Early Competition Plan

Phase 3 Consultation: Chapter 3, Identifying projects

December 2020

nationalgridESO

Contents

1 Summary

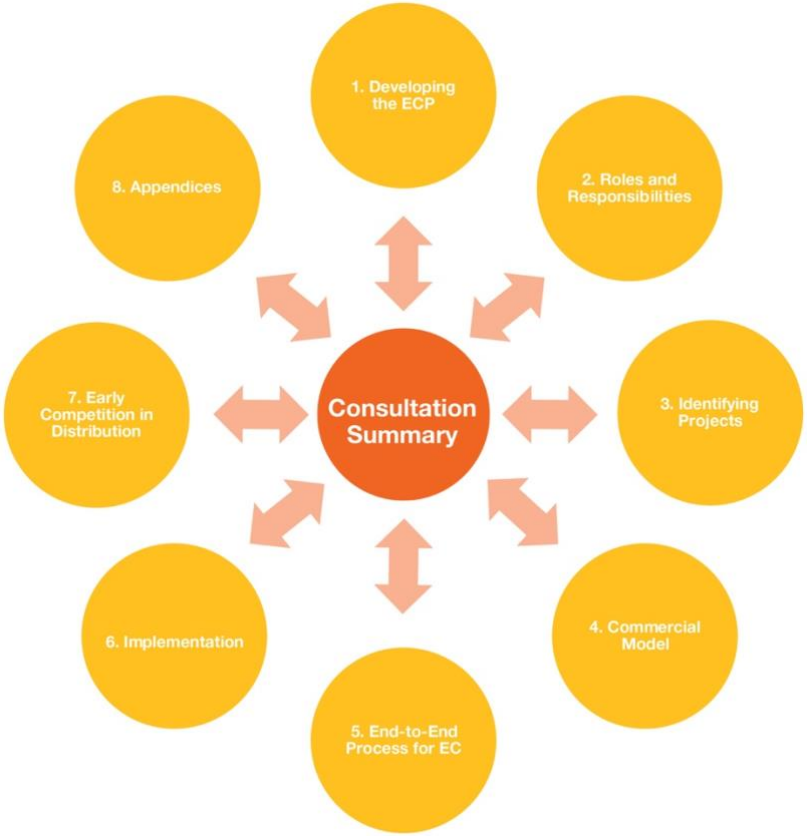
This chapter sets out our proposals for which projects could be suitable for early competition, and the processes by which they would be identified.

In this chapter, we briefly summarise the current major network reinforcement planning process and provide some examples of the types of projects that could arise in future that may be suitable for competition. We cannot identify specific projects for competition at this point however, as it is likely that these projects will have progressed past the early competition point before the required legislation and frameworks are in place.

Our proposed criteria for assessing whether projects are suitable for early competition have not changed since our Phase 2 consultation, but we have added further clarity on how we would measure 'certainty of need'. We continue to propose that 'new and separable' are important criteria, and we do not recommend imposing a minimum value threshold. We also continue to recommend that a cost benefit analysis should be undertaken on each project considered for competition.

We set out our position on projects that are not driven through the Network Options Assessment ("NOA") process. This covers projects driven by customer connections, network compliance, asset health and voltage and stability requirements. We recommend that all types of network investment should potentially be considered for competition. However, for some of these categories, suitable projects are likely to be rare and additional criteria may need to be applied.

We also consider that the initial solution design for NOA helps to set the specification for any early competition tender. Therefore, it is important that this process is fair and transparent. Stakeholder feedback showed a preference to build on the existing Interested Persons Options process rather than introduce a different process.



2 Identifying projects for competition

In our Phase 2 consultation we set out our views on how projects would be identified for early competition. This section sets out our updated views on which type of projects could result in consumer value if competed. We also cover the process for involving stakeholders in the initial solution design process so that the network planning process is fair and transparent.

In developing our position, we have sought to take as broad a view of what could be competed based on where we believe there could be consumer value to be gained. We have aimed not to exclude projects unless there is strong reason to do so. There are other factors that need to be considered when Ofgem determine their final position on this, including the implications for incumbent Transmission Owner ("TO") business planning. This chapter notes the concerns flagged in regard to such matters.

Figure 1: the NOA planning process

Background on the Network Options Assessment ("NOA") Network Planning Process

We anticipate most projects suitable for early competition will emerge through 'the NOA process'. This document refers to such projects as 'NOA projects'. The NOA process identifies and recommend major network reinforcement projects.

This process starts with the production of the Electricity System Operator's ("ESO") Future Energy Scenarios ("FES") document, setting out four possible scenarios for energy production and demand in future. The ESO, working with TOs, then determines the impact those scenarios will have on the network and where reinforcement may be required.

The technical output of this is published firstly in the System Requirement Forms ("SRFs"), which set out the network needs for TOs. The ESO's Electricity Ten Year Statement ("ETYS") then sets out this information and highlights its implications more broadly for wider stakeholders.

Following this, TOs identify potential build solutions, such as adjusting settings on existing assets or building new transmission lines. The ESO also considers potential commercial and operational solutions. This year, Ofgem asked the ESO to introduce the Interested Persons ("IP") options process to enable third parties to also submit potential solutions into the planning process. The ESO then takes all of these solutions and analyses which combination of solutions best address the needs of the network.

