UK Government

Transmission licence exemption

Notice of proposed exemption for Neart na Gaoithe Offshore Wind Farm

Closing date: 22 December 2026

Department for Energy Security and Net Zero (2026)

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Any enquiries regarding this publication should be sent to us at:
essupport@energysecurity.gov.uk

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Introduction

The government proposes to grant a time-limited exemption from the requirement to hold an electricity transmission licence to Neart na Gaoithe Offshore Wind Limited, which owns and operates the Neart na Gaoithe offshore wind farm off the coast of Fife, Scotland.

Offshore wind farm owners can operate the cables and equipment that connect their wind farm to the shore without a transmission licence for a limited period, while ownership of these assets is transferred to an independent offshore transmission owner (OFTO). For Neart na Gaoithe, this period ends on 21 February 2027.

An unexpected technical issue with a transformer on one of the wind farm's offshore substations has delayed this transfer. Without an exemption, the wind farm may need to stop transmitting electricity after 21 February 2027.

The proposed exemption would last for 90 days, until 22 May 2027. It would mainly affect Neart na Gaoithe Offshore Wind Limited and the preferred bidder that has been selected to become the OFTO for the project.

We would like views from interested parties on whether the exemption should be granted, and on its proposed length.

General information

Why we are consulting

We are seeking views on a proposed time-limited exemption from the requirement to hold a transmission licence in respect of the Neart na Gaoithe offshore wind farm owned and operated by Neart na Gaoithe Offshore Wind Limited. The Electricity Act 1989 requires us to publish notice of a proposed exemption and to consider any representations made before deciding whether to grant it.

Consultation details

Issued: 24 November 2026

Respond by: 22 December 2026

Enquiries to:

Offshore Transmission (OFTO) Team

Department for Energy Security and Net Zero

Email: essupport@energysecurity.gov.uk

Consultation reference: Notice of proposed transmission licence exemption for Neart na Gaoithe Offshore Wind Farm

Audiences:

We welcome views from all interested parties, including Neart na Gaoithe Offshore Wind Limited, offshore wind developers, prospective offshore transmission owners and other industry stakeholders.

Territorial extent:

Great Britain, including the devolved administrations.

How to respond

Please respond by email.

Email to: essupport@energysecurity.gov.uk

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our privacy policy.

We will summarise all responses and publish this summary on GOV.UK. The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

Quality assurance

This consultation has been carried out in accordance with the government's consultation principles.

If you have any complaints about the way this consultation has been conducted, please email: bru@energysecurity.gov.uk.

The proposal – Notice of proposed transmission licence exemption

EXEMPTION FROM THE REQUIREMENT FOR A LICENCE TO TRANSMIT ELECTRICITY: PROPOSAL TO MAKE THE ELECTRICITY (INDIVIDUAL EXEMPTION FROM THE REQUIREMENT FOR A TRANSMISSION LICENCE) (NEART NA GAOITHE) ORDER 2027

Summary

This consultation seeks views on our proposal to grant an exemption from the requirement to hold a transmission licence for the Neart na Gaoithe Offshore Wind Farm. The wind farm is owned and operated by Neart na Gaoithe Offshore Wind Limited.

Proposal

The Secretary of State (SoS), pursuant to sections 5(2) and 5(3) of the Electricity Act 1989 (the Act), hereby gives notice of a proposal to make an order under section 5(1) of the Act granting exemption from the requirement to hold a transmission licence under section 4(1)(b) of the Act to the following wind farm currently in the process of transferring transmission assets under the Offshore Transmission Owner's (OFTO) regime:

Neart na Gaoithe Offshore Wind Limited (company number SC356223), with registered office address Atria One, 144 Morrison Street, Edinburgh, EH3 8EX. In respect of the Neart na Gaoithe wind farm, with a final installed capacity of 448MW. Neart na Gaoithe Wind Farm is located approximately 15.5km off the coast of Fife, Scotland, in the North Sea, with its central point approximately at Longitude [002° 14′ 43.20643″ W] and Latitude [56° 16′ 01.70823″ N].

Legislative background

Section 4 of the Act sets out the activities for which licences are required, which includes the transmission of electricity. It specifies that an offence is committed if these activities are carried out without a licence. A transmission licence is granted by the Authority (the Gas and Electricity Markets Authority, hereinafter referred to as Ofgem) under section 6(1)(b) of the Act. "Transmission" and the relevant term "transmission system" are defined in section 4.

Section 5 of the Act grants the SoS powers to grant exemptions from the requirement to hold various types of licences, including a transmission licence. Section 5(1)(c) allows the SoS to specify conditions that apply to exemptions. The exemption can be revoked if it appears to the SoS inappropriate that the exemption should continue to have effect, as set out in section 5(8).

Sections 6F and 6G of the Act allow offshore generators to transmit electricity without an offshore transmission licence subject to certain conditions, including the condition that the transmission takes place during the 'commissioning period'. Following a change in the law through the Planning and Infrastructure Act 2025, the commissioning period is defined as the period before and during the 27 months beginning on the day the National Energy System Operator (NESO), formerly National Grid Electricity System Operator (NGESO), gives a completion notice to Ofgem.

