



# Early Competition

Tender process: ITT stage 2

8 June 2023

# Agenda

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Objective: To provide an overview of the Early Competition tender process (ITT stage 2)

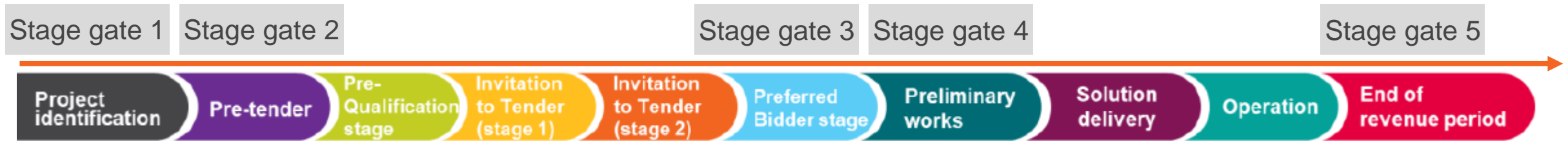
# Early competition – update

- 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 March 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**
  - **8 Jun 23: ITT stage 2**

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

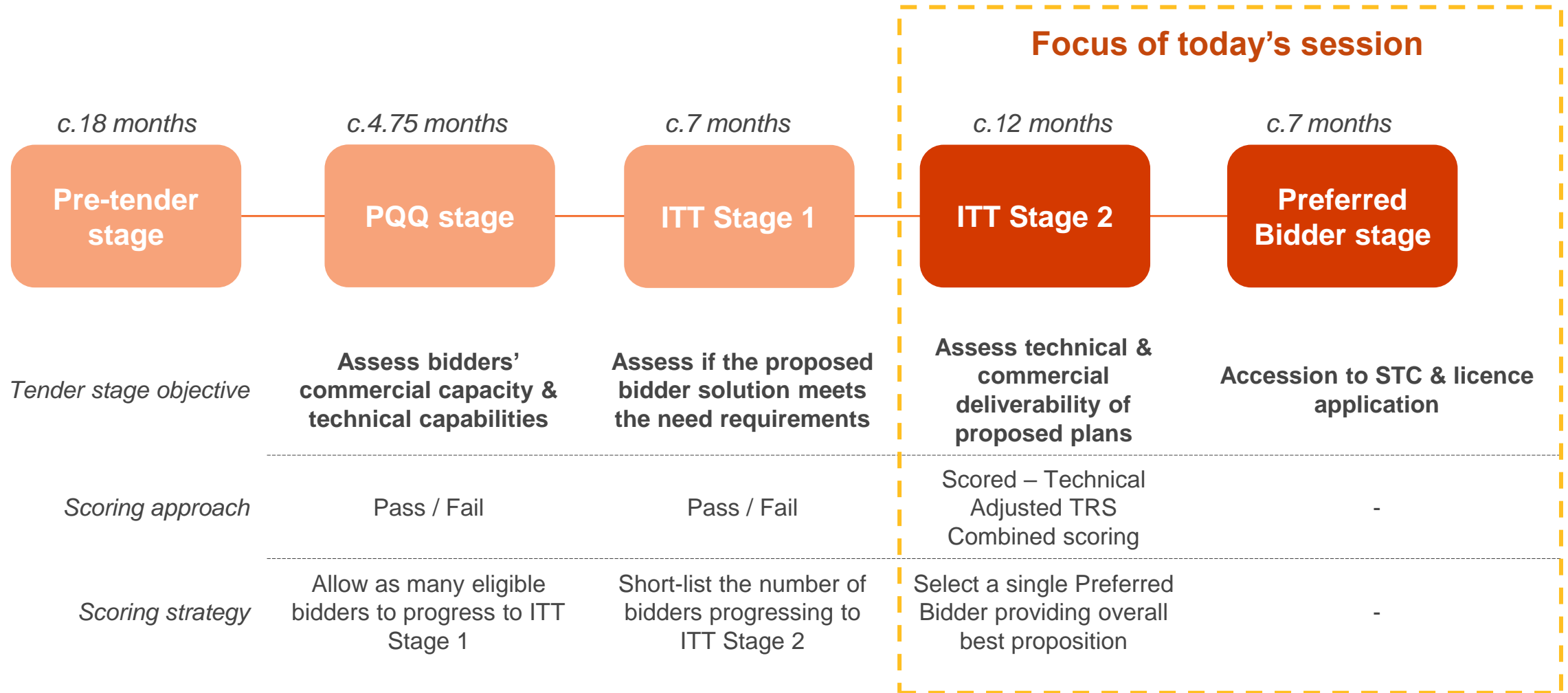
Throughout the end-to-end process, there is a series of stage gates which give Ofgem, the Approver, oversight and some control over the process to ensure consumers are protected.



