

Public

Early Competition update

12th March 2026

Agenda

<ul style="list-style-type: none"> ➤ NESO Corporate strategy, U.K.'s energy goals & the Network Competition programme ➤ Early Competition recap 	Keisha Eve
<ul style="list-style-type: none"> ➤ Project Identification <ul style="list-style-type: none"> • Methodology • Indicative timelines 	James Kennerley
<ul style="list-style-type: none"> ➤ Tender Process overview <ul style="list-style-type: none"> • Tender documentation • Tendered scope of works • Tender evaluation criteria 	Tony Marshall
<ul style="list-style-type: none"> ➤ Commercial Update ➤ Expression of Interest 	Adeolu Adesanya
<ul style="list-style-type: none"> ➤ CATO licence ➤ Ofgem's forward work programme 	Jon Sharvill (Ofgem)
<ul style="list-style-type: none"> ➤ Q&A 	-

Network Competition Programme Early Competition Recap

Keisha Eve

Competition Policy Manager

The UK's energy goals, NESO Strategy & Network Competition

The UK's 2023 Energy Act established an independent system planner and operator to help accelerate Great Britain's energy transition; creating the National Energy System Operator (NESO) as a public corporation, with a whole system approach.

Net Zero

Enabling the Government to deliver on its legally binding emissions targets

Efficiency & Economy

Promoting efficient, coordinated and economical systems for electricity and gas

Security of Supply

Ensuring security of supply to current and future customers of electricity and gases

Drive consumer value



Deliver a secure, resilient and operable energy system



Pave the way to sustainable energy



Lead as a trusted expert



Planning a clean energy future

Enabling smarter cleaner markets

Network Competition within the UK's wider policy landscape

These reforms create a coherent framework in which Competition in Transmission Assets can link whole system planning, new investment, cost efficiency, innovation, and accelerated asset delivery, at scale, to meet Government targets.

Energy Act 2023 – The statutory basis for competitive tendering and early competition in onshore transmission; creates (NESO) and new license powers for Ofgem.

UK Planning & Infrastructure Bill 2025 – Introduces streamlined consent, land-access, and infrastructure coordination measures to make delivery feasible at scale.

Transmission Acceleration Action Plan 2023
Commits to halving grid delivery times and embedding competition to lower consumer costs and drive innovation.

Clean Power Action Plan 2024 – Sets out the step change in effort required to decarbonise and expand the generation and transmission system.

What is Early Competition?

Early competition is a competitive process to select a bidder, and a solution, to a specific need on the electricity transmission system.

Early Competition snapshot

Lifecycle stage	Responsible party
Identify network need	NESO in conjunction with the Transmission Owners and Third Parties.
Identify potential solutions	
Identify indicative solutions	
Initial design	Competitively Appointed Transmission Owner (CATO)
Surveys	
Obtain consents	
Detailed design	
Supplier engagement	
Procurement	
Solution delivery	
Operations	

 Tender point

Key highlights

- Organisations could **compete for the design, build, finance and ownership** of onshore transmission solutions.
- **Begins 'early'**, prior to the detailed design, surveying and consenting phases of solution development.

Purpose of Early Competition

NESO's early competition model, is a mechanism for introducing competitively appointed transmission owners (CATO) to **create value for consumers** through the design, build, operation and maintenance of new, separable onshore transmission assets, that are needed to achieve net zero.

The early competition model is structured to **create economic and consumer value by**



Meet specific transmission network needs

Deliver solutions that address transmission network constraints in line with NESO's strategic spatial and network needs.



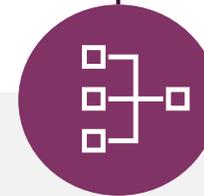
Accelerate the delivery of critical infrastructure

Accelerate boundary uplifts; reducing time to grid connection; alleviate renewable bottlenecks, through early competition.



