

Solution Delivery and Operations –
Construction Works and
Commissioning

Welcome to our WebEx for Early Competition

We will commence the meeting on the hour



nationalgridESO

Agenda

- Introductions
- Housekeeping
- Content challenge and review
- Next steps



On the call today from the Early Competition Team are...

Mike Oxenham (ESO)

Network Competition Policy
Manager



Urmi Mistry (ESO)

Network Competition Policy
Development Analyst



Alastair Grey (ESO)

Commercial Analyst



Stuart Poole (ESO)

Change Delivery Lead



Mothi Sayeeram

KPMG



Marine Foillett

KPMG



Tell us about you

Who are you? Where do you work? What is your interest in early competition?

House Keeping

We've scheduled the meeting for 1 hour and appreciate how precious people's time is so to help us keep to time:

Please feel free to ask questions and challenge views but please don't be offended if we need to park questions or discussion if we start to move off topic, or if we are running out time.

In this circumstance we can advise if this topic area is covered in one of our subsequent workshops, or we can make contact with you separately to further discuss at a later date.

Also please feel free to call questions out when you have them, or use the chat function.

Construction and Commissioning – Key Components

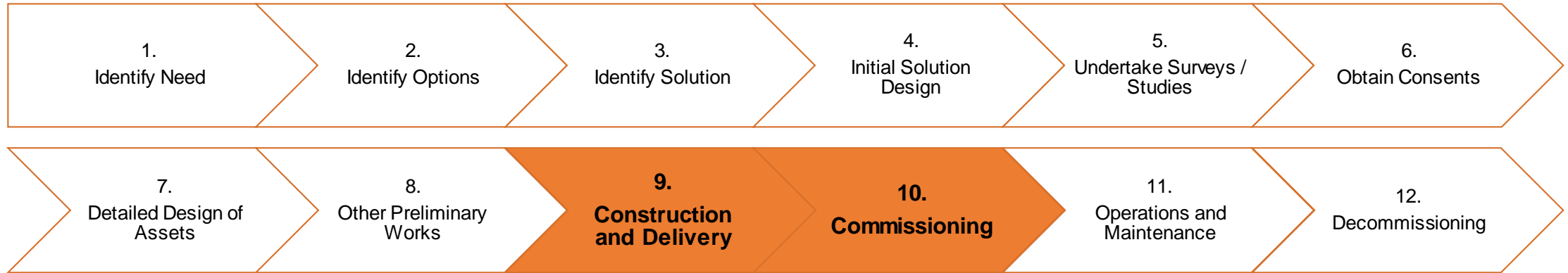


Assumptions

For the purpose of the following slides and group discussion a handful of assumptions are required as follows.

- A tender has been run and a licence or contract (as appropriate) has been awarded to the preferred bidder.
- The party undertaking the construction works will also have undertaken the preliminary works.
- The party undertaking the construction works will also operate, maintain and (as and when required) ultimately decommission the solution.
- Proposals need to be considered for both non-network and network solutions.

Scope



This process step commences once preliminary works have concluded and it ends once the successful solution has been fully commissioned.

The successful bidder will be responsible for the delivery of the successful solution in this stage of the process.

Depending on the successful solution we expect that this process step could range from months to years.

Risk Allocation

For the following construction and commissioning period process risks should these risks sit with the bidder, the consumer, the counterparty, be shared or sit elsewhere? Why?

Need Change or
Disappearance

Design and
Compliance

Completion Delays

Subcontractor
Failures

Delivery Cost
Increases

Financing

Force Majeure

Commissioning
Process Failures

Are there other risks omitted and where should they sit? Why?

Risk Allocation in general will also be considered in the Tender Commercial Discussion Forum Webinars so there may therefore be some duplication of discussion.

Payment

No.	Payment Options
1	Revenue commencement once successful solution available for use i.e. upon completion
2	Upon completion, but with a fixed annual revenue throughout the service delivery / construction period
3	Upon completion, but with a profiled annual revenue throughout the service delivery / construction period
4	Upon completion, but with a lump sum at the start of the service delivery / construction period

Upon completion includes the successful commissioning of the assets and does not solely relate to completion of construction works

- Are the options presented a suitably diverse range? Are there any omissions?
- What are the potential benefits and potential drawbacks of each of the presented options?
- If revenue commences upon completion and this is delayed should the revenue term be adjusted? Why?
- Which option do you believe will result in the greatest consumer value? Why?

Who should be the financial counterparty in respect of payment? Why?

Incentives / Penalties

Throughout the construction and commissioning period there could potentially be incentives and/or penalties in respect of the delivery of the successful solution.

- What options might there be in respect of incentives and/or penalties for this stage of the process?
- Do you feel that any might be appropriate for early competition? Why?
- How could such incentives and penalties be constructed to maximise consumer value?

Commissioning Process

Whether the solution is derived from Transmission assets, other assets or no assets, there is an expectation that there will always be a requirement for some form of commissioning process.

- Do you feel that this expectation is appropriate? Why?

There is an expectation that CATO Electricity Transmission Licensees will likely accede to the STC and will therefore follow the relevant STCP in relation to commissioning processes.

- Do you feel that that this expectation is appropriate? Why?
- Do you feel that any parties (if any) without a CATO Electricity Transmission Licence should follow a similar process to that contained within the STC, or should a different process be followed? Why?

There is an expectation that some form of Transmission Interface Agreement will be required as part of (or prior to) the commissioning process.

- Do you feel that that this expectation is appropriate? Why?
- Do you feel the current arrangements within the STC would provide a suitable basis? Why?

Next steps

- If you have feedback or wish to discuss anything please get in touch

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- The slides and any notes from this session will be made available on our website
- We will be emailing a survey; please can you take the time to feedback on this session
- Our next milestone is the Early Competition Consultation Document which we expect to publish in July

