

Project shortlisting and tender process update

Early competition

April 2024

Agenda

01. Shortlisting projects for early competition

02. Tender process update

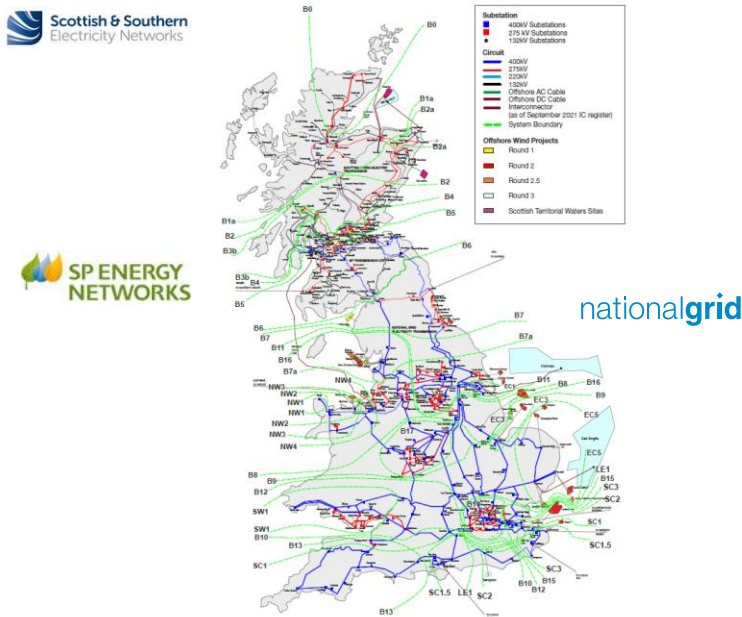
03. Q&A

We would like to speak to you about early competition, please contact us at box.earlycompetition@nationalgrideso.com

Competition in onshore electricity transmission

The ESO has been asked by Ofgem to implement a model for Early Competition in onshore transmission

Existing transmission network



Introducing competition into onshore transmission

- **A competitive process to select the provider** of a solution to a specific need on GB's electricity transmission system
- **Selecting a solution provider at the 'early' stage**, before planning, consenting and detailed design (preliminary works)
- To the extent possible, **creating a level playing field** between alternative solutions
- **The ESO will transition to become the National Energy System Operator' (NESO)** - entirely separate from National Grid - and will become the procurement body for the competitive process

What is Early Competition?

Early competition is a competitive process to select a bidder, and a solution, to a specific need on the electricity transmission system.

Early Competition snapshot

Tender stage	Responsible party
Identify network need	NESO in conjunction with the Transmission Owners and Third Parties.
Identify potential solutions	
Identify indicative solutions	
Initial design	Competitively Appointed Transmission Owner (CATO)
Surveys	
Obtain consents	
Detailed design	
Supplier engagement	
Procurement	
Solution delivery	
Operations	

Tender point

Key highlights

- Organisations could **compete for the design, build, finance and ownership** of onshore transmission solutions.
- **Begins 'early'**, prior to the detailed design, surveying and consenting phases of solution development.

Potential benefits of Early Competition



Innovation



Cost savings

2024 Strategic update

The early competition implementation update has been published and we are preparing for the launch of the first competition later in 2024.

February

Early Competition Implementation update published, available on the ESO website.



March

Ofgem consultation on policy for early competition closed on 21 March. Now awaiting decision.



March

Beyond 2030, the transitional centralised strategic network plan published. Includes identification of projects eligible for competition



