



Early Competition Plan

You Said, We Did

November 2020

nationalgrid**ESO**

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Introduction

This document provides a summary of key stakeholder feedback received during our Phase 2 and 3 stakeholder engagement, structured by key dimensions. We have shown how stakeholders' views have shaped our initial thinking and the development of our early competition proposals to date.

We recognise our stakeholders play a vital role in the development of early competition. A successful plan must reflect stakeholders' needs and ultimately drive value for consumers. Throughout the development of our early competition proposals, we have engaged with a wide range of stakeholders from various sectors via workshops, bilateral meetings and our consultation. They have raised a number of views which we have considered as part of our Phase 2 Consultation, Phase 3 workshops and development of our Phase 3 Consultation proposals.

We understand the introduction of early competition will have a huge impact on our stakeholders and their future business plans. We are committed to being as transparent as possible throughout each stage of development and therefore we have summarised all feedback received so far, detailing how it has informed our proposals. Greater information on all feedback received to date can be found in on our website.¹

We have structured this document based on the key dimensions of early competition identified in our Phase 2 Consultation:



The positions presented in this document reflect our current thinking based on our work up to October 2020. These positions may be further progressed and developed up to our Phase 3 Consultation, which we expect to publish in December 2020.

¹ <https://www.nationalgrideso.com/future-energy/projects/early-competition-plan/project-documents-early-competition>

1 Pre-Tender

The table below presents stakeholder engagement on the Pre-Tender issues and how we are using it to inform and shape our proposals. We have grouped feedback by key subject area.

1.1 Project Identification

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
The ESO should consider what the project pipeline will look like.	May workshop: <ul style="list-style-type: none"> • Early Competition criteria, what could be competed? 	<ul style="list-style-type: none"> • Potential equity investors • Construction companies • TOs 	We set out criteria for identifying projects suitable for early competition in our Phase 2 Consultation. We held Indicative Solutions and Interested Persons workshops following our Phase 2 Consultation with external stakeholders to refine the criteria. We also investigated internally with our colleagues in NOA and network planning teams to identify a potential pipeline of projects suitable for early competition, which we will present in our Phase 3 Consultation.
Certainty of the proposed needs should also be considered.	May workshops: <ul style="list-style-type: none"> • Early Competition criteria, what could be competed? • Construction Works and Commissioning 	<ul style="list-style-type: none"> • Potential equity investors • TOs 	In our Phase 2 Consultation, we noted that projects with greater certainty of need would be better suited to competition to avoid the risk of system needs changing during the competition process. We are therefore considering whether a meaningful assessment of certainty could be developed through our NOA process. We held Indicative Solutions and Interested Persons workshops following our Phase 2 Consultation with external stakeholders and internally with our colleagues in NOA and network planning teams to refine criteria for identifying projects suitable for early competition.
Placing a lower limit is not necessary and schemes which are worth between £10m and £20m can still deliver value for customers.	May workshop: <ul style="list-style-type: none"> • Early Competition criteria, what could be competed? 	<ul style="list-style-type: none"> • Potential equity investors • Generators and other electricity market participants 	We agree with this and are not recommending a value limit for early competition. Our pathfinder projects and examples from the US demonstrate that value can be gained from competing low value projects. We will discuss this in more detail as part of our Phase 3 Consultation.

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
Asset replacement projects should not be included in early competition.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs 	We are considering whether and how early competition could be applied to asset replacement. Following our Phase 2 Consultation, we held Indicative Solutions and Interested Persons workshops with external stakeholders and investigated internally with our colleagues in NOA and network planning teams the potential criteria to identify a potential pipeline of projects suitable for early competition. We will provide our updated position in our Phase 3 consultation
TOs should have active involvement in the process of assessing the eligibility of projects as they need to ensure that the solutions are deliverable and enable them to continue to meet their licence obligations.	<p>May workshop:</p> <ul style="list-style-type: none"> Early Competition criteria, what could be competed? 	<ul style="list-style-type: none"> TOs 	In our Phase 2 Consultation, we proposed we expect TOs to competitively bid into the process and therefore TOs involvement in assessing the eligibility of projects will be limited. Following our Phase 2 Consultation, we held a series of workshops with TOs to explore the role of the TO in terms of network planning and as a bidder. We also discussed what the potential conflicts of interest and mitigations could be. We will present our preferred option in our Phase 3 Consultation.

1.2 Early verses Very Early Competition

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
The ESO should consider how early competition will fit with stability, voltage processes and with the current pathfinders process.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs 	Following our Phase 2 Consultation we invited stakeholders to our Indicative Solution Identification Process workshop to discuss the interaction between pathfinders, interested persons process and early competition. Stakeholders expressed concerns around the interested persons process and based on this we invited stakeholders back to a further session with experts from the interested persons process. We are now reviewing all the feedback received and will provide an update in our Phase 3 Consultation.

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
The competition should not be limited to non-network solutions. Alternative solutions such as Virtual Transmission Lines can be provided by batteries.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Generators and other electricity market participants 	We are interpreting this stakeholder feedback to refer to both non-network and network solutions. Our Phase 2 Consultation position was network and non-networks solutions would be able to compete for the same need, and we consider this to be our final position.
The ESO should not delay efficient solutions by incumbent network companies because of a lack of market appetite.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs 	We are interpreting this feedback to be directly related to our Phase 2 Consultation proposal which stated market appetite and urgency of need form part of the criteria for the timescales required to compete a need. Following this feedback, we have further investigated what criteria may be most appropriate, which we explored with stakeholders at the Indicative Solutions and Interested Persons workshop. We will provide an updated view on this in our Phase 3 Consultation.

