

Early Competition

Tender process: PQQ and ITT stage 1

4 May 2023

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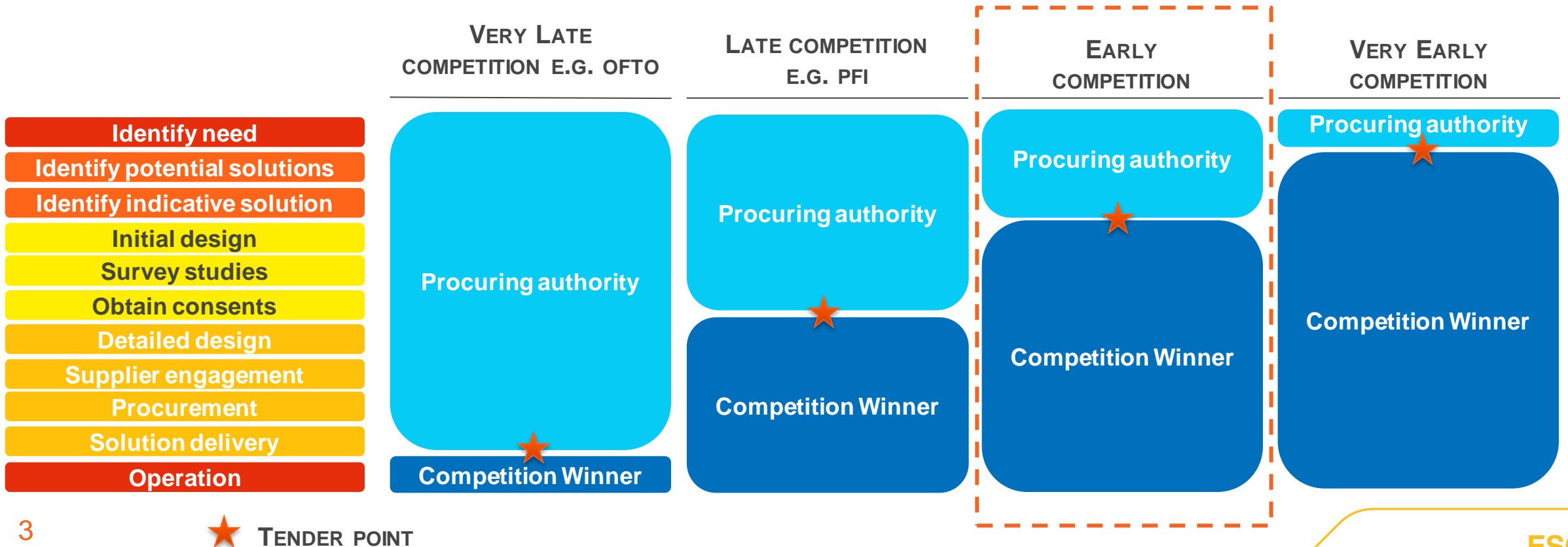
Objective: To provide an overview of the Early Competition tender process (PQQ & ITT stage 1)

What is Early Competition?

Early competition is a competitive process to select a bidder and a solution for a specific need (on GB's electricity transmission system) prior to the detailed design, surveying and consenting phases of solution development.

This means organisations could compete for the design, build and ownership of onshore transmission solutions.

Early competition will help encourage new ways of working and aims to seek the best solutions at a fair cost for consumers.



Early competition engagement timeline

Sept 2019: Ofgem asked the ESO to work alongside stakeholders in and outside the electricity industry to:

- Deliver an Early Competition Plan (ECP)

April 2020: our final ECP was submitted to Ofgem, setting out:

- The scope and form of each model, and associated processes
- Roles and responsibilities of different counterparties

April 2021: we published our ECP:

- Setting out an end-to-end process for early competition, from need identification to decommissioning



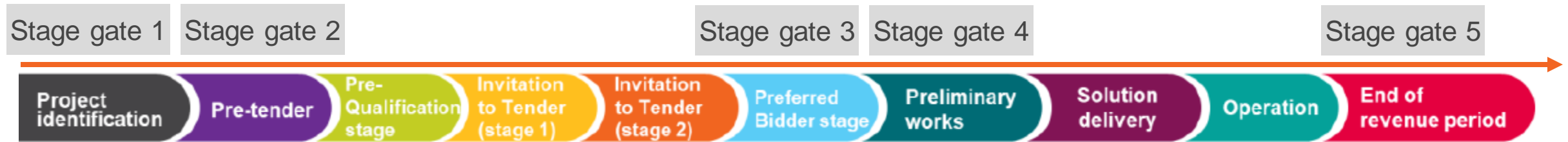
Early competition – where are we now?