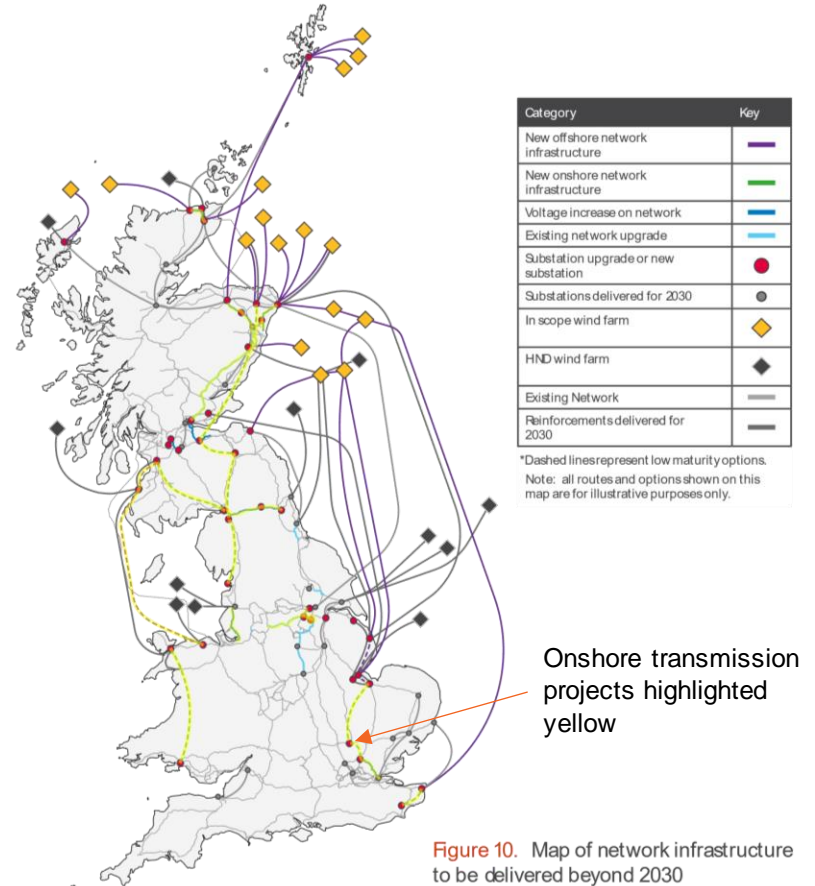


Shortlisting projects for early competition

Beyond 2030

The ESO's Beyond 2030 report sets out network recommendations throughout the 2030s.

- **The report recommends offshore and onshore network upgrades totalling £58 billion in value.**
- **A total of 23 projects were assessed to meet the eligibility criteria for competition.**
 - 11 projects were assessed as eligible for early competition, subject to cost-benefit analysis.
 - 7 projects were assessed as part eligible for early competition, subject to splitting the project and CBA.
 - A further 5 connection projects have been assessed as eligible for late competition, however, have not yet been assessed for early competition. Certainty criteria has yet to be formally agreed for connection projects.



Source: [Beyond 2030](#)

Projects identified

18 projects were assessed as eligible for competition in whole or in part.

These fall into the following categories:

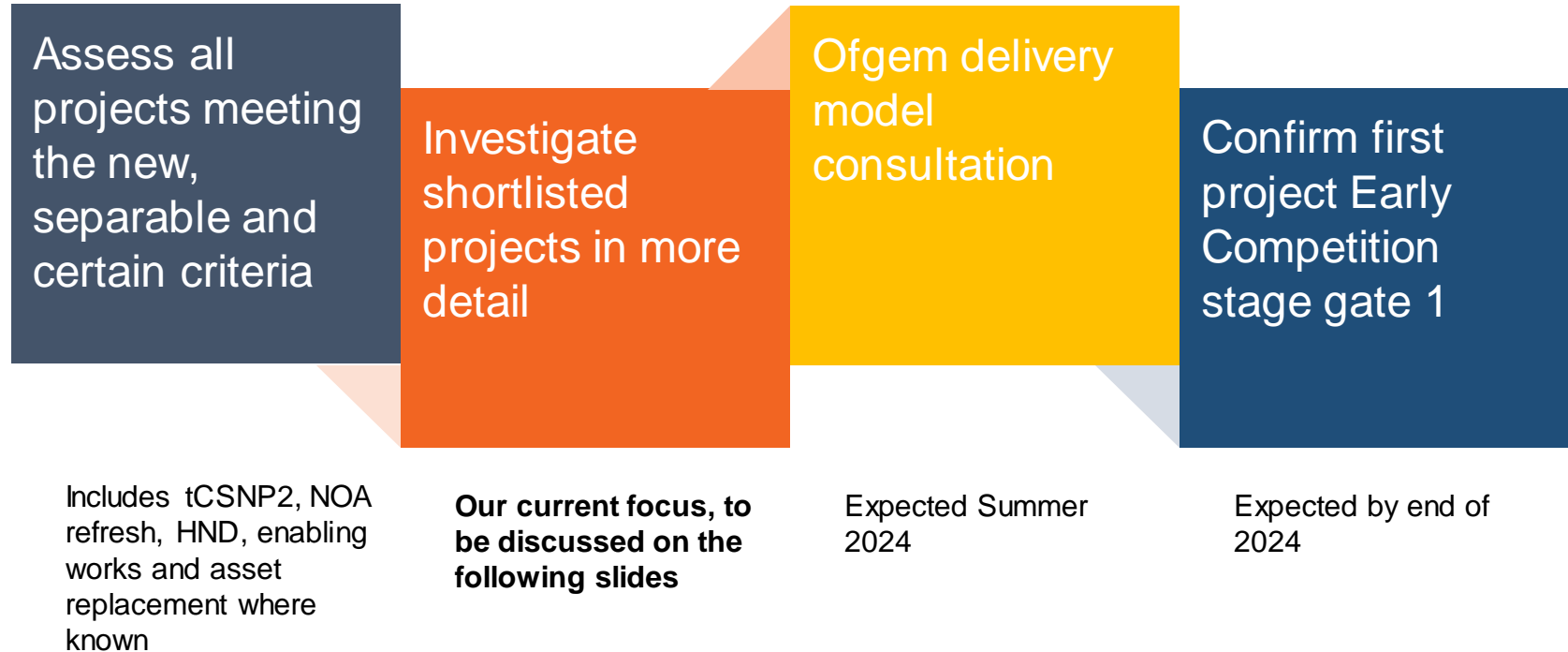
- 1 Upgrading of existing circuit by replacement
- 11 New circuits
- 1 HVDC link
- 4 Substation only scheme
- 1 Other type of scheme (Quad Booster)

NOA code	Option / Project description	Eligible under early competition subject to CBA	Cost band (£m)
BKUP	Upgrade the existing network to a higher voltage between Blackhillock and Kintore	✓	500-1000
CLN2	New circuit across North West England	✓	500-1000
CMN3	New circuit between South East Scotland and North West England	✓	500-1000
	New 275kV Connagill substation	Not yet assessed	100-500
DSUP	Establish further connection capacity between Dounreay, Banniskirk (Spital), and Thurso	✓	100-500
	New East Coast 275kV substation	Not yet assessed	100-500
ESCF	Reconfigure network between Stalybridge and Thorpe Marsh	Part	100-500
FSU1	Upgrade the existing network to a higher voltage between Harker and Stella West	Part	500-1000
HGNC	New circuit between Harburn and Gala North	✓	100-500
LRN6	New transmission capacity between the South Lincolnshire, Cambridgeshire and North West Norfolk boundary to Hertfordshire	✓	500-1000
	Morar 400kV substation	Not yet assessed	100-500
MRU1	Upgrade the Mersey ring of circuits and substations (phase 1)	Part	500-1000
MRU2	Upgrade the Mersey ring of circuits and substations (phase 2)	Part	100-500
NHNC	New circuit from North East Scotland to the Central Belt	✓	2500-3000
PKUP	Upgrade and/or rebuild the circuits and equipment between Longside (Peterhead 2), Peterhead, Persley, Kintore, Fetteresso, Alyth, and Kincardine	Part	500-1000
PSNC	New circuit between North Wales and South Wales	✓	2500-3000
RANC	New circuit within South East England	✓	1500-2000
	New substation for Sizewell C power station	Not yet assessed	100-500
TMCF	Reconfigure Thorpe Marsh substation	Part	100-500
TWNC	New circuit between Wyndley and Waltham Cross and increase operating voltage of the network	Part	100-500
	Wanlass Beck	Not yet assessed	100-500
WCD4	Increase the capacity of the proposed HND1 West Coast of shore HVDC link between Scotland and Wales	✓	2500-3000
WNC2	New circuit between South West Scotland and North West England	✓	500-1000

[Beyond 2030 | ESO \(nationalgrideso.com\)](https://www.nationalgrideso.com)

Source: [Competition in electricity transmission](#)

Process for selecting first project



Shortlisting Factors

These are the type of factors which will help inform our recommendation of the solutions which are most suitable for the further investigation.