Stimulate market investment and innovation

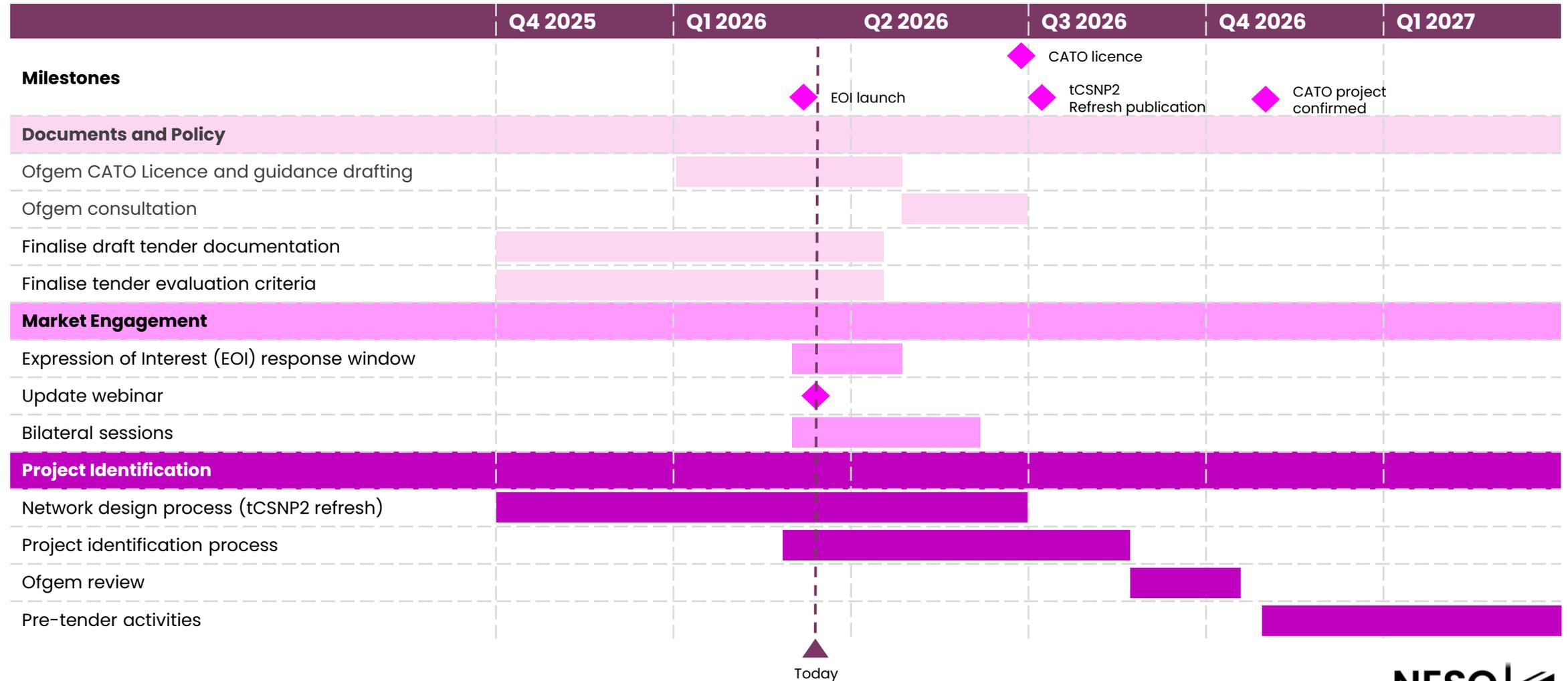
Stimulating investment, and technical innovation through a visible, investable pipeline of suitable transmission projects.



Drive efficient whole system outcomes

Shaping and executing competitive policies and processes that support efficient performance and whole system outcomes.

2026 Early Competition timeline



Project Identification Update

James Kennerley
Technical Engineering Manager

Project Identification

Context

NESO is developing the high-level system design to meet the electricity needs for beyond 2030. This is being achieved through the transitional centralised network plan 2 refresh (tCSNP2 Refresh). NESO's licence sets an obligation for NESO to assess projects which are identified through networks planning for suitability for competition.

Project Identification – Why?

The Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2025 outlines that the NESO must provide to Ofgem:

- An assessment as to how the project has met each criterion under the Criteria Regulations (see below)
- An assessment that there will be sufficient competition
- Indicative dates for the tender exercise
- Any other such information Ofgem may determine is necessary

The Electricity (Criteria for Relevant Electricity Projects) (Transmission) Regulations 2024 sets out the criteria as follows:

- Must address a network need
- The solution must be new
- Must be capable of being separable from the ownership and control of any part of the transmission system
- Must demonstrate benefit in a cost-benefit analysis

Given the NESO's emerging capability to run tenders it may not be possible for all eligible projects identified in the network design to be tendered. Therefore, the NESO needs to demonstrate to Ofgem how projects meet the criteria and why certain eligible projects will be selected for competition over any other to meet the final requirement under the Tender Regulations.

Project Identification

Project Identification Methodology

Aims:

- Identify the first project for early competition.
- Identify a pipeline of additional candidate projects suitable for tendering every ~6 months until the next iteration of the network design in 2028 through the Centralised Strategic Network Plan (CSNP).

Approach:

- Developed in line with the UK Government's "Green Book" on appraisal of options
- Staged appraisal
- NESO intends to publish this methodology for stakeholder feedback and refine it over time.

Project Identification steps



Project Identification

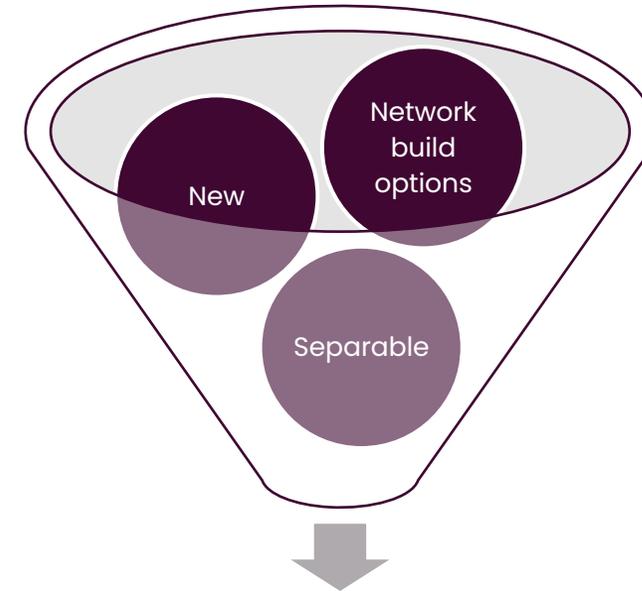
Project Identification steps



Step 1: Generating the longlist

Using the output of the network design (tCSNP2 Refresh), NESO screens all projects to:

- Exclude non-network build options (e.g., reactive compensation, power flow control).
- Filter out projects that clearly fail novelty or separability (e.g., reconductoring schemes)



Longlist – published as part of the tCSNP2 Refresh

Project Identification



Step 2: Longlist appraisal

Projects passing initial filters undergo high-level assessment against:

-  Emerging Option Filter: Excludes immature projects
-  Certainty of Network Need: Keeps only projects that appear in at least 3 FES scenarios
-  CATO EISD vs ODD vs TO EISD: Tests whether CATO delivery could meet timing requirements
-  Environmental & Consenting Risks: Screens for high-risk environmental constraints :
 - Designations (SAC, SPA, National Parks, etc.)
 - Biodiversity
 - Landscape & visual
 - Cultural heritage
 - Hydrology
-  Technical & Construction Risks: Considers
 - Complexity of design (e.g., HVDC multi-terminal)
 - Interdependencies
 - Topographical or construction constraints

Project Identification



Step 4: Shortlist Appraisal

A deeper assessment of remaining projects covering:

 Cost Benefit Analysis (CBA)

 Certainty of Need (enhanced): Boundary constraints, needs case certainty, connection drivers.

 High-Level Design Certainty: Tracks evolution across NOAs, alternative options, and substation stability

 Environmental & Consenting Risks (enhanced): Adds further topics:

- Jurisdictional complexity
- Traffic & transport
- Forestry
- Agricultural land
- Recreation & tourism
- Local community
- Cumulative impacts and active planning applications

 Technical & Construction Risks (enhanced): Considers severity and combination of risks.

Step 5: overall favorability assessment of each shortlisted project

Project Identification



Step 6: Project Prioritisation

If multiple favourable projects are identified, NESO prioritises using:

- Optimal tender start date
- Potential market appetite
- Performance in the shortlisting assessment

Assumes competition of one project every ~6 months

Step 7: Recommendation to Ofgem

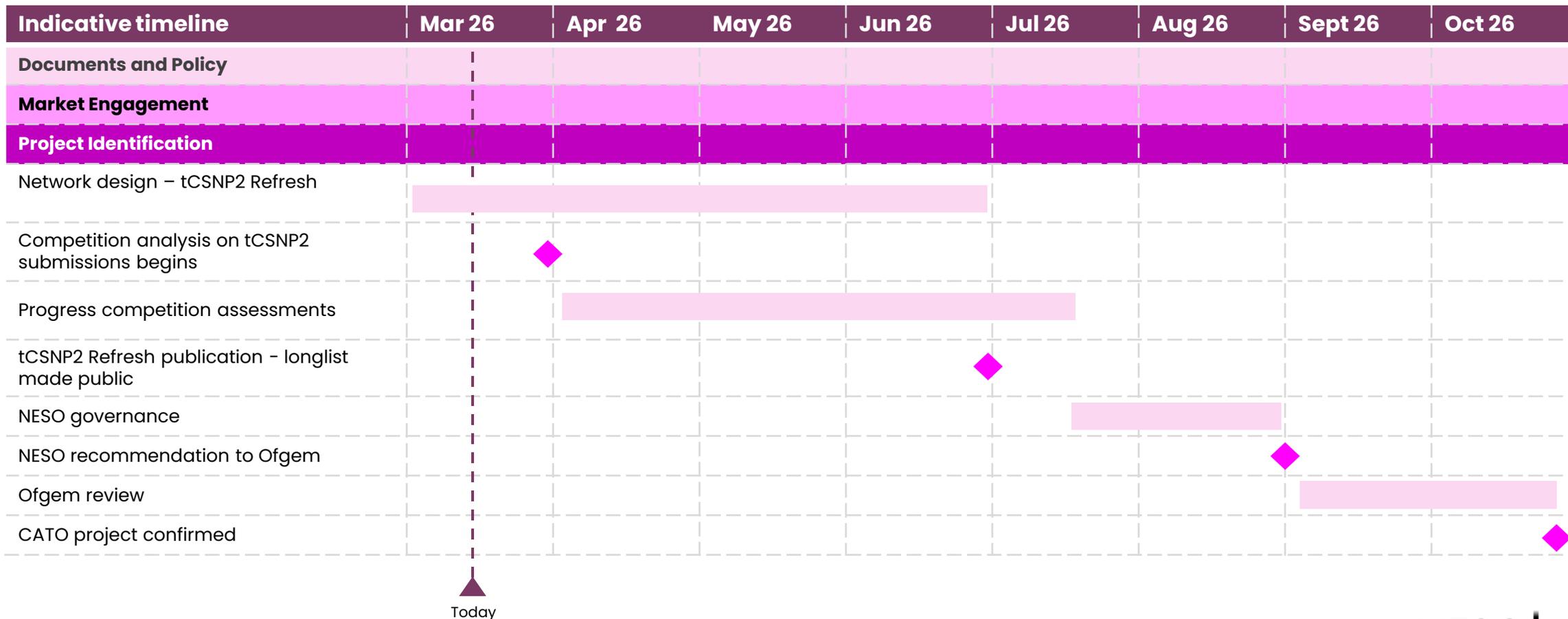
For each recommended project, NESO submits to Ofgem:

- Evidence against each criterion
- Assessment of likely competitive participation
- Indicative tender timeline
- Rationale for selection over other options

NESO will provide Ofgem with the outcome of each stage.

