



Early Competition Plan

Roles & Responsibilities Thought Paper

September 2020

Welcome

Welcome to our thought paper on the roles and responsibilities for Early Competition. The aim of this paper is to provide more information on what we envision each role we consulted on would look like at a high level. It is an opportunity for you to share your views on what we are proposing.

In September 2019 Ofgem¹ asked us to outline the proposed roles and responsibilities of all parties in early competitions, which bodies would be most appropriate to fulfil them and to consider our own role in supporting Early Competition.

In July, we [published our Phase 2 consultation](#) on our proposals for the end to end model of Early Competition. Within this we set out our high-level views on what roles and responsibilities are required to carry out Early Competition. We also considered which parties could be best at facilitating Early Competition.

Following consultation feedback, this paper aims to provide more detail on what we think each of these roles would entail.

This is not a formal consultation, but we are interested to hear your views given this additional level of detail. This will help to inform our views and refine our thinking ahead of our Phase 3 Consultation later this year. There are a few ways you can share your views with us:

- The main route will be to attend one of our workshops on the [17 or 23 September 2020](#)
- Send a written response to box.Earlycompetition@nationalgrideso.com by the **30 September 2020**
- Contact us at the .box address above and we can set up a bilateral meeting.

We would really appreciate any feedback.

¹https://www.ofgem.gov.uk/system/files/docs/2019/09/electricity_system_operators_early_competition_plan_letter_0.pdf

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Roles and Responsibilities Phase 2 Update

Phase 2 Proposals

In our phase 2 consultation we considered which parties would be best able to facilitate Early Competition and identified four new key roles.

Roles and Responsibilities

In Phase 2 we discussed the roles and responsibilities needed to help Early Competition operate and be as transparent as possible. We also proposed the parties that could be best placed to carry them out.

We identified that Ofgem, the Electricity System Operator (ESO) and incumbent Transmission Operators (TOs) have important roles to play whilst also noting that there could be the possibility of third-party involvement (an entity other than Ofgem, the ESO or a TO).

We then went on to discuss new roles to facilitate Early Competition. They are:

Procurement Body: This entity will be responsible for the design of the procurement structure and process. The development of tender and contractual documents as well as management of the procurement process.

Licence Provider: This entity will issue the Licence.

Approver: Makes the formal decision to conclude a stage of early competition.

Licence Counterparty: This is the entity which will manage and monitor any obligations placed on any successful bidder that is issued or has a transmission licence.

Contract Counterparty: This is the entity which will manage and monitor any obligations placed on any winning bidder who will hold a contract for any solution not performing the function of electricity transmission (non-network).

Payment Counterparty: This entity will manage financial transactions between the winning bidder and the other counterparties.

Role of the incumbent TO

Our preferred position is that it would be beneficial for consumers if incumbent TOs were able to participate in competitions. With their expertise and experience, they have the potential to develop competitive solutions that deliver best value. Therefore, as outlined in the Phase 2 consultation, our aim is to develop a process that enables fair and transparent competition in which incumbent TOs can participate.

We proposed to run a competition at an 'early' stage of a project's lifecycle, after an initial solution has been developed and assessed through the Networks

Option Assessment (NOA). While bidders will not need to adhere to the indicative solution design, their solution will need to have the same network impact to meet the identified network need. It is therefore important to get the indicative solution right to maximise the scope for participation and innovative solutions. Given the importance of the initial solution for setting the tender specification, there is a potential conflict of interest associated with the TOs - who are likely to be participants in the competition - leading this solution development.



Who could own each new role?

We consulted on our initial views on which entities are best placed to fulfil each new role.

Procurement Body

The role could be carried out by:

ofgem

Or



Or

nationalgridESO

Approver

These entities could carry out these roles:

ofgem

Or



Or

nationalgridESO

This role could be shared across two separate entities

Licence provider

The power to issue a Licence sits with:

ofgem

We do not envisage any other party would be more appropriate to undertake this role

Counterparty

This role is split by transaction:

- Licence

ofgem

- Contract



Or **nationalgridESO**

- Payment



Or **nationalgridESO**



This icon represents a potentially new 3rd Party

Stakeholder Feedback

Broadly stakeholders agreed with the new roles identified in the Early Competition model.

