



ESO Networks Stakeholder Group

2nd March 2021

Agenda

1. Welcome
2. Review of previous minutes and action log
3. Early Competition – Network planning roles and Commercial Model
4. Break
5. Early Competition cont.
6. AOB & Close out



Action Log

ID	Description	Owner	Due	Status	Date Raised
26	Write Offshore Coordination report - update: the report has been written and shared with Ofgem and BEIS, however there was feedback from the group that it should include a summary of Phase 1 engagement.	Alice M	02/03/2020	Open	03/11/2020
31	Share a link to the ENSG webpage with the group	Alice M	02/03/2021	Open	26/01/2021
32	Check number of individuals downloaded the Phase 3 consultation	Rachel P	02/03/2021	Open	26/01/2021
33	Discuss the role of the TO in Early Competition in the next meeting	Sally T	02/03/2021	Open	26/01/2021
34	Organise a Phase 2 environmental meeting	Rhiannon M / Tania D	02/03/2021	Open	26/01/2021
35	Clarify what will be in scope of ENSG for Offshore Coordination input	Rhiannon M	02/03/2021	Open	26/01/2021
36	Talk to Luke about interaction with Phase 2 work and upcoming project	Rhiannon M	02/03/2021	Open	26/01/221

ENSG - Early Competition



Network planning roles and responsibilities

Sally Thatcher

Slido code ENSG

Purpose of session

Purpose

This session is an opportunity for ENSG to review the stakeholder journey in relation to the role of the incumbent TO within early competition.

This is a contentious issue and a wide range of stakeholder views have been expressed, including:

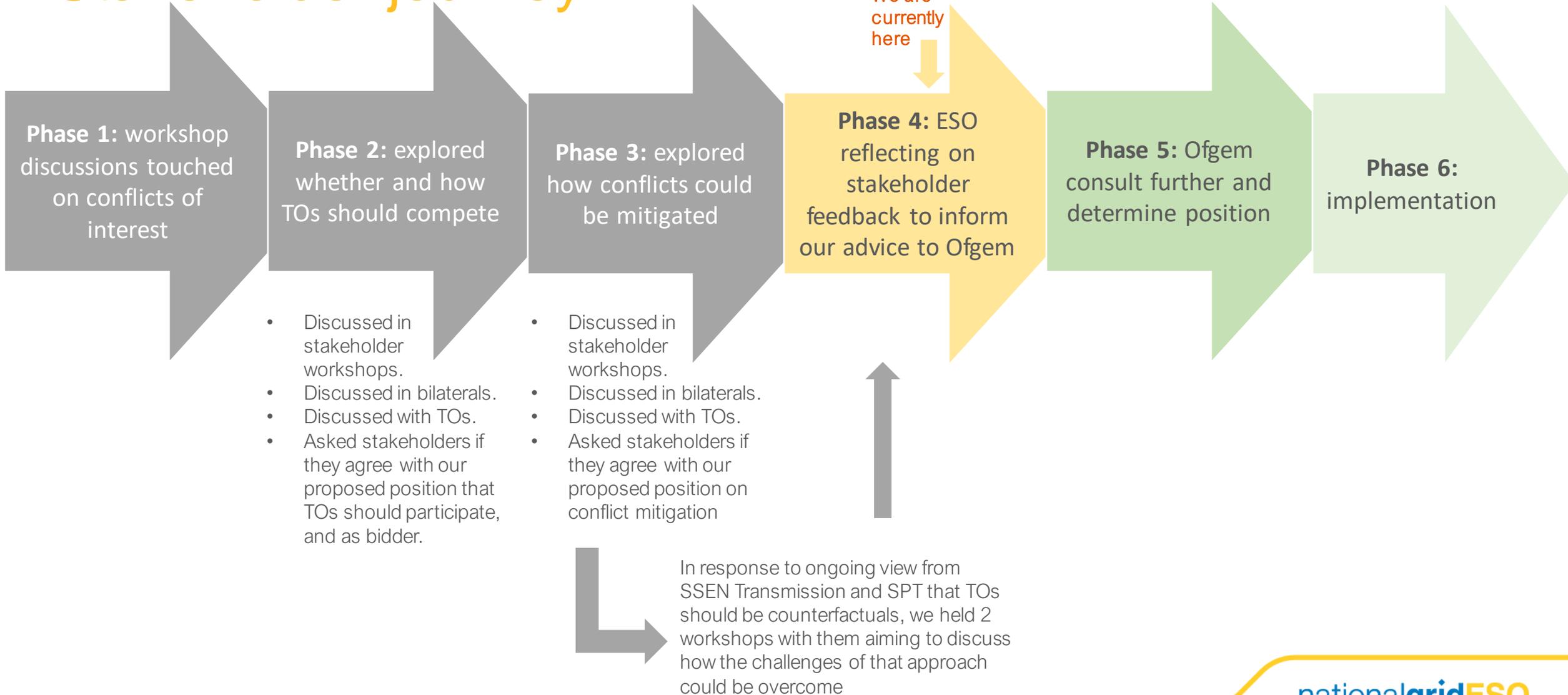
- TOs should not be able to provide solutions for a competitive project.
- TOs should continue to develop a solution to be used as a counterfactual that the competition must beat.
- If the TOs do put forward solutions, there is a conflict with their role in network planning.

We do not anticipate being able to reach a unanimous view on this across all stakeholders.

Today's session is intended to consider the process the ESO followed to seek stakeholder input, the views received, and the rationale for approach and our conclusions.

Overall, we recognise the concerns raised by stakeholders in relation to this topic. Following our phase 3 consultation, the ESO is currently reflecting on the feedback received and the impact this has on our position. This will be discussed further during the session.

Stakeholder journey



Stakeholder feedback: phase 2 & 3 consultations

Phase 2 consultation:

Asked stakeholders if they agree with our proposal that TO should participate (subject to suitable conflict mitigation) and should do so as bidders.