- In March 2022 Ofgem asked the ESO to implement the model described in the Early Competition Plan
- We are now in the implementation phase (expected to complete April 2024)
- We are running a series of market engagements to test our thinking on the tender process, in particular tender timings, scoring approaches and key evaluation criteria assessed at each tender stage
 - **4 May 23: Pre-qualification & ITT 1 stage**

In the following slides we set out our current thinking. We would very much welcome your thoughts on these arrangements to help identify areas for further development.

Stage gates process

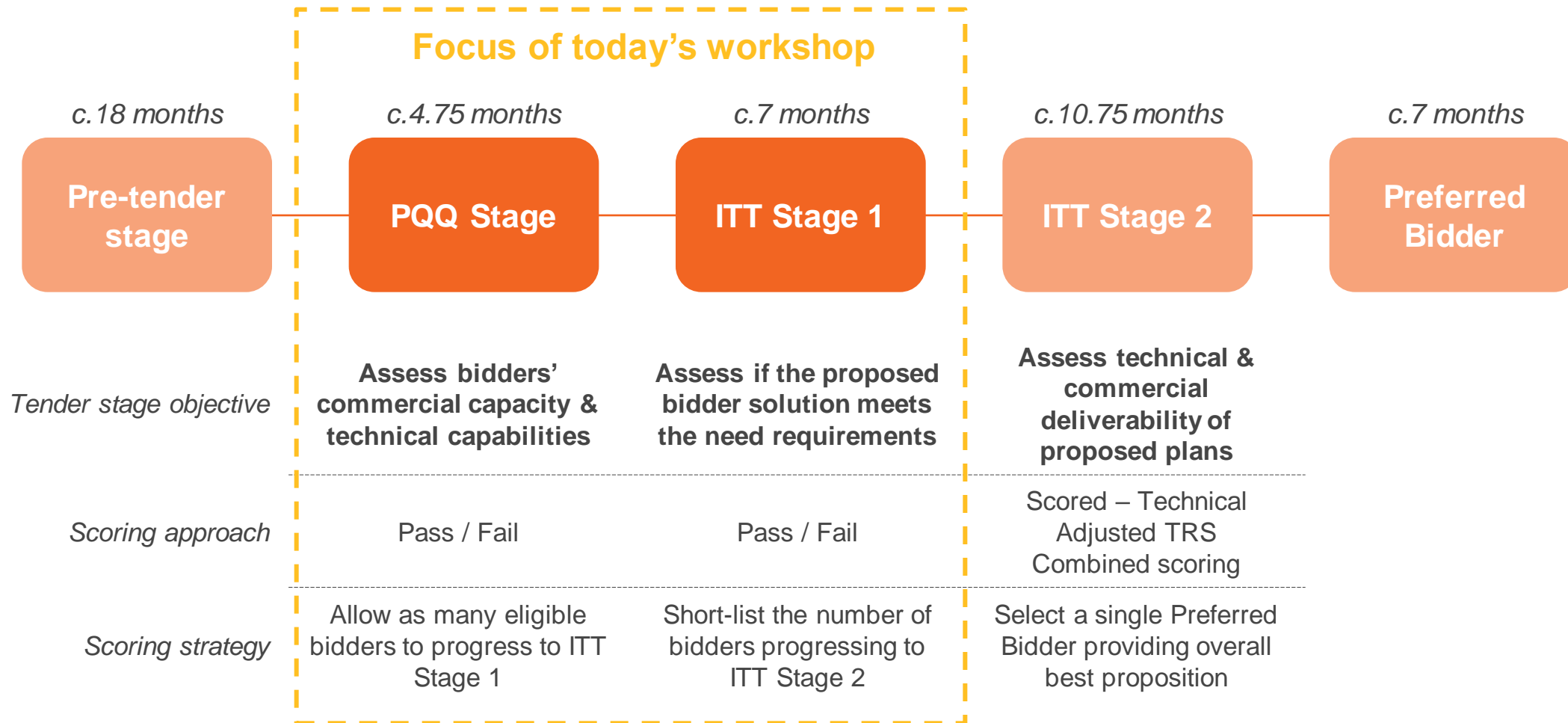
Throughout the end-to-end process, there is a series of stage gates which give Ofgem, the Approver, oversight and some control over the process to ensure consumers are protected.