This analysis is published in the NOA. This process is shown in Figure 1. This process is repeated annually.

To facilitate the introduction of competition the ESO's NOA process will need to be adapted. For example, process timescales may need to be revised. In addition, the ESO will need to introduce a new NOA signal that highlights projects for competition with enough lead in time to run a competition. We are continuing to explore what these changes might involve and timeframes for doing so.

Pipeline of Projects

Stakeholders fed back that they would like to understand the potential pipeline of projects that could be competed under early competition. Based on the number of projects in NOA currently and our current criteria for competition, we anticipate that there could be between 1 and 3 projects tendered every 2 to 3 years.

We anticipate that ongoing developments in the industry, such as the offshore targets and anticipated growth in electric cars will drive an ongoing need for substantial investment in electricity transmission networks.

Ofgem are still considering whether to introduce early competition and legislation and frameworks are not yet in place. Before early competition can be introduced, Ofgem need to consult on and make any final policy decisions, legislation needs to be passed through Parliament, and licences, codes and other industry frameworks need to be amended. We would therefore anticipate that the earliest the first early competition could begin is anytime between 2023 to 2025, concluding between 2025 to 2027.

For many projects currently in NOA 2019/20, the projects will have progressed past the early competition point by that time and delaying the projects by running a competition is likely to incur substantial constraint costs. We therefore anticipate that projects suitable for early competition are likely to be those which appear in forthcoming NOAs. Our final Early Competition Plan ("ECP") will provide an updated view on this based on NOA 2020/21.

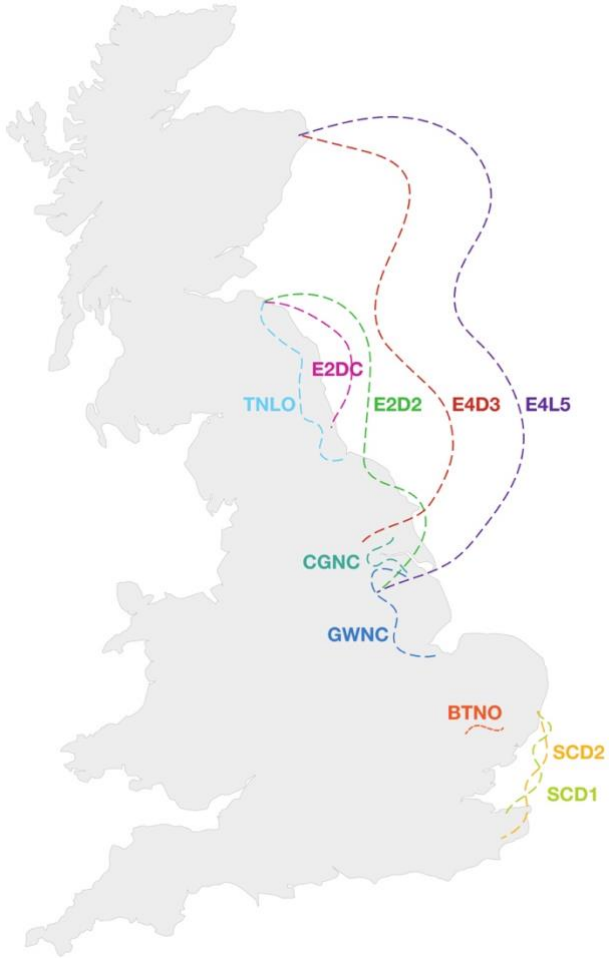
Be transparent where possible

To give stakeholders an indication of the type of projects that may emerge, we have set out a list of projects from NOA 2019 that would meet our certainty, new and separable criteria for early competition in Table 1.

In the interest of transparency, Table 1 show the projects in NOA 2019 that we consider meet the new, separable and certainty criteria. These projects vary in scale from between £200m to several billion pounds. However, we would anticipate that, by the point legislation is introduced, the cost of constraints for most of these projects would be very substantial and is likely to outweigh competition benefits.

Table 1: for indicative purposes, the table sets out projects in NOA 2019/20 that meet the new, separable and certainty criteria. (Note: these specific projects are anticipated to have progressed beyond the early competition point by the time legislation is introduced. Also, some of these projects represent alternative options for the same network need.)

Project	NOA Code	Date solution anticipated	NOA5 result	Number of FES scenario
Eastern Scotland to England 3rd link Peterhead to South Humber offshore HVDC	E4L5	2031	Proceed	4
Eastern Scotland to England link - Peterhead to Drax offshore HVDC	E4D3	2029	Proceed	4
Eastern Scotland to England link - Torness to Cottam offshore HVDC	E2D2	2028	Proceed	2
Eastern subsea HVDC link from Torness to Hawthorn Pit	E2DC	2027	Proceed	2
New offshore HVDC link between Suffold and Kent Option 1	SCD1	2028	Proceed	4
Torness to north east England AC onshore reinforcement	TLNO	2036	Proceed	3
A new 400kV double circuit between South Humber and South Lincolnshire	GWNC	2031	Proceed	4
A new 400kV double circuit between Crekye Beck and the South Humber	CGNC	2031	Proceed	3
A new 400kV circuit between Bramford and Twinstead	BTNO	2028	Proceed	4
New offshore HVDC link between Suffolk and Kent Option 2	SCD2	2029	Hold	n/a



2.1 Criteria for competition

This section sets out the criteria that we propose could be used to determine whether to compete a project.