- **Transmission Investment:** felt TOs should not compete. If they do, should not have a role in network planning.
- **SSEN Transmission:** felt the TO should progress a counterfactual alongside the competition.
- **SPEN:** felt the TO should progress a counterfactual alongside the competition.
- **NGET:** agreed with our position.
- **NGV:** agreed with our position.
- **Potential Bidder (confidential response):** agreed with our position.
- **Storelectric:** didn't directly respond (but in discussion has indicated support for TOs participating).

Phase 3 consultation:

Confirmed our view that TOs should participate and should do so as bidders. Asked whether stakeholders agree that our proposed conflict mitigation arrangements were sufficient.

Note: confidentiality of each response is being clarified ahead of ENSG

- **Transmission Capital Partners (Transmission Investment and Amber Infrastructure Group):** felt TOs should not compete. If they do, conflict mitigation proposed is not sufficient.
- **Financial organisation:** wary of other bidders ability to compete against TO and how conflict mitigation would be enforced.
- **Citizen's Advice:** felt the TO NOA solution should be used as counterfactual to determine if a competition should be run and that TOs shouldn't get a second opportunity to bid in a different solution.
- **TO:** felt the TO should progress a counterfactual alongside the competition.
- **TO:** felt the TO should progress a counterfactual alongside the competition.
- **TO:** agreed with our position.
- **NGV:** agreed with our position.
- **5 respondents** – didn't respond on this question

Additional stakeholders who expressed views

Additional views expressed during webinars

Diamond Transmission

Under early competition ESO should be responsible for completing the TO activities.

Equitix

If TOs are bidding they have an inherent advantage to win projects.

Additional views expressed during bilaterals

'Other'

Concerns over the ESO taking the role that is currently led by the TOs. May require ESO team to upscale or bring additional staff, whereas existing TOs already have capabilities.

'Other'

There is precedent for similar ringfencing conflict mitigation, such as for DNO connections.

Additional views expressed during ENSG

Sembcorp: cited examples of coming up against conflicts of interest in the pathfinder process

Balfour Beatty: highlighted that contractors may prefer to work with the incumbent. seems sensible that the TO can provide a competitive price, then why is there the need for competition? To compete on level playing field, it is quite difficult considering the size of the entities.

Fiona Wolff: highlighted international examples where central network planning was used.

Views expressed in relation to pathfinders

Various

3 additional stakeholders have raised questions linked to the inclusion of TO solutions or the activities undertaken by TOs in relation to the process.

Summary of key topic 1: TOs providing solutions

Question: can TOs participate in a competition (either as a bidder or counterfactual)?

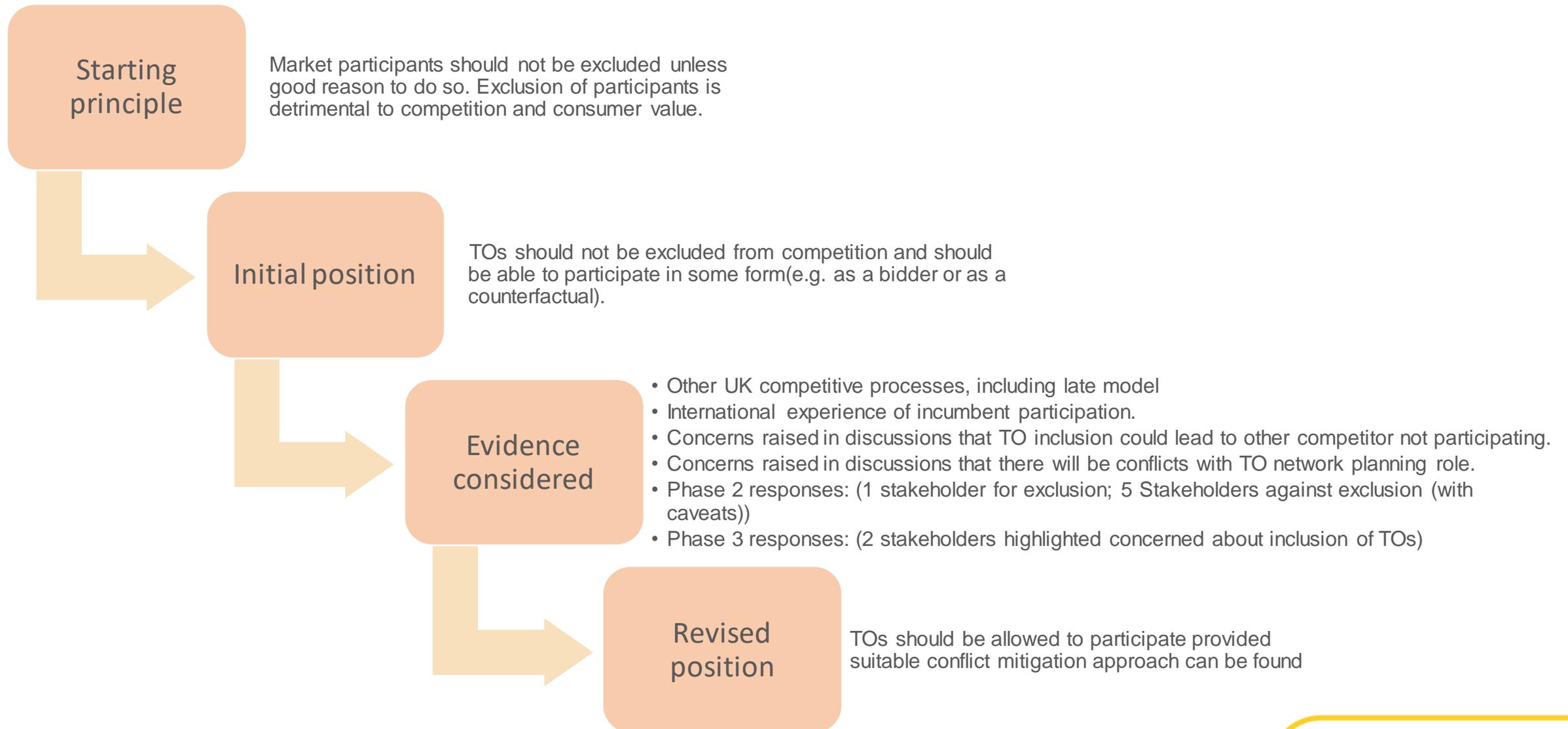
For

- TOs could offer the best value solution for consumers.
- Need strong justification to exclude a potential market participant.