Please note that this narrative has been lifted out of our detailed consultation responses document. This can be found at the bottom of our 'Early Competition – What is our approach?' webpage under the heading ['Our Progress'](#).

Roles and Responsibilities

Several stakeholders agree with the new roles identified in the early competition model. Stakeholders also suggested the following:

- Requirement of a truly knowledgeable third party to run the procurement process to ensure that there is no conflict of interest in relation to ESO/ National Grid Electricity Transmission (NGET)
- Ofgem, 3rd parties or the ESO could carry the role of Procurement Body
- The ESO could carry out the role of Contract Counterparty and Payment Counterparty and Ofgem the roles of Licence Provider and Approver
- The Procurement Body or Approver should have the same statutory duties as a TO with respect to its licence obligation to develop an economic and efficient system
- The role of Approver, Licence Provider and Licence Counterparty must be carried out by Ofgem where a transmission licence i.e. Competitively Appointed

Transmission Owner (CATO) has been granted to operate a transmission network, as is the case for Offshore Transmission Owners (OFTOs).

For non-network solutions, all stakeholders agree that a contract counterparty is required to monitor and manage compliance against a contract for any solution not performing the function of electricity transmission.

One of the suggestions on the proposed scope of the roles and responsibilities of parties as provided by a stakeholder is to be consistent with the ESO's licence and the existing regulatory regime.

We have tried to address areas of feedback within this paper, however formal ESO views on this feedback will be provided in our Phase 3 Consultation.

The role of incumbent TOs

Three stakeholders expressed concerns regarding the incumbent TOs participating in competitions as a market player. Two of the three stakeholders believe that TOs should submit solutions as the counterfactual to the rest of the bidders. Stakeholders noted this position was based on:

- TOs would be out of the realm of the regulatory framework in which they are designed to operate. With the inclusion of several small players in the network, there is a greater complexity to the overall management of the network, risking the operability and resilience of the network
- The TOs are obliged under acts and codes, to present the most economic and efficient solution to address network needs.

One stakeholder was strongly opposed to TOs competing, believing that ECP is alternative to the regulatory delivery of assets and that TO participation should be excluded as it would bring constraints and conflicts to the process.

The remaining stakeholders agree with the incumbent TOs participating in competition as it is an open and transparent market. However, one stakeholder noted that the TOs have a significant advantage over non-TO participants including connection process, energy cost, cost of capital, user charges, and land and development rights and the ESO should not rely on them for assessing network needs.

A stakeholder proposed that the ESO should have greater technical network understanding and data and not be reliant on incumbent TOs when assessing network needs and requirements. Another suggested that stringent business arrangements should be in place to prevent conflicts.

We recognise potential bidders concerns regarding the incumbent TOs bidding into Early Competition. These include concerns that TOs could, intentionally or unintentionally, design the overall network reinforcements in a way that favours particular solutions that advantage the TO or remove projects from the scope for competition. Stakeholders have also raised concerns that the TOs' current role in network planning would give them an advantage in the competition because they have greater or advanced knowledge of network issues. The TOs' existing roles could also mean that they need to be involved in the assessment of competitors bids (e.g. assessing the impact on their networks).

Stakeholders requested further information on the roles and responsibilities of the network planning process. We discuss the work we are doing to address these stakeholder concerns in Section 5.



**Roles & Responsibilities
Proposal Development**

Introduction

The purpose of this section is to provide more information on the roles we are proposing for Early Competition and of each party.

What we present in this section is the ESO's current vision of each role based on our current model. This is not our final position on roles and responsibilities for Early Competition. We feel this work is important to the success of Early Competition and requires stakeholder feedback for us to develop further, make the right recommendations and ensure we are considering all possible elements that need to be in place for Early Competition. Therefore, your views on this are very important and will shape our proposals for our Phase 3 consultation.

