

Insights

OFGEM WIDENS THE SCOPE OF SELF-BUILD AND TRANSFER FOR TRANSMISSION ASSETS

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On October 7 2026 Ofgem published a consultation proposing to significantly expand the scope of self-build and transfer (also known as contestable build) for electricity transmission connections in Great Britain. Self-build and transfer allows a connecting customer, or a third party acting on their behalf, to build specified transmission connection assets and then transfer them to the relevant Transmission Owner to own, operate and maintain.

At present, self-build and transfer at transmission level is only available in limited circumstances - broadly, where the connecting customer's site is within 2km of the existing transmission system and the assets are not potentially shareable - which Ofgem acknowledges has put the option out of reach for most connecting customers. Ofgem's proposal would remove that constraint and allow connecting customers, including generation, demand and storage, to self-build and transfer all assets that are sole use at the time the adoption agreement is entered into, between their connection point and the existing transmission system. Works identified in the Centralised Strategic Network Plan remain out of scope. This is a materially wider scope than the self-build arrangements historically available in England and Wales, and represents one of the more significant practical changes to transmission connections policy this year.

The consultation package is substantial. Alongside the core consultation document, Ofgem has published draft guidance on Pre-Approval of Solutions by Engineering (**PASE**), draft guidance for Transmission Owners on drafting the Standard Adoption Agreement, and three ancillary documents setting out the proposed legal drafting: amendments to the Electricity Transmission Standard Licence Conditions, amendments to the Connection and Use of System Code (**CUSC**), and amendments to the System Operator Transmission Owner Code (**STC**). Ofgem intends to make these changes using its powers under the Planning and Infrastructure Act 2025, which it says allows a coordinated, integrated approach across several regulatory documents at once, rather than requiring separate code modification processes to proceed independently. The consultation closes on 13 November 2026. In this insight we summarise the key elements of the package and what they mean for connecting customers and their advisers.

Why Ofgem is expanding the regime

Ofgem's stated objectives are threefold: to give connecting customers greater choice over how their connection assets are delivered and so promote competition; to support faster delivery, particularly for demand customers seeking to electrify sooner in support of net zero; and to do both without eroding system security or allowing other consumers to bear additional cost as a result of an individual customer's choice to self-build. The consultation frames self-build and transfer as part of Ofgem's wider reform of the demand connections process, intended to help viable connections and strategic projects progress while maintaining system security, operational integrity and value for consumers.

The PASE framework

PASE is the engineering design framework that underpins the expanded regime. It applies to self-build and transfer of high-voltage transmission connection assets, and to infrastructure assets valued at up to £40 million; self-build and transfer of infrastructure assets valued at £40 million or more instead proceeds through the RII03 Load Reopener process. PASE sorts engineering designs into three categories:

- a PASE Primary Option, an engineering design that fully complies with PASE principles and represents the optimum approach;
- a PASE Variant Option, an adapted design that remains consistent with PASE principles but differs from a Primary Option to reflect system, locational or project circumstances, which may be acceptable subject to site-specific justification; and
- a Non-PASE Aligned Option, a design that complies with neither, and which requires the most extensive justification before it can proceed.

Where a design is a PASE Primary Option, no Ofgem approval is required. Where a connecting customer proposes a PASE Variant Option or a Non-PASE Aligned Option, Ofgem approval is required before the final design is agreed with the Transmission Owner, following a three-stage process: an Eligibility Letter, a Needs Case Assessment and a Project Assessment. Ofgem has also set out a non-compliance process for designs that are later found to have been incorrectly self-certified as Primary Options, a three-month resubmission right where a proposed design is not approved, and a framework for managing material project changes between assessment stages. Ofgem has indicated that any enforcement action for incorrect self-certification will be proportionate and assessed case by case, but has also been explicit that such action could, in principle, extend to termination of the underlying bilateral connection agreement - a consequence connecting customers will likely weigh carefully before relying on self-certification for anything other than a "standard" design. The self-certification model for Primary Options is otherwise a sensible way to keep straightforward projects out of the approval queue, but the boundary between a Primary and a Variant Option is likely to be the single most consequential classification question for any connecting customer proposing a non-standard design.