Against

- Monopoly provider inclusion may deter other competitors and stifle growth of market.
- Conflict with existing TO role in network planning (see topic 3).

ESO rationale for it's positions on TO participation

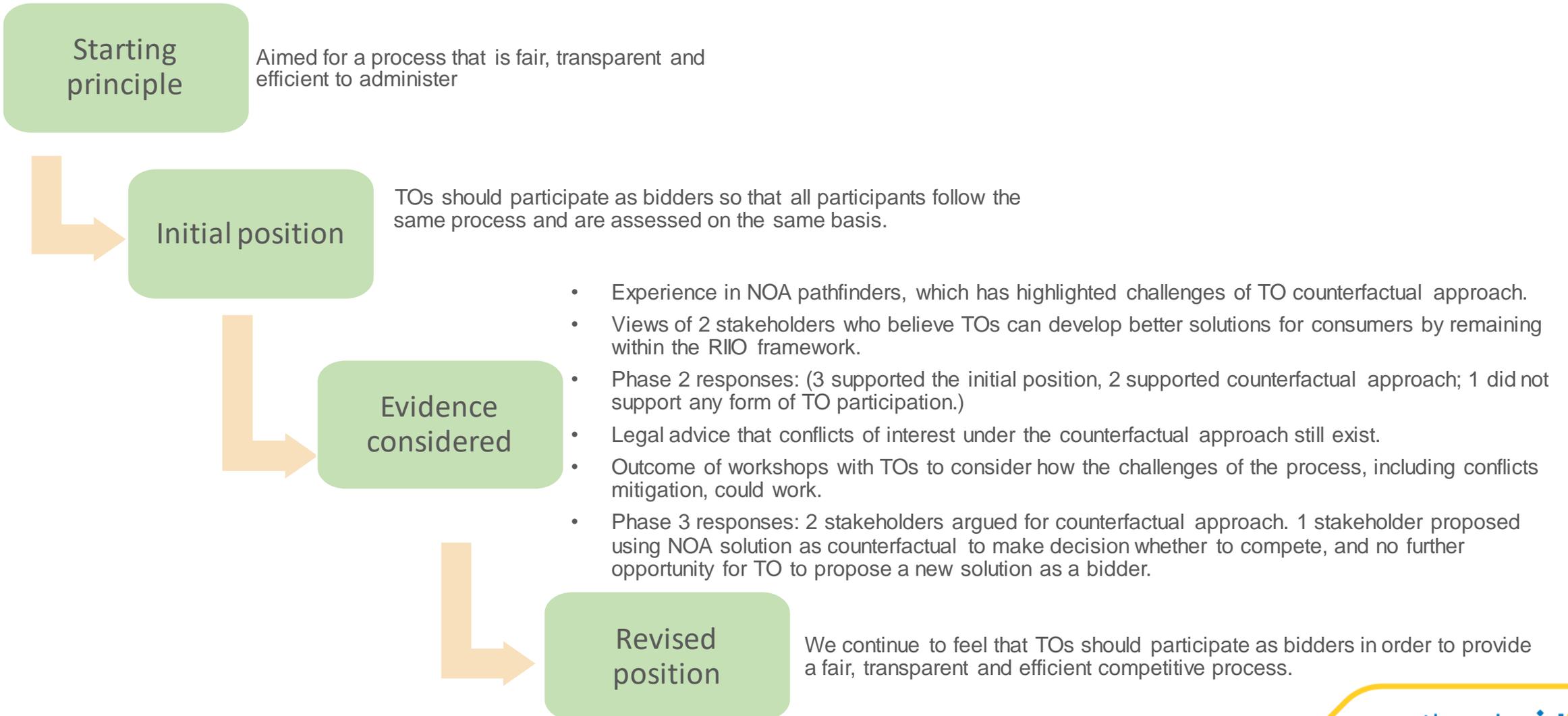


Summary of key topic 2: Counterfactual or Bidder

Question: if TOs do provide participate, should TOs put forward a counterfactual or bid in to the competition?

Option for participation	Pros	Cons
<p>TO formal bidder in competition</p>	<ul style="list-style-type: none"> Fair and transparent procurement process as everyone following the same process. 	<ul style="list-style-type: none"> TO currently set up to operate under RIIO framework, not via competitive bidding process. Conflict with TO network planning role, including connection assessment for bids.
<p>TO provides 'counterfactual' solution. (Bidders must beat the counterfactual.)</p>	<ul style="list-style-type: none"> TOs solution will always be provided as an option. TOs continue to operate under established RIIO process (subject to necessary adjustments). Allows some level of comparison between competitive and regulated solutions. 	<ul style="list-style-type: none"> RIIO2 arrangements different to the competitive regime (e.g. scope of post-tender change, duration of need assumptions, incentive regime). Additional process steps required to compare TO solution and competition winner. Would also need an additional disputes process for this decision. More challenging to evidence that a fair, transparent process, with a level playing field, has been applied as two separate processes running. Conflict with TO network planning role, including connection assessment for bids. TO unable to tailor their bid to offer a better solution for consumers.