Following the Phase 2 consultation document, we have been developing each role and creating an initial view of the activities we think each role will be undertaking. In doing this we found that some roles overlapped, and others would benefit from being defined. Therefore, we have made the following updates:

- Removed the role of Licence Provider as this activity overlapped with activities under the Licence Counterparty.
- Added the role of Network Planning Body to help us in our thinking on the role of incumbent TOs.

This section will now consider each role in more detail.



1 Procurement Body

This is an integral role for the implementation of Early Competition. This entity designs and administers the procurement process. We have developed this role and created some initial views on activities that would be carried out by this entity at each stage of the process.

Activities under this role

These are our initial view on activities that would sit under the Procurement Body based on our current end to end model.

Needs Identification	Pre-tender planning	Qualification and Tender	Preliminary Works	Construction	Operation	Decommissioning
Kept informed of work and outcomes relating to network needs and strategic overview etc	<p>Market engagement and networking events about the upcoming tender</p> <p>Define bid evaluation criteria Sharing information with market</p> <p>Refines Network Planning Body recommendations on projects to tender for final approval to launch tender.</p> <p>Preparation of resources for the procurement process. This can include generic documentation, strategies etc...</p> <p>Supports Counterparty in development of commercial agreements and/or Licence documentation</p>	<p>Carries out tender process (PQ, ITT stage 1, ITT stage 2), including arranging any performance bond</p> <p>Carries out any final negotiations</p> <p>Makes Preferred Bidder recommendation</p> <p>Delivers the procurement process in line with documentation</p>	<p>Oversees Debt Competition, which is run by the bidder</p> <p>Informed of final project needs case recommendation</p>	<p>Conducts a lessons learnt review of outturn costs, including benchmarking and data collection</p>	<p>Incorporates lessons learnt into procurement process</p>	

1.1 Risks of the role

We believe the biggest risk to any entity that takes on this role would be the perception of an unlevel playing field.

We carried out a high-level risk assessment on the role of Procurement Body to identify any risks that would apply to any entity taking on the role. Based on our current model proposals, we found the following:

Risks	Description
Tender Process	Underperformance of tender process through market engagement, awarding the competition to the incorrect bidder and challenges in assessing tender information. Process delays causing delays in implementing the solution. Process failure to procure a preferred bidder or the preferred bidder walking away.
Technical Risk	Delays in implementation of the solution due to incorrect evaluation by the Procurement Body. Challenge in evaluating more innovative (unproven/untested) technology due to the early nature of the competition. Need not being set out properly or well-defined enough for bidders.
Cashflow/Financial risk	Insufficient funding for the role or no payment mechanism agreed. Debt competition costs could come back higher than originally assessed.
Legal Challenge	Participants challenging the process or its output at any point.
Perceived unlevel playing field	Conflict of interest around access to information and confidential information only being accessible to certain parties. TO supporting assessment of bids. Tender process being designed to benefit certain parties over others i.e. network solution against non-network. Perception could lead to lower levels of competition.

Political	<p>Changes to the proposed entity's role that are out of scope of their current statutory and regulatory obligations.</p> <p>May cause delays to wider policy implementation such as Net Zero progress.</p> <p>Could have a negative impact on any regulatory arrangements that the entity is covered by.</p>
Other	<p>Not having capability in place to deliver the role.</p> <p>Resource management issues if competitions are sporadic.</p>

How could this role be managed?

Our first thoughts in how this role could be managed would be to ensure that the right capabilities, expertise and resources are in place. There would need to be clarity of the roles of the Procurement Body and incumbent TOs within the Early Competition process and consideration of ring-fencing as required. Arrangements would need to be considered and implemented to allow equal access to information for all bidders. The Procurement Body would need a robust and transparent process in place, where bids could potentially be anonymised. There could also be benefit in having a conflict management process that has Approver input.