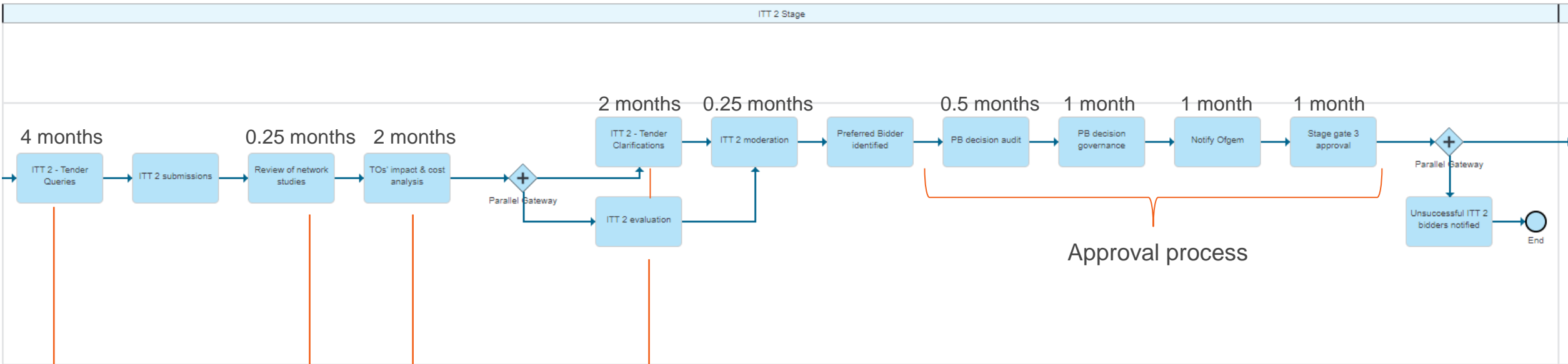
Stage gate 1	Ofgem's approval of pre-tender activities to commence the selected project/need
Stage gate 2	Ofgem's approval of tender launch
Stage gate 3	Following tender evaluation, ESO's approval of Preferred Bidder
Stage gate 4	Occurs at the end of preliminary works, Ofgem's approval for PPWCA / construction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

# Early competition - Tender process overview

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



# ITT Stage 2 - timeline breakdown



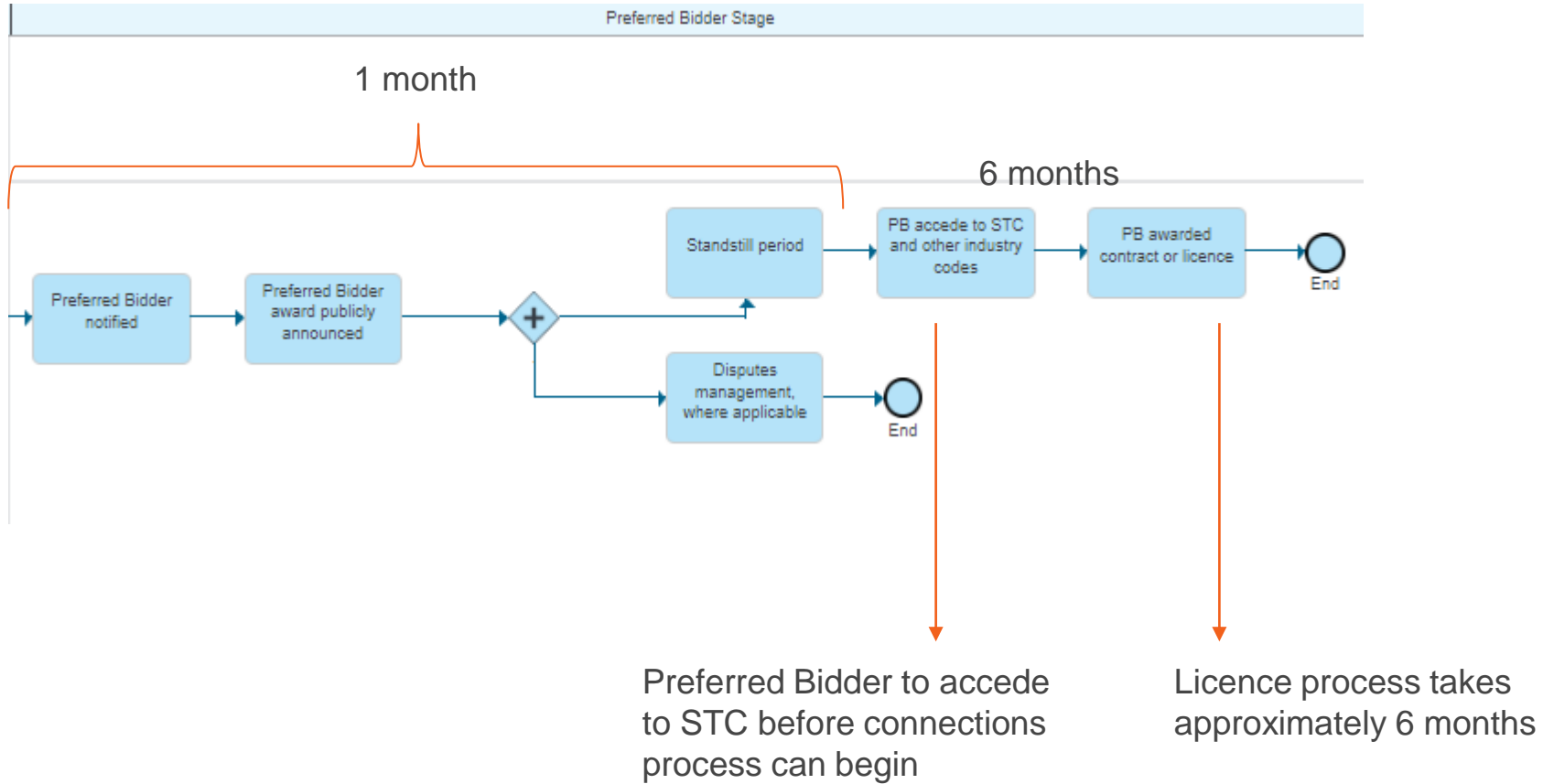
Bidders to submit any questions relating to ITT 2