Phase 2 consultation

In our Phase 2 consultation, we set out our view that projects should be identified as being suitable for competition based on a Cost Benefit Analysis ("CBA") of the potential consumer value for competing that project, rather than on the basis of a predetermined value threshold. We set out the need to consider the market interest in determining the potential for consumer value.

We also proposed that the late model criteria of new and separable should also be applied for early competition. Furthermore, we proposed that 'certainty of need' should be considered so that there is enough confidence the project will go ahead.

Stakeholder feedback

In our Phase 2 consultation, we asked whether we had identified the appropriate criteria to determine whether to compete a project. Stakeholder feedback on this point was mixed.

Three respondents were concerned about the removal of a value threshold criterion. One highlighted that it would give network operators no certainty as to what projects could potentially be eligible for early competition, making network planning and regulatory business planning impossible. Another felt it would have a significant impact on the overall financing of the incumbent TO business in its current proposed form and on the effectiveness and efficiencies available in assessing all projects regardless of size. One questioned whether consumer benefits would be achieved through the delivery of projects through competition, regardless of the value of the project in question.

Three stakeholders felt that not setting a value threshold was the right approach, noting the need to compete projects that suggest consumer value can be gained. One of these stakeholders cited the ESO's pathfinders as examples of low value, technology neutral tenders.

One stakeholder raised concerns that competing several small projects would introduce many new parties into the sector. They were concerned about the ability of the network to deliver clarity, timeliness of communications and a coordinated response during an emergency or a black-start scenario. These are critical to the successful operation and/or restoration of the network when the network is owned by multiple small parties. Another stakeholder also recognised the potential impact of having multiple parties involved.

Two stakeholders agreed with the principle that the assessment on early competition should be focused on costs versus benefits but sought further information on how this would be calculated. One stakeholder highlighted that this assessment must consider the whole life net benefit of competitive versus incumbent TO delivery and that any assessment of costs must reflect the full life costs (e.g. include counterparty administration costs). They also believe it is critical that the ESO considers within its criteria a timeliness assessment to run the competition process, and the impact on Net Zero.

Two stakeholders agreed that certainty of network need is an important criterion. Another stakeholder felt a certainty criterion isn't necessary as that would be reflected in market appetite. They also highlighted the need to avoid waiting for such certainty that there is no time for competition.

Individual stakeholders made various other points, Including:

- the importance, for bidders and network operators, of clear, unambiguous and transparent criteria for early competition
- that market appetite is not a suitable criterion as it is unclear and ambiguous, and
- for clarity and consistency, the terms 'new and separable' should reflect those set out in Ofgem's Guidance on the Criteria for Competition.

Updated preferred option

Our preferred position is that projects should be identified for early competition based on a cost-benefit analysis and if they are new, separate and certain enough and that there should be no minimum value. Projects that do not meet the criteria for early competition could still meet the criteria for late competition and be competed after preliminary works have been completed.

In considering our position for the ECP, we have focused on where there could be consumer value to be gained from competition. There are additional factors that Ofgem will need to consider in determining their final view on criteria for competition. They will need to consider the impact of uncertainty on TO business planning and the number of new Competitively Appoint Transmission Owners ("CATO") they want to introduce.

Further detail on each criterion is set out below:

Value

We do not currently see a need to exclude projects below a value threshold as we have no reason to believe competition cannot achieve value for small projects. The ESO's NOA pathfinder projects are already exploring whether value can be gained from competing lower value network needs. We also note that small value projects have been competed in the US. For example, the Imperial Valley project in California Independent System Operator ("CAISO") was originally valued at £25m; the winning bid price was £14m. We therefore propose that learnings should be taken from the pathfinders, and the ongoing experience internationally, in order to inform any final decisions on minimum value thresholds.

NOA pathfinder projects were introduced in 2019 as part of the Network Development Roadmap. They take a whole system approach to consider whether alternative options to transmission build solutions could deliver greater consumer value.

However, it will be important to ensure processes are proportionate to the scale of the projects. For small projects (below £50m) a more streamlined process is likely to be more appropriate.

The projects within NOA 2019/20 that could meet the criteria are typically over £100m in value. Over time, smaller projects with suitability for competition could emerge, but we would anticipate most suitable projects to be large scale.

It is worth noting that, despite no minimum value threshold, we would not anticipate many small NOA projects to meet the criteria. Most are likely to fail the 'new and separable' criteria. We anticipate that most small projects would be driven by voltage and stability requirements.

Cost Benefit Analysis

As set out in our Phase 2 consultation, we continue to propose that the ESO undertake a CBA before making a recommendation to Ofgem to tender a project. We propose this would be run for all projects that meet the other proposed criteria (set out below), as part of the NOA process. This would be updated following pre-tender activity, prior to the launch of the tender. This pre-tender activity would also help inform whether there is sufficient appetite to realise the competition benefits.