1.2 Analysis of Phase 2 proposals

Taking account of the activities, we revisited our preliminary thoughts on who could carry out the role. We considered the advantages and disadvantages of each entity we proposed owning the Procurement Body role.

Entity	Advantages to playing this role	Disadvantages to playing this role
Ofgem	<p>Carries out this process for OFTOs and so has experience of conducting a similar tender process.</p> <p>They are the regulator and so independent and without perceived conflicts of interest.</p>	<p>Does not have an in-depth technical understanding of the electricity system.</p> <p>Limited experience in assessing construction proposals.</p>

	<p>Commercial relationship with OFTOs. Experience in talking to financial investors. Has commercial capabilities. Has experience of regulatory finance models and regimes. Their primary aim is to protect the interests of existing and future consumers'. May be beneficial for competition in distribution and more acceptable to DNOs. Can move resources around from other projects.</p>	<p>No experience in evaluating system needs and solutions. No experience of non-network solutions. This is not their core role.</p>
Third Party	<p>Independent body so there is no risk of perceived conflict of interest. Potential to create synergies across sectors by creating an 'expert' procurement body. May be beneficial for competition in distribution and more acceptable to Distribution Network Operators.</p>	<p>High set up costs. Need to acquire relevant skills and experience. Potentially higher monitoring costs from Ofgem. Regulatory and governance arrangements would need to be developed. Lack of system knowledge. Lack of certainty of pipeline of competitions or a peaky workload may make business planning challenging Potential delays to Early Competition implementation due to the above.</p>
ESO	<p>The ESO carries out procurement activities for balancing services, Capacity Mechanism, Contracts for Difference schemes and Pathfinders. In-depth knowledge of the electricity system. Would be building on existing capabilities meaning there would be less time needed to resource and to upskill the ESO. Will not participate in competitions so there is no conflict of interest within the ESO. Robust legal separation requirements in place to ensure independence. Already has commercial relationships with some potential non-network bidders which will be beneficial during the market engagement activities.</p>	<p>Significant increase in complexity from what the ESO is used to in respect of procurement activities. Aware of a perceived conflict of interest from external parties between ESO and NGET. If the right regulatory arrangements are not in place this could have an adverse impact on the ESO business, for example through procurement challenge or impacting the ESOs incentive to deliver consumer benefits. Would have to upskill or procure legal and financial capability to develop tender/contract documents and review bids (for procurement of network solutions). Has little experience of regulatory finance models and regimes.</p>

Considerations have been made in RII02 framework for inclusion of additional roles for early competition.

Synergies with other roles the ESO undertakes e.g. network planning and contract counterparty, so interface risks are reduced.

Incentivised to deliver the best value for the end consumer.

Can move resources around from other projects.

Limited knowledge/experience of building and construction processes and proposals.

Lack of experience in building relationships with financial investors.

Potential inability to finance the liability risk of taking on this role.

Areas to consider as part of workshops / responses

Do you think there are any other activities the Procurement Body should be responsible for?

Have we considered all of the risks associated with this role?

Have we missed any advantages or disadvantages of Ofgem, Third Party or the ESO owning this role?

Taking the above information into account, who is best placed to own this role?

2 Contract Counterparty

This is another important role for the implementation of Early Competition. This entity manages and monitors obligations placed on any winning bidder who will hold a contract for a solution not performing the function of electricity transmission (non-network solutions).

Activities under this role

These are our initial view on activities that would sit under the Contract Counterparty based on our current end to end model.