1.3 Pre-Tender Launch

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
There will be benefit in market engagement events run by the ESO to help bidder networking in the initial stages of the early competition.	<p>May workshops:</p> <ul style="list-style-type: none"> Procurement Steps and Timelines Evaluation of Commercial Elements of the Proposals 	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation, we noted that our preferred option is to run project information and networking events. Following our Phase 2 Consultation, we considered large UK utility procurement precedents in evaluating the costs and benefits of pre-tender activities, and we will set out our updated views on pre-tender activities in our Phase 3 Consultation.
Market engagement could be started at the very early stage to inform the tender process.	<p>May workshop:</p> <p>Provision of Information to Allow</p>	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation, we noted that there are benefits of running pre-tender market engagement activities, such as greater levels of participation and reduction of a financial burden on potential bidders. Following our Phase 2 Consultation, we considered large UK utility procurement

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
	Proposal Development		precedents in evaluating the costs and benefits of pre-tender activities, and we will set out our updated views on pre-tender activities in our Phase 3 Consultation.
The ESO also needs to consider the balance of additional pre-tender activities and the associated time/cost with the impact of further delay to the commencement of the project.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> • TOs 	Following our Phase 2 Consultation, we considered large UK utility procurement precedents in evaluating the skills and resources required for pre-tender activities. These will form part of our costing and implementation plan for early competition.
The ESO shall consider and address the level of stakeholder engagement that early competition will entail and ensure that it is properly skilled and resourced to undertake such engagement.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> • TOs 	See above.
Expect a detailed assessment of potential market players to be carried out prior to the pre-tender stage in the development of the tender.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> • TOs 	We interpret this feedback to be related to our Phase 2 Consultation proposal which stated market appetite will be a key criterion in assessing project suitability for early competition. Following this feedback, we hosted an Indicative Solutions and Interested Persons workshop to further develop how market appetite criteria, including detailed assessment of potential market players, could work in practice. We will provide our updated view in our Phase 3 Consultation.

2 Tender Process

The table below presents stakeholder feedback on the Tender Process issues and how we are using it to inform and shape our proposals. The feedback has been grouped by key subject area.

2.1 Tender Process

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
Tender process should be tailored to the project size as 'one size fit all' may not be appropriate for all projects.	May workshops: <ul style="list-style-type: none"> • Early Competition criteria, what could be competed • Procurement Steps and Timelines 	<ul style="list-style-type: none"> • Potential equity investors • TOs 	We agree with the feedback that the tender process needs to be proportionate to the projects being tendered, which we also discussed in our Phase 2 Consultation. Following our Phase 2 Consultation, we ran a series of bilateral sessions to discuss this further with potential bidders, and we will provide further details in our Phase 3 Consultation.
There needs to be some standardisation in the process to build market interest, suggesting some underlying principles are set out but then a tender can be tailored as required.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> • Potential equity investors 	See above.
Flexible tender process approach would open the process to a larger group of bidders.	May workshop: <ul style="list-style-type: none"> • Procurement Steps and Timelines Phase 2 Consultation feedback	<ul style="list-style-type: none"> • Non-regulated utility companies • Potential equity investors • Generators and other electricity market participants 	See above.

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
It will be extremely challenging to flex the procurement and maintain consistency and fairness in evaluation.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs 	See above.
A two-stage ITT process with a soft boundary between the stages can allow sufficient flexibility in the process to tailor the process for smaller projects.	May workshop: Procurement Steps and Timelines	<ul style="list-style-type: none"> Potential equity investors 	See above.
'Passporting' of prequalification provides efficiency in the procurement process.	May workshop: <ul style="list-style-type: none"> Procurement Steps and Timelines 	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation, we proposed to introduce passporting where efficient. Following our Phase 2 Consultation, we are considering how the approach taken under OFTOs could be applied to the potential pipeline of projects suitable for early competition. We will provide our updated position as part of our Phase 3 Consultation.
Passporting prequalification may be required for a certain period, however, passporting should reflect not project value but technology type.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs Construction companies 	See above.
The pre-qualification stage needs to assess credibility but not deter innovative bids.	May workshop: <ul style="list-style-type: none"> Evaluation of Commercial Elements of the Proposals 	<ul style="list-style-type: none"> Generators and other electricity market participants 	In our Phase 2 Consultation, we presented our preferred option on the pre-qualification process. Following our Phase 2 Consultation, we have reviewed comparable precedents (e.g. OFTOs, Thames Tideway Tunnel, Leasing Round 4, Private Finance Initiatives (PFIs)) and we have considered how the tender evaluation will be proportionate to the need being tendered. We will present our preferred option on how the pre-qualification stage will be structured as part of our Phase 3 Consultation.
Economic and financial standing criteria should not penalise start-up companies.	May workshop:	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation, we presented our preferred options on the financial and commercial assessment at the pre-qualification and Invitation to Tender (ITT) processes.