ESO rationale for it's positions on TOs as bidders or counterfactual

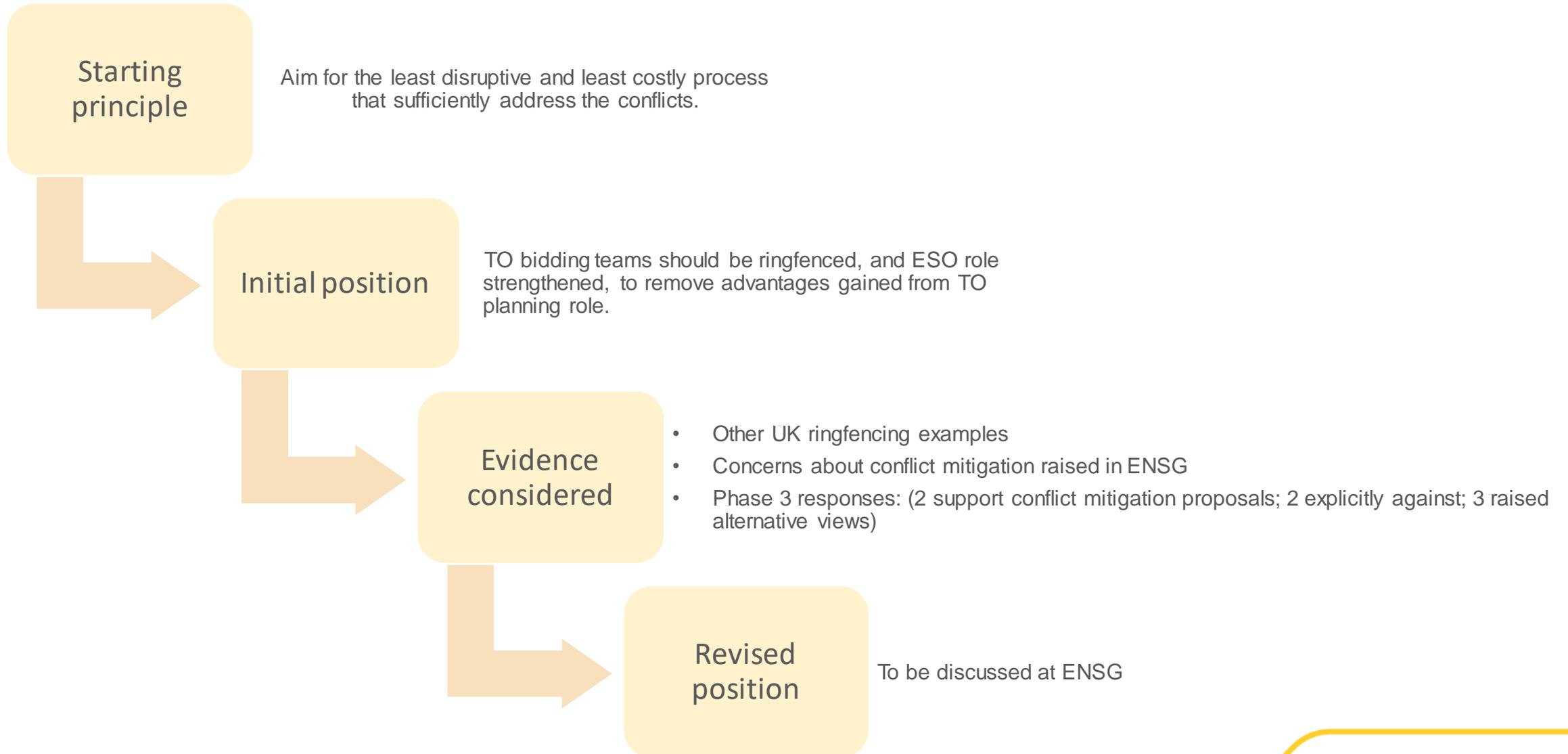


Summary of key topic 3: Conflict mitigation

Question: if TOs do provide solutions, can conflicts with their network planning role be mitigated through ringfencing? Or, could the ESO take on the network planning functions?

Option for conflict mitigation	Pros	Cons
Ringfence TO bidding teams	<ul style="list-style-type: none">• Retains TO expertise in network planning and TO responsibility for its own network.• Lowest cost solution for consumers and quickest to implement as no change in roles and responsibility.• Ringfencing successfully used elsewhere to manage similar conflicts (e.g. GB non-household water retail, BT Openreach).	<ul style="list-style-type: none">• Ringfencing difficult to monitor and enforce.• Lack of trust could undermine market confidence and reduce number of bidders
ESO take on relevant network planning functions	<ul style="list-style-type: none">• TOs would not be involved in initial solution design or connection assessments.• Greater market confidence in the process.• Central planning function successfully used in other countries.	<ul style="list-style-type: none">• Loss of expertise of TOs from planning process.• Reduced TO responsibility and control over their network.• Reduced synergies with asset replacement planning.• Duplication of resource.• Cost and delay due to transferring planning function.

ESO rationale for it's positions on conflict mitigation





Annex

Appendix 1 – phase 2 consultation text

Appendix 2 – phase 3 consultation text

Appendix 3 – potential counterfactual process



Appendix 1: Phase 2 consultation (1)

Early Competition Plan | July 2020

Role of incumbent TOs

With their expertise and experience, and their access to their existing assets, TOs could offer competitive solutions that provide value for consumers. Therefore, our aim is to develop a process that enables fair and transparent competition in which incumbent TOs can participate.

Current preferred option

Our expectation at this stage is that the TOs would bid into the same procurement process and be subject to the same post-tender arrangements as other bidders. This would include receiving a revenue stream and adhering to any post-tender cost change mechanisms developed for the process. This would help to provide a level-playing field between the TO and other bidders.

Alternative Options

An alternative approach could be for the TOs to develop their solution as per existing network development processes alongside the competitive process. Bids from other parties would be compared against this indicative solution. If a competitive solution is available from a third party that offers better value, then that would become the successful bidder. If the TO solution is the cheapest, it would then be progressed through existing RIIO funding and scrutiny arrangements. Under this approach, however, it would be more challenging to ensure fair treatment between TOs and other bidders because of the different frameworks underpinning their bids. It would also remove the ability of the TO to tailor their bids.

Stakeholder feedback

TOs had mixed views on how they should participate in competitions. Some felt they should compete as bidders, whereas others felt they should develop solutions through the existing network development processes and funding arrangements.

Some stakeholders felt that the TOs should not continue to undertake their network planning role if they were also to participate in the competition as it would create an unlevel playing field and conflicts of interest. Other stakeholders felt that removing TO involvement would be challenging and suggested ring-fencing within the TO to address these issues. TOs highlighted that they would need to retain sufficient involvement to fulfil their licence obligations. TOs had mixed views on whether ring-fencing certain functions was an efficient process.

