

**Insights**

## **TRANSMISSION DEMAND PROJECTS - SELF-BUILD AND TRANSFER OR SELF-BUILD AND OWN?**

Oct 16, 2026

We recently published our [Insight paper on Ofgem's proposed expansion of self-build and transfer](#). However, self-build and transfer forms only one part of Ofgem's broader 'Connect' reforms. An earlier strand of that programme examined whether demand customers should be able not merely to build transmission assets, but to retain ownership of them.

In its Connect Update: Demand Connections Reform (published 16 June 2026, updated 14 July 2026) OFGEM set out proposals to permit demand customers to own and operate high-voltage 400 KV transmission assets. These proposals form part of the initiative to introduce new connection arrangements to accelerate and increase connections while maintaining a secure system.

### **Where does this fit within Ofgem's wider connections reforms?**

Self-build and own, self-build and transfer, queue reform and wider demand-connections reforms are all intended to address a common challenge: how to accelerate new transmission connections without undermining system security or increasing costs for consumers. The self-build and transfer consultation focuses on who can construct connection assets. The self-build and own proposals go a step further and ask who can own them once constructed.

If the OFGEM consultations result in reformed self-build and transfer and new self-build and own regimes, large demand customers intending to connect to the transmission network will have a choice of procurement and asset management route.

### **The historic block to self-build and own**

As we discussed in our [Insight paper on self build and transfer](#), OFGEM is seeking to loosen constraints without eroding system security or allowing other consumers to bear additional cost as a result of an individual customer's choice to self-build and transfer.

OFGEM is similarly seeking to loosen impediments to self-build and own. Historically demand customers connecting to the transmission network in England and Wales (not Scotland) connect at 132 KV not 400KV. The standard connection offer model is built around NGET handing over power

at a lower, already-transformed voltage, with NGET performing the step-down itself rather than the customer.

Additionally, a demand customer's self-built high voltage 400 KV asset connected to the transmission network could be considered to be "wholly or mainly" high-voltage transmission infrastructure. If that is the case then lawful ownership/operation requires the customer to hold a transmission licence under Section 4 of the Electricity Act 1989 or an exemption from that requirement granted by the Secretary of State.

This combination of custom and practice and regulatory uncertainty and risk, discouraged large demand customers from pursuing 400 KV transmission network connections.

## **Self-build and own models**

Ofgem initially considered clarifying its interpretation of "wholly or mainly" under the Electricity Act 1989, so that sole use assets would not be considered high voltage transmission network assets, but concluded this would not provide developers with the certainty needed for a project to be bankable.

Instead, Ofgem decided that expanding the range of ownership options was a better approach. It would give projects greater certainty and reduce "bankability" concerns.

Most respondents to the OFGEM consultation, and most members of the Connect Task and Finish Group set up to look at this issue, supported introducing a class exemption from the requirement to hold a transmission licence, and an Independent Transmission Owner (iTO) licence. Each would entitle the connecting customer to own and manage its transmission assets.

## **iTO licence**

Ofgem is working with the Connect Task and Finish Group and other stakeholders on the scope of an iTO licence. This will be a standardised licence, likely to be modelled on the Independent Distribution Network Owner (IDNO) licence model. OFGEM will consult further on the nature of the iTO licence before the end of the year.

## **Class exemption**

Ofgem will separately consider with Government and NESO whether one or more electricity transmission licence class exemptions should be added to the Electricity (Class Exemptions from the Requirement for a Licence) Order 2001. This would mean that it would be for the customer to bring itself within the parameters of the exemption rather than having to expressly apply for it from the Secretary of State.

## **Project archetypes, CATOs and IDNOs**

Project archetypes are a classification framework designed to enable OFGEM (and government, for the class exemption) to tailor the two new self-build and own licensing routes to generic project structures.

To date four project archetypes have been identified:

- single non-domestic demand users;
- single non-domestic demand user with behind the meter generation and/or storage;
- single non-domestic demand users plus generation hybrids;
- multi-party non-domestic demand users.

The project archetypes expressly envisage that either the connecting customer(s) or a third party could own and operate the constructed transmission assets.

The self-build and own model is well understood at distribution level with the ICP/IDNO model. It is conceivable that IDNOs, capitalizing on their experience of self build and transfer, would be natural third party candidates to hold an iTO Licence and to build up transmission asset operating businesses. This could be in conjunction with adoption of downstream 132 KV on-site assets under their existing IDNO licence, thereby creating a unified adopted high voltage/low voltage network.

## **A third way? Self-build and transfer to an independent transmission owner**

NGET is expected to remain the default counterparty for self-build and transfer in most cases. However, the reforms may in time also allow self-build and ownership to take the form of a transfer to a third party, so the choice may not always be a straight binary between self-build and transfer to NGET, or self-build and retained ownership by the customer.

