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Competition assessments

Suitability for Third Party Delivery
and Tendering Assessment

6.1 Introduction

We assess certain transmission reinforcement options or projects against criteria¹ to determine whether they are eligible for competition. In this way, 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. The Energy Act 2023² includes provisions for competition and the full detail of the competitive framework is currently being developed by ourselves and Ofgem.

6.2 Criteria

We assess wider network reinforcement options against the 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. Where Ofgem have exempted an option or project from competition, we will not assess it against the criteria. Most early and late criteria are the same and table 6.1 summarises this below along with the drivers of wider works or connections.

Table 6.1: Differences between early and late competition due to driver and eligibility criteria

Factor	Early competition	Late competition	Comments
Wider works driver	✓	✓	
Connections driver	See note	✓	
Network need criterion	✓	✓	Certainty of the network need: the projects that have a "Proceed - Critical", "Proceed - Maintain" and "Hold" recommendations.
Novelty criterion	✓	✓	Completely new transmission assets or complete replacement of transmission assets.
Separability criterion	✓	✓	Ownership between these assets and other (existing) assets that can be clearly delineated.
High value criterion		✓	Expected project capital expenditure of £100m or above.
Consumer benefit ³ criterion	✓		Where the benefits of tendering are found to outweigh disbenefits.

Note relating to connections: For early competition assessments, further consideration of the certainty of network need criterion needs to take place, alongside the connection reforms

¹ The Electricity (Criteria for Relevant Electricity Projects) (Transmission) Regulations 2024

² Energy Act 2023

³ <https://www.neso.energy/document/301781/download>

process, before connection only driven projects can be considered for early competition. This is being developed by NESO and Ofgem. Projects which have both boundary uplift needs and connection drivers will be assessed under the boundary uplift need for the purposes of the early competition criteria.

For more information, see the [NESO’s Network Competition pages](#) and [Ofgem’s guidance for competition criteria](#). For the competition eligibility assessment process, NESO will use the System Requirements Form (SRF) (see appendix C) information that the TOs submit for the tCSNP2 Refresh and in relation to the connections process.

6.3 Process

NESO follows a process to test the reinforcement options or projects against the eligibility criteria. The stages of the process are described in table 6.2. If the reinforcement option or project fails any stage, we find it is not eligible for competition. However, some reinforcement options or projects that initially fail the separable criterion (stage 5) might pass this criterion if elements can be split away from the rest of the project (stage 6).

Table 6.2: Overview of the process we use to assess if a reinforcement option or project is eligible for competition.

Stage	Activity	Comment
1	Gather all project costs for an area or region that meet the network need criteria (see table 6.1). Can the projects be bundled or split?	The stage checks whether bundling or splitting for example because of similarity of works, location, timeframes.
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2	Late only: Is the value over £100m?	The first of a two-stage process (the second, Stage 4, is below). NESO uses the costs that the TOs have provided after an independent cost check (see Annex 4). For connection works the costs in the connection contract are used. NESO will query any costs that cannot be explained with the TO. The trigger threshold is set at £90m to highlight projects that are marginally below the £100m figure. This produces a yes/ no output.
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3	Is this a new or complete replacement?	If a project delivers completely new assets or complete replacement assets that fulfil the same function as the assets to be removed or replaced. This produces a yes/ no output.
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4	Late only: Are the new or complete replacement assets over £100m capex?	The second part of a two-stage process (the first, Stage 2 is above). If the project has a very high proportion of new assets and high value, the project will pass this stage. For more marginal projects (where the value of new assets is around the threshold), NESO uses the breakdown of costs from the TO to calculate the value of the new assets. This produces a yes/ no output.
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5	Are the new assets separable?	Check if the project already has points of connection to existing assets that can be clearly delineated. Disconnectors are an example and other points such as clamps on busbars would also be acceptable if the point can be clearly identified. This produces a yes/no output.
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6	Can the projects be bundled or split?	As for Stage 1, above. Note that projects that are split must have component parts that meet or exceed the £100m value threshold for late competition. Splitting might be needed to meet separability criteria.
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7	Evaluate if further electrical separation is needed	If this stage is required, NESO treats any such instances on a case-by-case basis for options that pass the earlier stages and look likely to go to tender. NESO will consider factors such as safety and operability as well as cost and record outcomes along with method used in a summary report.
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8	Early only: Is there a net benefit to run a tender?	Checks if the benefits of tendering outweigh the disbenefits of tendering. This assessment process is described in a separate methodology on early competition that our Consumer Benefit Assessment Methodology describes. This produces a recommendation for Ofgem on whether to run a competition. Ofgem then have the final decision of whether this is taken to competition or not. This may be a separate process outside of the options assessment depending on the timescales for publication.

6.4 Outputs

NESO publishes the reinforcement options or projects in the tCSNP2 Refresh report that meet eligibility criteria for both late and early competition.

The decision to compete these options or project will be Ofgem's in line with policy frameworks that are being developed.

The list includes the cost bands which give industry an indication of the value of reinforcements while maintaining confidentiality. The assumptions are that land costs are included in the costs, but the cost of consents is excluded. The costs apply for new and separable elements only. Table 6.3 shows the cost bands that have been agreed.

Table 6.3 - Cost bands used in reporting competition eligibility assessments.

Cost bands
£100m - £500m
£500m - £1000m
£1000m - £1500m
£1500m - £2000m
Greater than £2000m