Appendix 1: Phase 2 consultation (2)

Areas that require further exploration

Incumbent TO role in the network planning and tender process

Following this consultation, we will explore with stakeholders ways in which any conflicts of interest can be mitigated. This will involve considering the merits of ringfencing the function within the TO and the merits of transferring roles and responsibilities to the ESO. For the avoidance of doubt, within this document the ESO is not proposing changes in the network planning process to the roles of the TO or ESO.

TO of last resort

We do not anticipate that TOs (or any other party) would be required to progress a backstop solution alongside the winning bid. Stakeholders in our Phase 1 engagement felt that this would be unnecessary provided the tender process is robust. We are, however, exploring the circumstances in which a TO of last resort might be required and how this could work. We will discuss this with stakeholders and provide a view in our Phase 3 consultation.

Questions

5. Do you agree that the incumbent TO's should participate in competitions through the same process as other bidders, and what mitigations may be needed to allow this?

Appendix 2: Phase 3 consultation (1)

Early Competition Plan - Roles and Responsibilities | December 2020

Figure 8: the boundary reinforcement network planning process



Phase 2 consultation

In our Phase 2 consultation we consulted on our position that incumbent TOs should be able to participate in competitions in the same manner as other bidders, providing suitable conflict mitigation arrangements are put in place. At that point, we did not set out our view on what conflict mitigation would look like. We provide further detail on this in this consultation (see 'new issues for consultation' below).

Stakeholder feedback

In response to our Phase 2 consultation, we received a mixture of views on this point, with differing perspectives. One TO and two potential bidders agreed with the proposal. Two TOs disagreed. One potential bidder had concerns about TO participation in any form.

One TO believes that if TOs participate as market players, they will be taken outside the realm of the regulatory framework in which they are designed to operate. They feel this regulatory framework make sure energy security, affordability and carbon and greenhouse gas emission reductions are achieved. Another TO did not foresee any benefit of a TO participating within competitions through the same process as other bidders as it believes it is obliged under acts/codes, to present the most economic and efficient solution to address network needs. Both felt that TOs should develop solutions through their existing regulatory processes and frameworks to provide a counterfactual. A competition should be run alongside this with bidders needing to beat the counterfactual.

One TO felt that the incumbent TO should be able to bid into the competition process as any other market participant to ensure effective competition from potentially value adding participants. The incumbent TO must also have the option not to compete if it does not wish to do so.

One potential bidder agreed that the incumbent TOs should be able to compete as it is an open and transparent market. However, they felt that the TOs have significant advantages that need to be addressed, including connection process, energy cost, cost of capital, user charges and land & development rights.

Another potential bidder, however, felt market interest is likely to therefore be lowered by TO involvement and that the use of competition reflects a view that TOs are not the best option. They note that regulators in other sectors have excluded incumbents. They argue that TOs should not be able to bid because:

- TO assets have already been paid for by consumers and should be made available for market solutions
- Some of the capabilities, paid for by consumers, are difficult for the market to replicate, and
- There is a risk of cross-subsidisation.

Appendix 2: Phase 3 consultation (2)

Early Competition Plan - Roles and Responsibilities | December 2020

A TO also felt that the incumbent TO should not be the 'TO of last resort' for projects which are not appealing to the market.

In our subsequent Role and Responsibilities webinars, the views above were reiterated. A potential bidder also suggested TOs should be limited to competing outside of their geographical area.

We also received one response following our Thought Paper, from a TO. They emphasised the points made in our Phase 2 consultation and of the significance of this matter for TO businesses. They also highlighted that TO regulatory solutions should be retained and not compete against commercial solutions. They reasoned it is fundamental that incumbent TOs' proposed network solutions are treated as the 'counterfactual' in order to demonstrate if competition is delivering benefit.



Keep our stakeholders in the know

Given the stakeholder interest in TO participation in early competition, we discussed this Issue In depth with our Electricity Networks Stakeholder Group ("ENSG").

Updated preferred option

Our preferred position is that incumbent TO participation in early competition could help deliver consumer value. The TOs are well placed to deliver competitive bids which benefit consumers due to their expertise in delivering such projects and will therefore increase competitive pressures. Incumbent TOs also have the potential to utilise their existing assets within their bid, which would not be the case if the TO's parent company participates through a separate entity. Overall, a competition should only be run if other bidders feel they could potentially offer a better value solution than the incumbent TO.

We also continue to think that TOs should participate in the same process as other bidders. This is the most straight-forward way to ensure equitable treatment of bidders.

We believe that TOs participating as a 'counterfactual' would present a number of challenges, stemming from the differences between the RIIO regime and potential competitive regimes. Examples include:

- Post-tender cost change mechanisms - in order for the process to be fair TOs would need to be limited to the same price change restrictions as the competitive process
- Service period - the service period requested in the tender could be different to the asset lifespan assumptions under RIIO. This will make fair comparison of proposals challenging
- Accounting for costs - in order to assess the true costs of bids all TO costs would need to be clearly accounted for. Therefore, any costs associated with developing proposals being competed would need to be separated from other RIIO costs, and
- Incentives and obligations - the incentives and obligations applied to a competitive tender may be different to the RIIO framework given that most bidders will be single transmission asset owners rather than incumbent TOs. This could affect the costs of the proposals.

Overall, we agree with the feedback that the regulatory and competitive regimes are fundamentally different. Hence, we therefore believe that running a competition that seeks to fairly compare the two different regimes would add complexity and challenge to the process.

Furthermore, the counterfactual approach would limit TOs ability to tailor their own bids, as they would have to adhere to their RIIO arrangements. This may restrict TOs' abilities to compete effectively.