Unlicensed transmission by an offshore generator after the end of the commissioning period is an offence under section 4(1)(b) of the Act, unless an exemption from the requirement to be licensed is granted.

Policy background and reasons for proposed order

The transmission cables linking offshore wind farms are licensed through a competitive regime. While the transmission assets can be built and tested by the OFTO itself (under the OFTO build option), all projects so far tendered have been built and tested by generators (under the generator build option).

Under this option, the transmission assets are built by the offshore wind developer in parallel with construction of the wind farm array. Once complete, Ofgem runs a tender to select the OFTO who will own and operate the transmission assets for a specified period.

The OFTO will then pay the generator the transfer value (determined by Ofgem through an open methodology) and will take ownership and responsibility for the operation of the transmission asset in return for a fixed revenue stream for the specified period. Through this process we have introduced an important element of competition to the sector, which has been estimated to have delivered £700m of savings over the first £3.1bn worth of assets tendered.[1]

The OFTO regime in the Act lays out a system under which the transmission asset is transferred to an independent OFTO within 27 months of the completion of the project.[2] This 27-month commissioning period allows for the technical demonstration of the asset to potential bidders, gives time for Ofgem to run a tender process and select a preferred bidder for the OFTO, and provides time to finalise commercial negotiations ahead of transfer.

Beyond this 27-month commissioning period the generator is not legally able to continue transmitting electricity, as doing so would constitute the transmission of electricity without a licence, which is an offence under section 4(1)(b) of the Act. NnG had it's GCC period

[1] Ofgem (2014) 'Tendering regime reduces cost of connecting offshore wind farms by at least £700m' (savings to consumers over tender rounds 1 to 3)
[2] For these purposes, 'completion' refers to the date that the National Energy System Operator (NESO) gives Ofgem a 'completion notice' in relation to the project

extended 27 months via the Planning and Infrastructure Act, giving a GCC expiry date of 21 February 2027.

Neart na Gaoithe Offshore Wind Farm has experienced an unforeseen and significant technical issue with the transformer on its South Offshore Substation. In July 2025, testing of the transformer fluid confirmed the presence of corrosive sulphur, which can cause silver sulphide deposits to form on the transformer's on-load tap changer contacts. This creates a risk of reduced export performance over time and, in the worst case, failure of the transformer.

Neart na Gaoithe has now applied for a transmission licence exemption on the basis that the technical issue with the transformer has prevented the Preferred Bidder from closing its technical due diligence and project finance. Following a period of monitoring and assessment, in June 2026, Neart na Gaoithe replaced the transformer fluid and cleaned or replaced the affected components. Neart na Gaoithe states that a residual portion of the original fluid could not be removed from the transformer, which required a period of monitoring before a further fluid sample could be taken and analysed. Neart na Gaoithe has advised that the results of this sampling, an independent expert report and a view on an enduring monitoring regime are needed before the Preferred Bidder can complete its technical due diligence.

Neart na Gaoithe also states that a commercial solution with the Preferred Bidder in relation to the residual risk cannot be agreed until the independent expert has reported in December. This would not leave sufficient time to undertake lender due diligence and complete the transaction before their GCC expires on 21 February 2027.

The department has assessed that a 90-day exemption is appropriate to address the immediate risk that these delays could prevent the lawful transmission of electricity while Neart na Gaoithe completes the outstanding technical work and the OFTO transfer. **We are therefore consulting on granting Neart na Gaoithe an exemption from the requirement to hold a transmission licence for 90 days, until 22 May 2027.**

Existing guidance on licence exemptions

In August 2023, the department published a guidance note for individual offshore transmission licence exemptions.[3] The guidance states transmission is a licensable activity under section 4 of the Act, and that engaging in transmission in the absence of a licence or exemption is an offence. Under section 5 of the Act, the SoS has the power to grant exemptions from the requirement to hold an offshore transmission licence, and to impose conditions on that exemption. Offshore transmission licence exemptions follow a statutory process set out in the Act, which includes a 28-day public consultation and secondary legislation laid in Parliament.

[3] Department for Energy Security and Net Zero (2023) 'Offshore transmission licence exemptions: guidance' (PDF)

Should the SoS receive an application for an offshore transmission licence exemption, the SoS will assess any application fairly and reasonably, using the guidance note. They will consider the principal objective of protecting the interests of existing and future consumers wherever appropriate by promoting effective competition. They will also consider the need to ensure security of supply and the need to contribute to the achievement of sustainable development. In the absence of an exemption, developers must bear the risk, so it is imperative that sufficiently persuasive reasons are put to the SoS.

The guidance note states the department would consider an exemption application made by a developer in exceptional circumstances, and highlights three categories of exceptional circumstances. These are: unforeseen and significant technical issues, coordinated projects, and innovative projects.