TOs' perform cost/impact assessment review based on submissions

Network modelling function review of submissions (network studies)

Evaluators to seek clarifications on bidders' submissions

# Preferred Bidder – timeline breakdown



# ITT Stage 2 - overview

The ITT Stage 2 evaluation criteria is intended to select the Preferred Bidder based on a combined score for the assessment of qualitative deliverability evaluation criteria and the Tender Revenue Stream (TRS) amount.

## TRS (financial model)

- Bidders will be required to state the required TRS amount per annum in their financial models.
- The TRS payment forecast in each year will be discounted using the Green Book discount rate to calculate a Net Present Value (NPV) of the total payments to the bidder over the revenue period.
- TOs' costs for wider works will be considered in financial models.



## Qualitative assessment

- Technical assessment of the deliverability of set out proposals will be scored.
- Bidders will need to evidence all responses to the deliverability assessment elements.
- For each element, bidders will be awarded a score between 0-5 depending on the level and quality of evidence provided.
- These scores will be weighted to provide a total weighted score of between 0 and 5.



## Adjusted TRS for evaluation purposes only

- The Procurement Body set what proportion of the TRS submissions can be adjusted based on the qualitative assessment.
- A conversion factor will be used to turn the scored questions into TRS adjustment amount.
- Conversion Factor = Max adjustment to the TRS based on the proportion amount (£) x maximum Technical Score (5).
- The adjusted TRS for evaluation purposes = TRS + total TRS adjusted amount.
- The bidder with the lowest adjusted TRS for the evaluation purposes only will be selected as the Preferred Bidder.



# ITT Stage 2 – standard scoring guidance

A generic scoring rubric is proposed for each question requiring a scored assessment. Responses to tender questions will be evaluated based on the rubric and additional guidance linked to specific elements or sub-elements within the evaluation criteria.

Score	Short Description	Description
0	No evidence	<ul style="list-style-type: none"> <li>No or inadequate response to the question. The response contains <u>material omissions</u> or provides <u>no supporting evidence</u>.</li> </ul>
1	Very poor evidence	<ul style="list-style-type: none"> <li>Response inadequately addresses the question and / or includes inadequate supporting evidence.</li> <li>The response very poorly demonstrates that the bidder has the capability, resource and experience to sufficiently deliver the solution.</li> <li>The methodology for cost estimation relies on capacity factoring, parametric models, judgment, analogy, or stochastic estimating methods.</li> </ul>
3	Satisfactory evidence	<ul style="list-style-type: none"> <li>Response addresses the question well and includes good supporting evidence which is relevant to the requirements.</li> <li>The response demonstrates some additional value and /or additional benefits which are realistic and measurable, and that the bidder has the capability, resources, and experience to sufficiently deliver the solution.</li> <li>The methodology for cost estimation builds on the previous category, and is semi-detailed with assembly level line items, a work breakdown structure and identified work packages, and includes some budget quotations from suppliers.</li> </ul>
5	High quality evidence	<ul style="list-style-type: none"> <li>Response is comprehensive and detailed and fully addresses the question. The response provides excellent supporting evidence / examples / information which are relevant and fully aligned to requirements.</li> <li>The response clearly demonstrates exceptional additional value and/or additional benefits and innovations which are realistic and measurable, and the bidder has the capability, resources, and experience to sufficiently deliver the solution.</li> <li>The methodology for cost estimation builds on the previous category, and include detailed material take-offs, unit costs with some forced detailed take-offs, work breakdown structure and planning, defined work packages and firm bids/quotations.</li> </ul>