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
	Evaluation of Commercial Elements of the Proposals		Following our Phase 2 Consultation, we have reviewed comparable precedents (e.g. OFTOs, Thames Tideway Tunnel, Leasing Round 4, Private Finance Initiatives (PFIs)) and we have considered how the tender evaluation will be proportionate to the need being tendered. We will present our preferred option on how the pre-qualification stage will be structured as part of our Phase 3 Consultation.
Further evaluation criteria identified should include environmental and social, bonds, financial model or a Tender Revenue Stream (TRS) revenue model, risks, incentives, assessment, consultation criteria.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> • TOs • Generators and other electricity market participants 	See above.
'Utility Contract Regulations' might not be suitable for the competition process.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> • TOs 	We have highlighted this issue to legal advisers, BEIS and Ofgem to determine if the Utility Contract Regulations are suitable or if new tender regulations are required as part of CATO legislation. We will further discuss this in our Phase 3 Consultation.
There should be an invitation for Expressions of Interest (EOI) that would negate the need to survey the Official Journal of the European Union (OJEU).	Phase 2 Consultation feedback	<ul style="list-style-type: none"> • Construction companies 	See above.
The ITT (stage 2) assessment criteria and weightings must be clearly defined.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> • Generators and other electricity market participants 	Following this feedback, we have investigated how large UK utility procurement precedents have clearly defined weightings and criteria. We also held a series of bilateral meetings with potential bidders to further develop our criteria, and we will present a more detailed approach for the tender evaluation in our Phase 3 Consultation.

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
Sharing of a cost benefit analysis tool will be beneficial to provide stakeholders some insight.	May workshop: <ul style="list-style-type: none"> Provision of Information to Allow Proposal Development 	<ul style="list-style-type: none"> Generators and other electricity market participants 	We provided our view on the information we expect to be shared with bidders in our Phase 2 Consultation. In September, we held workshops on Information Provision, and we will consider stakeholder feedback to inform our Phase 3 Consultation.
Bidders need to provide cost effective solutions and therefore it is important to bring cost analysis early in the process.	May workshop: <ul style="list-style-type: none"> Procurement Steps and Timelines 	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation, we proposed that we are expecting the detailed costs information will be assessed in the ITT (stage 2) and bidders will be only asked to provide initial designs and high-level cost estimates at ITT (stage 1). We discussed our approach to bid evaluation with potential bidders during bilateral meetings, and we will present a more detailed approach on the tender process in our Phase 3 Consultation.

2.2 Technical and Project Delivery Evaluation

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
Feasibility study should be allowed to be done by a wide range of specialists.	May workshop: Procurement Steps and Timelines	<ul style="list-style-type: none"> Potential equity investors 	We did not set out a view on feasibility studies in our Phase 2 consultation. We are currently exploring internally how feasibility studies could be undertaken with our colleagues in network and NOA teams and their impact on creating a level playing field. We will provide further detail in our Phase 3 Consultation.
Bidders should be prequalified before they are required to complete feasibility studies.	May workshop: <ul style="list-style-type: none"> Evaluation of Technical Elements of the Proposals 	<ul style="list-style-type: none"> Potential equity investors 	Through workshops with stakeholders, Transmission Owners and our internal planning experts we are working on specifying detailed arrangements around feasibility studies which will be documented in our Phase 3 Consultation.

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
Some form of technical validation/feasibility study of innovative solutions would be helpful before tender launch for smaller bidders.	May workshop: <ul style="list-style-type: none"> Evaluation of Commercial Elements of the Proposals 	<ul style="list-style-type: none"> TOs 	See above.
Timing and scope of a feasibility study will have a direct impact on the process.	May workshop: <ul style="list-style-type: none"> Evaluation of Technical Elements of the Proposals 	<ul style="list-style-type: none"> TOs 	See above.
There are some overlaps between the design and engineering evaluation criteria.	May workshop: <ul style="list-style-type: none"> Evaluation of Technical Elements of the Proposals 	<ul style="list-style-type: none"> Non-regulated utility company 	In our Phase 2 Consultation, we proposed high-level criteria. We discussed this internally with network planning colleagues and externally with potential bidders through a series of bilateral discussions following our Phase 2 Consultation. We also considered relevant precedents (e.g. OFTOs, Thames Tideway Tunnel, Leasing Round 4, PFI) and will present more details in our Phase 3 Consultation.
The key criteria that should be assessed is whether the solution meets the output required.	May workshop: <ul style="list-style-type: none"> Evaluation of Technical Elements of the Proposals 	<ul style="list-style-type: none"> TOs 	See above.
The criteria should balance between innovation and reliability of designs.	May workshop: <ul style="list-style-type: none"> Evaluation of Technical Elements of the Proposals 	<ul style="list-style-type: none"> Potential equity investor 	In our Phase 2 Consultation, we have proposed a two stage ITT, which we expect to encourage bidders to submit a wide array of innovative solutions in addition to detailed cost information and plans for delivery of the proposed solutions. Following our Phase 2 Consultation, discussion with internal and external stakeholders and consideration of relevant precedents (e.g. OFTOs, Thames Tideway Tunnel, Leasing Round 4, PFI) we are developing more detail on the

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
Qualitative and quantitative assessment may need to be separated to allow designs to be assessed.	May workshop: <ul style="list-style-type: none"> Evaluation of Commercial Elements of the Proposals 	<ul style="list-style-type: none"> Non-regulated utility companies 	assessment criteria and will present this in our Phase 3 Consultation.
Project delivery capability should be added to technical and commercial tests.	May workshop: <ul style="list-style-type: none"> Evaluation of Commercial Elements of the Proposals 	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation, we set out how the projects delivery capability will be assessed. Following our Phase 2 Consultation, we have investigated how large UK utility procurement precedents have clearly defined weightings and criteria. We also held a series of bilateral meetings with potential bidders to further develop our criteria, and we will present a more detailed approach for the tender evaluation in our Phase 3 Consultation.
TO's network proposal should be set as the counterfactual solution against which all market bids are measured.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs 	Following our Phase 2 Consultation, we held a series of workshops with TOs to explore the role of TO as a bidder as well as what could be the potential conflicts of interest and mitigations. We also considered the suggested approach against our Phase 2 preferred option, and we will present our updated view in our Phase 3 Consultation.
The ESO's proposals in relation to early competition should closely align with Ofgem's proposals (a suite of three Large Project Delivery mechanisms) following	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs 	Currently, we are considering the interactions between early competition and Ofgem's project delivery mechanisms.

