sector and Ofgem is ensuring, given the complexity in the interactions between the various initiatives are appropriately considered and the impact understood. For example, the proposed Advanced Procurement Mechanism is widely thought to exacerbate current supply chain challenges for the sector, distorting the market for renewable developers, interconnector developers and any other party outside of the RIIO arrangements, and therefore potentially risking Clean Power 2030 delivery.

There is no information in the FWP regarding Ofgem's final strategic objective "Strengthening Ofgem as an organisation". We would like to see Ofgem appropriately resourced and have a clear plan to undertake assessments of the impacts of its proposals. Such clarity on policy consultation timelines and milestones would allow stakeholders to plan resources against Ofgem's expected programme and provide higher quality input to support impact assessments.

What is missing from the Forward Work Plan?

Ofgem's FWP 2025/26 appears to overlook some key policy work areas, which are critical in the coming year to progress the energy transition, including:

- Ofgem previously committed to developing a licence framework for dedicated ancillary services (e.g. synchronous condensers) which NESO has recognised as essential to enable non-synchronous

technologies (like batteries, wind and solar) to connect to the system. To enable and support the effective delivery of these projects Ofgem should include the development of an enduring policy framework and licencing arrangements in its FWP.

- OFTO-build frameworks are essential to maximise renewable build out. This is both due to developer concerns on committing capital to offshore transmission, for radial, and in particular coordinated offshore developments. This was also absent from Ofgem’s 2024/25 Forward Work Programme (and highlighted in our response). Ofgem’s OFTO Build policy model (published December 2024) indicated Ofgem’s intention to move towards an early competition model as well as identifying suitable pilot projects in Q2 2025. This work should be included in the FWP, resourced appropriately to maximise the benefit of developing the offshore model alongside the early onshore competition model framework
- Time critical work to develop the revenue extension regime for OFTO. Ofgem needs to establish clear and proportionate regulatory and policy provisions for the revenue extension process, confirming the incumbent-OFTO legitimate expectations of residual value. At this stage the principles remain high-level and require further development and must be done this year so should be included in the FWP.
- The review of the current OFTO regime is missed from the FWP, which is a critical development to avoid a hiatus. This includes considering mechanisms to tackle the growing accumulation of obligations and exogenous cost imposed on OFTOs without relief, e.g. decommissioning requirements or Cyber-Security resilience costs, something other transmission licensees have been allowed. The failure to address these issues risks a loss of investor and equity confidence in the sustainability of the OFTO regime as a long-term low risk investment.

The FWP is missing the time-bound commitments to milestones for delivery, which were provided in past documents. This makes it harder for stakeholders to plan for engagement on topics and limits the ability to come forward with appropriate evidence.

Relative priorities between different problems?

Higher priority should be given to ensure there are ready frameworks for competitive options to deliver the transmission networks needed both onshore and offshore. The current piecemeal approach risks creating barriers to an effective introduction of competition and lead to deterring currently active new entrants who would bring new capacity to deliver. Delivering on Clean Power 2030 is a near-term waypoint, but sufficient resources need to be committed to the frameworks to secure delivery of the strategic plans beyond 2030.

Developers and investors are reliant upon a clear, predictable and stable policy framework in which to operate, therefore it is essential to ensure that the longer-term framework is clear. Failure to deliver transparency may result in an investment hiatus, and cause delays to projects currently on track for delivery in the early 2030s.

We hope the contents of the letter are helpful and we would be pleased to discuss any points raised.

Yours faithfully,



Mark Fitch
Corporate Development Director