The scoring description allocated to each score is based on three components:

- 1) the response itself
- 2) capability, resource and experience to support the response to the question and
- 3) cost certainty based on a cost estimation methodology where a question is linked to a cost.

# ITT Stage 2 - qualitative assessment

Category	Category description	Category weighting	Element
<b>Deliverability and Delivery plan (Construction)</b>	Consider and evidence the approach to construction planning inclusive of the assessment of key elements linked to repricing.	30%	Project description
			Execution plan
			Project schedule
			Approach to key deliverables
			Interface approach
<b>Planning and consenting strategy</b>	Consenting strategy.	20%	Approach to planning and consenting
			Approach to environmental requirements
<b>Deliverability and delivery plan (O&amp;M)</b>	Consider and evidence the approach to meeting operations and maintenance obligations.	15%	Operational obligations
			Asset management approach
			Operations management approach
			Operational availability
			Readiness planning for Major Failure Events
<b>Supply chain strategy and approach to costing</b>	Consider and evidence the supply chain approach during the construction and operational phase of the project. Evidence the basis of various cost categories which contributing to the financial model inputs to derive the TRS.	25%	Continuous improvement approach
			Supply chain approach
			Supply chain key deliverables
			Contracting approach
			Capex contracting
			Opex contracting
			Contracting for services
			Estimate Basis
			Labour Rate
			Labour productivity
			Construction Equipment
			Freight
			Advisor cost (financial, legal technical, insurance, tax etc)
			Temporary Facilities
			Indirect costs
			Escalation
			Contingency
FOREX			
Changes to costing approach			
<b>Financing strategy</b>	Evidence the approach to financing	10%	Financial advice
			Model audit
			Debt termsheet
			Funding of preliminary works
			Funding of construction - equity
			Funding of construction - debt
			Debt commitment
Debt funding competition and Financial Close strategy			

The ITT Stage 2 evaluation criteria is intended to select the Preferred Bidder based on a combined score for the assessment of qualitative deliverability evaluation criteria and the Tender Revenue Stream (TRS) amount.

# 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 have any views on the category and element groupings?**
- **Do you have any views on the weightings for categories?**
- **Are there any other criteria for assessment we should be considering at this stage?**

# Next steps

- We will be offering the opportunity for individual companies to speak to our design teams on ITT Stage 2 detailed evaluation criteria
- We will be collating feedback from interested parties and using it to further refine our process design

Please send your feedback and questions to:

**[box.earlycompetition@nationalgrideso.com](mailto:box.earlycompetition@nationalgrideso.com)**

Newsletter:



# Appendix

# ITT Stage 2 - Category & Element score weightings

Category	Category weighting	Element	RAG
Deliverability and Delivery plan (Construction)	30%	Project description	M
		Execution plan	H
		Project schedule	M
		Approach to key deliverables	H
		Interface approach	L
Planning and consenting strategy	20%	Approach to planning and consenting	H
		Approach to environmental requirements	L
Deliverability and delivery plan (O&M)	15%	Operational obligations	H
		Asset management approach	H
		Operations management approach	M
		Operational availability	M
		Readiness planning for Major Failure Events	L
		Continuous improvement approach	L
Supply chain strategy and approach to costing	25%	Supply chain approach	H
		Supply chain key deliverables	H
		Contracting approach	L
		Capex contracting	L
		Opex contracting	L
		Contracting for services	L
		Estimate Basis	H
		Labour Rate	M
		Labour productivity	M
		Construction Equipment	M
		Freight	M
		Advisor cost (financial, legal technical, insurance, tax etc)	L
		Temporary Facilities	L
		Indirect costs	L
		Escalation	L
		Contingency	H
		FOREX	L
		Changes to costing approach	M
Financing strategy	10%	Financial advice	M
		Model audit	L
		Debt termsheet	L
		Funding of preliminary works	H
		Funding of construction - equity	H
		Funding of construction - debt	L
		Debt commitment	M
		Debt funding competition and Financial Close strategy	H

The combined scoring will be based on the category and element weightings. Indicative category weightings are shown in the table to the left. The element weightings will be determined based on the RAG ratings.