OFGEM is also assessing how the self-build and own model might fit with the CATO regime and will likely develop the interaction when consulting on the iTO licence – for example, whether certain project archetypes should default to a CATO tender rather than iTO self-build, or whether a project could transition from one to the other over its lifecycle – but the broad distinction that may need to be maintained is that the CATO model is primarily intended to promote competition in the procurement and ownership of strategic transmission assets whereas the self-build and own model is intended to apply to self-build by customer for a specific connection.

## **Why does self-build and own matter when self-build and transfer appears to offer equivalent benefits with arguably less complexity?**

Ofgem identified several benefits of enabling greater self-build and ownership raised by stakeholders in response to its consultant, in particular giving developers greater control over delivery, enabling quicker and cheaper connections, and relieving pressure on NGET so it can focus on addressing existing network constraints. However, those benefits largely mirror OFGEM's list of benefits for self-build and transfer.

The main stated differentiator appears to be the contention that self-build and own developers obtain greater control over delivery beyond the build phase as the owner is not dependent on a third party for how the asset is run, maintained, or expanded in future. In particular, this could suit developers who see network assets as a genuine part of their business or strategy, for example energy park operators. That may of less relevance to, for example, a data centre operator with a single connection who does not wish to operate transmission assets in the long-term.

However, the self-build and transfer to a third party option, may realize additional benefits. Although relatively undeveloped currently, the potential IDNO role could:

- create a competitive market in ICP/IDNO project specific transmission asset procurement and operation with the perceived benefits of IDNO speed of response and tailored solutions;
- allow developers to retain some control over future use of their assets through their IDNO relationship without becoming embroiled in, as an alternative to operating energy assets themselves; and
- unify the ownership of transmission and distribution to serve a site;

Currently Ofgem has not specified how an iTO licence holder would be remunerated for the assets it owns. There is no stated price control methodology, allowed revenue mechanism, or charging arrangement for iTO-held assets. Resolving this will be key to the development of any third party ownership model and the extent, for example, to which a competitive IDNO iTO market may or may not emerge.

## **The interaction with Gate 2/Phase 2 high-voltage connection offers**

NESO invited Phase 2 Gate 2 to Whole Queue NESO demand customers to express interest in potential high-voltage connections that will enable accelerated connection dates. The deadline for expressing interest has now passed but for those Gate 2 customers who accepted the invitation and assuming NGET modelling confirms technical viability, the Gate 2 offers will be modified from 132KV offers to 400KV offers. There will be no requirement to build a 132 KV sub station at the connection point. Instead, customers will connect directly into the NGET 400KV sub station, run a 400KV cable to their own demand site and at that point step down voltage appropriately.

If the offer is not accepted by the customer the customer connection status will be downgraded from Gate 2 to Gate 1. It is therefore recognised that opting to move into a Gate 2 400KV process

runs the risk that the Gate 2 offer will not be to the liking of the customer. However even if the offer itself is satisfactory this process is silent on what the customer then does with the 400 KV assets on its side of the connection boundary.

As noted in our 14<sup>th</sup> October Insight, currently if a demand customer wants to connect to the transmission network at 400KV it can do so if the assets are sole use and the customer's site is within 2KM of the NGET connection point. Alternatively, it could in principle obtain an express exemption from the requirement to hold a transmission licence from the Secretary of State, but the regime was not intended to deal with large demand customers seeking to operate transmission assets and is insufficiently agile and predictable.

If the customer does not fall into either of those two categories then until the self-build and transfer model reforms discussed in our 14<sup>th</sup> October Insight and/or the self-build and own model are formalised, a customer accepting a 400 KV Gate 2 offer does so without certainty as to how it can legally own and/or operate those assets.

## **Current status of self-build and own proposals**

The initial consultation on the iTO licence is not expected until Autumn 2026, followed by a further consultation on detailed licence conditions once scope and outcomes are decided whereas the self build and transfer proposals are further advanced and Ofgem has already decided on using the Planning and Infrastructure Act to drive forward those proposals.

Similarly, the design and scope of a class exemption route for self build and own would be a decision for government and the speed of decision making is uncertain.

A lender or investor evaluating a major demand project seeking to self build and own would be underwriting not just construction and operational risk, but also significant regulatory design risk, as the self build and own framework is a work in progress.

It will be important for one or both of those mechanisms to be in place for those who have accepted Gate 2 offers with 400KV connections and for the next Gate 2 round in 2027. Taken together with Ofgem's proposed expansion of self-build and transfer, these reforms point towards a broader shift in thinking around ownership, competition and delivery of transmission connection assets.

## **Next steps**

We will continue to monitor developments and report on the iTO consultation and its outcome.

## **How we can help**

BCLP has tracked developments in UK transmission connections and competition policy for a number of years. We are well placed to assist connecting customers, investors and financiers in understanding the proposed self-build and own arrangements, how they fit into the wider palette of DESNZ, NESO and OFGEM reforms (including self-build and transfer, CATOs, OFTOs and general connections reform), how those initiatives interconnect or in some cases overlap, assessing how a specific project may sit within the proposed scope, and preparing consultation responses.

## **Related capabilities**

- Energy Transition
- ESG & Energy Transition

## **Meet the team**



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