2026 Early Competition timeline

Project Identification activities

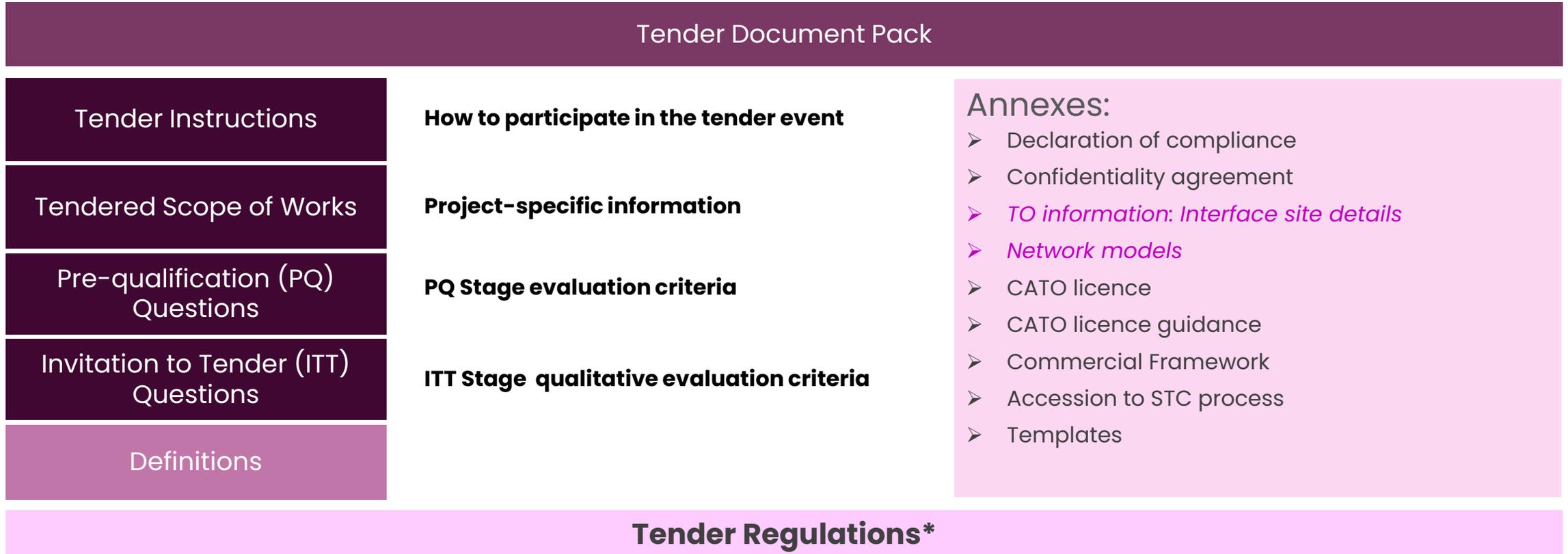


Tender Process Update

Tony Marshall

Senior Consents Specialist

What we will cover



Tendered Scope of Works

Tender Document Pack

Tender Instructions

Tendered Scope of Works

Pre-qualification Questionnaire

Invitation to Tender Questions

The Tendered Scope of Works will set out the technical requirements that need to be met by the Qualifying Project to address the identified network need.

The Tendered Scope of Works will provide Bidders with the following information:

-  The context of the network need
-  A high-level description of the technical details of the option
-  A high-level summary of the planning, environmental and community context of the area
-  The technical parameters that must be met to address the identified network need
-  Interface details to the existing network

Pre-Qualification (PQ) Questionnaire

Tender Document Pack

Tender Instructions

Tendered Scope of Works

Pre-qualification Questionnaire

Invitation to Tender Questions

The Pre-Qualification (PQ) Stage is the first following tender launch for a Qualifying Project.

The purpose is to determine which Bidders are to become Qualifying Bidders, based on their financial standing, experience, and capability to deliver the Qualifying Project.

This will be done by requiring Bidders to complete a questionnaire which covers the following areas:

- Bidder information
- Financial standing
- Experience of raising and holding finance
- Technical capability

Questions are either 'for information only' or assessed on a 'Pass/Fail' basis.

Pass on financial PQ questions



Pass on general PQ questions (including NSI process)



Pass on technical PQ questions



Qualifying Bidder, progresses to ITT Stage*

Pre-qualification Questions

Tender Document Pack

Tender Instructions

Tendered Scope of Works

Pre-qualification Questionnaire

Invitation to Tender Questions

The PQ questionnaire will cover the following subject areas:

Bidder details	Financial standing	Raising & holding finance	Technical capability
Company details	Audited annual accounts and other material financial information	Case studies demonstrating experience of raising debt finance	Evidence of planning and consenting infrastructure
If consortium, consortium details	Post-financial statement events		Evidence of construction capability and experience
Ownership and control	Equity investors Net Assets / Assets Under Management	Case studies demonstrating experience of investing and holding equity finance	Evidence of capability and experience in managing subcontractors and supply chain
Licence details	Financial arrangement for the Preliminary Works		Evidence of operational and maintenance capability and experience
Roles	Lead construction contractor turnover and EBITDA		
Details of Planning and Consenting Specialist			
Grounds for exclusion			

ITT Qualitative Questions

Tender Document Pack

Tender Instructions

Tendered Scope of Works

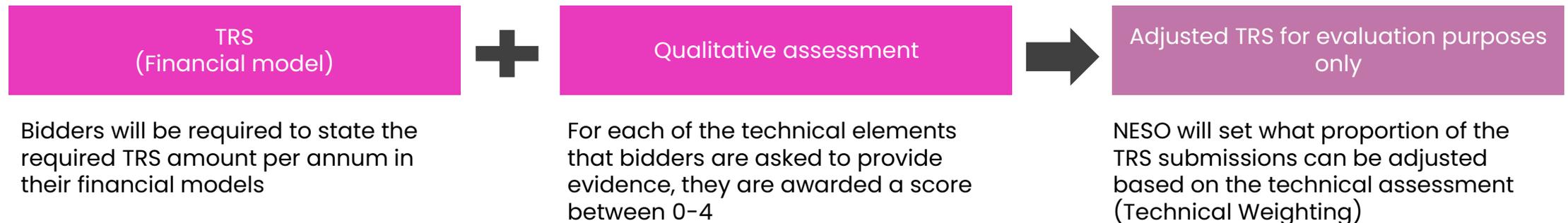
Pre-qualification Questionnaire

Invitation to Tender Questions

Bidders that pass the PQ Stage become Qualifying Bidders and are eligible to participate in the Invitation to Tender (ITT) Stage.

The purpose of the ITT Stage is to select a Provisional Preferred Bidder based on a combination of Qualifying Bidders' proposed Tender Revenue Stream (TRS) amounts and their responses to the qualitative ITT questions.

The Qualifying Bidder that passes all Pass/Fail questions and scores the lowest adjusted TRS will be selected as the Provisional Preferred Bidder.



ITT Qualitative Questions

Tender Document Pack

Tender Instructions

Tendered Scope of Works

Pre-qualification Questionnaire

Invitation to Tender Questions

The ITT Stage qualitative questions are designed to allow NESO to assess Qualifying Bidder's proposed approach to developing their Preferred Solution to the identified network need, the Preferred Solution itself, and their ability to deliver their Preferred Solution to the Qualifying Project.

1. Options assessment	10%
2. Preferred Solution	N/A – Pass or Fail
3. Preliminary Works – design	7%
4. Preliminary Works – planning & consenting	17%
5. Preliminary Works – land & seabed rights strategy	5%
6. Construction	12%
7. Risk assessment and mitigation	10%
8. Programme	10%
9. Operation and maintenance	10%
10. Approach to pricing	5%
11. Financing strategy	14%*

Scoring:

- 0 = no response
- 1 = a Poor response
- 2 = a Satisfactory response
- 3 = a Good response
- 4 = an Excellent response

* Question 11.3. Debt Term Sheet compliance is marked on a Pass/Fail basis. The other sub-questions which form part of Question 11 will be scored and, so long as Qualifying Bidders pass Question 11.3, will be assigned a weighting as indicated in the Tender Document Pack.

Request for stakeholder feedback

Draft versions of the following tender documents are available on NESO website:

- Tendered Scope of Works
- PQQ & evaluation criteria
- ITT questions & evaluation criteria

We would welcome general comments.

We have also added a document containing several questions that we would be particularly keen to hear from you on.

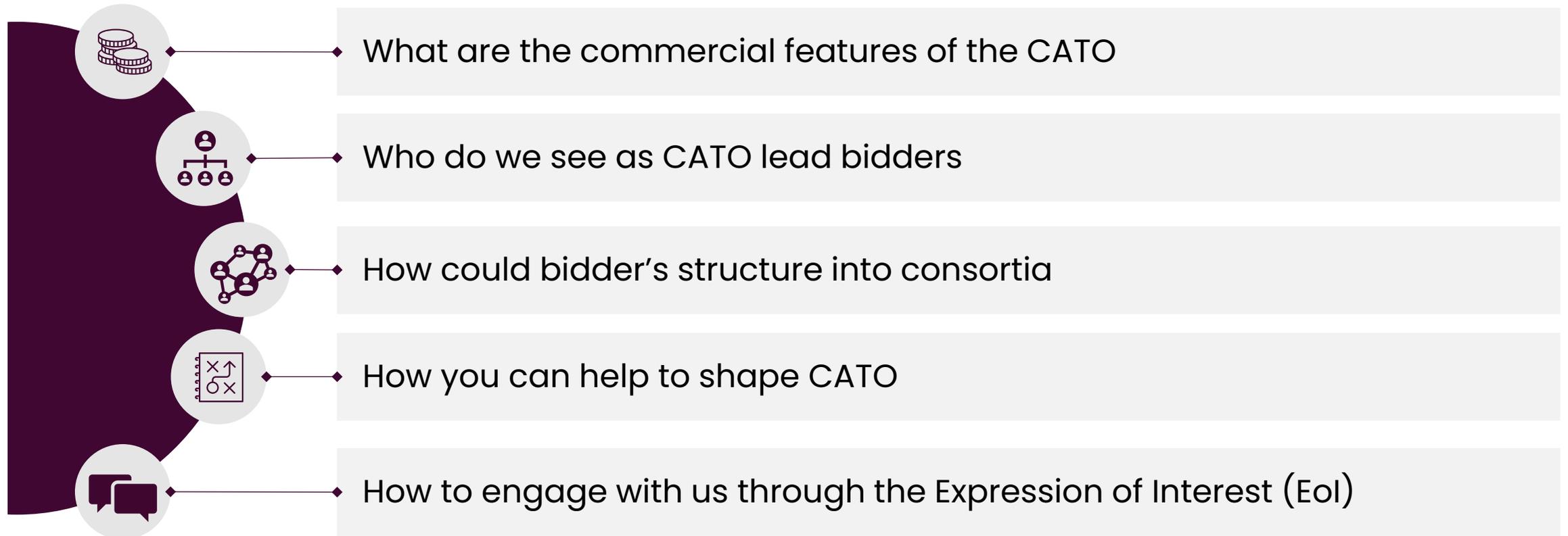
<https://www.neso.energy/about/our-projects/early-competition#Document-library>



Commercial Update

Adeolu Adesanya
Head of Commercial Finance

What we will cover



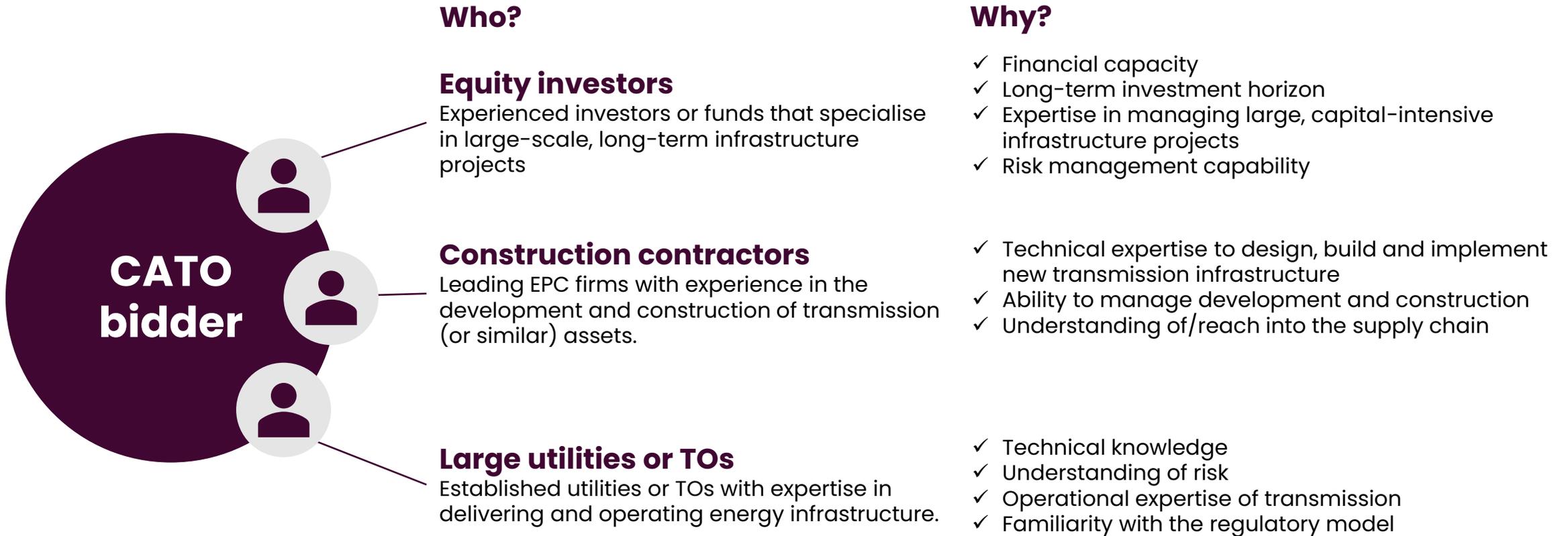
What is on offer through CATO

A Competitively Appointed Transmission Owner (CATO) licence lets the winning bidder **design, build, finance &** operate a new onshore transmission asset.