The cost of a delay due to running a competition could be substantial, due to constraint costs. This CBA process will help ensure that projects are only competed where those constraint costs, and other costs, don't outweigh the benefits that might be gained through the competition. The CBA calculation would be based on:

Costs:

- Procurement costs (determined based on estimated procurement exercise costs being developed through the ECP and any subsequent implementation).
- Constraint costs from any delays to solution implementation due to running a procurement exercise (determined by the ESO, based on estimated impact on the Earliest In Service Date.).
- The successful bidder costs which we expect bidders to price into their commercial offers as part of Invitation to Tender ("ITT") (stage 2).
- Contract management costs or additional network governance costs of the contract/licence counter party as a result of the competition.

Benefits:

- Estimated benefits of competition (based on competition benefit assumptions determined by Ofgem based on other competitive processes (e.g. Offshore Transmission Owner ("OFTO"), water industry, pathfinders, late competition, early competition learnings)). These could be:
    - Cost efficiencies gained from lower capital expenditure or operating expenditure than would have been incurred under the counterfactual.
    - Lower costs of financing.
    - Environmental or social benefits of competition e.g. lower carbon intensity or a lesser ecological impact.
    - Innovation in terms of design or approach leading to cost savings or other non-financial benefits.

We note that Ofwat has included standard assumptions for each of the above for undertaking similar cost benefit analysis for assessing the suitability of projects for Direct Procurement for Customers ("DPC"), which is a competitive delivery model for water infrastructure worth more than £100m whole life totex. These may not be appropriate for early competition but are a starting point when developing the cost benefit analysis.

New and separable

We continue to feel that 'new and separable' are important criteria to ensure clear ownership arrangements. We propose that the same definitions are adopted as for late competition, as set out in Ofgem's Guidance on the Criteria for Competition.

Certainty of need

We have further developed our thinking on a certainty of need criteria. We believe that the certainty measure is required in order to help inform participants as to whether they wish to bid, and to reduce the risk of consumers paying for a competition for something that is ultimately not required.

We now propose that, in order to provide enough confidence that the network need will not disappear, the project should be required in more than one FES scenario. We recognise that this is not a perfect measure of certainty however we feel that this will help give more confidence to the market. We will continue to explore ways to gauge certainty during implementation.

Questions

1. Do you agree that only competing projects that appear in at least 2 FES scenarios will provide sufficient confidence that the project will go ahead?

2.2 Drivers of network investment

This section considers whether network investment driven by factors other than the NOA process should be eligible for competition.

Phase 2 consultation

The ECP focuses primarily on investment driven through the NOA process. In our Phase 2 consultation we set out some of the other drivers that can lead to the need to invest in the network, including maintaining voltage and stability, customer connections, and asset replacement.

Stakeholder feedback

We asked stakeholders for initial views on whether investment driven by each of these factors should be considered for competition. Three respondents broadly agreed with the drivers, one disagreed and one required further information.

Three stakeholders felt asset replacement projects should not be in scope due to potential adverse impacts on continued operation of the network. It was also highlighted that timeframes for asset replacement may not provide enough time for competition.

One stakeholder felt that customer connections would not be suitable for connections due to the impact on customers connection dates. However, one stakeholder felt that competition in connections should be prioritised, while another noted that the appetite of the customer should be considered in the decision.

Individual stakeholders also made the following points:

- inclusion of visual impact projects could result in multiple owners of single circuits
- more detail is required on how a competition will be run so solutions can be optimised to meet multiple drivers in the interest of consumers
- some potential drivers were omitted, such as planned new assets such as wind, solar and tidal farms, power stations, interconnectors, storage and synchronous condensers, and
- solutions should not be restricted to network solutions.

Updated preferred option

Our preferred position is that connections, compliance, asset replacement and voltage/stability are all potentially suitable for competition. However, the number of suitable projects in some areas is likely to be limited. Our views on each driver is set out below:

Voltage and stability

The ESO's pathfinder projects already begin to compete some voltage and stability driven investment. We anticipate that (subject to learnings from the pathfinders) such projects will continue to be competed in future. We anticipate that the pathfinder process and early competition processes will be merged or aligned wherever possible to provide consistency for bidders. However, we need to ensure that processes remain proportionate to the value and nature of the need being tendered, which may lead to some differences in approach.

Be consistent, whilst remaining flexible

We are aiming for alignment with our pathfinders and early competition wherever possible, whilst retaining flexibility to ensure a proportionate tender approach.

Customer connections

Customer connections drive different elements of work, including enabling works and connections wider works. Connections wider works are reinforcements that add additional capacity to the existing network and which do not usually need to be completed prior to the connection. The ESO's RIIO-2 proposals set out our intention to bring connections wider works within scope for NOA. Therefore, these projects would be captured through the NOA process.

Enabling works are the part of a connection project that are required for a customer to connect to the network. They are not usually included within the NOA process. These projects will be dependent upon the customer connection proceeding, which can be uncertain, and there would need to be enough time to run a competition without delaying the customer's connection date. Therefore, many of these projects will not be suitable for competition. However, some enabling works can be driven by multiple connecting parties. We propose such projects should be considered for competition (again, providing there is enough time to not delay the customers' connections). An example of where this situation might arise is onshore works driven by multiple offshore wind connections.