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
the publication of Final Determinations for RIIO-2.			
Maintenance proposals should be part of the delivery assessment.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> • TOs 	We agree with stakeholder feedback, and we noted in our Phase 2 Consultation that maintenance capex will be included as part of the ITT stage 2 assessment, and we consider this to be our final position.

2.3 Information Provision

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
The ESO should share as much information and as early as possible at the start of the tender.	May workshop: <ul style="list-style-type: none"> • Provision of Information to Allow Proposal Development 	<ul style="list-style-type: none"> • Potential equity investors 	In our Phase 2 Consultation, we set out our position on information provision, including what information we expect to be shared with bidders. We ran two workshops on Information Provision in September and held internal sessions with technical experts on data and confidentiality requirements. We will provide our updated position on the information provision as part of our Phase 3 Consultation.
Exploring the need at a very early stage should not require a substantive amount of investment and time.	May workshop: <ul style="list-style-type: none"> • Provision of Information to Allow Proposal Development 	<ul style="list-style-type: none"> • Generators and other electricity market participants 	See above.
More detailed technical information will be required at the point of detailed design.	May workshop: <ul style="list-style-type: none"> • Provision of Information to Allow Proposal Development 	<ul style="list-style-type: none"> • Potential equity investors • Generators and other electricity market participants 	See above.

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
The scale of the project may require different interactions with the network and different information required from the bidders.	May workshop: <ul style="list-style-type: none"> Evaluation of Commercial Elements of the Proposals 	<ul style="list-style-type: none"> TOs 	See above.
There is a need to protect intellectual property and the use of an incentive mechanism for market participants' engagement costs.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Potential equity investors 	Following our Phase 2 Consultation, we held two workshops on Information Provision in September and held internal meetings with technical experts on data and confidentiality requirements. We will consider this feedback and provide our updated position on the information provision as part of our Phase 3 Consultation.
The ESO should be responsible for all the information and tools required to identify a network constraint and run a tender process.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Generators and other electricity market participants 	In our Phase 2 Consultation, we listed information that we expect to be shared with bidders during the tender process. We expect a procuring body will be responsible for the tools and information required to run a tender process. Following the Phase 2 Consultation we held workshops on Information Provision to further develop our view on this, which we will present as part of our Phase 3 Consultation.
Concerns regarding the Electricity Ten Year Statement (ETYS) models' sensitive information can easily be solved by signing a non-disclosure agreement that is then superseded by any licence.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Construction companies 	We noted in our Phase 2 Consultation, our preferred option will be to only supply the ETYS models to bidders who are not licensed and/or signed up to the STC, once the bidder has signed an appropriate Non-Disclosure Agreement. We ran two workshops on Information Provision following our Phase 2 Consultation, we also held internal sessions with technical experts on data and confidentiality requirements, and we will provide our position on the information provision as part of our Phase 3 Consultation.
The ESO should consider how the data provided by bidders will be assured, quality controlled, and what course of action will be taken against parties liable and what	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs 	We are interpreting this feedback as referring to the information provision at the bid evaluation stage, and we expect that the information provided by the bidders will be assessed as part of the bid evaluation process. We will

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
action will be taken to protect the parties affected.			provide more details on this process in our Phase 3 Consultation.
Whether the information is adequate or not will depend on the evaluation process, bidders' access to data and the nature of reinforcement work.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Potential equity investors 	We have discussed bid evaluation and information access internally with our data, network and planning colleagues, in bilateral conversations with potential bidders, we also considered relevant UK precedents (e.g. PFI). We will provide more details on the evaluation process and information provision in our Phase 3 Consultation.
Data exchange obligations need to be clearly defined for all parties considering the different codes under which each would operate.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Potential equity investors 	We are undertaking a detailed review of code impacts as well as discussing this with relevant code bodies (TCMF, GCRP, STC ²). Following our Phase 2 Consultation we also held workshops on Heads of Terms and Industry Code Impacts, based on which we will provide an updated view in our Phase 3 Consultation.
Provision of information should be codified and the ESO should make study datasets available in a recognised format.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Potential equity investors 	Following this feedback, we held workshops on Information Provision and we are currently in the process of identifying what information bidders will require to develop bids and what should be the arrangements to share this information with bidders. We will take stakeholder feedback into consideration and provide our position on the information provision as part of our Phase 3 Consultation.
Some commercially sensitive data may be required to be published on anonymised basis with all parties.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Potential equity investors 	See above.
Some User data in the ETYS is not easily protected. The ESO should provide further detail on	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs 	See above.

² Transmission Charging Methodologies Forum (TCMF); Grid Code Review Panel (GCRP); System Operator – Transmission Owner Code (STC)

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
whether important information will be shared.			

3 Commercial Model

The table below presents stakeholder engagement on the Commercial Model issues and how we are using it to inform and shape our proposals. We have grouped the feedback by key subject areas.