Commercial Feature	Description
Revenue Entitlement	Fixed 35-year Tender Revenue Stream (TRS), independent of energy demand. With asset amortization over 40 years, allowing for a residual value payment.
Preliminary Works Payment	Up to 50 % of NESO's estimated costs, released to de-risk early stage investment.
Cap on Upward Adjustments	Cap on upward adjustments for non-foreseeable construction costs post-PPWCA. Cap level decided during pre-tender market engagement possibly higher than 40%.
Construction Risk	CATO bears cost overruns unless covered by predefined exceptions.
Payment Triggers	Payments commence at project completion and acceptance by Ofgem.
Availability Incentive	98 % target availability, with penalties for underperformance.
Inflation Protection	Revenue streams partially indexed to CPI-H.
Financing Flexibility	Allows for up to 85 % leverage.
Strong Payment Counterparty	Revenue is backed by Transmission Network Use of System (TNUoS) charges, ensuring robust creditworthiness.

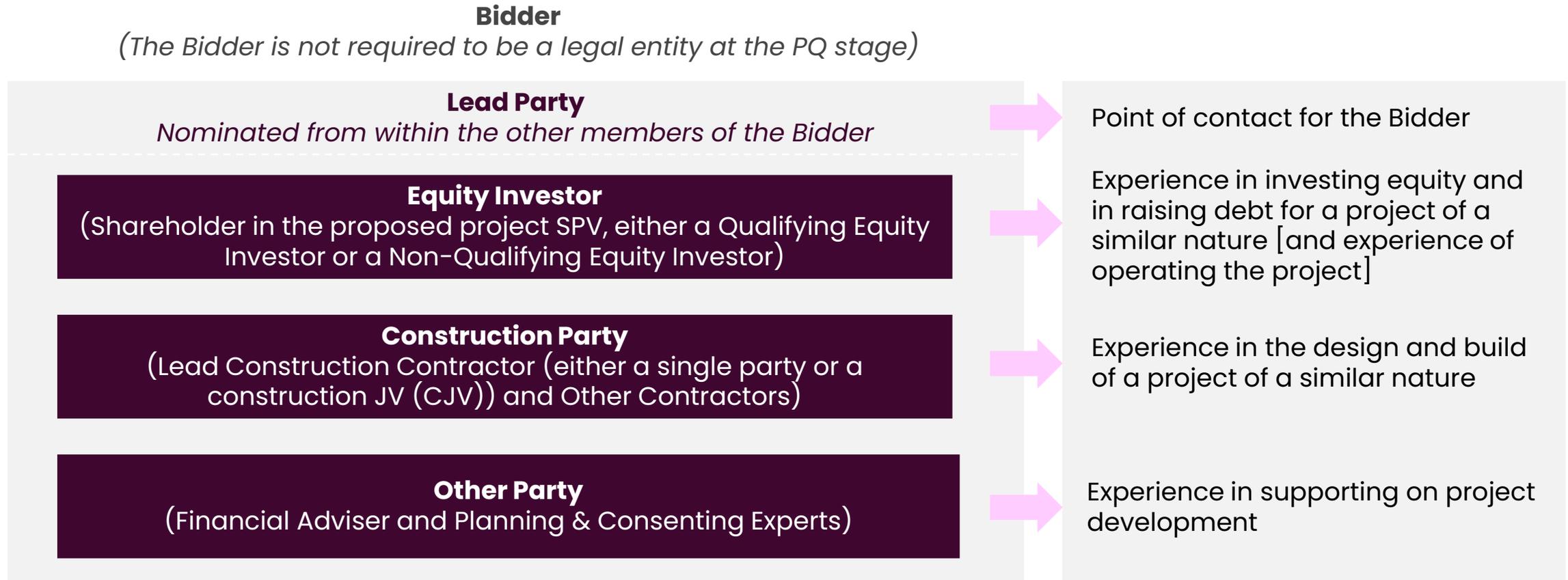
Who we see as CATO lead bidders

In a CATO bidding consortium, the lead member is likely to be one of the following entity types



How we see bidder's structuring

The diagram below sets out the roles a Bidder must fill, and the experience of the person nominated in each role the PQ process would test for. Note: a person may fill one or more role.



Shape CATO through the Eol

We are designing CATO to reduce the barriers of entry to attract for a diverse range of potential bidder structures. You can help shape this through our Expression of Interest (Eol).

On the 2nd March, we launched an Eol to understand:



Investor capability and appetite across different project types



Cost drivers and delivery assumptions that influence project viability and attractiveness



Financial capacity and relevant experience of potential CATO participants



How projects are best packaged, sequenced and brought to market under the early-model competitive regime

Your responses will be used in aggregate to help:

1

Competition sequencing – understand which projects will be most attractive to you

2

Project packaging – capability overlaps and gaps will inform whether to bundle or separate projects