In order to identify these projects, the ESO would need to build a process step into the existing connections process to assess connections projects in order to identify suitable projects.

Asset replacement

TOs are responsible for replacing their aging assets like for like in order to maintain the network (subject to assessment of the ongoing need for the asset). Asset replacement can also be driven by visual improvements, such as undergrounding overhead lines. Asset replacement schemes will typically involve utilising existing assets in part and so suitable projects are likely to be rare as most won't be 'new or separable'.

In our RIIO2 business plan, we set out proposals to bring some large asset replacement schemes in to scope for NOA where alternative options or betterment of existing solutions may be available instead of like-for-like replacement. Any such suitable project would therefore be identified for early competition through this process.

Compliance

In addition to the three drivers highlighted in our Phase 2 consultation, network investment can also be driven by the need to maintain a network compliant with the Security and Quality of Supply Standard (SQSS). Some projects would feature in NOA if they also impact a network boundary. However, others may not. We have therefore also considered whether such projects should be eligible for competition. We propose that such projects may be suitable for competition, providing there is enough time to run a competition without risking compliance (or if Ofgem consider a compliance derogation to be appropriate).

We propose that TOs be required to report compliance driven investment to the ESO for consideration for competition. Ofgem will need to monitor TO reporting to ensure projects are identified in enough time to allow a competition to be run where possible.

Questions

2. Do you agree with our proposed approaches for different drivers of network investment? Are there ways single party connections could be identified as having sufficient certainty to compete?

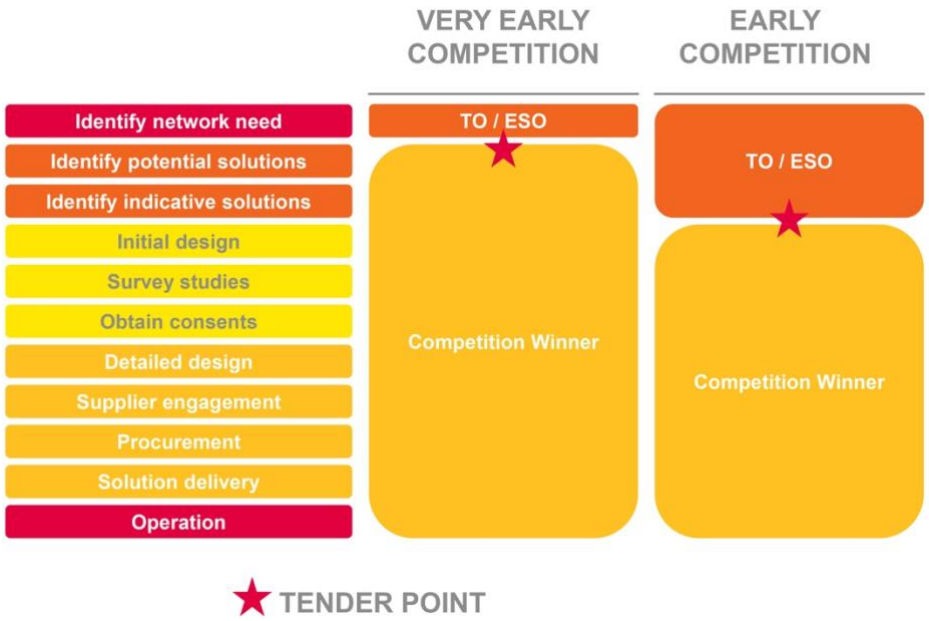
2.3 Project identification process

This section sets out our proposals for the process to identify NOA driven projects that are suitable for competition.

Phase 2 consultation

In our Phase 2 consultation, we set out our preference to launch a competition at the 'early' stage (i.e. after initial solution development) rather than at the 'very early' stage (i.e. before initial solution development). We also highlighted our intention to explore whether and how stakeholders could input into the initial solution development.

Figure 8: Early vs very early competition



Stakeholder feedback

We asked whether stakeholders think a tender launched 'early' (i.e. after an indicative solution has been identified) but informed by market engagement that begins 'very early' is a suitable process.

All consultation respondents agreed with the proposals to launch early. However, one respondent highlighted some variations needed to the proposed process (these points are discussed in the next section and in Chapter 2). Some stakeholders asked for further detail on what the ESO means by 'market engagement'.

Individual stakeholders also expressed the follow views:

- that an 'early' tender is more practical and that a 'very early' tender is less likely to generate efficiencies
- the ESO's proposal to allow bidders to propose alternatives to the indicative solution seems essentially the same as a 'very early' competition
- need to consider how the NOA process and Earliest In Service Dates might be impacted
- in its current format the NOA process is not granular enough
- need to ensure incumbent network solutions are not delayed if there is a lack of market appetite for competition, and
- the need to ensure the ESO is properly skilled and resourced to undertake such engagement.

