

Solution Delivery and Operations  
– Preliminary Works

# Welcome to our WebEx for Early Competition

We will commence the meeting on the hour

**nationalgrid**ESO



# Agenda

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- 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



**Stuart Poole (ESO)**  
Change Delivery Lead



**Matthew Curtis**  
KPMG



**Marine Foillett**  
KPMG



Tell us about you

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



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**Rachel Payne (ESO)**

Stakeholder Lead



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Network Competition Policy  
Manager



**Urmi Mistry (ESO)**

Network Competition Policy  
Development Analyst



**Alastair Grey (ESO)**

Commercial Analyst



**Matthew Curtis**

KPMG



**Oscar McLaughlin**

KPMG



Tell us about you

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# 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.

# Preliminary Works – 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.
- All preliminary works (including consenting) processes will be carried out by the Successful Bidder under either a contract or a Licence, as appropriate.
- The party undertaking the preliminary works will undertake the construction works.
- If required, a Licence should be awarded prior to Preliminary Works. Where no Licence is required, alternative arrangements will be needed.
- Any proposals need to be considered for both network and non-network solutions.



# Scope

Preliminary Works covers the following stages within the early competition process:



**Preliminary works** includes (but not limited to):

- Consents
- Site surveys
- Detailed design
- Land rights
- Procurement (i.e. engage supply chain)
- Incumbent TO engagement

Do you think there are any additional areas a successful bidder should be responsible for and why?

# Payment Options

What	When	How
Fixed payment	Staggered throughout PWs	Sum only
Flexible/Variable payment	Completion of a PWs milestone	Sum with incentives
Combination of fixed and variable	Upon completion of PWs	Other mechanism
-	As part of eventual revenue stream	-

- Are there any omissions from the options above?

**In your view, what combination of the above payment options for preliminary works would represent the most value for the end consumer and why?**

- What level of certainty/security would a potential bidder need to carry out this stage of the process?
  - i.e. do contracts and/or a Transmission Licence need to be in place?
- Should payment approach be determined on a project by project basis?

# Incentives

**If incentives were included within payment options for a successful bidder...**

**Would the use of incentives drive efficiencies and innovation during the Preliminary Works process and why?**

- What type of incentives would deliver the best outcome for the end consumer?

Timely Delivery

Quality Delivery

Milestone  
Completion

Combination of  
above

Other

- Should the incentives be determined on a project by project basis?
- Should there also be penalties? How might they be constructed and managed?
- Do you feel this approach is appropriate for Early Competition and why?
- Do any of the above options represent a material risk to bidders?

# Risk Allocation

We also need to consider risk allocation within this process.

**Which party is best able to manage risk?  
Or should it be shared or sit elsewhere?**

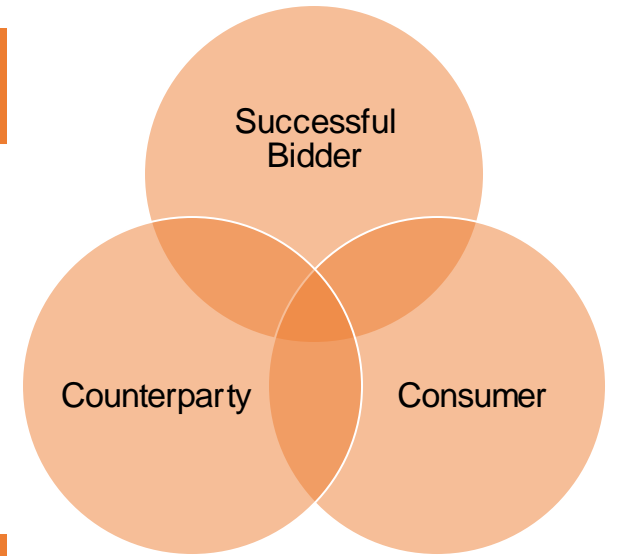
- Should uncertainty mechanisms be incorporated to help manage risks during the preliminary works process?
- What risk mitigations or commercial structure would ensure successful bidders are able to take on the appropriate risks?

## ***Examples of risks***

**Who is best placed to manage this risk and why?**

- If a survey returns something that results in a delay to works.
- If consent is rejected and it goes to appeal.
- A dispute arises around land rights.
- Detailed design work reveals issues with the winning solution.

**Are there any other important risks omitted above?**





# Next steps

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

[Box.earlycompetition@nationalgrideso.com](mailto: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.