- Are the factors set out appropriate?
- Are any more important to consider than others?
- Are there any additional factors stakeholders believe we should take into account?

Factor	Assessment criteria
1 Initial Early Competition CBA output	Where enough data exists, does the solution pass the CBA assessment, considering the base case, scenario analysis, and a qualitative assessment?
2 Certainty of the need	How many Future Energy Scenarios require the solution?
3 Maturity of the option	Has any optioneering or other work has been conducted to mature the understanding of the solution?
4 Certainty of interface points	Are interfaces known, and are any substations rebuild or new build requirements known and planned?
5 Separability	How easily can separation be achieved; does the solution meet the standard points for delineating ownership, or is further work required to understand how to achieve electrical separability?
6 Initial programme concerns	Is there sufficient team for the project to be delivered under early competition; is there float before the EISD?
7 Initial consenting concerns	Are there any key consenting risks relevant to the project?
8 Initial routing buildability concerns	Are there any key construction risks relevant to the project?

Next steps on shortlisted projects

We will investigate each of the shortlisted projects in more detail to understand their suitability for early competition. Our recommendation will be fed back to Ofgem.

The ESO will undertake studies on a selection of solutions to:

- Confirm they are deliverable – to understand the risks associated with the project
- Confirm they are consentable – to understand the consenting risks between point A to point B.
- Understand the impact to the Earliest In Service Date (EISD) should the project be taken forward for Early Competition

We expect that this process will identify three categories of projects:

1. Projects that are recommended for shortlisting for the first competition in 2024
2. Projects that are recommended for further development for potential inclusion in future competitions
3. Projects we recommend are not appropriate for competition

Next steps

We will make our recommendation to Ofgem by the end of April, ahead of the delivery routes consultation this summer.

We would like to engage with the market now to:

- Understand the market's views on the long-list of projects identified
- Inform our approach to shortlisting

How to engage:

- To meet with us and provide your feedback, please contact us at box.earlycompetition@nationalgrideso.com
- Complete our short questionnaire at <https://forms.office.com/r/OZ5NY2bBmF> (or use QR code below)



Tender process update



Tender process update

To reflect network planning reform, the tender process for early competition has been updated from a two-stage to a single-stage ITT.

Changes in the CSNP have reduced the need for the ESO to undertake additional assessment during ITT Stage 1.

As such, the structure and timings of the tender process have been revisited and simplified.

**Early competition plan
(April 2021)**

Two-stage ITT



**Early competition
implementation update
(February 2024)**

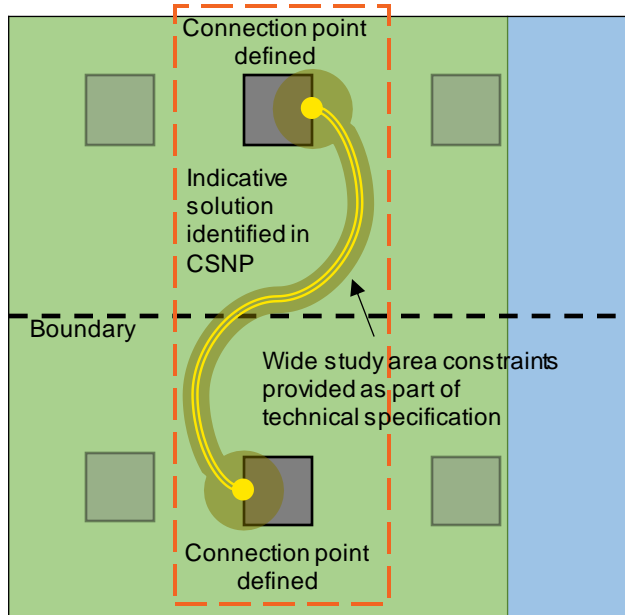
Single-stage ITT
Shorter tender process

Today we will summarise the changes to the early competition model to reflect the CSNP.