We also asked stakeholders if they agree with the approach where the ESO makes the recommendation to Ofgem on the projects/needs which are suitable for competition. Six stakeholders agreed and one did not respond. Individual stakeholders expressed various views, including:

- that the final decision must be made by Ofgem
- that transparency is important in any recommendation and decision making
- that it is imperative stakeholders can input into the process, and
- that it is important that any decision-making timeframes do not adversely impact project delivery.

We intend to continue our position that the ESO should recommend to Ofgem projects that are suitable for competition. We note the points about transparency, stakeholder input and timeliness. These will all be addressed during implementation if Ofgem decides to go ahead with early competition.

Updated preferred options

Our preferred position remains that competitions should be launched early rather than very early. We believe that some flexibility can be given against the indicative solution, within set parameters. The scope of variable solutions would be more restricted than under very early, where there is more potential for vastly different solutions to be proposed. These vastly different solutions could have significant knock on consequence for the rest of the network.

We recognise the points expressed in regard to the current NOA approach and are exploring how this may need to be adapted. Our CBA approach would ensure projects are only competed where there is enough time to do so without incurring disproportionate constraint costs. This includes the time taken for market engagement. There will therefore need to be a signal to proceed to competition at an earlier point than the current 'proceed' signal for non-competed projects in order to provide enough time to run a competition.

We also intend to continue our position that stakeholders should be engaged at the 'very early' stage to input into solution development. Further detail on this is set out below. We propose that the ESO would need to take on a strengthened planning role in order to facilitate this. This role would also involve the ESO undertaking greater review and challenge of TO options to support the competitive process. This would require an increase to the ESO's skillsets to include, for example, project delivery expertise. This would allow the ESO to undertake more extensive challenge of TO proposals such as challenging TO delivery dates and proposing different solutions or technologies. It will also allow the ESO to integrate third party solutions in to the overall package of solutions. The ESO's role would also involve repackaging TO proposed solutions such that they meet the competition criteria. For example, separating out an element of a solution that are 'new and separable' from the elements which are not.

New issues for consultation

In this consultation we explore how stakeholders could input into the initial solution development.

In our Phase 2 consultation we set out that it is very challenging to run a tender 'very early' (i.e. before solution development). This means that when a tender is launched an initial solution will already have been developed and will be used to help define the tender specification. Whilst bidders would not be required to adhere strictly to the initial solution, this process will begin to narrow down the scope of alternative solutions that can be proposed.

Stakeholder input into initial solution development

We are therefore exploring ways in which stakeholders could input in to the initial solution development process in order to ensure that as wide a range of options as possible are considered. We also want to ensure that the process is transparent so that stakeholders have confidence that the initial solution developed is appropriate. Furthermore, this process will support us in considering whether early competition is the right approach for a project, by indicating whether alternative solutions may be available and the market appetite to compete.

We have already begun to move in this direction through the IP options process. This process aims to enable third parties to submit options to the ESO for consideration in the NOA. It is a new approach and we are working with stakeholders to determine how it can be developed to ensure it meets stakeholder needs and delivers consumer value.

Strive for fair stakeholder representation

To gain further stakeholder views we arranged a second Indicative Solutions webinar to allow a more in-depth discussion of the options.

Stakeholder engagement

In response to our Phase 2 consultation individual stakeholders expressed various views related to this stage of the process, as follows:

- support for the proposal to launch tenders 'early' provided they can feed in appropriately to the identification of 'indicative solutions'
- that there are potential limitations around stakeholder involvement in indicative solution development, such as participants may be unwilling to share their intellectual property
- a deadline or target date for expressions of interest as part of the publication of need is required
- safeguards need to be put in place to ensure credible inputs are made and how an indicative solution is developed and proposed in the NOA process
- the need for greater provision of information as part of the annual planning cycles, and
- the need to create and publish a regular pipeline of projects for competition, with sufficient lead in time.

Some stakeholders also gave views on the responsibilities of parties within the process. These are discussed In Chapter 2.

Subsequent to our Phase 2 consultation, we ran two stakeholder webinars on the Indicative Solutions process to explore this with stakeholders. In the second of these webinars, attendees confirmed they support the intention to involve stakeholders in solution development.

Several workshop attendees questioned the incentive for potential bidders to engage with this process given they wouldn't 'win' anything at the end. They also raised concerns about how intellectual property would be treated. However, overall there was still support for this process and a desire to explore how it could be made to work.

We discussed possible ways stakeholders could input, outlining five possible options as set out in the Table 2.