3.1 Commercial Model

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
Financial investors' engagement at an early stage will be challenging and there may be low interest in the market if investors will be asked to hold their terms.	May workshop: <ul style="list-style-type: none"> Procurement Steps and Timelines 	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation we set out our preferred option on which costs should be fixed at bid stage. We are currently reviewing stakeholder feedback on the funding and revenue arrangements from our Phase 2 Consultation, as well as discussing our commercial model with Ofgem, and we will present a more detailed proposal as part of our Phase 3 Consultation.
A licence should be in line with the existing TOs situation for network solutions, but contracts may be needed for non-network solutions.	May workshop: <ul style="list-style-type: none"> What Winners Win and How Risk is Allocated? 	<ul style="list-style-type: none"> TOs 	In our Phase 2 Consultation, we noted that further consideration may be required where non-network solutions are being delivered by non-licensees under a commercial contract. Following our Phase 2 Consultation, we held workshops on Heads of Terms and Industry Code Impacts. Based on stakeholder feedback we are currently assessing the licence and contract arrangements applicable for early competition and will present our view in our Phase 3 Consultation.
The duration should be set to a term that is most financially efficient if the aim is to get the lowest financing cost.	May workshop: <ul style="list-style-type: none"> What Winners Win and How Risk is Allocated? 	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation, we set out options for the length of the revenue period and we identified our preferred option. We are currently reviewing stakeholder feedback as well as discussing our commercial model with Ofgem to determine the appropriate revenue period, and we will provide more detail in our Phase 3 Consultation.
Duration beyond 20 years may be challenging for banks, 25 years may be achievable for bonds and	May workshop: <ul style="list-style-type: none"> What Winners Win and How 	<ul style="list-style-type: none"> Potential equity investors 	See above.

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
longer-term arrangements may be achievable via institutional investors.	Risk is Allocated?		
The revenue period is not related to the length of network need. This could limit the introduction of new technology on the network and reduce value for consumers.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Generators and other electricity market participants 	See above.
If an asset has a longer life than the licence/contract, then it is most likely that bidders will look to recover all their costs in the licence/contract period.	May workshop: <ul style="list-style-type: none"> What Winners Win and How Risk is Allocated? 	<ul style="list-style-type: none"> Potential equity investors 	Following this feedback, we held discussions with Ofgem on the commercial model and we will present our preferred view on mechanisms to extend the licence/contract arrangements in our Phase 3 Consultation.
Extending contracts should be considered if the asset is longer than the contract life.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Potential equity investors 	See above.
There should be a mechanism to extend the licence/contract.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs Construction companies Potential equity investors 	See above.

3.2 Revenues

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
A tender revenue stream (TRS) model is a simpler and more flexible revenue model.	May workshop: <ul style="list-style-type: none"> What Winners Win and How 	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation, our preferred option was the Tender Revenue Stream (TRS) model. We are currently reviewing the arrangements under the Regulated Asset Base (RAB) and TRS models, and we will confirm which model is

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
	Risk is Allocated?		most applicable for early competition and set out more details on the revenue arrangements and our reasoning for our choice as part of our Phase 3 Consultation.
TRS model may be more appropriate for a single/discreet asset or solution, rather than a portfolio of assets.	May workshop: • What Winners Win and How Risk is Allocated?	• Potential equity investors	See above.
There is no robust justification as to why the TRS type revenue model is the appropriate approach for early competition.	Phase 2 Consultation feedback	• TOs	See above.
Revenue model should provide cost certainty and protect against volatility and be clear enough for bidders to assess costs and anticipated rates of return.	Phase 2 Consultation feedback	• TOs	See above.
All bidders, including those with an existing regulated asset base (RAB), should get the same revenue model for any successful bid to ensure a level playing field.	May workshop: • What Winners Win and How Risk is Allocated?	• Potential equity investors	In our Phase 2 Consultation, we noted the importance of level playing field for all bidders. We expect that one approach to the revenue stream will be developed and applicable to all bidders. Following our Phase 2 Consultation, we are reviewing stakeholder feedback and discussing potential commercial model arrangements with Ofgem. We will include more details on the revenue stream in our Phase 3 Consultation.
Revenue stream needs to have in-built flexibilities comparable to the TOs' regulatory models to ensure a level playing field	May workshop: • Procurement Steps and Timelines	• TOs	See above.

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
Regular, milestone-based payments during preliminary works would help keep costs down.	<p>May workshop:</p> <ul style="list-style-type: none"> Preliminary Works <p>Phase 2 Consultation feedback</p>	<ul style="list-style-type: none"> Potential equity investors TOs Generators and other electricity market participants 	We expect that milestone-based payments may be applied to the preliminary works. As considered in our Phase 2 Consultation, one option would be to pay a fixed value or proportion set by the procurement body as part of the tender process. Following our Phase 2 Consultation feedback, we held discussions with Ofgem on options for the commercial model. We will further develop the payment arrangements and present a more detailed view in our Phase 3 Consultation.
A combination of fixed and flexible payments with a milestone mechanism could be beneficial to a wider range of solutions.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Potential equity investors 	See above.
Starting revenues at operation would strongly incentivise timely completion.	<p>May workshop:</p> <ul style="list-style-type: none"> Construction Works and Commissioning 	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation, we noted that TRS commencing upon commissioning of the works and the solution becoming operational is our preferred option. Following our Phase 2 Consultation feedback, we discussed options on the commercial model with Ofgem. We will present the most appropriate timing to start the revenue period in our Phase 3 Consultation.
It may be appropriate to make some payments during construction.	<p>May workshop:</p> <ul style="list-style-type: none"> Construction Works and Commissioning 	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation, we generally do not believe that payments throughout the solution delivery/construction period are necessary. We are keeping this under review as we consider wider stakeholder feedback on the commercial model and will present the most appropriate timing to start the revenue period in our Phase 3 Consultation.
For non-network solutions, the bidders should be able to participate in other revenue streams.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Construction companies Generators and other electricity market participants 	Following stakeholder feedback, we have held discussions with internally with our ESO colleagues to assess in which circumstances this scenario would be applicable to early competition, and we are planning to present our view on this issue in our Phase 3 Consultation.