We would welcome any feedback from stakeholders on the changes to the model.

CSNP implications for the early competition tender process

In line with network planning reform, an options assessment will be undertaken as part of the CSNP.



Example EC-I update approach

The CSNP will:

- Undertake high-level design
- Set the allowable route study area
- Define the connection points

This means that:

- **Bidders' solutions will all be based on a common indicative solution**
- **The ESO will no longer need to undertake network studies assessments, previously assumed to take place at ITT Stage 1.**
- **TOs will not need to assess bidders' options as part of competition, reducing conflicts of interest**

Assessment criteria

Reflecting the proposals for the CSNP, the ITT Stage 1 assessment criteria (as originally set out in the ECP) will now either be considered in the single stage ITT assessment or removed.

ECP: ITT Stage 1 assessment criteria

Meeting the technical specification

Risk to network reliability

Deliverability

Environmental and social impacts

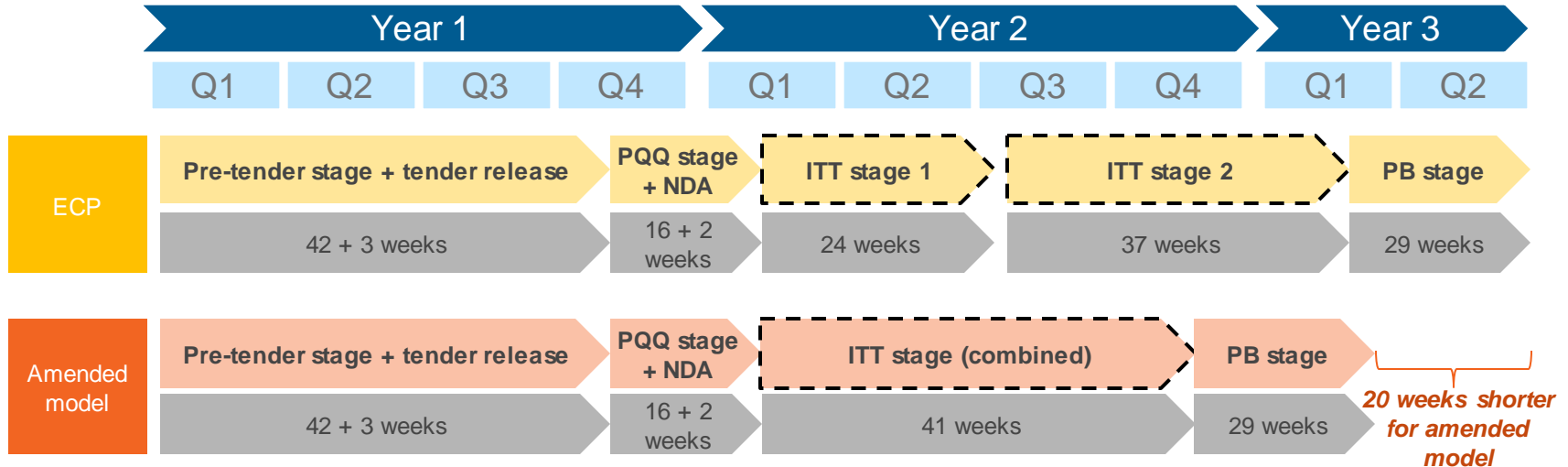
Approach under the amended model

Assessed as part of a single stage ITT

Covered in greater detail by the qualitative elements initially designed for ITT Stage 2; removed for the combined assessment as part of a single Stage ITT.