Needs Identification	Pre-tender planning	Qualification and Tender	Preliminary Works	Construction	Operation	Decommissioning
	Support procurement body in creating tender documentation and process in relation to drawing up or acquiring contract	Issues contract once tender has concluded	Enacting of changes resulting from Debt competition or as a result of final project needs case			
	Commercial input, in part, into any procurement process documentation	Performance bond put in place before contract award	Cost assessment carried out (including assessing the detailed design) and enacted by counterparty (committing of underlying costs). Decision maker on any cost assessment	Manages contract reports and any changes, manages change, risk and contingency. Also manages any uncertainty mechanisms	Contract management and oversight	Decides on whether to release security (did they follow the plan as described)
	Determine any post-award cost assessment guidance/principles	Approval of any post award cost assessment mechanisms	Manages contract obligations and requirements agreed during this period	Decision maker on any Tender Revenue Stream adjustments	Final step of operations phase - Approval of decommissioning plan	
		Approves contract terms, which are the output of any final negotiations at this stage	Approval of sunk costs in the event the project no longer continues to the successful bidder			

2.1 Risks of the role

We believe the biggest risk to any entity taking on this role would be the complexity in contracting arrangements.

We carried out a high-level risk assessment on the role of Contract Counterparty to identify any risks that would apply to any entity taking on the role. Based on our current model proposals, we found the following:

Risks	Description
Financial / Cashflow	Expenses for the role being higher than payments for the role. Payment mechanism for the role is uncertain. Changes in law or regulatory arrangements relating to finance recovery. Higher risk of incorrect cost assessment due to 'early' nature of competition. Uncertainty of final costs of winning bid.
Legal Challenge	Contractual disputes relating to interpretation of contract provision and contract variations. The legal dispute process is still under consideration.
Winning Bidder default	Bidder not being able to fulfil all obligations placed on it by the contract. Higher risk of wrong cost assessment due to 'early' nature of competition.
Political	If the chosen entity carries out any other contracting activities, there could be potential impacts on current contracting activities, if this role is not carried out correctly.
Perceived unlevel playing field	Perception that all participants are not treated equally.
Contract management	Added complexity of proposed contracting arrangements. Challenge in resourcing and capabilities to manage proposed contracting arrangements. Needs changing may cause the project to be shelved. Higher risk due to 'early' nature of competition.

Other	Capability risk of managing long contracts and monitoring ongoing solution delivery and not having these skills in place.
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How could this role be managed?

Our first thoughts on how this role could be managed is to ensure the right capabilities, expertise and resources are in place. The Contract Counterparty would need suitably skilled contracting resource trained to ensure new contracts are well developed and understood. The entity would also need to ensure there are robust, clear and transparent financial arrangements such as funding for the role, winning bid sunk cost arrangements and performance bonds in place.

2.2 Analysis of Phase 2 Proposals

Taking account of these activities, we revisited our preliminary thoughts on who could carry out the role. We considered the advantages and disadvantages of each entity we proposed owning the Contract Counterparty role.

Entity	Advantages to playing this role	Disadvantages to playing this role
Third Party	Independent body so perception of conflict of interest between ESO and NGET during certain processes e.g. during commissioning where adjudication is needed, is mitigated.	High set up costs. Need to acquire relevant skills and experience. Potentially higher monitoring costs from Ofgem.
ESO	Has experience in contracting. The ESO carries out these activities for areas such as balancing services and pathfinders. Less additional funding needed, than required for a third party, as this will be an extension of current activities. This role would build on existing capabilities, therefore there would be less time needed to upskill and resource the ESO. Current relationships with some potential bidders.	Increased complexities in contracting arrangements from what the ESO is used to.

Areas to consider as part of workshops / responses

Do you think there are any other activities the Contract Counterparty should be responsible for?

Have we considered all of the risks associated with this role?

Have we missed any advantages or disadvantages of the Third Party or the ESO owning this role?

Taking the above information into account, who is best placed to own this role?



3 Payment Counterparty

This role is essential in the implementation of Early Competition. This entity will manage financial transactions between the winning bidder and the other counterparties.

Activities under this role

These are our initial views on activities that would sit under the Payment Counterparty based on our current end to end model.