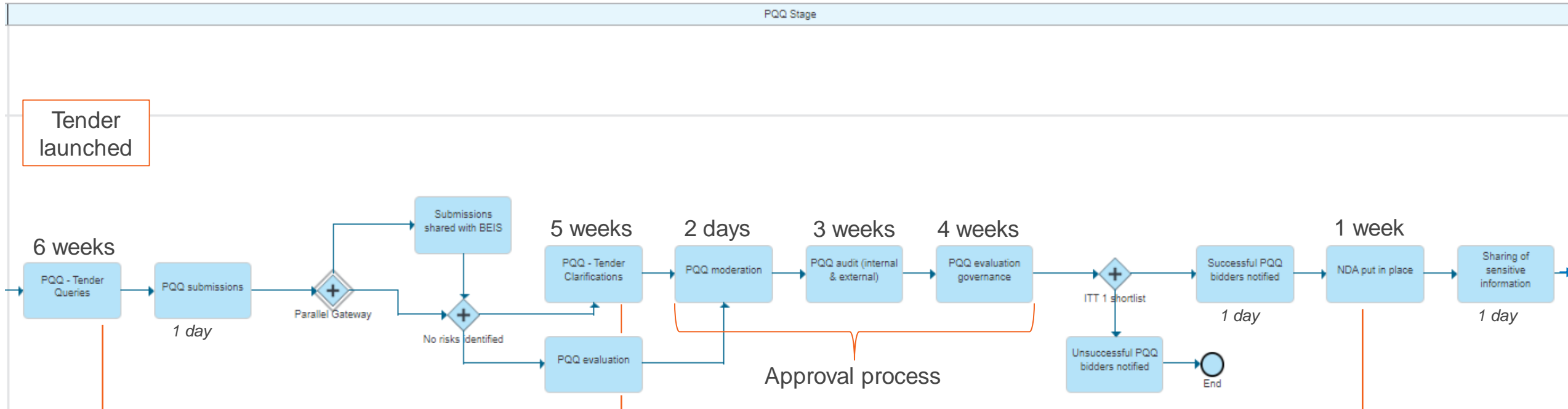
Stage gate 1	Ofgem's approval of pre-tender activities to commence for selected project/need
Stage gate 2	Ofgem's approval of tender launch
Stage gate 3	Following tender evaluation, ESO's approval of Preferred Bidder
Stage gate 4	Occurs at the end of preliminary works, Ofgem's approval for PPWCA/ construction to commence
Stage gate 5	Ofgem approve the preferred end-of-revenue period option

Early competition tender process

We are currently developing the tender process details based on the Early Competition Plan