Amended model timings

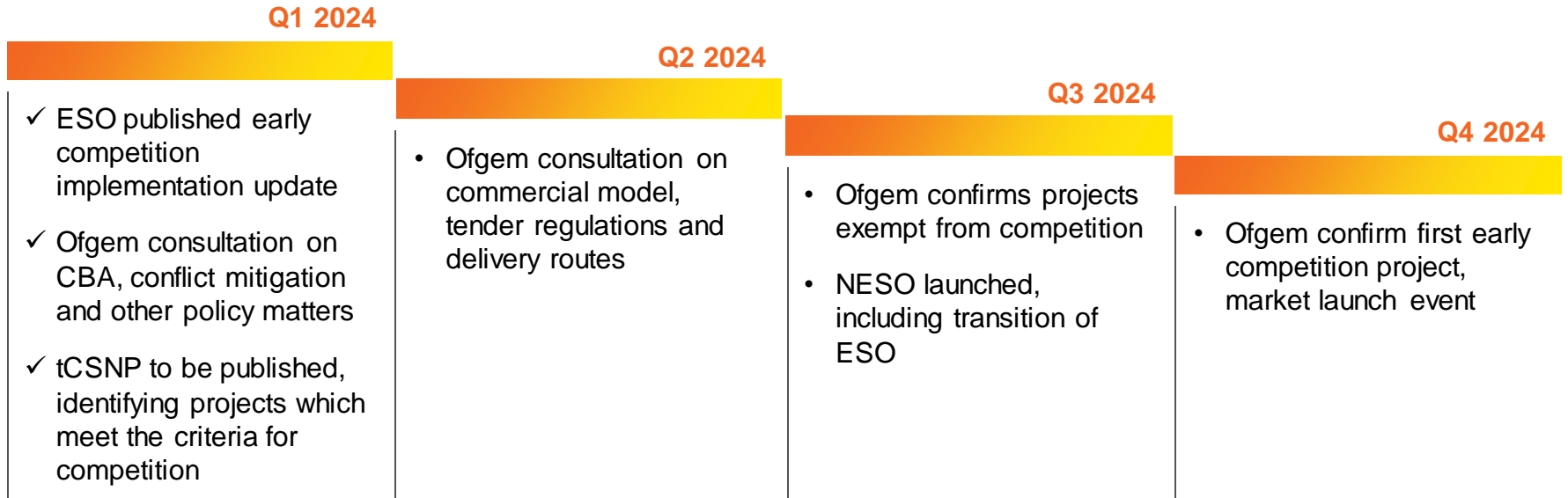
The amended model proposes a single stage tender and a shorter overall process.



Next steps

Next steps for early competition

Ofgem will consult on the commercial model in the first half of 2024. By the end of the year, the pre-tender phase for the first project will begin.



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Q&A

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- Understand the market's views on the long-list of projects identified
- Inform our approach to shortlisting
- Gather views on our proposed move to a single stage ITT

How to engage:

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Appendix: Tender activities



Project Identification and pre-tender activities

Project identification activities (stage gate 1)

- tCSNP output provides list of suitable projects
- Cost-benefit analysis to be performed
- In-service date and feasibility considered (one-off)
- Project prioritisation
- Stage gate 1 preparation
- Stage gate 1 assurance and governance
- Stage gate 1 approval
- *Publish preliminary market engagement notice*

Pre-tender activities (stage gate 2)

- Request information to facilitate network studies
- Develop project-specific information
 - Commercial model
 - Technical requirements
 - Evaluation criteria and scoring methodology
- Webinar to inform market of stage gate 1 outcome
- Consultation on selected project
- DESNZ informative session
- Tender documents finalisation
- Stage gate 2 preparation
- Stage gate 2 assurance and governance
- Stage gate 2 approval
- *Publish tender notice*

Project Identification and pre-tender activities

Tender launch

- Event / Webinar to inform market

PQ stage

- Tender queries
- PQQ submissions
- Tender clarifications
- Evaluation and moderation
- DESNZ NSI Act process
- Process assurance and governance
- PQ stage approval
- Feedback letters preparation
- Confidentiality Agreement put in place for PQ successful bidders

Project Identification and pre-tender activities

ITT stage activities

- Information sharing
- Tender queries
- ITT stage submissions
- Tender clarifications
- ITT stage evaluation and moderation phase 1
- *Optional BAFO 2.0*
- *ITT stage evaluation and moderation phase 2*
- Process assurance and governance
- Identify successful bidder
- Ofgem review successful bidder and confirm licence suitability
- Stage gate 3 (NESO) approval of preferred bidder
- Tender evaluation reporting to Ofgem
- Feedback letters preparation

Preferred bidder stage

- Engage corporate compliance for assurance
- Preferred Bidder announcement – award notice
- Commercial securities process
- Standstill period
- Dispute process