Needs Identification	Pre-tender planning	Qualification and Tender	Preliminary Works	Construction	Operation	Decommissioning
			Payment of any sunk cost in the event the project no longer continues to the successful bidder	Payment of any sunk cost in the event the project no longer continues to the successful bidder	Payment of revenue once solution is commissioned through existing arrangements (TNUoS or BSUoS) for the duration of the revenue period	Stop paying revenues at the end of the TRS
			Potentially responsible for any milestone payments during this stage (to be confirmed)	Potentially responsible for any milestone payments during this stage (to be confirmed)	Holds decommissioning security	Release decommissioning security

This entity will only get involved post-award and when financial transactions between the winning bidder and the counterparties begins. Under our current end to end model proposals we are not proposing to make any changes to current charging arrangements and so payments will flow through current use of system charges.

3.1 Risks of the role

We believe the biggest risk to any entity taking on this role would be the cashflow impacts of payment to winning bidders each month regardless if monies have been collected.

We carried out a high-level risk assessment on the role of Payment Counterparty to identify any risks that would apply to any entity taking on the role. Based on our current model proposals, we found the following:

Risks	Description
Cashflow	<p>Payments must be made each month regardless if monies have been collected presenting a liquidity risk.</p> <p>Longer contracts may impact regulatory arrangements to recover costs.</p> <p>Potential increase in disputes on amounts paid out.</p>
Legal Challenge / Political	Consequential risks from work being undertaken by wider industry.

How could this role be managed?

Our first thoughts on how this role could be managed is to ensure regulatory and financial arrangements are in place. The Payment Counterparty would also need to have close engagement with Ofgem and wider industry to understand the direction of industry work and the impacts this will have on Early Competition proposals.

3.2 Analysis of Phase 2 Proposals

Taking account of these activities, we revisited our initial concepts on who could carry out the role. We considered the advantages and disadvantages of each entity we proposed owning the Payment Counterparty role.

Entity	Advantages to playing this role	Disadvantages to playing this role
Third Party	<p>Potentially able to provide greater financial security than under current arrangements e.g. if Government backed.</p> <p>Proven model that works e.g Low Carbon Contracts Company (LCCC)</p>	<p>High set up costs.</p> <p>Need to build up knowledge of payment arrangements Need to secure acceptable credit rating to mitigate counterparty credit risk. New third party would not have any credit history or would require a form of credit cover at additional cost.</p> <p>Need to amend existing arrangements for TNUoS and BSUoS so that certain costs would be excluded and then transferred for recovery to a third-party.</p> <p>This may lead to a delay in Early Competition implementation.</p>
ESO	<p>Currently play this role for TNUoS and BSUoS charging arrangements and the money which would be related to early competition will be included within these two charges and charging processes.</p> <p>Regulatory arrangements and codes currently allow for the ESO owning this role.</p> <p>Vast experience in delivering this role and the arrangements surrounding it.</p> <p>Trusted to manage monies by industry due to having factors such as a good credit rating (ESO Moody's rating of A3*²).</p>	<p>Over/under recovery risk could increase as money moves from TNUoS to BSUoS in future as and when non-network solutions win early competitions.</p>

Areas to consider as part of workshops / responses

Do you think there are any other activities the Payment Counterparty should be responsible for?

Have we considered all of the risks associated with this role?

Have we missed any advantages or disadvantages of Third Party or the ESO owning this role?

Taking the above information into account, who is best placed to own this role?



4 Ofgem's Role

Following our Phase 2 proposals and feedback received, we believe there are two roles that naturally sit with Ofgem. We have also received stakeholder feedback to support this proposal.

4.1 Approver

Following stakeholder feedback, we believe that Ofgem is the most appropriate entity to take on the role of the Approver.

In their role as the independent National Regulated Authority, we feel that their oversight of Early Competition will help build trust in the competition. It will also give all participants, ourselves and Government confidence that consumer value and interest is at the heart of the Early Competition process.

At present we are in discussion with Ofgem to define the activities that sit under the Approver role and will share more information when we have an initial view of this.

4.2 Licence Counterparty

As noted in our Phase 2 consultation we believe that this role can only sit with Ofgem.