Appendix 2: Phase 3 consultation (3)

Early Competition Plan - Roles and Responsibilities | December 2020

It also would not provide a valid counterfactual as the cost of the TO solutions change over time as the solution is designed and consented. (The TO counterfactual would need to be halted before consenting as stakeholders have previously told us it would not be appropriate to consent two proposals as this hampers the consenting process.) This means the counterfactual is not accurate. Additionally, the counterfactual will not

necessarily be a true reflection of what would have been prepared under the regulated regime, as it will have been prepared with the knowledge that other parties could submit a lower cost option.

This approach would also incur significant duplication of cost for consumers if the TO counterfactual were paid for through RIIO.

New issues for consultation

In this consultation we set out our proposed position on the conflict mitigation arrangements needed as a result of TO participation in competition.

TO role in network planning

TOs currently play an important role, alongside the ESO, within the NOA process. TOs support the need identification, developing initial solution proposals and progressing those solutions through further design. TOs will have therefore prepared a solution design to any contestable network need as part of the network planning process, utilising RIIO funded resource, and so will have an advantage in starting the competition.

In addition to this role, TOs perform other network planning roles, including customer connections, asset health replacements and compliance driven reinforcements.

Stakeholders are concerned that TOs could influence the initial solution design, and so in turn, the tender specification, such that either projects are removed from scope for competition or favour particular solutions. Furthermore, TOs are likely to have access to additional network information not necessarily available to other bidders. TOs will also play a support role in the competition process, such as providing information about existing assets.

Some stakeholders are concerned that TO involvement in network planning could advantage a TO proposed solution.

Ofgem considered conflict mitigation as part of their [late model development work](#). For those conflicts they concluded that conflict mitigation measures were required within TOs.

Additionally, within the early competition process, prospective solutions will need to interface with existing networks. The impact of those solutions on the existing network will need to be assessed and considered in determining the suitability of the solution. Some solution types will require connections to the network, the practicalities and cost of this will also need to be assessed and factored in to the tender evaluation. TOs undertaking these assessment roles would therefore have access to competitors' proposals.

Appendix 2: Phase 3 consultation (4)

Early Competition Plan - Roles and Responsibilities | December 2020

Stakeholder views

In response to our Phase 2 consultation, potential bidders highlighted that there is a potential for conflict of interest if TOs identify solutions to system requirements that may then be competed. One potential bidder felt that TOs could, for example, leave solution development too late to run a competition. They also questioned whether TOs have the right expertise in identifying solutions given the increasing development of offshore renewables and associated infrastructure, integration with distribution networks and service provision from third parties, none of which the TOs are responsible for. Another potential bidder expects TOs to be able to deal with these projects with fire walls between their projects arm and their contracting arm. But felt that such separation of responsibility should be formalised.

One TO felt that no conflict mitigation is needed if they provide a counterfactual solution and that conflict mitigation measures would impose additional cost compared with an existing process. They felt that the potential of ringfencing a TO's network or system planning function will significantly impinge on their ability to plan the network and subsequently meet their legal and regulatory obligations. They feel that such a fundamental change must be subject to appropriate risk and impact assessment. They also strongly disagree with the notion of a transfer of responsibilities as the ESO does not hold information, knowledge or experience relating to the intricacies of the networks and their respective stakeholders.

We also discussed the role of the TO in our two Roles and Responsibilities webinars in September. During those webinars two potential bidders emphasised concerns about TOs being part of competitions and the conflict of interest with network planning roles.

This included concerns about cross-subsidising RIIO activity and competitive activity. It also included concerns that TOs could shape the initial solution, which to some extent gives them a strategic advantage. Similar concerns were expressed in bilaterals we held.

Individual stakeholders also highlighted the following points:

- The ESO should have greater technical understanding and not be reliant on TOs when assessing network needs and requirements
- In some comparable competitive models for delivering transmission assets some countries, such as Peru, have introduced separate planning bodies. These bodies are independent of both the transmission owners and system operators to ensure neutral network planning, and
- all of these issues would be best addressed by a full independent (in ownership terms) ESO.

In response to our Thought Paper, a TO fed back that they feel existing regulatory provisions already provide sufficient conflict mitigation, including provisions in the Utility Contract Regulations ("UCR"), Electricity Act, TO licences and industry codes.

Appendix 2: Phase 3 consultation (5)

Early Competition Plan - Roles and Responsibilities | December 2020

Potential options considered

Option 1

ESO undertakes all network planning

Many of the conflicts would be removed if the ESO were to undertake all network planning. However, it would also present a number of challenges. Firstly, transferring this responsibility to the ESO would require a significant increase in resource and capabilities within the ESO. TOs would continue to have planning responsibilities for connections, asset health and for progressing non-competed boundary reinforcement projects. Resources will therefore need to be retained in the TOs. This option would also result in some planning activities happening in the ESO and some in TOs with potential reduction in synergies.

Furthermore, removing TOs from boundary reinforcement planning would reduce the ability of the TOs to plan their own networks. Given that the TOs maintain and operate their networks, they possess additional insight into how existing networks could be utilised more effectively, such as changing operational settings. It would be difficult to transfer all of this knowledge to the ESO. TOs will also be responsible for building and operating any reinforcements that are not competed.

Option 2

TO role continues and bidding teams are ringfenced

TOs, who own and maintain the networks, continue to have a role in planning those networks, capturing the benefits lost in option 1. Licence requirements would be introduced requiring TOs to introduce conflict mitigation arrangements. These arrangements would essentially ringfence the team preparing the TO's bid. Measures would be put in place to make sure they do not have access to additional information, additional bid preparation time or other bidders' information.

Under this option, the ESO would also need to play a strengthened role in reviewing TO proposed solutions in order to make sure they've considered the full range of potential solutions. This would include the ESO engaging with the market to seek potential alternative possible solutions.

However, this option does mean that TOs continue to have a role in network planning, which some stakeholders feel presents a conflict of interest.

We propose that the role of the ESO should be strengthened to provide greater challenge to TO proposals

Appendix 2: Phase 3 consultation (6)

Early Competition Plan - Roles and Responsibilities | December 2020

Preferred position

Our preferred position is that TO's should continue to play the current role in network planning and that their bidding teams should be ring-fenced (Option 2).

