

## Insights

# CATO MARKET SOUNDING LAUNCHES

Mar 06, 2026

## WHAT THE NESO EXPRESSION OF INTEREST MEANS FOR DEVELOPERS, CONTRACTORS, LENDERS AND OFTOS

We have been tracking the development of the Competitively Appointed Transmission Owners (CATO) framework for some time, from Ofgem's early consultations on development models, to the finalisation of the early competition commercial framework, and most recently the regulatory signal embedded in Ofgem's Draft Determinations of February 2026. The programme has now moved a significant step further. NESO has published its Expression of Interest (EoI) Supporting Information Pack for the CATO Market Sounding exercise, and with a submission deadline approaching, there is now something concrete for market participants to act on.

## WHY THIS MATTERS

Under the CATO model, competitively selected parties would be licensed to design, build, finance and operate defined transmission assets, receiving a long-term, inflation-linked, availability-based revenue stream. Assets remain part of the national transmission system and subject to regulatory oversight, but delivery and operational responsibility sit with the CATO rather than the incumbent Transmission Owner.

We have previously highlighted the key commercial elements of the CATO proposition and the model is well-suited to infrastructure funds, sovereign wealth funds, pension schemes and strategic utilities, as well as lead sponsors, co-investors and technical partners, with the framework designed to support consortium structures that combine long-term capital with specialist technical and construction expertise. This EoI is the market's first real opportunity to shape how the framework operates in practice. It should not be overlooked.

## WHAT NESO IS ACTUALLY ASKING

It is important to be clear about what this EoI is, and what it is not.

- NESO is seeking to identify transmission projects that may be suitable for network competition under the early-model competitive tender process. The market sounding exercise

is designed to understand investor capability and appetite, cost drivers, financial capacity, and how projects should be packaged and sequenced.

- This EoI is not a request for formal bids or pricing, it is not a commitment to compete any specific project, and it does not form part of the Pre-qualification or Invitation to Tender stages.
- Responses will be treated as commercially confidential and used in aggregate to inform NESO's competition strategy. Individual cost assumptions will not be shared with Ofgem or other parties without consent.
- Specifically, NESO will use the responses to inform five things: competition sequencing; project packaging (whether to bundle or separate projects); competition design calibrated to market capacity; regulatory engagement with Ofgem on returns, risk allocation and delivery assumptions; and pipeline development.

## THE ILLUSTRATIVE PROJECT PORTFOLIO

The EoI includes an illustrative project portfolio to gauge market appetite. The projects have been developed purely as indicative examples and do not represent actual projects that will be available in the tender process. They are categorised into three broad types.

**Onshore reinforcement** includes projects ranging from relatively straightforward infrastructure to highly complex cross-boundary schemes:

- Project A: approximately 50 km of new 400 kV overhead line in rural Scotland
- Project B: approximately 80 km of new 400 kV overhead line across rural Wales into England, with a new 400 kV substation
- Project C: approximately 120 km of new 400 kV overhead line between southern Scotland and northern England, with two new substations
- Project D: approximately 80 km of UHVDC overhead line and underground cable in northern England

**Wet onshore reinforcement** covers HVDC subsea cable projects of increasing complexity and scale:

- Project E: approximately 150 km of new HVDC subsea cable off the south-east coast
- Project F: approximately 400 km of new HVDC subsea cable off the west coast of GB
- Project G: approximately 700 km of new HVDC subsea cable off the east coast of GB

**Onshore connections** cover generator and demand user connections of varying scale:

- Project H: approximately 20 km of new 400 kV overhead line connecting a single onshore generator to an existing substation in England
- Project I: approximately 50 km of new 400 kV overhead line to connect three onshore generators to a new substation in Scotland
- Project J: approximately 80 km of new 400 kV overhead line to connect three generators and a single demand user to a new substation in Scotland

The range is deliberate. The early-model CATO represents a targeted application of competition, focusing on projects where risks can be clearly defined, interfaces managed, and competitive delivery is most likely to deliver value for consumers.

## WHAT THIS MEANS FOR YOU

- **For developers and investors:** NESO recognises that investor and contractor confidence depends on pipeline visibility, regulatory clarity and realistic delivery assumptions. The insights gathered through this EoI will inform how early competition is applied in practice, with the aim of launching competitions that are credible, proportionate and capable of being delivered at pace. This is the moment to register your presence, your appetite and your preferred project types. The organisations that engage now are the organisations NESO will be calibrating the process around.
- **For contractors:** While UK transmission experience is valuable, NESO recognises that relevant delivery capability exists across adjacent infrastructure sectors. The EoI asks detailed questions about delivery timelines, cost drivers, risk contingencies and supply chain assumptions. This is not a process designed only for incumbent players – it is explicitly designed to broaden the delivery base.
- **For lenders:** The scale of required network investment coincides with constrained public finances and heightened scrutiny of consumer bills, and there is increasing recognition of the role that competitive delivery models and private capital can play in supporting timely, efficient investment in regulated infrastructure. The potential for leverage of up to c.85%, combined with an availability-based revenue stream, represents a financing profile that should be familiar and attractive.
- **For OFTOs and offshore specialists:** The "wet" onshore reinforcement category – HVDC subsea cable projects of up to 700 km – is directly in the technical wheelhouse of parties experienced in the offshore transmission regime. The interface between offshore and onshore delivery, the management of environmental designations, and the complexity of convertor station works are all areas where OFTO experience translates well. The model

allows lead sponsors, co-investors and technical partners to participate in a scalable, de-risked platform.

## NEXT STEPS AND TIMELINE

The deadline for submission of the EoI Excel workbook is **30 April 2026**, by email to [box.earlycompetition@neso.energy](mailto:box.earlycompetition@neso.energy). Directly following the EoI process, NESO will in Q2 2026 analyse responses, prepare aggregated market intelligence, and engage with Ofgem regarding market appetite, capability and project packaging. Following the publication of the Transitional Centralised Strategic Network Plan (tCSNP) in Summer 2026, NESO will work to shortlist and prioritise favourable projects for early competition, before recommending selected projects to Ofgem to advance to the Invitation to Tender phase.

## OUR VIEW

The CATO market sounding is a genuine inflection point. For those who have been following this programme, it signals that the process is moving from policy design into operational reality. The EoI is low-risk to participate in because responses are confidential, non-binding and will not be used to pre-qualify or exclude anyone from future competitions. The cost of not responding, however, is that the competition structure gets shaped by others.

If you are a developer, contractor, lender or OFTO considering your position in the CATO market, now is the time to engage. We are advising clients across all of these participant types and would be happy to discuss what the EoI means for your specific strategy.

*If you would like to discuss any of the above or require assistance in preparing an EoI response, please get in touch.*

## RELATED CAPABILITIES

- Energy Transition
- ESG & Energy Transition
- Renewables & Storage

## MEET THE TEAM



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