The standard adoption agreement and cost allocation

Ofgem is also consulting on a new standard licence condition requiring each Transmission Owner to develop, publish and maintain a Standard Adoption Agreement for the transfer of self-built assets, drafted having due regard to Ofgem's draft Adoption Agreement Guidance and submitted to Ofgem for approval. Transmission Owners will be expected to ensure their agreements are broadly consistent with one another, and to review them periodically, with material changes requiring Ofgem's approval.

The guidance sets out how connecting customers will be paid for the assets they build, with the applicable regime depending on how the assets are classified under section 14 of the CUSC:

- connection assets: the Transmission Owner and connecting customer agree a price, which must not exceed the Transmission Owner's estimated cost of delivering the assets itself;
- infrastructure assets valued below £40 million: the connecting customer must either run a competitive tender or otherwise demonstrate value for money, with the Transmission Owner evaluating the evidence where no tender is run; and
- infrastructure assets valued at £40 million or above: the price paid is the economic and efficient cost of delivery as determined by Ofgem through the RIIO3 load-reopener process, with the connecting customer bearing any cost incurred above that figure.

Of the three tiers, the treatment of sub-£40 million infrastructure assets where no competitive tender is run looks the least developed: the guidance envisages the Transmission Owner evaluating the connecting customer's value-for-money evidence, but does not yet specify the criteria against which that evaluation will be made. Given how directly this affects what a connecting customer is ultimately paid, we would expect this to be an area where consultation responses focus some attention.

The guidance also addresses the pre-construction, construction, commissioning, adoption and post-adoption phases of a self-build project, including design and test plan approval, quality assurance during construction, handover requirements, and the connecting customer's obligations to remedy defects within the defect notification period following adoption. A Transmission Owner may only refuse to adopt self-built assets on reasonable and objective technical or safety grounds, which must be clearly set out in its published standards, and disputes over the fulfilment of Adoption Agreement obligations are to be referred to an independent third party chosen by the connecting customer. What is less clear from the current drafting is what happens procedurally between a refusal and that independent third party stage: the PASE guidance gives a rejected design a defined three-month resubmission right, but no equivalent cure period currently appears in the adoption refusal process, despite a connecting customer potentially holding a completed but unadopted asset at that point.

It is also unclear how title, contractual rights and documentation pass to the Transmission Owner on adoption. Connecting customers will want to know whether an assignment of the building contract (or relevant sub-contracts), or a suite of collateral warranties, is envisaged, whether the Transmission Owner takes the benefit of warranties for defects arising after adoption, and what design data, O&M manuals and as-built records must be handed over. Such matters are typically heavily negotiated in adoption agreements for other regulated networks. These Adoption Agreement mechanics will also need to be reflected back-to-back in the connecting customer's own building contract with its delivery contractor: the contractor's completion test should be pegged to the same technical and safety standard the Transmission Owner will apply on adoption, and the defects liability period, and defect rectification standards should align with the defect provisions under the Adoption Agreement. The absence of a cure period between an adoption refusal and referral to the independent third party is a particular point to watch, since a connecting customer could reach practical completion under its building contract triggering account obligations while adoption, and payment for the asset, remains outstanding.

Licence, CUSC and STC amendments

The policy is given legal effect through coordinated amendments across three instruments. The Electricity Transmission Standard Licence Conditions are amended to introduce new defined terms (including Adoption Agreement, Contestable, Contestable Works and Self-Build and Transfer Arrangements), to place an obligation on Transmission Owners to facilitate effective competition in connections by working collaboratively with self-build customers, and to require publication of information on the Standard Adoption Agreement, Contestable and Non-Contestable works, technical standards, adoption timescales and grounds for refusal. The prohibition on preferential or discriminatory behaviour is also extended to cover compliance with these new obligations.