Some stakeholders have expressed that option 1 is needed in order to provide bidders with confidence that TOs do not have an undue advantage in the competition. We believe that conflict mitigation arrangements can be put in place to address any advantages TOs may gain from its network planning role. We recognise that some stakeholders feel that such conflict mitigation arrangements are not sufficient to provide confidence the competition is fair. However, we believe that the relevant conflicts can be mitigated and the alternative option (option 1) would require significant changes in roles and responsibilities and we feel this is disproportionate to the perceived risk.

To address the concerns that TOs could influence the initial solution design in a way that favours itself, we propose a strengthened challenge and review role for the ESO. This would include the ESO seeking views of stakeholders. Further detail on this stakeholder process is set out in [Chapter 3, Section 2.3](#).

The ESO already does some challenge and review of TO options, and this year the introduction of the Interested Persons Option Process began to seek stakeholder input. However, the ESO's current expertise does not extend to challenging, for example, build timescales. We propose that the ESO would need additional resource and capabilities in such areas in order to meaningfully undertake such a role, 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.

We propose that TOs be required to introduce conflict mitigation arrangements for its bidding teams. We also propose that these requirements would be similar to those set out by Ofgem for late model competition. Further details can be found in their [consultation response](#), but in summary, these arrangements are:

We propose that TO bidding teams should be ringfenced

- Managerial separation of the bidding team from the TO.
- Strict rules in place around IT access to prevent TO bidding teams accessing information related to planning functions.
- The bidding unit must not comprise any employees of the TO who are involved in the planning works.
- Some physical restrictions to access to shared TO facilities.
- Bidding teams are not allowed to recover their costs from regulated revenues.
- Information relating to tender support undertaken by the TO must not be shared with the bidding team.
- The TO must confirm its intention to bid and begin to implement conflict mitigation arrangements within eight weeks of the initial approval of projects that will be subject to early competition.

Questions

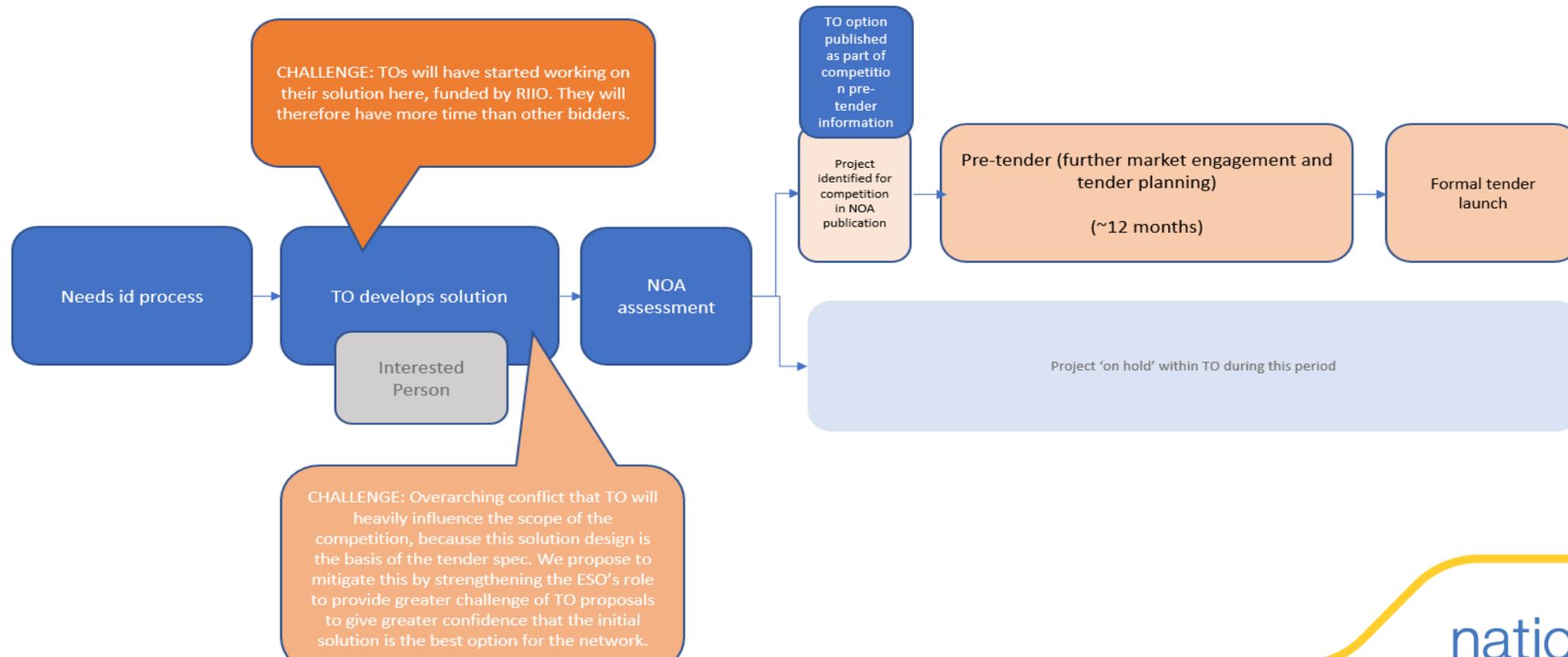
7. Do you agree with our proposed approach to conflict mitigation?

Appendix 3: TO counterfactual approach

In response to views expressed by SSEN Transmission and SPT that TOs should be counterfactuals, the ESO worked with them to explore how the challenges of the counterfactual approach could be overcome. The ESO worked with SSEN Transmission to set out the process below as the broad counterfactual process. No firm agreement was reached with SSEN Transmission and SPT on the overall process and therefore the challenges involved.

The work done to date on this will be shared with Ofgem for their consideration in phase 5.