PQQ Stage: Timeline breakdown



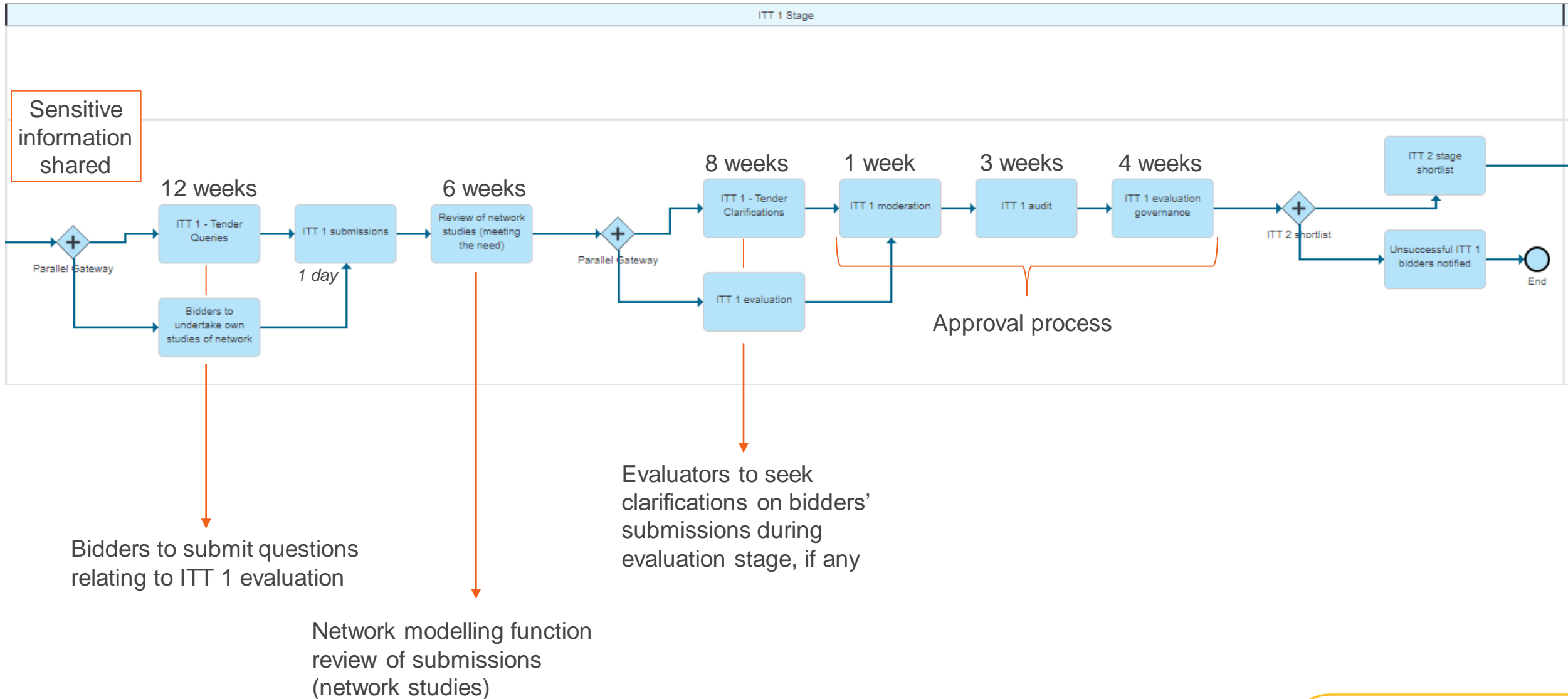
Bidders to submit questions relating to PQQ evaluation

Evaluators to seek clarifications on bidders' submissions during evaluation stage, if any

DESNZ
(NSI Act process)
+ 4 weeks if risks identified

NDA to be in place before bidders can progress to ITT 1 stage

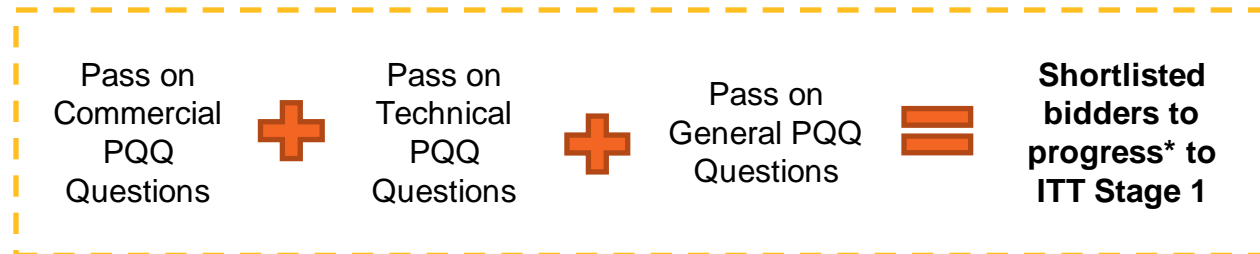
ITT Stage 1: Timeline breakdown



PQQ stage

The PQQ evaluation criteria is designed to test bidders' capabilities and experience in developing comparable projects, as well as the proposed SPV structure of the bidding entity.