Under current legislation (Electricity Act 1989) the power to issue Licences sits with Ofgem, so they are the only party able to undertake the Licence Counterparty role. We are not proposing to make any changes to their current role with

licensees, however as we develop our end to end model further and arrangements that surround it there may be some updates that need to be considered.

Areas to consider as part of workshops / responses

Under our current model proposal, what decisions should be the responsibility of the Approver?



5 Network Planning Body / Role of the TO

Following the Phase 2 consultation we have defined the role of a Network Planning Body in order to note the activities that need to happen during the network planning stages of Early Competition. We have begun to explore what the role of a Network Planning Body would entail, and which parties would be best placed to fulfil this role. We intend to discuss our emerging thinking on this role and explore with stakeholders at the September workshops.

We have not yet consulted on the Network Planning Body role. We are not currently in a position to state our preferred option for what this role looks like, which party or parties should play this role or what the network planning process should look like under Early Competition. However, we continue to develop our thinking and look forward to engaging with you on our emerging view at the [webinar event of roles in Early Competition](#) we are holding on 17 and 23 September.

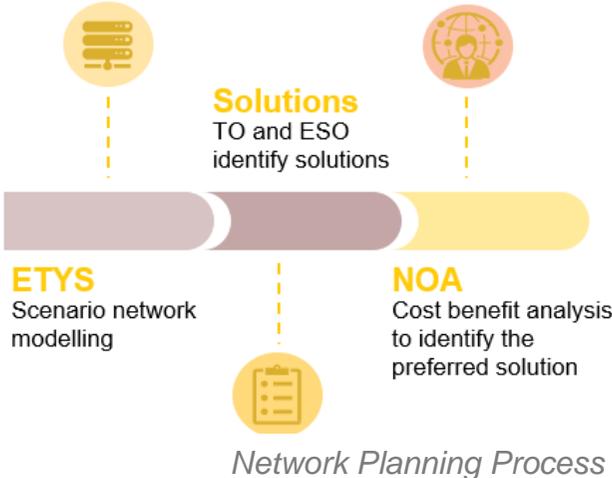
Below we outline in more detail what the Network Planning Body role would involve, and the work we are currently undertaking to develop options that would address potential bidders' concerns regarding the role of the TO in network planning for Early Competition.

5.1 Activities

Our proposal is that the parties fulfilling the Network Planning Body role will be responsible for the identification of boundary reinforcement requirements through to the development of possible reinforcement options and deciding on option combinations to be included in the Network Options Assessment (NOA) process. These activities are currently done jointly by the incumbent TOs and ESO.

The current annual network planning process follows three main steps:

1. The Electricity Ten Year Statement identifies future network reinforcement needs, modelling the impacts of the Future Energy Scenarios on the network. These are also set out in the System Requirements Form (SRF).
2. A range of potential solutions are developed to meet the requirements.
3. An economic assessment of these potential solutions is undertaken, and a recommendation made on the indicative solution to be developed further. These are published in the NOA



Current role of the TO	Current role of the ESO
Submits power system models to the ESO for each year being modelled.	Uses power system models along with FES data to produce complete power system models for the GB network. Identifies boundary transfer requirements and publishes SRFs.
Completes technical analysis of boundary capabilities of the base network and uplifts from reinforcement options.	Conducts studies of some boundary analysis performed by the TOs to corroborate the TOs' analysis.
Proposes and develops reinforcement options and reduced-build options and providing their technical information to the ESO.	Devises and develops options including but not limited to operational options, commercial agreements and Offshore Wider Works.
Provides cost information, outage and system access requirements, environmental information, consents and deliverability information.	Reviews options recommended in a previous NOA to proceed but which have not been progressed by the transmission licensee.
Identifies earliest in service dates.	Reviews reinforcement options and their cost estimates that the TOs propose.
Completes verification studies of some boundary analysis performed by the ESO to corroborate the ESO's analysis of alternative options.	Assesses outages and other system access availability that might affect the options' earliest in service dates.
	Runs cost-benefit analysis studies and recommends options for further development.