3

Competition design – we will calibrate process complexity to market capacity

4

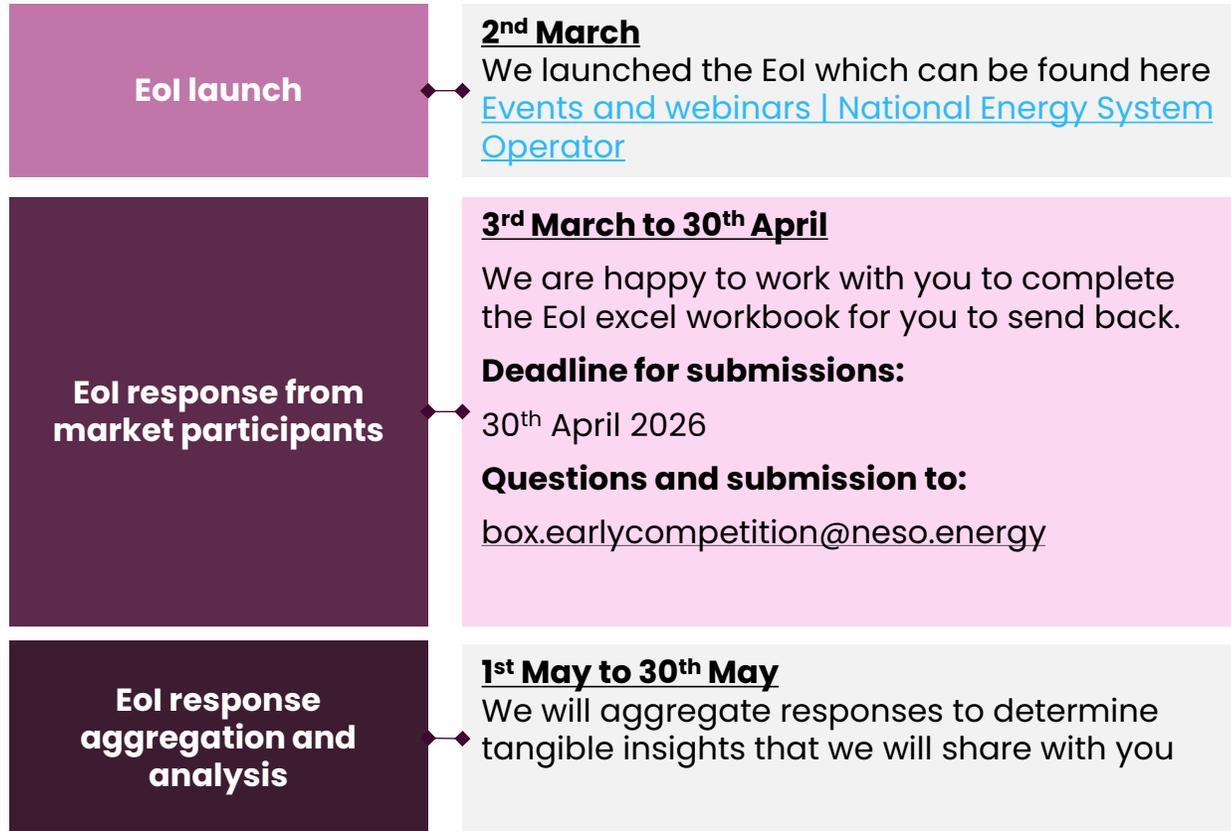
Risk-reward profile – your input will inform discussions on returns and risk allocation

5

Pipeline development – understanding cost drivers helps inform early-stage project development

How to respond to the Eol

Please complete the Eol excel workbook by 30th April 2026



The Eol is not:

- A request for formal bids or pricing
- A commitment to compete any specific project
- Part of the Pre-qualification (PQ) or Invitation to Tender (ITT) stages of the tender process

Individual responses will not be:

- Shared with Ofgem or other government bodies without your consent
- Used to pre-qualify or exclude parties from future competitions
- Disclosed to other market participants
- Treated as binding commitments or proposals

Responses will be treated as commercially confidential and used in aggregate to inform NESO's competition strategy.

If you would like to arrange a 1-to-1 discussion, feel free to reach out with your availability and we will do our best to accommodate. Email us at box.earlycompetition@neso.energy

Ofgem Update

Jon Sharvill

*Head of Electricity Transmission
Investment Strategy – Ofgem*

Update on CATO licence

- Full legislative framework to govern onshore competition now in place
- Generic CATO licence and guidance currently being developed
- Licence will set out the obligations on CATO licensees, and operationalise our decisions on the CATO commercial framework, as per our July 2025 decision
- Intend to consult with stakeholders in Spring 2026 with a view to publishing a decision in Summer 2026 ahead of identifying the first project(s) for competition
- Consultation will likely run for 6-8 weeks – very happy to engage with any interested stakeholders during that period

Ofgem's forward work programme

- Our key priority for onshore competition in 2026/27 is successful identification of a first, and subsequent pipeline, of projects to be competitively tendered through the CATO regime
- Ofgem's role as determined under the tender regulations:
 - Approving / rejecting formal tender requests from NESO
 - Approving tender documentation ahead of formally launching tender
 - Licensing successful bidder
- Ofgem will also continue to support NESO's CATO market engagement ahead of launching the first tender
- OFTO Build competition model also currently under development with view to competitively tendering design, construction and operation of offshore transmission assets

Public



Engage with us

Scan the QR Code to register for a bilateral session



`box.earlycompetition@neso.energy`

Q&A



Bilateral session registration