3.3 Costs

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
Deciding when bidders will need to commit to final costs is key.	May workshop: <ul style="list-style-type: none"> Evaluation of Commercial Elements of the Proposals 	<ul style="list-style-type: none"> Potential equity investors 	We agree with stakeholder feedback and considered it in our development of the proposed fixed and variable cost elements within the Tender Revenue Stream in our Phase 2 Consultation. Following our Phase 2 Consultation, we reviewed stakeholder feedback and held workshops on Risk Allocation and Post-Preliminary Works Cost Assessment, we will present more details on the costs in our Phase 3 Consultation.
Bidders need to be incentivised to give accurate costs at bid and cannot have total flexibility to pass through cost increases.	May workshop: <ul style="list-style-type: none"> What Winners Win and How Risk is Allocated? 	<ul style="list-style-type: none"> Potential equity investors 	See above.
Fixing costs at an early stage of the competition will lead to risk premium as that uncertainty would be priced in the bids.	May workshop: <ul style="list-style-type: none"> Evaluation of Commercial Elements of the Proposals 	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation we explored what should be the right balance between fixed and variable costs elements that will enable the procuring body to minimise the overall risk of this process. Following our Phase 2 Consultation, we reviewed stakeholder feedback and held workshops on Risk Allocation and Post-Preliminary Works Cost Assessment, we will present more details on the cost assessment approach in our Phase 3 Consultation.
'Economic and efficient' assessment of cost is too uncertain and the open book and incentives approaches are better.	May workshop: <ul style="list-style-type: none"> Evaluation of Commercial Elements of the Proposals 	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation we set out options for cost assessment and noted that we will further explore them as part of Phase 3 work. We will present our view on cost assessment in our Phase 3 consultation.
ESO should consider a cost cap for the construction costs, supported by a form of bid bond.	May workshop: <ul style="list-style-type: none"> What Winners Win and How 	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation, we discussed potential use of caps and bonds in relation to managing cost increases after the bid stage. We will set out our updated thinking based on Phase 2 Consultation feedback and comments received during Phase 3 workshops in our Phase 3 Consultation.

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
<p>It is unlikely that debt finance will hold an offer for a period of longer than 6-12 months and that it is unlikely that the supply chain would hold prices for longer than 3-6 months.</p>	<p>Risk is Allocated?</p> <p>May workshop:</p> <ul style="list-style-type: none"> • What Winners Win and How Risk is Allocated? 	<ul style="list-style-type: none"> • Potential equity investors 	<p>In our Phase 2 Consultation we proposed that once the preliminary works are completed, and costs are fixed, a debt funding competition would be run to establish actual margins and fees. We are building further on these views and we will set out additional details in our Phase 3 Consultation.</p>
<p>Debt funders might be less interested in the early competition model due to additional uncertainty compared to other options.</p>	<p>May workshop:</p> <ul style="list-style-type: none"> • What Winners Win and How Risk is Allocated? 	<ul style="list-style-type: none"> • Potential equity investors 	<p>See above.</p>

4 Post-Tender

The table below presents stakeholder feedback on the Post-Tender issues and how we are using it to inform and shape our proposals. We have grouped feedback by key subject areas.

4.1 Post Tender Award

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
A commercial contract can provide greater ability to ensure that providers deliver on their obligations as there are legally enforceable terms and conditions.	May workshop: <ul style="list-style-type: none"> Solution Delivery and Operations 	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation, we noted that our preferred option is to ensure level playing field of terms under licence and contracts for network and non-network solutions. We are currently assessing the licence and contract arrangements applicable for the early competition based on Phase 2 Consultation stakeholder feedback and discussing this with Ofgem. We will provide more details on how this will be implemented in our Phase 3 Consultation.
All parties involved in operating the onshore transmission system must be held to an identical standard, either via codes or licence.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs 	As considered in our Phase 2 Consultation, bidders without a CATO licence may be required to comply with other relevant industry codes. Following our Phase 2 Consultation, we held workshops on Heads of Terms and Industry Code Impacts as well as undertook a detailed review of code impacts based on discussions with relevant code bodies and we will provide an updated view of this in our Phase 3 Consultation.
The successful party must accede the relevant industry codes.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs 	See above.
CATO and TO licence regimes should be closer aligned.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 3 Consultation, we will consider whether it would be more appropriate for TOs to obtain a separate CATO licence or whether their existing licence could simply be amended to incorporate the required provisions. We will set out our view based on a detailed review of code impacts and discussions with relevant code bodies.

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
Do not support the requirement for bid-bonds at the point of contract award and the process can be managed through the requirement of post-tender milestones.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Generators and other electricity market participants 	We will take this feedback into consideration when developing further details on the post-tender award terms. Based on stakeholder feedback and our discussions with Ofgem on the commercial model, we will present more details on this in our Phase 3 Consultation.
It is unclear why commissioning would be different between a late or an early competition project that requires a licence.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs 	We agree with this stakeholder feedback, we are having ongoing discussions with Ofgem on their development of the late competition model to align the processes where efficient and fair. We will present our view in our Phase 3 Consultation.