Table 2: Options considered to gain stakeholder input in to the NOA process

Option	Description	Pros	Cons
1) Further developing the Interested Persons Option Process (Diagram available below)	Stakeholders can propose solutions to any network need (published in system requirement forms). Proposed solutions assessed by ESO alongside TO or ESO solutions in the NOA.	Equal opportunity to develop solutions for NOA. All proposals assessed in same process.	Challenging and costly, particularly for smaller stakeholders, to respond to system requirement forms.
2) Present possible options to stakeholders for review and challenge (Diagram available below)	Solutions developed by the TO and/or ESO. ESO then make these available to stakeholders. Stakeholders challenge options and propose alternatives. ESO incorporates view in to the options prior to NOA assessment.	Stakeholders can respond to proposals rather than having to design their own solutions. Less time consuming, particularly for smaller participants.	Challenging to incorporate stakeholder feedback. Adds time delay.
3) Present possible options to a panel of experts for review and challenge	As option 2, but a panel of experts would challenge and review the proposals, rather than all stakeholders.	Less burdensome on stakeholders. Panel could provide a rounded view, rather than promoting particular solutions.	Challenging for panel to be neutral. Bidders not able to propose actual solutions. Adds time delay.
4) Showcase technologies to ESO (Diagram available below)	Third parties showcase technologies or approaches to the ESO at any point in the year. The ESO would then utilise knowledge when developing solutions.	Bidders don't need to spend time and money developing potential solutions.	May be challenging for ESO to demonstrate it's applied the knowledge of technologies equitably. Bidders not able to propose actual solutions.
5) Utilising a formal Request for Information process	RFI published by the ESO to seek views on potential solutions for specific network needs. Information received utilised by ESO in developing solutions.	RFI would set out clear description of a particular system needs which may be easier for some bidders to respond to than the SRFs.	Limits the network needs bidders could propose solutions to. Adds time delay.

In the first Indicative Solutions workshop, attendees felt option 5 would be unsuitable at this stage in the process. They also felt that option 3 was less preferable to option 2 as stakeholders are not able to input directly.

We then explored options 1,2 and 4 in more detail at the second Indicative Solutions workshop. At that workshop, attendees expressed a preference for option 1. It was felt that this option maximises the ability of potential bidders to input their own solutions. Figures setting out options 1,2 and 4 are shown below.

Option 2 was felt to limit stakeholder's ability to propose their own solutions and it would also add time delay into the process. Option 4 presented concerns around how the ESO would ensure that different parties' input was treated fairly and equitably.

Preferred position

Our preferred position is that we will review the lessons learnt from the initial implementation of the IP options process (option 1). We will explore how it could be further developed to support stakeholders to engage with initial solution development whilst also ensuring maximum stakeholder value from the planning process.

We would welcome further views on whether stakeholders agree that this is the right approach and views on how the process could be further developed to support stakeholder engagement.

Figure 2: Option 1 - Further developing the Interested Persons Option Process (preferred position)

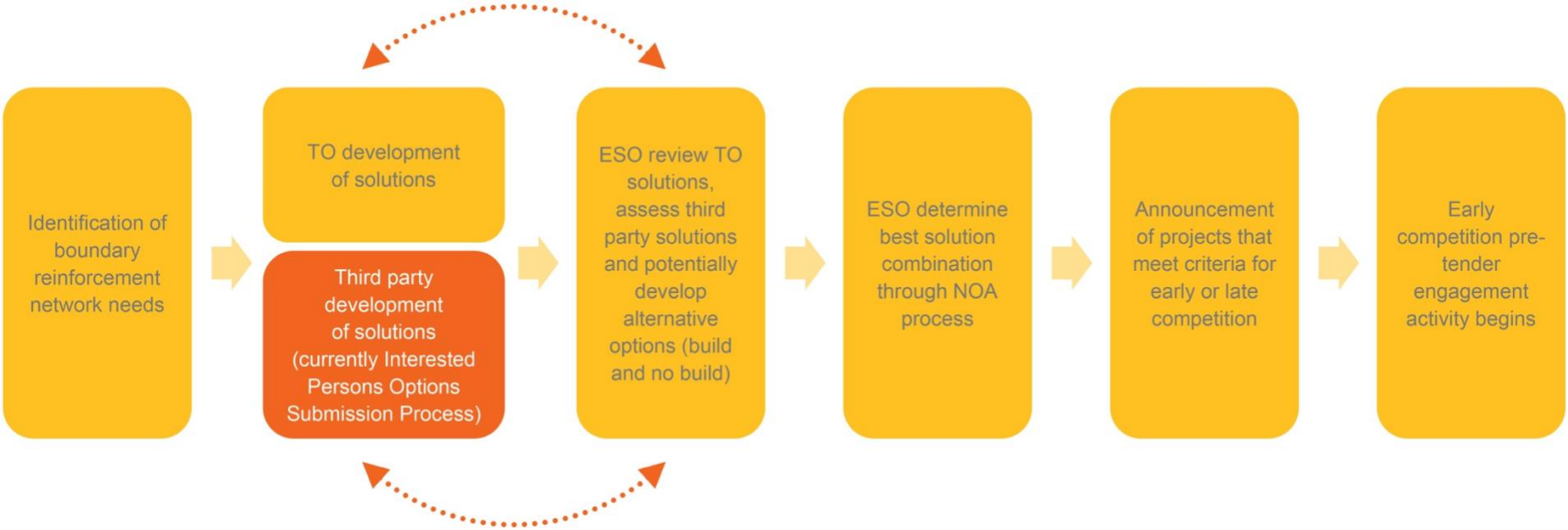


Figure 3: Option 2 - Present possible options to stakeholders for review and challenge

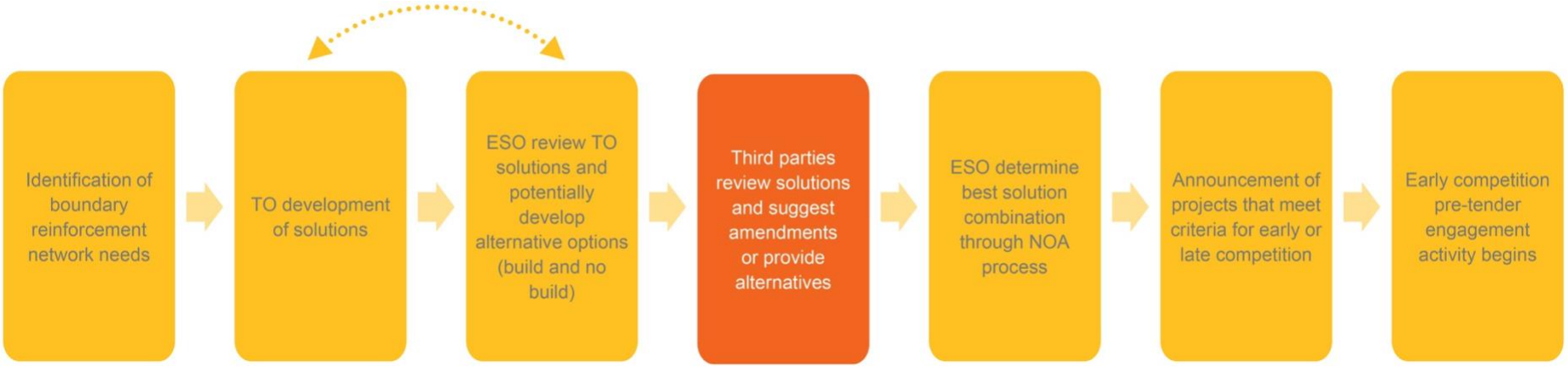
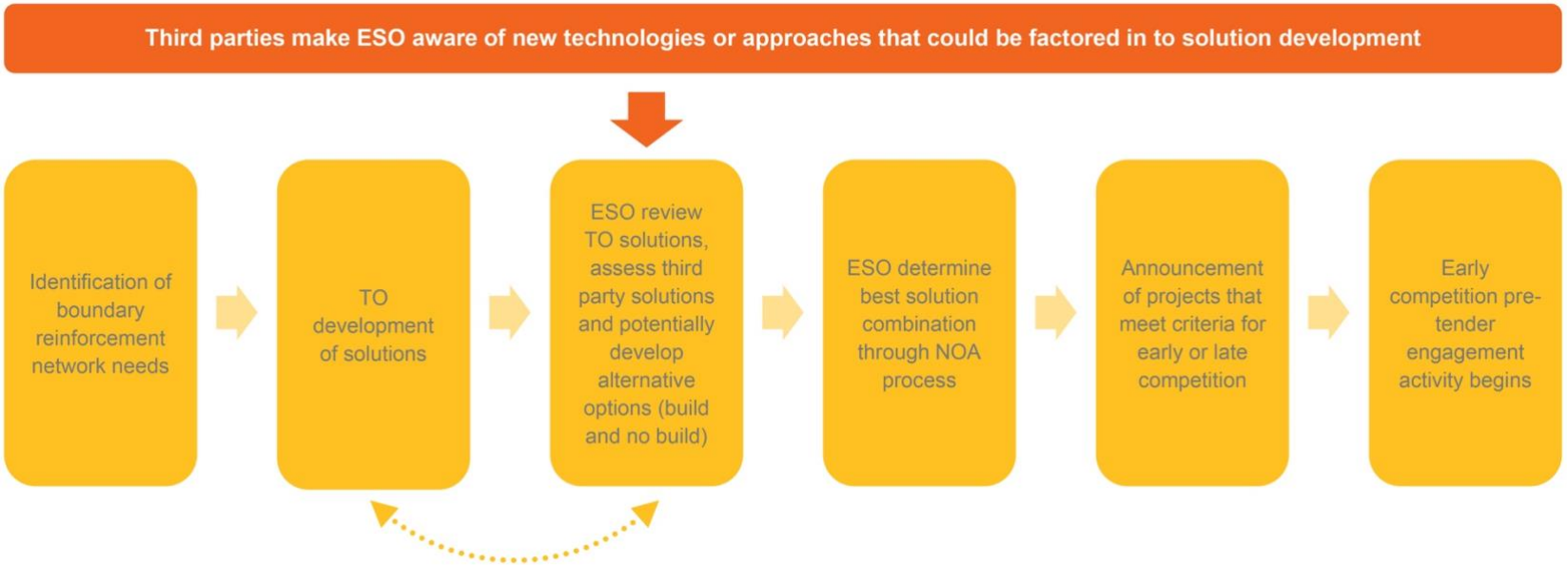


Figure 4: Option 4 - Showcase technologies to ESO



Questions

3. Do you agree that continuing to develop the Interested Persons Option process is the best way to engage stakeholders in initial solution design?

Next Steps

Thank you for taking the time to read this chapter of our Phase 3 consultation. We look forward to receiving your feedback which will help inform the final version of the Early Competition Plan. For full details on the range of options on how to respond, please refer to the Consultation Summary, Section 8.