Our current position

In developing a model for early competition, a key consideration is whether a project should be put out to tender at a 'very early' (before potential solutions are identified) or 'early' (after an indicative solution has been identified) stage of development. A tender launched 'very early' would define the requirement as, for example, xGW of additional capacity across B6 boundary. Solutions proposed could then vary significantly, for example, starting and finishing in different locations. Each solution would have different consequential impacts on the rest of the network. This consequential impact (cost, practicality, etc) would need to be fairly evaluated for each bid, adding more complexity to an already complex tender evaluation.

While 'very early' competition does maximise bidders' opportunity to propose a wider range of solutions, they would not know the consequential impact of these solutions, making it difficult to tailor their bids to provide the best solution. NOA assessments would need to be aligned to the competition process, as the NOA can't be completed in the absence of one solution. Competition timings may vary, meaning the NOA timings could be sporadic.

Therefore, as outlined in the Phase 2 consultation, we propose that competitions would be launched at the 'early' stage. However, we propose including an 'early engagement' process that enables bidders to feed views in to the initial solution development. This early engagement process would also help us to better understand the project, such as market appetite to compete, lead in times and whether there's a range of alternative solutions.

As highlighted above, potential bidders have expressed some concerns over the ability of TOs to be impartial in designing overall network reinforcements whilst bidding into Early Competition. In particular, they have identified that incumbent TOs could, intentionally or unintentionally, design the overall network reinforcements in a way that favours solutions that advantage the TO or remove projects from the scope for competition. In addition, we recognise that bidders are likely to be unwilling to share their thoughts and solutions via an early engagement process if they were to be shared with the TOs.

5.2 How may current roles in network planning need to be adapted for Early Competition?

We are currently exploring options for how the role of the incumbent TOs and ESO in network planning could be altered for the purpose of enabling Early Competition. We are engaging with the incumbent TOs on these options throughout September, in order to fully understand what the implications of these options would be for the quality of network planning and both the TOs' and ESO's obligations in relation to network compliance. Our September workshops will also provide an opportunity for all stakeholders to inform our proposals on the Network Planning Body role

In order to enable incumbent TOs to participate in providing solutions in competitive processes, TOs should not receive a competitive advantage from their RIIO funded role.

Any solution to address stakeholders' concerns with TOs bidding into Early Competition must therefore ensure that:

- Any resource spent by the TOs that shapes the solutions they put forward as part of a competitive process is clearly accounted for in the costing of their bids.
- The resource TOs use to develop their bids does not benefit from additional data or information not available to other bidders.
- The resource TOs use to develop their bids does not have any knowledge of other competitors bids.
- The TOs' RIIO funded network planning activities are not influenced in any way by the TOs' proposed competitive solutions

In addition to considering any modifications that may be required to the current the role of incumbent TO's in the network planning process, we continue to consider the role of the TOs at all stages of the project lifecycle and look forward engaging further with stakeholders on these points over the coming months.

Areas to consider as part of workshops / responses

Are there any other potential conflicts of interest arising from incumbent TOs bidding into Early Competition, in addition to those outlined above?

6 Next steps

Thank you for taking the time to read our paper.

We have shared additional detail on roles and responsibilities and would really appreciate your views on these and any other feedback you'd like to share.

This is not a formal consultation, but your feedback will help inform and refine our position ahead of our Phase 3 Consultation, where we will be formally consulting on roles and responsibilities. Feedback on any of the content of this document would be really useful. We'd particularly like to hear your overall views on our proposals, if you think there are any key activities missing and if you have any views on the responsibilities of the Approver.

The main route to share your feedback will be to attend one of workshops. They will be held on:

- [Thursday 17 September 2020](#)
- [Wednesday 23 September 2020](#)

If you are unable to attend our workshops, other ways to get involved are:

- Send a written response to box.Earlycompetition@nationalgrideso.com by the **30 September 2020**.
- Contact us at the email address above and we can set up a bilateral meeting.

We look forward to hearing from you.



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