4.2 Risk allocation

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
It is not efficient for the bidder to carry all preliminary works risks and that it may be better value for money for consumers to take on some risks.	May workshop: <ul style="list-style-type: none"> Preliminary Works 	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation, we presented an initial allocation of risks between the bidder and consumers. We will present our position on the risk allocation between key parties in our Phase 3 Consultation based on Phase 2 Consultation feedback, discussions with our ESO colleagues and Ofgem.
The risk profile would be very different for an integrated and a radial solution to the transmission need, especially in relation to interface risks.	May workshop: <ul style="list-style-type: none"> Construction Works and Commissioning 	<ul style="list-style-type: none"> TOs 	See above.
Bidders should be able to take on certain risks, including some of the consenting risk, compliance, design, subcontractor failures, commissioning process failures, and financing.	May workshop: <ul style="list-style-type: none"> Construction Works and Commissioning 	<ul style="list-style-type: none"> Potential equity investors 	See above.

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
Consenting is the biggest risk, as the process can take a long time.	May workshop: <ul style="list-style-type: none"> Preliminary Works 	<ul style="list-style-type: none"> Potential equity investors Technology companies 	In our Phase 2 Consultation, we noted this will be a significant undertaking for the successful bidder and will involve extensive preparatory activities, including robust stakeholder engagement and consultation. We will present our updated position on the risk allocation between key parties in our Phase 3 Consultation.

4.3 Rewards and Incentives

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
Incentives should be tangible and measurable.	May workshop: <ul style="list-style-type: none"> Construction Works and Commissioning 	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation, we presented high level options for potential availability incentive structures. Following our Phase 2 Consultation, we are reviewing stakeholder feedback and comparable sectors (including OFTOs and RIIO-2) to form our view on incentive arrangements. We are specifically looking at whether incentives will be weighted and on what basis, what should be the incentive value/penalty range and whether there will be any caps and/or collars. We will expand further on this area in our Phase 3 Consultation.
Incentive regime must be technology neutral and not be seen to favour network or non-network solutions.	May workshops: <ul style="list-style-type: none"> What Winners Win and How Risk is Allocated Preliminary Works 	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation we expect operational incentives to apply to both network solutions and non-network solutions. We are reviewing stakeholder feedback and investigating comparable sectors as we develop further detail on incentive arrangements, which we will present in our Phase 3 Consultation.
Preliminary works incentives would not be required considering the same party will go on to undertake solution delivery works at the next process stage.	May workshop: <ul style="list-style-type: none"> Preliminary Works 	<ul style="list-style-type: none"> Potential equity investors 	In our Phase 2 Consultation, we noted that the agreed tender revenue stream will commence upon commissioning of the works and the solution becoming operational. We believe this provides a strong incentive on the provider to complete the works in a timely fashion, but also to the required standards

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
	Phase 2 Consultation feedback		and therefore no preliminary works incentive is required. Following Phase 2 consultation, we are reviewing stakeholder feedback and investigating comparable sectors as we develop further detail on incentive arrangements, which we will present in our Phase 3 Consultation.
Incentives should be around managing risk effectively during the preliminary works phase.	May workshop: Preliminary Works	<ul style="list-style-type: none"> • TOs 	We are investigating comparable sectors and reviewing the stakeholder feedback we have received which will feed into our Phase 3 Consultation.
Penalties similar to the RIIO-2 mechanism being considered by Ofgem for late delivery might deter bidders.	May workshop: <ul style="list-style-type: none"> • Preliminary Works 	<ul style="list-style-type: none"> • Technology companies 	See above.
The ESO should consider whether incentives would work as effectively as implied in the consultation where there are competing priorities between incumbent TOs/DNOs/OFTOs and CATOs.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> • TOs 	See above.
Any penalties and incentives that are set should ensure minimal disruptions to consumers and be aligned where possible to existing incentives.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> • TOs 	See above.
The operational incentive regime for early competition should be limited.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> • TOs 	See above.
An incentive to complete tasks early may be appropriate but bidders will also require protection where delays are outside their control.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> • Potential equity investors 	See above.

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
It may be difficult to apportion blame for a project delay.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Potential equity investors 	See above.

4.4 Operation & Maintenance and Decommissioning

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
Decommissioning arrangements should be aligned with Ofgem's future decision on the OFTO regime.	May workshop: <ul style="list-style-type: none"> Operation, Maintenance and Decommissioning 	<ul style="list-style-type: none"> Potential equity investors 	We will continue to keep development in the offshore regime under review. In our Phase 2 Consultation, we noted that our preferred option is a procurement framework which evaluates bidder decommissioning plans and costs as part of the tender process. It would also require bidders to maintain such plans and hold decommissioning security once operational. Based on stakeholder feedback and discussions held with our ESO colleagues and Ofgem, we will provide further information on decommissioning proposals in our Phase 3 Consultation.
The ESO should consider the option of providing handover to the incumbent TO.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs 	We proposed end of revenue period options in our Phase 2 Consultation, i.e. handover to TOs and potential for an extended revenue period, which was our preference. We have continued to investigate this through meetings with TOs and internal planning teams and will share our latest position on the end of revenue period options in the Phase 3 Consultation.
Decommissioning costs form part of a project life cycle and should also be considered as part of the procurement process.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs Generators and other electricity market participants 	Our view is that bidders would be required to set out their indicative decommissioning costs as part of their bids and we will provide more information on decommissioning in our Phase 3 Consultation.
As with TOs and OFTOs, early competition projects should only be subject to the decommissioning requirements of relevant	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Potential equity investors 	We will take stakeholder feedback into consideration in addition to discussions held with our ESO colleagues as well as Ofgem, based on which we will provide more information on decommissioning in our Phase 3 consultation.

landowners and consenting authorities as reserving for decommissioning can be otherwise inefficient.