The Secretary of State's Principal Objective

In carrying out functions under Part 1 of the Act (including considering granting any exemption from the requirement to hold a transmission licence), the SoS is required under section 3A(1A)(a) to consider the principal objective of protecting the interests of existing and future consumers in relation to electricity conveyed by distribution systems or transmission systems. The interests of existing and future consumers are their interests taken as a whole, including their interests in the SoS's compliance with the duties in sections 1 and 4(1)(b) of the Climate Change Act 2008 (net zero target for 2050 and five-year carbon budgets). The SoS shall carry out their functions under Part 1 in the manner which they consider is best calculated to further the principal objective, wherever appropriate by promoting effective competition, and must have regard to the interests in section 3A(2), including the need to contribute to the achievement of sustainable development.

If the SoS were not to provide an exemption, we anticipate it is likely that Neart na Gaoithe could cease operation on or immediately after 21 February 2027, as to continue transmission of electricity without a licence or an exemption would be unlawful.

Given the technical issue experienced by the project, and the impact this has had on the transaction, and in the absence of compelling reasons to the contrary, the SoS considers it to be in the public interest for offshore wind generation to be transmitted to shore so that it can reduce the overall level of greenhouse gas emissions from the power sector and contribute to a diverse and secure supply of electricity. Furthermore, the SoS is satisfied that there would be no material distortions to competition and no unfair economic advantage to be gained if an exemption were granted.

Providing an exemption would directly support future reductions in greenhouse gases by demonstrating to investors and developers that offshore wind farms can continue to transmit low-carbon power to the grid for the limited time required for the transfer of transmission assets to be completed. Enabling offshore wind generation to be lawfully transmitted to shore will help

reduce emissions in line with carbon budgets set under the Climate Change Act 2008 as well as reducing dependence on imported fossil fuels to generate electricity.

In determining the length of any proposed exemption, the SoS will consider the delays experienced and expected by Neart na Gaoithe as a result of the issues raised above, alongside the need to complete the transaction in a timely fashion. The SoS will also consider the contribution that Neart na Gaoithe will make to security of supply of electricity and the reduction in costs to consumers as a result of displacing more expensive forms of generation.

Therefore, in line with the government's Clean Power 2030 ambition, as well as its efforts to increase domestic production of electricity and reduce reliance on energy imports, the SoS is minded to use the powers conferred by section 5 of the Act to grant Neart na Gaoithe a time-limited exemption from the requirement to hold a transmission licence. We propose granting a time-limited transmission licence exemption to 22 May 2027.

Terms of proposed exemption

The department has considered whether the terms of the exemption should include conditions that prevent generators from gaining any unfair commercial advantage as a result of being granted an exemption. In creating the proposed exemption, the department has taken into consideration:

- **Strict time limits:** The duration of the proposed exemption will be strictly time limited by an expiry date included in the exemption order. The SoS considers that a proposed exemption running to 22 May 2027 is appropriate to account for the delays to the process. This proposed exemption is also intended to allow Neart na Gaoithe the time necessary to conclude the OFTO transaction, which has been delayed by the unforeseen technical issue with the transformer on its South Offshore Substation and the time needed for the Preferred Bidder to complete its technical due diligence and project finance.
- **Commercial advantage:** In considering the best approach to take to address this issue, the SoS has considered whether there would be any financial advantage that could be enjoyed by a generator in receipt of a time-limited exemption, for example, through Transmission Network Use of System (TNUoS) charges or through the avoidance of paying a licence fee. The conclusion is that there is no material advantage to the project as a result of this exemption.
- **Interaction with other policies:** The SoS also considered whether there would be any unintended interactions with other policies that could adversely affect the achievement of our objectives in other areas, which might justify imposing conditions. No issues were identified.

Therefore, the SoS does not consider it necessary for the exemption to be subject to additional conditions. Neart na Gaoithe will still be required to comply with its obligations under its

generation licence. This means it will continue to adhere to the codes of conduct, industry agreements and behavioural conventions. The SoS notes that there are economic incentives for Neart na Gaoithe to complete the transfer. The SoS expects Neart na Gaoithe to work towards completing the transfer as soon as possible and to report to the Department for Energy Security and Net Zero on progress towards completing it.

Summary

We invite views from interested parties on a proposal for the SoS to use powers under the Electricity Act 1989 to grant an exemption from the requirement to hold a transmission licence to Neart na Gaoithe to expire on 22 May 2027.

Consultation questions

1. **Do you agree with the proposal to grant Neart na Gaoithe Offshore Wind Limited a time-limited exemption from the requirement to hold a transmission licence until 22 May 2027? Please give reasons and any supporting evidence for your answer.**

Next steps

We will consider all responses received before the SoS decides whether to make the proposed exemption order. If the SoS decides to proceed, the order will be laid before Parliament as a statutory instrument.

We will publish a summary of responses and the government response on GOV.UK.

This consultation is available from: www.gov.uk/desnz

Any enquiries regarding this publication should be sent to us at: essupport@energysecurity.gov.uk

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