Competition in electricity transmission

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1. Introduction

We, the Electricity System Operator (ESO), assess certain transmission reinforcement options or projects against consulted-on criteria to determine whether they are eligible for competition. We identify transmission reinforcements that could be put out to tender so that parties other than the incumbent Transmission Owners (TOs) can own, operate and maintain parts of the electricity transmission system. This is to optimise value for end consumers.

There are two sets of criteria known as early and late. These refer to the point in the project development process at which the competition is run. We describe their criteria further on in this annex, but if you would like to read about it in more depth, we describe it in section 4 of our *Network Options Assessment (NOA) methodology*.[1] Licence condition C27 obliges us to assess against late competition criteria. The Office of Gas and Electricity Markets (Ofgem) have also asked us to assess against the early competition criteria.

We list the projects in this annex that meet the early and late eligibility criteria in the case of NOA options. However, late competition assessments are also done for connections projects, but this is not done for the early criteria as Ofgem are currently developing how the early competition criteria should be applied to connection projects. Projects eligible for competition can also emerge through other routes and is not limited to connections.

The next step is for projects that meet the early eligibility competition criteria to be tested against the competition cost-benefit analysis. This in turn produces a shortlist of projects to be chosen by Ofgem to be competed.

The *Energy Act 2023*, which includes provisions for competition, has been passed recently and the full detail of the competitive framework is currently being developed by ourselves and Ofgem.

Further information on competition can be found in the Early Competition page on our website.[2]

[1] NOA Methodology
[2] ESO Early Competition Webpage

2. Eligibility criteria and differences between early and late competition

We assess projects against early and late competition criteria. While the early and late criteria are the same for “new” and “separable”, they differ for other criteria as this table shows:

Table 1 - Eligibility criteria and differences between early and late competition.

Criterion	Early competition	Late competition	Comments
Certainty	√	√	Certainty of the need: the options that have a “Proceed - Critical”, “Proceed - Maintain" and “Hold” recommendations. Note that only options with a “Proceed – Critical” recommendation are assessed for “late competition”.
New	√	√	Completely new transmission assets or complete replacement of transmission assets.
Separable	√	√	Ownership between these assets and other (existing) assets that can be clearly delineated.
High value		√	At or above £100m in value of the expected capital expenditure of the project.
Passes competition cost-benefit analysis	√		Where the benefits of tendering are found to outweigh disbenefits such as those resulting from the time taken to tender and hence costs.

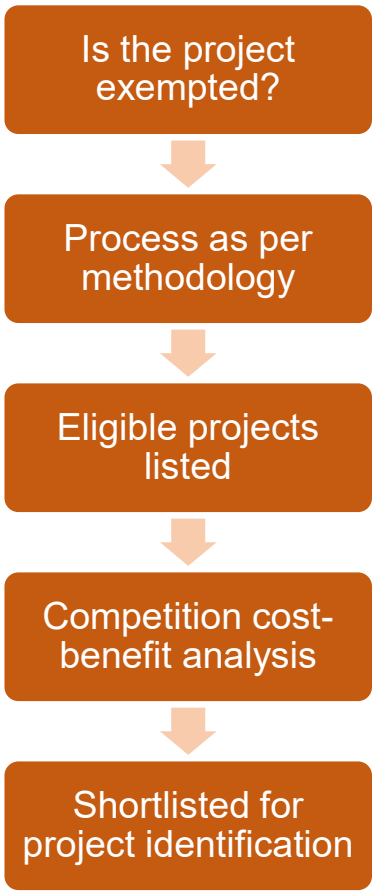
You can find out more details of how we run the competition eligibility process in the Section 4 of our *NOA Methodology*.[3]

[3] NOA Methodology

3. Eligible projects

The flow chart below gives an overview of the process leading through eligible projects and on to those shortlisted for project identification.

We publish the list of projects that meet the eligibility criteria for transparency and to help industry understand possible opportunities. It is important to note though that the final competition cost-benefit analysis stage for the early competition assessment has yet to be completed and the list represents an intermediate stage.



Some options are exempted from competition despite being eligible or likely to be eligible. Such options include those sensitive to the time to meet net zero milestones, as the *British Energy Security Strategy* (published on 7 April 2022)[4] refers to.

We assess eligibility for competition against the early and late criteria as the *NOA methodology* describes.