If there is a change in law which requires the decommissioning to incur additional costs other than what was originally planned, these costs should be allowable as a pass-through cost.

Phase 2 Consultation • TOs
feedback

Our view is that change in law should be a shared risk (as detailed within our Phase 2 Consultation). Following our Phase 2 Consultation, we held discussions with our ESO colleagues as well as Ofgem, based on which we will provide more information on risk allocation and decommissioning in our Phase 3 Consultation.

5 Parties, Roles and Responsibilities

The table below presents stakeholder engagement on the Parties, Roles and Responsibilities issues and how we are using stakeholder feedback to inform and shape our proposals. We have grouped feedback by key subject areas.

5.1 Roles in Early Competition

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
There is a need for the process to be run by a single party from the start to finish to ensure accountability and consistency.	May workshop: <ul style="list-style-type: none"> Procurement Steps and Timelines 	<ul style="list-style-type: none"> TOs 	In our Phase 2 Consultation, we noted that we expect multiple parties to be engaged in the end to end process. For example, the procurement body will be responsible for the tender process and Ofgem play the role of the approver and Licence counterparty. We are currently considering whether some roles can be owned by the same entities and discussing this with internal stakeholders. We also held workshops on the Roles in Early Competition in September based on which we will provide more detail on the key roles in our Phase 3 Consultation.
Interaction of the TO and the ESO during the project identification process will be critical.	May workshop: <ul style="list-style-type: none"> Early Competition criteria, what could be competed? 	<ul style="list-style-type: none"> Potential equity investors 	We are exploring the role of the TO and ESO in project identification, and we held workshops with TOs to discuss the role of the TO and what conflict mitigation measures may be required. These will be presented in our Phase 3 Consultation.
A ring-fenced bidding entity of a TO will need stringent separation governance and reporting to ensure a level playing field.	May workshop: <ul style="list-style-type: none"> Evaluation of Technical Elements of the Proposals 	<ul style="list-style-type: none"> Potential equity investors 	See above.
TOs expect to have a role in the technical assessment and	May workshop:	<ul style="list-style-type: none"> TOs 	We noted in our Phase 2 Consultation, we do not anticipate that TOs (or any other party) would be required to progress a backstop solution alongside the winning bid. We are, however,

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
suggested that they could act as a party of last resort.	<ul style="list-style-type: none"> Evaluation of Technical Elements of the Proposals 		exploring the circumstances with the support of stakeholders (e.g. workshops with TOs and workshops on Roles in Early Competition) in which a TO of last resort might be required and how this could work. We will provide an updated view of the role of the TO and also TO of last resort as part of our Phase 3 Consultation.
There is potential conflict of interest in relation to the ESO making recommendations on projects which are within the geographic responsibility of NGET.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs 	The ESO is a separate legal entity from NGET although both sit within the National Grid group. We work independently from NGET and any recommendations on projects will be made on an objective assessment of pre-defined criteria.
Expressed concerns regarding the incumbent TOs participating in competitions as a market player as they will be taken outside the realm of the regulatory framework in which they are designed to operate.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs 	Following our Phase 2 Consultation, we held a series of workshops with TOs to explore the role of TO as a bidder and how would this role fit with their current obligations under the regulatory framework. We will set out our position in our Phase 3 Consultation.
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.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Generators and other electricity market participants 	Following our Phase 2 Consultation, we held a series of workshops with TOs to explore the role of TO as a bidder and the potential conflicts of interest and mitigations to ensure that a level-playing field can be achieved. Further details on how we will assess bids will be set out in our Phase 3 Consultation.
The ESO should have greater technical network understanding and data and not be reliant on incumbent TOs when assessing network needs and requirements.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Generators and other electricity market participants 	We are exploring the role of the TO and ESO when assessing network needs and requirements. We will set out our position in our Phase 3 Consultation.

Stakeholder feedback	Forum / Event	Feedback from	ESO position (Phase 2 – Phase 3)
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.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs 	We are having sessions with BEIS and Ofgem where the roles of the procurement body and approver and the legal and regulatory frameworks are being discussed. We will provide an update of these developments once they are clarified.
The role of Approver, Licence Provider and Licence Counterparty must be carried out by Ofgem.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs 	We anticipate for Ofgem to carry out the Approver role and Licence Counterparty role (for network solutions), which also includes the role of Licence Provider.
The roles should be consistent with the ESO’s licence and the existing regulatory regime.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> TOs 	We are currently mapping out if licence and code changes may be required in order for early competition to work based on discussions with relevant code bodies. We will provide more details on the expected changes in our Phase 3 Consultation.
Where the ESO does not have a strong understanding of the technical properties of a new solution, an Independent Technical Expert should be used.	Phase 2 Consultation feedback	<ul style="list-style-type: none"> Generators and other electricity market participants 	Following this feedback, we worked on specifying what the procurement body roles would be and considered whether it may need to rely on third party advisers to complete the evaluation process. Currently we expect that the procurement body will have resources and capabilities held in-house to complete technical assessments.

Next steps

The ESO positions presented in this document will be further progressed and developed up to the early competition Phase 3 Consultation.

Our Phase 3 consultation will be published in December 2020, if you would like to get in touch in the meantime, share any additional feedback or comments, please contact us at:

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