Part 1: Pre-tender



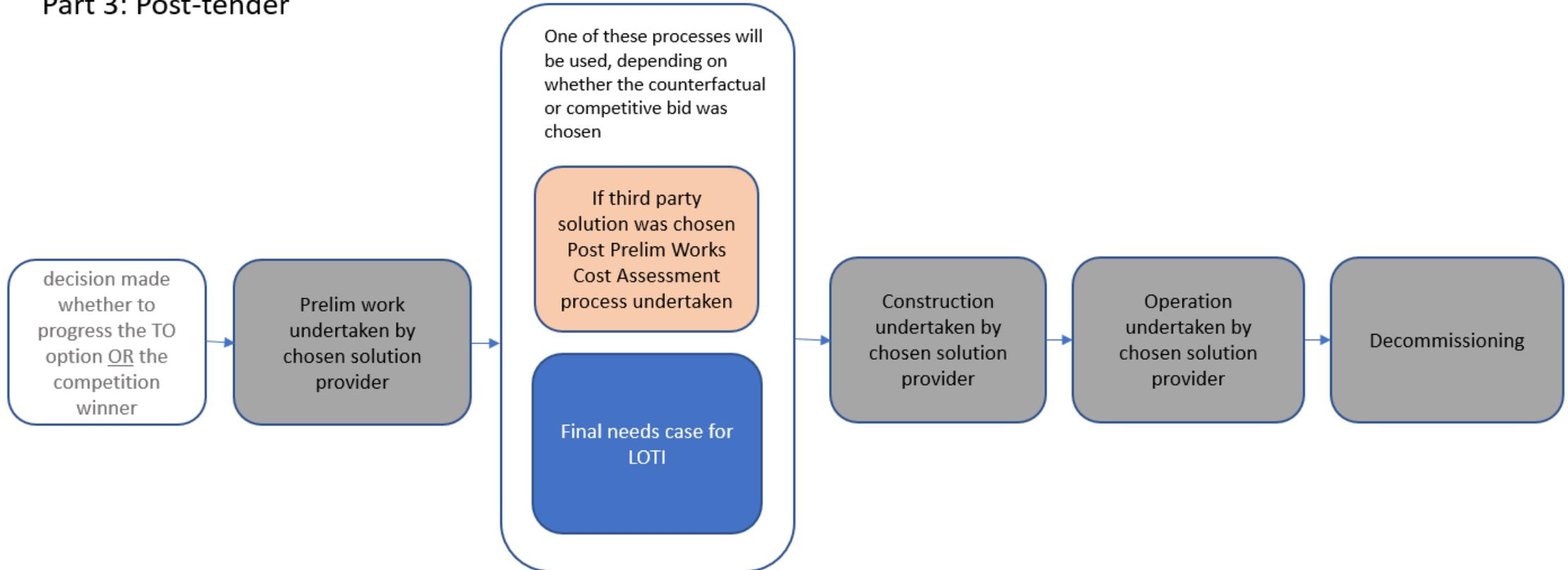
Appendix 3: TO counterfactual approach

Part 2: Tender Process



Appendix 3: TO counterfactual approach

Part 3: Post-tender



Commercial Model

Mike Oxenham

Commercial Model - Discussion Points

In light of stakeholder feedback we are planning on suggesting to Ofgem that further consideration is required in their decision-making process for key topics in relation to our commercial model proposals as follows.

- On the appropriate value of a performance bond (or equivalent form of security) and whether such security should be lower than for OFTO Build and tapered downwards towards the commissioning date.
- On the PPWCA cap and how to set an appropriate value, as well as in relation to the development of more detailed guidance on the PPWCA process and cap, including any cap exclusions.
- On the risks related to non-delivery (and the mitigations for those risks) as well as the approach to setting design standards/specifications for tenders.
- On how it might be possible to reward a successful bidder for debt competition outperformance e.g. in relation to creating value for consumers.

Is there anything else ENSG thinks is significant and we should specifically flag to Ofgem on our Commercial Model proposals, based on stakeholder feedback?

Stakeholder feedback Phase 3 Consultation

Stakeholder

- Consultation open 10 weeks
 - 5 day extension for Transmission Investment
- 1 Launch webinar
- 6 Q&A sessions
- 1 interview - IPFA
- ESO tweets/newsletters/website article
- 2 bilateral meetings
- 12 formal responses (1 confidential, 2 awaiting confirmation if can be made public)



Roles and Responsibilities

- General support for the ESO to perform the Procurement Body, Contract Counterparty and Payment Counterparty roles
- Roles and responsibilities between the Network Planning Body and the Procurement Body should be clearly defined to avoid any overlap or interference in the process
- Differing views on our proposed approach to conflict mitigation, primarily concerned with the impact of the incumbent TOs on the competition

Identifying Projects

- Stakeholders were broadly supportive of competing projects that appear in at least two FES scenarios
- Some stakeholders suggested that NOA and FES process should be expanded to be fit for purpose
- Some stakeholders supported the Interested Persons Options process, but extensive work will be required to ensure the process is attractive and useable

Commercial Model

- General support for the proposed approach given the nature of early competition
- Most stakeholders agree with fixed payment to the successful bidder during the preliminary works period
- Areas of focus included the cost assessment process, flexibilities to margins and overheads and equity commitment where further work is required

End to End Process for EC

- Stakeholders were broadly supportive of our proposals for pre-tender and PQQ activities and assessment areas
- Broad agreement on ITT stage 1, but some bidders had concerns about the number of bidders progressing to ITT stage 2 and some assessment areas which require more consideration
- Most stakeholders supported the ITT stage 2 approach, operational incentives and decommissioning proposals

Implementation

- Stakeholders agree with the high-level implementation plan activities
- Some concern that the proposed timings underestimate the time required
- A critical path activities will need to be established
- Some stakeholders suggested that the implementation stage should commence once the relevant primary and secondary legislation are in place

EC and Distribution

- There are opportunities to encourage more competition in distribution and early competition model could be adapted to distribution
- There are varying views on whether DNO should take on Procurement Body, Network Planner and Contract/Payment Counterparty roles as some stakeholders suggested that Procurement Body needs to be independent due to conflict of interest

Agenda

1. Welcome
2. Review of previous minutes and action log
3. Early Competition – Network planning roles and Commercial Model
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6. **AOB & Close out**