From running the process, we have listed the NOA wider works options that are eligible against the criteria, and the connection projects eligible against the late criteria for competition in this annex (see Table 2).

Ofgem are finalising the early competition cost-benefit methodology hence the list of options eligible under early competition have not yet undergone a competition cost-benefit analysis assessment.

Projects that meet the criteria are provided to Ofgem who will decide whether the project should be tendered. (For early competition, this will happen following the competition cost-benefit analysis referred to above).

[4] British Energy Security Strategy (published on 7 April 2022)

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The table below lists the projects that meet eligibility criteria for competition. Note that connection projects do not have NOA numbers.

Table 2 - Projects that meet eligibility criteria for competition.

NOA code	Option/project description	Eligible under early competition subject to cost-benefit analysis	Eligible under late competition	Comments	Cost band
BKUP	Upgrade the existing network to a higher voltage between Blackhillock and Kintore	√	√		£500m-£1000m
CLN2	New circuit across North West England	√	√		£500m-£1000m
CMN3	New circuit between South East Scotland and North West England	√		Does not meet "late" as it does not have a "Proceed – Critical" recommendation	£500m-£1000m
	New 275 kV Connagill substation	Not yet assessed	√		£100m-£500m
DSUP	Establish further connection capacity between Dounreay, Banniskirk (Spittal), and Thurso	√	√		£100m-£500m
	New East Coast 275 kV substation	Not yet assessed	√		£100m-£500m
ESCF	Reconfigure network between Stalybridge and Thorpe Marsh	Part	Part	Needs splitting to facilitate competition as it has a new 15 km double circuit element.	£100m-£500m
FSU1	Upgrade the existing network to a higher voltage between Harker and Stella West	Part	Part	Assumes complete rebuild; if TO reuses assets, it would need further study; the minimum for tendering would be new substation.	£500m-£1000m

NOA code	Option/project description	Eligible under early competition subject to cost-benefit analysis	Eligible under late competition	Comments	Cost band
HGNC	New circuit between Harburn and Gala North	√		Does not meet "late" as it does not have a "Proceed – Critical" recommendation	£100m-£500m
LRN6	New transmission capacity between the South Lincolnshire, Cambridgeshire and North West Norfolk boundary to Hertfordshire	√	√		£500m-£1000m
	Morar 400 kV Substation	Not yet assessed	√		£100m-£500m
MRU1	Upgrade the Mersey ring of circuits and substations (Phase 1 of 2)	Part		Project would need splitting to allow new substations to be competed. Does not meet "late" as it does not have a "Proceed – Critical" recommendation	£500m-£1000m
MRU2	Upgrade the Mersey ring of circuits and substations (Phase 2 of 2)	Part		Project would need splitting to allow new substations to be competed. Does not meet "late" as it does not have a "Proceed – Critical" recommendation	£100m-£500m
NHNC	New circuit from north east Scotland to the Central Belt	√	√		£2500m-£3000m
PKUP	Upgrade and/or rebuild the circuits and equipment between Longside (Peterhead 2), Peterhead, Persley, Kintore, Fetteresso,	Part	Part	New 400 kV substation meets criteria if split from rest of project.	£500m-£1000m

NOA code	Option/project description	Eligible under early competition subject to cost-benefit analysis	Eligible under late competition	Comments	Cost band
	Alyth, and Kincardine				
PSNC	New circuit between North Wales and South Wales	√	√		£2500m-£3000m
RANC	New circuit within south east England	√	√		£1500m-£2000
	New substation for Sizewell C Power Station	Not yet assessed	√		£100m-£500m
TMCF	Reconfigure Thorpe Marsh substation	Part		Assumes new substation is separable. Does not meet "late" as it does not have a "Proceed – Critical" recommendation	£100m-£500m
TWNC	New circuit between Wymondley and Waltham Cross and increase operating voltage of the network within the area	Part		Needs splitting of new double circuit and new 400 kV Warley substation for competition. Does not meet "late" as it does not have a "Proceed – Critical" recommendation	£100m-£500m
	Wanlass Beck	Not yet assessed	√		£100m-£500m
WCD4	Increase the capacity of the proposed HND1 West Coast offshore HVDC link between Scotland and Wales	√		Does not meet "late" as it does not have a "Proceed – Critical" recommendation	£2500m-£3000m
WCN2	New circuit between south west Scotland and north west England	√	√	The project would need splitting to meet separable requirements	£500m-£1000m