

Solution Delivery and Operations –
Operations, Maintenance and
Decommissioning

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...

Alastair Grey (ESO)

Commercial Analyst



Mike Oxenham (ESO)

Network Competition Policy Manager



Urmi Mistry (ESO)

Network Competition Policy Development Analyst



Louise Coombs (ESO)

Network Competition Policy Team Coordinator



Matthew Curtis

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.

Operations, Maintenance and Decommissioning – 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 operating and maintaining the successful solution will also have undertaken the preliminary works and construction works.
- A Tender Revenue Stream based model will be in place through the operational period rather than a Regulated Asset Value based model.
- Proposals need to be considered for both non-network and network solutions.

Risk Allocation

For the following operations, maintenance and decommissioning process risks should these risks sit with the bidder, the consumer, the counterparty, be shared or sit elsewhere? Why?

Need Change or
Disappearance

Force Majeure

Change in Law,
Licence or Code

Asset Failure /
Reliability

Are there other key 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.

Incentives

For the following potential incentives do you think there is merit in further consideration? Why?
How might such an incentive be constructed which would deliver consumer value?

Availability

Outage
Optimisation

Timely New
Connections

Asset Health

Innovation

Environmental
(e.g. SF6)

Are there other potential incentives which should be considered? Why?

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

Availability Incentive – Deep Dive

Existing Offshore Regime

A weighted incentive based upon outages i.e. based upon the assets being available to utilise whether or not they are being utilised. This means that if an asset is unavailable (with some exceptions) there could be an impact on the incentive calculation.

Existing Onshore Regime

An incentive based on energy not supplied i.e. a 'volume of energy to customers that is lost as a result of faults or failures on the network'. This means that if an asset is unavailable but energy continues to be supplied there is no impact on the incentive calculation.

- Do you believe that an availability incentive is appropriate and which is your preference? Why?
- How might such an incentive be constructed? How might such an incentive be managed?
 - *For example, should it be calculated on an individual asset basis or on a cumulative basis, etc.*
- Are there any alternative options for an availability incentive which should be considered? Why?

New Investment

The successful bidder may be required to facilitate new investment over the revenue term e.g. to facilitate new connections or as a consequence of works on the system of a third-party

No.	Options
1	Successful Bidder (SB) funds all new investment required over revenue term
2	SB funds all new investment required over revenue term up to a total capped value (£)
3	SB funds all new investment required over revenue term up to a total capped value (%)
4	SB funds all new investment required over revenue term up to a capped value per incidence (£)
5	SB funds all new investment required over revenue term up to a capped value per incidence (%)
6	SB not required to fund any new investment required over the revenue term

- Are the above options a suitably diverse range? Are there any omissions?
- Which option do you believe will result in the greatest consumer value? Why?
- For new investment and connections do you feel the existing STCPs will suffice for CATOs?

Decommissioning Factors

Decommissioning costs are considered as part of the tender process and evaluation criteria
OR
Decommissioning costs are not considered as part of the tender process and evaluation criteria

A form of security is required from the successful bidder to protect consumers from decommissioning risks
OR
A form of security is not required from the successful bidder to protect consumers from decommissioning risks

The successful bidder needs to develop and maintain a proportionate formal Decommissioning Plan
OR
The successful bidder does not need to develop and maintain a proportionate formal Decommissioning Plan

- Are the above options a suitably diverse range? Are there any omissions?
- Which options do you believe will result in the greatest consumer value? Why?

Next steps

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

Box.earlycompetition@nationalgrideso.com

- 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