The CUSC is amended through a new Section 20, which sets out the end-to-end process for requesting self-build and transfer, from the initial application through to adoption, including the limited grounds on which a Transmission Owner may decline a request (where the assets would not be sole use, or where the works fall within the Centralised Strategic Network Plan) and the requirement to give written reasons for doing so. Corresponding definitions and charging provisions are introduced into CUSC Sections 2, 11 and 14, and transitional provisions preserve existing contestability arrangements for Construction Agreements entered into before the new arrangements take effect.

The STC is amended to extend the same defined terms and mechanics into the System Operator-Transmission Owner relationship, including a new "Initial SBT Scope and Costs" concept to be reflected in the Onshore Transmission Owner's construction offer process, so that the System Operator and Transmission Owner sides of the regime operate on a consistent basis with the customer-facing licence and CUSC provisions.

For delivery teams, this may also raise the practical question of interface risk between the connecting customer's contractor and the incumbent Transmission Owner's or System Operator's works. Shared access, outage windows and sequencing are common sources of delay on connection projects. While the draft PASE guidance sets out assessment stages and indicative review periods, it does not currently address how the risk of delay arising from the regulatory approval process itself, including any prolonged PASE assessment, is to be allocated as a matter of contract.

What this means for connecting customers and their advisers

The practical effect of the package, if implemented as proposed, is to widen considerably the pool of connecting customers able to deliver their own transmission connection assets, while channelling that wider freedom through a standardised engineering framework and a mandated contract template subject to Ofgem oversight.

For developers, investors and lenders assessing a connection strategy, the cost allocation rules are likely to be the most commercially significant feature of the package: which of the three cost tiers an asset falls into will materially affect tendering obligations, valuation risk, and exposure to cost overruns, and will need to be considered early in project planning. A further point worth noting for financing purposes is that Ofgem's proposed risk allocation places the risk of termination squarely on the connecting customer: if the underlying bilateral connection agreement is terminated, the Adoption Agreement terminates with it, and the connecting customer loses any money already spent on the self-build assets. Lenders financing construction of self-build assets ahead of adoption will want this risk, and the point in the process at which it crystallises, reflected clearly in their finance documents. The PASE classification of a proposed design, and the process for resolving disputes over adoption, will also be relevant to project timetables and financing structures. Taken together, these are the kind of questions that are best resolved before financial close rather than discovered during construction, and we would encourage anyone considering a self-build and transfer strategy to map their project against the proposed cost tiers and PASE categories at an early stage, rather than waiting for the final guidance to be published.

The consultation is heavily focused on engineering and contractual issues, but says relatively little about planning and consenting. Whilst this isn't particularly a surprise, the consultation does not clarify how opportunities for self-build transmission assets might be identified within NESO's Strategic Spatial Energy Plan and Regional Energy Strategic Plans or Spatial Development Strategies. The consultation materials further suggest that planning advantages may be found within the Medium and High Impact Scenarios although no basis is provided for this. At a time when consenting is consistently flagged as a contributor to delays, adding Transmission Owner approval to the front end may reduce some of the anticipated timing benefits for self-delivery where approval processes become protracted.

Next steps

Ofgem has published a template for consultation responses alongside the core documents. Responses are due by November 13 2026. Stakeholders wishing to respond should note that the consultation addresses both the scope of the policy and the detail of the draft PASE guidance, Adoption Agreement guidance, and licence, CUSC and STC drafting, and that comments on any of these elements may usefully be cross-referenced given how closely they interact. We will continue to monitor developments and report on Ofgem's decision once published.

How can we help?

BCLP has tracked developments in UK transmission connections and competition policy, including the CATO program and OFTO regime, for a number of years. We are well placed to assist connecting customers, investors and financiers in understanding the proposed self-build and transfer arrangements, assessing how a specific project may sit within the proposed scope, and preparing consultation responses. If you would like to discuss any aspect of the consultation, we would welcome the conversation.

Related capabilities

- Energy Transition
- ESG & Energy Transition

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