Commercial capacity	Technical capability	General evaluation criteria
Bidder details	Evidence of preliminary works capability (case study)	Company details
Raising debt finance	Evidence of construction capability (case study)	If consortium, consortium details
Raising equity finance	Evidence of operational and maintenance capability (case study)	Immediate parent and ultimate controller details
Holding equity finance	Evidence of operational and maintenance capability (case study)	Shares, adviser details and licences
Annual Turnover Lead Construction Contractor	Subcontractors and Supply Chain details (case study)	Details of grounds for exclusion
EBITDA for each Lead Construction Contractor		Corporate standards
Net worth of equity investors		
Audited annual accounts and other material financial information		



ITT Stage 1

The ITT Stage 1 evaluation criteria is intended to test bidders' proposed solution and confirm if it meets the 'need' stated in the technical specification.

Technical assessment on Pass/ Fail basis

Meeting the Need

Risk to Network Reliability

Deliverability

Environmental and social impact*

A Pass would be awarded where a bidder demonstrates that their proposed solution delivers the network need, for example, a connection, thermal, voltage, stability, fault level or asset replacement need, as specified in the Technical Specification.

Scoring:

- ITT Stage 1 assessment will be **pass/fail only**.
- There may be consideration of scoring to provide flexibility to down-select in future rounds as the early competition process develops. Down selection may be considered in relation to the deliverability criteria.

* Environmental and social impact

- This will be assessed as **ESO builds capability to drive environmental and social requirements** through ESO policy development.

ITT Stage 1 pass / fail definitions

Pass/Fail approach:

- Conceptually, ITT Stage 1 will test bidders' proposed solution and confirm if it meets the **'need' requirements**
- **Cost estimates** to the proposed solution will not be considered at this stage
- **Evidence** include technical reports describing the Relevant Power System Studies carried out by the bidder, and include components such as single line diagrams, a model scheme, technology readiness etc.



- The **in-service date** is a key parameter per the technical specification derived from the NOA or future CSNP. Evidence may be varied at this stage to motivate that a solution is deliverable at the specified date (reliance may be placed on a high level plan or previous case study). Enhanced information to substantiate that the bidder can deliver the solution in time will be evaluated in ITT Stage 2

ITT stage 1 example

Requirement		Pass	Fail
Meeting the Need	Technical description of the solution	The information addresses the question well and includes good supporting evidence which is relevant to the requirements	It cannot definitively be established that the solution meets the need as stated in the Technical Specification.
	Single line diagram	Single-line diagram(s) before and after the solution is provided to illustrate how the configuration will look	It cannot definitively be established that the solution meets the need as stated in the Technical Specification.
	Interactive options compatibility	Technical report provided, with relevant analysis demonstrating how the proposed solution meets the needs	Not provided or the solution is does not meet the requirements
	Power system network model	A model scheme. Enough information provided to allow the ESO to model the proposed solution(s).	Information not provided and unable to establish if the solution meets the requirement
	Outage plans	Provides an indication of planned outage requirements for the proposed solution (e.g. maintenance) and ability of the solution to meet the availability requirements	Information not provided and unable to establish if the solution meets the requirement

Discussion points

- **Has enough time been factored into each activity of the tender process?**
- **Do you think our approval process duration is reasonable?**
- **Do you think a week is sufficient to demonstrate data security compliance and for an NDA to be put in place following a pass at PQQ?**
- **Are there any other criteria for assessment we should be considering at each stage?**

Next steps

- We will be offering the opportunity for individual companies to speak to our design teams on PQQ and ITT Stage 1 detailed evaluation criteria
- We will be collating feedback from interested parties and using it to further refine our process design
- We are further developing our ITT Stage 2 assessment criteria and process, and will be holding a webinar session on that in June

Please send your feedback and questions to:

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Newsletter:

