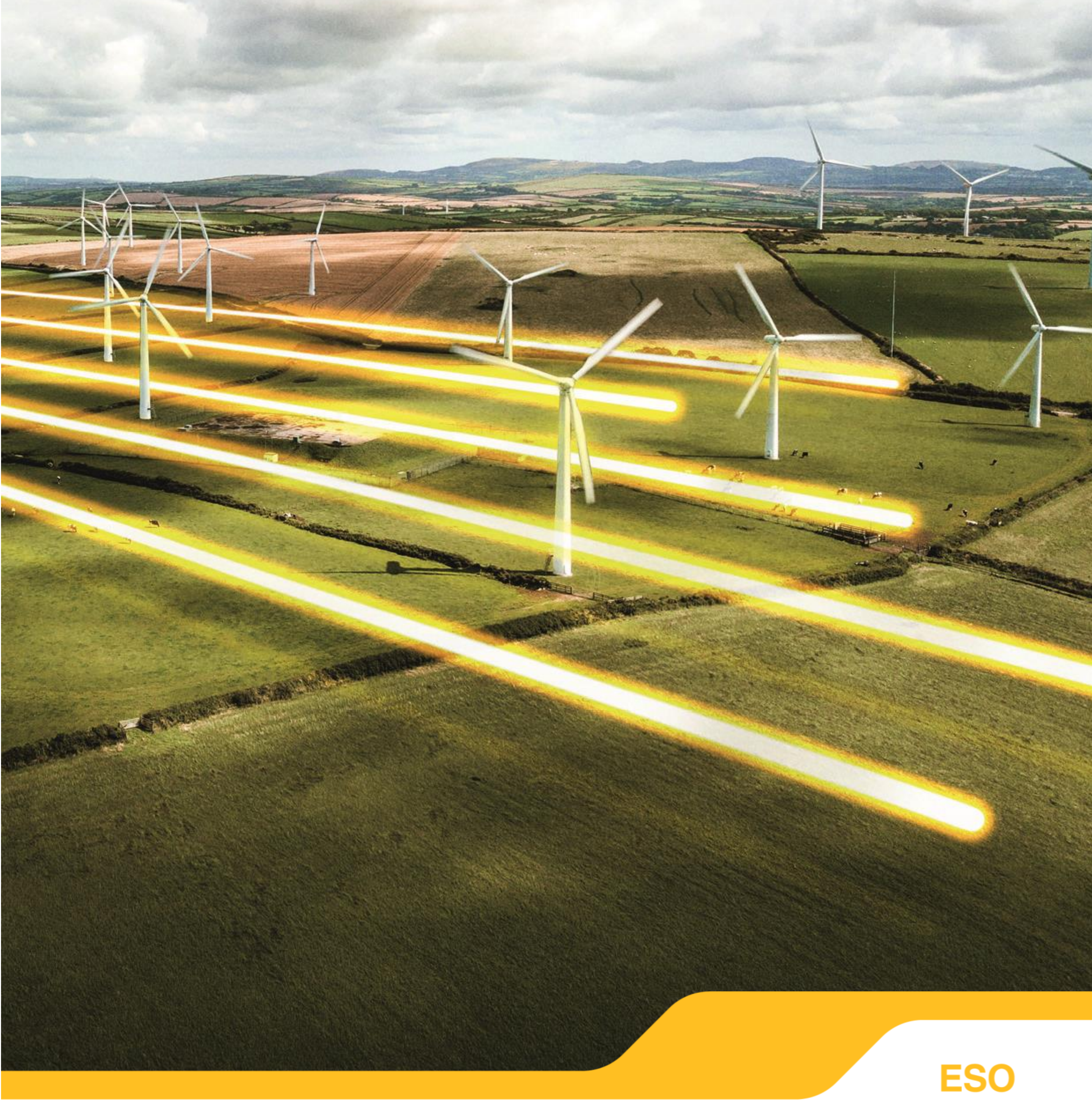
Contract Award Criteria

Version 2 – January 2024

Voltage 2026 – Network Services Procurement (formerly known as Pathfinders) Assessment Methodology



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Version Control

Version Number	Details	Date
V1	Initial publication at Invitation to Tender (ITT) launch.	19 December 2023
V2	Updated publication to reflect the increase in reactive power requirement in North England region from -200Mvar to –400Mvar (-200Mvar in 2026 and a further -200Mvar in 2027).	26 January 2024

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ESO unconditionally reserves the right to delay, suspend and/or cancel the Tender Event at any point at its sole discretion and without any liability. The tender timelines providers by ESO are subject to change. ESO unconditionally reserves the right to amend the tender timeline at its sole discretion and without any liability.

Purpose of this document and the ITT Pack

This document and the other documents that make up the ITT Pack have been provided in good faith. The purpose of these documents is to provide the market with information about the tender rules and requirements to enable market participants to make an informed tender submission as part of the ITT. This document has been written accounting for feedback received through the consultation that was held prior to the Invitation to Tender (ITT). As a result, ITT documents may supersede earlier documents and/or information previously communicated during the EOI.

Commercial Decisions

Any commercial decisions made by bidders to facilitate or support tender submissions, where they are not required as part of the tender criteria or other tender requirements, are made at the full discretion of the tender participant. Neither ESO nor any other companies in the National Grid plc group, nor any directors or employees of any such company shall be liable for any results of these commercial decisions and does not accept responsibility for any commercial decisions made by participants.

Contract award strategy

The Voltage 2026 Network Services Procurement ('Voltage 2026') tender assessment will be conducted against the predetermined Contract Award Criteria as detailed in this document and in accordance with the Instructions to Tenderers document.

This document is applicable to both commercial participants and Network Owners (e.g. National Grid Electricity Transmission). This document should be read in conjunction with the rest of the Invitation to Tender (ITT) pack, with specific attention to the Instructions to Tenderers and the relevant submission documents.

The award of Voltage 2026 contract(s) will be based on the most economically efficient combination of solutions taking into consideration solutions submitted by both commercial participants and Network Owners, and the cost of purchasing Voltage 2026 services against the counterfactual of buying the same services through the Balancing Mechanism (BM).

The award of the Voltage 2026 contract(s) will be made to the combination of Tenderer(s) whose solution(s) are identified as the most economic portfolio following the tender assessment, who meet the technical requirements and have passed all minimum threshold criteria.

ESO may procure above, or below, the Voltage 2026 requirement across each region according to the tender submissions received and the most economic action to take, at all times following the methodology set out in this document and other Voltage 2026 tender documents. ESO may choose to award to the most economic portfolio of solutions that meet more or less than the need, if this were deemed at ESO's sole discretion to be more economic than the combination that would meet 100% of the need.

Assessment process summary

Tender submissions received in response to ESO's ITT for Voltage 2026 shall be assessed by a designated team of evaluators who shall assess the solutions against the Contract Award Criteria and scoring methodology outlined in this document.

Detailed below are the criteria that will be considered and the assessment process that will be followed when awarding the Voltage 2026 contracts, including a reference to the submission document that is applicable for each of the criteria.

Table 1

Stage No	Assessment criteria	Assessment method	Shortlisting strategy	Applicable document (s)
0	Initial compliance check	N/A – checking to ensure all submissions have been received in full.	Non-compliant submissions may be rejected at this stage.	All tender submission documents.
1	Mandatory compliance requirements	Pass/fail – must pass all pass/fail questions.	Submissions that do not meet any minimum pass/fail requirements will be rejected.	Tab "2. Mandatory Questions" of the Commercial Submission document. Tab "A. Solution Outline" of the Technical Submission document. Network owner SRF submission document 'Part B' tabs.

2	Financial health assessment	Pass/fail - Must pass by satisfying requirements.	Submissions that do not meet any minimum pass/fail requirements will be rejected.	Tab “3. Financial Health” of the Commercial Submission document.
3	Project delivery criteria	Scored pass/fail questions. Must meet minimum pass threshold on all questions.	Submissions that do not meet any minimum pass/fail requirements will be rejected.	Tab “B. Project Delivery” of the Technical Submission document. Network owner SRF submission document ‘Part B’ tabs.
4	Economic assessment	Must be identified as within economic portfolio of solutions as result of the economic assessment.	This stage will be used to identify the most economically efficient portfolio of solutions.	Tab “4. Pricing Submission” and “5. Project Overview” of the Commercial Submission document. Network owner SRF submission document tab “Part E – Cost”.

Please note that for timeline efficiency purposes ESO’s assessment of stage 1, 2 and 3 may be conducted in parallel. Only those that pass stage 1, 2 and 3 will be considered in the stage 4 economic assessment.

Throughout each stage listed in the assessment process, where there is any ambiguity or an incomplete response, this may or may not be clarified by ESO. Clarifications will be issued with a set response deadline. Bidders should make every effort to respond to clarifications on time. If more time is required, the bidder will need to agree this with ESO. Tenderers should note that clarifications are only to clarify ESO’s understanding of the tender or to clarify clear errors. They are **not** an opportunity to resubmit a response and should **not** be viewed as an extension of time.

Stage 1 Mandatory Compliance Requirements

Mandatory due diligence questions assessment methodology

The mandatory due diligence questions (tab “2. Mandatory Questions” of the Commercial Submission document) will be evaluated using the scoring methodology outlined in this section.

Table 2

Item	Question Type	Explanation/ Impact of Non-compliance
1	Pass/fail questions	Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected.
2.	For Information Only questions	The “For Information Only” questions are not scored but might be referred to when scoring pass/fail questions.

Assessment of Network Owners

The SRF process does not usually require Network Owners to complete these mandatory questions as Network Owners provide these options under regulated activities through their price control mechanisms, rather than through a commercial contract. As Network Owner solutions would be delivered in the same way for Voltage 2026, Network Owners are **not** required to complete these mandatory questions.

Technical compliance assessment methodology

The technical compliance questions (tab “A. Solution Outline” of the Technical Submission document) will be evaluated using the scoring methodology outlined in this section.

Table 3

Item	Question Type	Explanation/ Impact of Non-compliance
1	Pass/fail questions	Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected.
2	For information only questions	The “For Information Only” questions are not scored.

Assessment of Network Owners

Network Owners will be required to complete some of the same technical compliance questions through “Part B” of the SRF Form. These questions are mostly the same for Network Owners as commercial participants and will be assessed on the same pass/fail basis as outlined in Table 3 above. However, there are some technical compliance questions that are applicable to commercial participants only, and not applicable to Network Owners. These specific questions are marked as ‘Not Applicable’ in the Network Owner SRF Submission Document and therefore will not be assessed for Network Owners.

Stage 2 Financial Health Assessment

This stage will focus on the financial health assessment of Tenderers. To enable this, Tenderers need to complete tab “3. Financial Health” in the Commercial Submission Document.

The financial health assessment is made up of the following parts:

1. Financial ratio analysis.
2. Dun & Bradstreet analysis.
3. Turnover to contract value analysis.
4. Security provision and credit check of guarantor providing the security.

Each part will be assessed using the methodology outlined below.

Please note that for parts 1 and 3 listed above, Tenderers are required to provide the most recent 3 years of their financial information. Then through a combination of built-in formulas and population by ESO, this produces scores for parts 1 through 3 which together provide a financial health score. More details on how this is done are explained below.

Tenderers should provide their own financial information.

However, it is acceptable for Tenderers to provide the financial information of their parent company such that:

- Where Tenderers provide the financial information for their parent company, then the form of Security that should be provided is a parent company guarantee (PCG).
- The opposite scenario is also true, where bidders wish to provide a PCG as their security, these bidders should provide the financial information for the parent company rather than their own financial information.
- Please note, where parent company financial information is provided, this will still be assessed in line with the detail below as equally as it would be had the Tenderer’s own financial information been provided.

Other than this exception, the Tenderers own financial information should be provided for parts 1 through 3.

Part 1 Financial ratio analysis

Using the three years' financial information provided by Tenderers, ESO will assess the following financial ratios:

Table 4

Ratio	Formula	Maximum Available Score*
Gross Margin Ratio	Gross Profit / Sales	6
Profit Margin Ratio	Net Profit / Sales	12
Asset Turnover Ratio	Sales / Total Assets	6
Current Assets Ratio	Current Assets / Current Liabilities	10
Debt to Assets Ratio	Total Debt / Total Assets	6
Total Available Score		40

**Please refer to the Financial Health tab in the Commercial Submission document if you wish to view the formulas used to convert ratios into a score out of the maximum available score. Please note these formulas are built into the Commercial Submission document and should not be edited.*

Liability/ debt values should be inserted as positive figures, not negative figures. Any losses (e.g. net profit) should still be inserted as a negative figure.

If any of the three years of financial information cannot be provided, for example if only one or two years are provided due to company age, the outturn ratios will default to 0 for the years where information cannot be provided. The assessment will also default to a turnover analysis of 100% for those years.

Part 2 Dun & Bradstreet analysis

Within one month after the tender submission deadline, ESO will assess Dun & Bradstreet Failure and Delinquency Scores for the Tenderer. This will be done using Dun & Bradstreet Credit, and a prorated analysis. The following formula will be used: Dun & Bradstreet Score / 100 * Maximum Available Score

Table 5

Dun & Bradstreet Score	Max Dun & Bradstreet Available Score	Maximum Available Score
Company Failure Score	100	30
Company Delinquency Score	100	15

Please note these formulas are built into the Commercial Submission document and should not be edited.

Where Dun & Bradstreet Failure and Delinquency scores are not available, ESO will use the Dun & Bradstreet PAYDEX score as an alternative. This will be scored with the same weighting as the Failure and Delinquency Score combined. If a PAYDEX score is not available, then the default score used for the assessment will be 0.

Part 3 Turnover analysis

ESO will assess the indicative annual contract value as a percentage of annual turnover.

The following formula will be used:

- Indicative annual contract value / Tenderer's provided annual turnover * 100.
  - This formula will be repeated three times for each FY to calculate an average percentage.
  - The average percentage will be scored based on the table below.
- For reference the indicative annual contract value will be calculated based on:
  - Settlement periods per year (17,520) * the average of the £/SP prices submitted by a participant within their commercial submission.

Please note these formulas are built into the Commercial Submission document and should not be edited.

Table 6

Criteria	Maximum Available Score
If contract value is 0-50% of annual turnover	15

If contract value if 51-70% of annual turnover	10
If contract value is 71-90% of annual turnover	5
If contract value is 90% or more of annual turnover	0

The scores achieved across these three parts will be combined to identify a score out of a 100 based on the summary shown below. **Please note that the overall financial health score will not be identified until ESO populate the D&B analysis section of the financial health assessment, upon the return of tender submissions.**

Table 7

Criteria	Maximum Available Score
Gross margin ratio	6
Profit margin ratio	12
Asset turnover ratio	6
Current assets ratio	10
Debt to assets ratio	6
D&B failure score	30
D&B delinquency score	15
Contract value as % of turnover	15
Total	100

Part 4 Securities provision and credit check of guarantor providing the security

Tenderers must confirm they are able to provide an Acceptable Security as defined in the contract in line with the tender rules and contractual requirements.

The questions within Part 4 of the financial health assessment (Tab 3. Financial Health of the Commercial Submission document) will be evaluated using the scoring methodology outlined in the table below.

Item	Question Type	Explanation/ Impact of Non-compliance
1	Pass/fail questions	Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected.
2	For information only questions	The "For Information Only" questions are not scored.

This part of the financial health assessment asks Tenderers to:

- Confirm they will provide an Acceptable Security as defined by the contract terms in line with the tender rules and contractual requirements.
- Confirm which form of Acceptable Security they will be providing (e.g., a Parent Company Guarantee).
- Provide a draft version of the chosen Acceptable Security to ensure it is acceptable to ESO.
    - Where relevant confirm that the type of security is based on the ESO template
- Confirm the details of the guarantor company (Company Name, Company Registration Number) who will be providing the Acceptable Security.
    - For example, where a PCG is being provided, the details of the parent company would be provided. Alternatively, where a Performance Bond is being provided through a Rated Bank, the details of the Rated Bank would be provided.

Based on this information, ESO will conduct a pass/fail assessment, including a check that the guarantor providing the Acceptable Security (e.g., parent company, Rated Bank) has an acceptable credit rating based on the list below.

- A- Standard and Poor's (S&P) long-term rating; or
- A3 Moody's long-term rating.

Should the guarantor company providing of the Acceptable Security (parent company, Rated Bank) not have an acceptable credit rating for either S&P or Moody's then ESO reserve the right to either:

1) Accept an alternative credit rating that is equivalent to the listed credit ratings above.
2) Request the security is provided by an alternative provider that meets the acceptable credit ratings. If the Tenderer does not agree to do so, ESO shall consider this a ‘fail’.
3) Accept a lower rating at ESO discretion on a case-by-case basis subject to performance on other aspects of the financial health check and perceived level of risk associated with the bid.

Financial health assessment summary

The score out of 100 from parts 1 through 3 combined with the pass/fail assessment of part 4 will define whether the financial health assessment has met the requirements set out below.

Table 8

Result	Description	Comments
Pass	• Scores 50+ out of 100 across parts 1 through 3. • Satisfies the pass/fail requirements of part 4.	Tenderer has satisfied the requirements of the financial health check in full and will progress to the next stage of the assessment.
Subject to Review	• Scores between 0-49 across parts 1 through 3. • Satisfies the pass/fail requirements of part 4.	If Part 4 has been passed, then the Tenderer will typically be allowed to pass by ESO (subject to the below). ESO may explore the reasons for the lower score out of 100. ESO reserve the right to retain or remove tenderer from tender process as result of these findings.
Fail	• Scores between 0-100 across parts 1 through 3. • Fails to meet the pass/fail requirements of part 4.	Tenderer has failed to satisfy the financial health requirements and will not be considered in the economic assessment

Notes on the Financial Health Assessment

- Instead of providing their own company information, Tenderers may rely on and submit their parent company information for the financial health assessment. Where this is done it must be confirmed in the Financial Health submission. Where Tenderers do so, they will be required to enter a Parent Company Guarantee as their form of Acceptable Security.
  - This applies equally to where a parent company is tendering as multiple subsidiaries or SPVs. The parent company can elect to provide their own financial information if all the subsidiaries/SPVs would rely upon them as the guarantor.
  - If tenderers elect to rely on parent company financial information and offer a PCG, upon review of the parent company’s financial information, ESO reserves the right to request alternative form of Security (i.e. performance bond, letter of credit) if the parent company’s finances or credit check result is not acceptable to ESO during the tender assessment.
  - If the Tenderer does not agree to provide the alternative form of Security, ESO shall consider this a ‘fail’.

- For Tenderers who do not have a parent company and intend to provide an alternative form of Acceptable Security as defined by the contract, such as a performance bond, then the Tenderer’s own financial information should be provided.
  - These Tenderers should confirm the form of Security they are providing within the Financial Health Assessment tab of the Commercial Submission Document.
  - ESO reserves the right to review the details of the security and request amendments/variations or an alternative form of Acceptable Security. If the Tenderer does not agree to a form of security that is acceptable to ESO, then ESO would consider this a ‘fail’ and the submission would be removed from the tender process.

- **V2 Clarification**: Should a bidder not provide the most recent three years of financial information as required, ESO retain the right to clarify why, and considering the rationale provided by the bidder, reject or retain the bidder.

- If you have any queries about what financial information to provide for your company, please contact ESO through the query process.

Assessment of Network Owners

The SRF process does not usually require a financial health assessment as Network Owners provide these options under regulated activities through their price control mechanisms, rather than through a commercial contract. As Network Owner solutions would be delivered in the same way for Voltage 2026, Network Owners are **not** required to complete this Stage 2.

Stage 3 Project Delivery Criteria

The project delivery criteria (tab B. Project Delivery in the Technical Submission document) will be evaluated using the scoring methodology outlined in this section. ESO reserve the right to consider all information provided by the bidder in their tender submission when scoring these questions.

Table 9 below summarises the different types of assessment methodology used to assess project delivery capability.

Table 9

Item	Question Type	Explanation/ Impact of Non-Compliance
1	Scored pass/fail questions. These questions give an overall score with a minimum set pass/fail threshold for each individual question.	These questions will be awarded a score using the scoring range detailed in Table 10 considering the requirements set out for each project delivery question in Table 11. **The minimum pass/fail threshold must be satisfied for each question.** Submissions that do not meet any minimum pass/fail requirements will be rejected.

Table 10

Score	Criteria	Detail for awarding score
0	Unsatisfactory / Fail	Unsatisfactory response. The response is unacceptable and fails to demonstrate the requirements. The response does not answer the question, no response is provided and/or lacks sufficient detail in certain areas giving ESO low confidence that the requirements would be met.
1	Satisfactory / Acceptable	Response is satisfactory. The response demonstrates that nearly all the requirements are met to an acceptable level. Evidence is sufficient but there are some areas where there is a lack of detail or evidence with regards to the requirements of the question. Response gives ESO reasonable confidence that most of the requirements will be met.
2	Good	Response is good. The response is full and descriptive, meeting all the set-out requirements with one or two minor reservations. The response gives ESO a higher level of confidence that all the requirements are met.
3	Excellent	Response is excellent. The response is comprehensive, unambiguous and demonstrates a thorough understanding of the requirements. The response exceeds the requirement in some or all areas. The response gives ESO very high confidence that the requirements will be met in full. There are no reservations.

The rest of this section outlines the requirements for each project delivery question that will be considered when scoring the question responses using the scoring criteria in Table 10.

Table 11

Question	Requirements
Project Management	• Evidence of the project management tools that will be used to support the successful delivery of the project. • An internal and external meeting cadence that enables meeting the basic contractual reporting requirements on project delivery progress (i.e., ensures the impact of project delivery timescales will be minimised). • Evidence of a clear governance and reporting structure that demonstrates issues will be identified and escalated in a timely manner to appropriate persons/positions which have the authority to agree an action plan to resolve issues (depending on their nature) and that ESO will be kept appropriately informed throughout so that it is aware of issues and resolution plans/progress. • Explanation of lessons learnt from previous experiences and how these will be applied.
Risk Management	• A robust explanation of the risk identification and management process that will be used whilst delivering the project. • An explanation of how risk mitigation actions are monitored. • Explicit explanation of the project-specific risks related to areas that include but are not limited to 1) Land & planning, 2) Project financing, 3) Procurement & supply chains, 4) Build, construction, and commissioning. • Explicit explanation of the risk mitigations that are or will be in place in relation to the risks related to areas that include but are not limited to 1) Land & planning, 2) Project financing, 3) Procurement & supply chains, 4) Build, construction, and commissioning. • Explanation of lessons learnt from previous experiences and how these will be applied.
Finance	• An evidenced plan for how the project will be funded. • A clear explanation of the actions to be taken to secure the funding. • Clear explanation of the dependencies within this plan and how these will be managed. • Identification of any third parties who will be providing any funding. • Evidence of letter of support/in-principal agreement from investment committees/board that is specific to (or at least would include) the bidder's Voltage 2026 bid. • Exceeding the requirements could be shown by evidencing that funds have already been secured with no dependencies to access project funding. • Explanation of lessons learnt from previous experiences and how these will be applied.
Sourcing & Supply Chain	• Explanation of the sourcing process to be followed, which should follow recognised industry practice for sourcing/procurement of this nature. • Explanation of any existing contractual relationships that might be in place. • Explanation of how contracts will be managed which should follow any recognised best practice. • Explanation of lessons learnt from previous experiences and how these will be applied. • Outline of the plan to secure OEM factory slots on a timely basis (if not already secured). • A robust plan for co-ordinating the logistics of delivery of equipment and services. • An explanation of how equipment delivery / service provision may impact the wider delivery programme and how this will be managed. • Exceeding the requirements could be shown by evidencing that all supply chain contracts are in place with orders made and factory slots secured.
Land & Planning	• Explanation of the end-to-end process to be followed to secure land which addresses how any dependencies to secure land will be satisfied. • A robust plan for securing the required development rights or planning permissions. • Explanation of any efforts already made to commence this process and associated outcomes. • Explanation of lessons learnt from previous experiences and how these will be applied to the process for securing land/ development rights and planning permissions/ cable routing. • Exceeding the requirements would be shown by evidencing any already existing/ already secured land rights/ land ownership, associated planning permissions and/or permitted development rights.

Note: The project delivery questions have word and/or page limits. These limits are detailed in the submission documents. These limits must be adhered to. Any response more than the maximum word or page limit may only be considered up to the limit that was set, any detail beyond this may not be considered.

Adjustment Factor

For the project delivery criteria there is the opportunity for Tenderers to exceed the 'satisfactory' threshold by scoring a 2 or 3. Tenderers who score 2s or 3s on these questions will be recognised through a ‘price adjustment factor’. The effect of this price adjustment factor will be to reduce the price submitted for the purposes of evaluation, thereby including the benefit of attaining a 2 or a 3 in these questions in ESO's evaluation and identification of the most economically efficient tender(s).

The adjustment factor will be applied on a question-by-question basis, and will be calculated using the following formula:

Tenderer’s Submitted £/SP * 48 Settlement Periods per day * Day Weighting

Please see the table below for details on the day weighting that will be applied for each score that could be achieved on each scored pass/fail question.

Table 12

Question	Score	Day Weighting Applied	Score	Day Weighting Applied	Score	Day Weighting Applied	Score	Day Weighting Applied
Project Mgmt.	0	None, question failed	1	None, question passed.	2	7.5 days	3	15 days
Risk Mgmt.	0	None, question failed	1	None, question passed	2	7.5 days	3	15 days
Finance	0	None, question failed	1	None, question passed	2	22.5 days	3	45 days
Sourcing & Supply Chain	0	None, question failed	1	None, question passed	2	22.5 days	3	45 days
Land & Planning	0	None, question failed	1	None, question passed	2	30 days	3	60 days

The higher the score for each of the scored questions, the lower the risk of delivery delays for ESO. Lower risk of delays has a material benefit to ESO, as it reduces the risk of needing to trigger alternative mechanisms to address the voltage requirement. As such, Tenderers that can demonstrate higher scores for the scored pass/fail questions will receive the ‘price adjustment factor’ to their price for the purposes of evaluation.

Different sizes of price adjustment factors have been applied to each question. The adjustment size applied to each question reflect ESO’s perception of the scale and likelihood of delays materialising due to issues related to the topic each question seeks to address. A score of ‘3’ is lower in risk than a score of ‘2’ and as such the adjustment for a ‘3’ is greater than for a ‘2’.

The total adjustment that a Tenderer benefits from by scoring 2s/ 3s is applied as a discount to their solution price for the purposes of the Stage 4 Economic Assessment.

Worked Example (illustrative purposes only)

- Price offered by Tenderer = £10/SP
- Total price of Tenderer’s solution = £1.752m over a 10-year contract (£10/SP)
- Total Adjustment Applied = 180 days (Tenderer scored a 3 for every question)
- Discount to be applied to price within the Economic Assessment: £10 * 48 SPs per day *180 days total = £86,400
- Price to be used in the Stage 4 Economic Assessment = £1,665,600

For the avoidance of doubt:

- Any solutions that score 2s or 3s on some questions but fail to meet the pass threshold on other questions will not progress to the next stage of the assessment, and therefore will not receive any adjustment factor.
- These adjustment factors are being applied *artificially* for the purpose of the tender assessment only, to account for the value offered by the responses that score higher. The contract will be paid at the £/SP submitted, without the adjustment factored applied.
- Tenderers who score multiple 2s and/or 3s gain the adjustment noted for each question i.e., the total adjustment factor a Tenderer can gain is cumulative.

Assessment of Network Owners

Network Owners will be required to complete Project Delivery questions within "Part B" of the SRF Form. These will also be assessed using same assessment methodology as set out above.

These questions are mostly the same for Network Owners as commercial participants, however there are some questions that have been adapted to better reflect the way Network Owners will deliver their solutions through regulated activities. These questions will still be assessed on the same basis.

Stage 4 Economic Assessment

Stage 4 will use an economic optimisation assessment to identify the overall optimal combination of solutions, to ensure that reactive power absorption requirements in locations across England are met at the lowest overall cost to consumers.

Information that will be assessed

- An availability price in £ per settlement period (£/SP), in price base consistent of the first year of delivery (2026), which should be inclusive of all costs faced by the provider. For example, all applicable network/ use of system charges, levies & losses.
- Service start date and any associated late start adjustments.
- Adjustment factor resulting from Stage 3 of the assessment process.
- Infrastructure costs associated with connecting the option.
- Reactive power absorption capability in Mvar at the Grid Entry Point for a voltage equal to 1.0 pu at the Grid Entry Point.
- Effectiveness of the connection location – which is calculated based on the given transmission substation name and voltage level.
- Declared connection point for the solution.
- Where a Tenderer has submitted mutually exclusive or bundling efficiency options, these constraints will be factored at this point, subject to passing all previous assessment stages.

Availability Price

Each solution should have an availability price per settlement period which should be inclusive of all costs faced by the Tenderer. The price submitted should be the most competitive price that can be offered.

Depending on the Tenderer's solution these may include but are not limited to:

- Cost to build the asset.
- Ongoing operating and maintenance costs, including:
  - Energy costs, including all relevant levies and charges, e.g. Final Consumption Levies, TNUoS, etc. If applying as TO Lite these costs may be different. See Section on TO Lite Costs for detail
  - Connection charges, as faced by the user e.g., one-off costs, securities, connection asset costs.
    - Please note this should not include infrastructure asset costs, which are socialised, and accounted for separately. Please refer to the infrastructure costs section below for more information.
    - Note: the Connection Feasibility Report provides indicative securities profiles for the reserved bay and whether any one-off costs may be required. Tenderers should consider both of these costs when pricing bids.

- It should not include:
  - Connection Infrastructure costs – I.e. the infrastructure costs associated with the cost of the connection, as described in the 'Infrastructure Costs' section in this document below.

Service Start Date

V2 Clarification: *Please note this section has been updated as part of the V2 publication.*

The locational requirements and sought delivery periods for this Voltage 2026 tender are as follows:

Table 13

Region	Reactive power absorption requirement (effective Mvar)	Service delivery period
London	-200Mvar	1 April 2026 – 31 March 2036
North England 2026	-200Mvar	1 April 2026 – 31 March 2036
North England 2027	-200Mvar	1 April 2027 – 31 March 2036

Bids can be made into any of these three requirements against their sought service delivery period.

There is no cap on how early a solution can start providing the service for any of the regions. Please see below for details on how solutions that can start early will be considered in the tender assessment per region.

- London

  Any bids proposed that offer a service starting before 31st March 2026 will be compared based on the same basis as if they commenced on 31st March 2026. This means that two options which both have the same availability price (£/SP) but connect on different dates prior to 31st March 2026 will perform equally in the assessment, assuming all else (capability, location, infrastructure costs, etc.) is equal.

  If successful, such assets will be paid under the contract from the date they start providing the service, even if this is before 31st March 2026.

- North England 2026

  Any bids proposed that offer a service starting before 31st March 2026 will be compared based on the same basis as if they commenced on 31st March 2026. This means that two options which both have the same availability price (£/SP) but connect on different dates prior to 31st March 2026 will perform equally in the assessment, assuming all else (capability, location, infrastructure costs, etc.) is equal.

  If successful, such assets will be paid under the contract from the date they start providing the service, even if this is before 31st March 2026.

- North England 2027

  Any bids proposed that offer a service starting before 31st March 2027 will be compared based on the same basis as if they commenced on 31st March 2027. This means that two options which both have the same availability price (£/SP) but connect on different dates prior to 31st March 2027 will perform equally in the assessment, assuming all else (capability, location, infrastructure costs, etc.) is equal.

  If successful, such assets will be paid under the contract from the date they start providing the service, even if this is before 31st March 2027.

During the tender assessment ESO will also consider options that start on or after the sought service start date for each region up until 31st March 2028.

For solutions arriving after the sought service start date for each region, ESO will include an additional late start adjustment in the assessment which is associated with options arriving late. The adjustment applied will be calculated in accordance with the below table for each region. Note that ESO will not accept solutions that are unable to start service provision until 1 April 2028 or beyond.

Late start adjustment for London

Table 14

Solution start date	Late start adjustment applied
Solution starts by 31st March 2026	No adjustment applied
Solution starts between 1st April 2026 and 31st March 2027	Adjustment applied calculated as follows: Submitted £/SP * days late from 1 April 2026 * 48 SPs per day
Solution starts between 1st April 2027 and 31st March 2028	Adjustment applied calculated as follows: (Submitted £/SP * 365 days * 48 SPs per day) + ((Submitted £/SP * 2) * days late from 1 April 2027 * 48 SPs per day) ESO reserve the right to not consider solutions who deliver in this timescale if sufficient solutions deliver prior to 1st April 2027
Solution starts on or after 1st April 2028	Solution will not be considered

Late start adjustment for North England 2026

Table 15

Solution start date	Late start adjustment applied
Solution starts by 31st March 2026	No adjustment applied
Solution starts between 1st April 2026 and 31st March 2027	Adjustment applied calculated as follows: Submitted £/SP * days late from 1 April 2026 * 48 SPs per day
Solution starts between 1st April 2027 and 31st March 2028	Adjustment applied calculated as follows: (Submitted £/SP * 365 days * 48 SPs per day) + ((Submitted £/SP * 2) * days late from 1 April 2027 * 48 SPs per day) ESO reserve the right to not consider solutions who deliver in this timescale if sufficient solutions deliver prior to 1st April 2027
Solution starts on or after 1st April 2028	Solution will not be considered

Late start adjustment for North England 2027

Table 16

Solution start date	Late start adjustment applied
Solution starts by 31st March 2027	No adjustment applied
Solution starts between 1st April 2027 and 31st March 2028	Adjustment applied calculated as follows: Submitted £/SP * days late from 1 April 2027 * 48 SPs per day
Solution starts on or after 1st April 2028	Solution will not be considered

For example, in the London region, a solution with a start date in March 2026 would not have a late start adjustment applied to its price, whereas a solution with a start date in January 2027 would have the late start adjustment applied. A ‘late’ option may still outperform an ‘on time’ option due to a cheaper price or other adjustments that overcome the late start adjustment. This avoids a hard cut off whereby options connecting before the sought service start date would win at any cost over those who connect even a week beyond the deadline, while encouraging delivery by the sought service start date where possible.

This additional cost will be applied in combination with any price adjustment factor that is earned in Stage 3 of the assessment process.

For the avoidance of doubt, the date used for the purpose of this assessment will be the start date confirmed under Q27 of the Technical Submission Document (and Q27 of the Network Owner SRF Submission Document for Network Owners).

Infrastructure Costs

When a user connects to the network, there are costs associated with various assets for the new connection. Some of these will be connection assets where the cost is recovered from the connecting party through a connection charge. Others will be infrastructure assets, where the cost is socialised and recovered through TNUoS.

Tenderers do not need to consider infrastructure costs when pricing their solution. The ESO will apply the relevant infrastructure costs to each tender during the economic assessment, based on which connection requirement the Tenderer has met with their solution. Please see the table below for details.

Table 17

Connection requirement option	Details on how infrastructure costs will be considered
Option A – the bidder relies on the reserved bay	Infrastructure costs for these solutions will be based on the indicative infrastructure costs provided as part of the Connection Feasibility Report produced by NGET.
Option B – the bidder relies on an existing connection	If a bidder relies on an existing connection agreement that was signed and in place prior to 6 October 2023, then the infrastructure costs of their connection will not be included.
Option C – the bidder relies on an existing connection agreement but requires a Modification Application	If a bidder requires a Modification Application to enable their solution, then any infrastructure costs associated with the modification will be included. The bidder should provide their modification reference number so that ESO can apply the relevant infrastructure costs.
Option D – the bidder seeks their own new connection	Tenderers should confirm their connection contract reference number (A/xxxx). ESO will apply the infrastructure costs associated with that connection from the relevant connection agreement.

All infrastructure costs applied will be reviewed against ESO's cost book to ensure accuracy before use, and ESO will also check that costs are consistent between connections. The costs ESO use will be specific to the location and connection type of each solution.

ESO are aware that some providers may plan to use their connection for the provision of other services. It is not possible to portion the costs up and reduce the infrastructure cost the project is assessed on as this would require ESO to make a judgement on the viability of future projects.

Infrastructure Costs - Network Owners

For solutions owned by Network Owners, where these solutions rely on reserved bays, the price of these solutions must not include the costs for what would be classified as infrastructure assets. Instead, the infrastructure asset costs identified in the Connection Feasibility Report will be applied, to ensure equal treatment across Network Owners and commercial participants who propose to use reserved bays.

However, for solutions where Network Owners are not relying on reserved bays, the capital costs submitted by the Network Owner will include the costs of assets which, for a user connection, would be infrastructure assets. This should be based on the same assumptions (e.g., margin for contingency) made when carrying out the feasibility study. Therefore, these costs are already part of the Network Owners' costs as submitted for the tender assessment, while they do not form part of a commercial participant's tender price. Where applicable, commercial market participants will have infrastructure costs added on to the cost of their contract for the assessment in accordance with the above.

Assessment of Network Owners' Costs

Network Owners will be invited to propose options for inclusion in this assessment via the regulated SRF route. Due to differences in how Network Owners are regulated, the way they recover their costs and the charges that apply to them, the methodology that applies will be different. ESO will aim to reflect the cost to the consumer of any option to allow for a fair comparison with commercial solutions.

As with commercial participants, ESO will also add any project delivery adjustments (see Stage 3 '**Adjustment Factor'** above), or late start adjustment costs (see '**Service Start Date'** above) to any Network Owner solution.

Network Owner Capital Cost and Operating and Maintenance Costs

Network Owners will provide us with a capital spend profile to build a given asset along with costs for ongoing operating and maintenance and the amount of energy it consumes. ESO will calculate a present value (PV) representing the cost to consumers of proceeding to build and operate the solution. The PV of the capital spend profile will be calculated following the Spackman methodology, using the relevant Network Owner's weighted average cost of capital (WACC) as agreed in the RIIO-T2 price control framework. The total cost of the assets is assumed to be recovered over the contract length when determining a £/SP rate, which will ensure that Network Owners are assessed on parity against other commercial participants.

As Network Owners are not paid ORPS for reactive power, any costs associated with reactive utilisation should be included in the operating and maintenance costs. Network Owner costs will be checked against ESO's cost book for accuracy.

Network Owner Adjustment for Losses

The cost of energy losses from Network Owner owned assets are passed onto consumers, not paid by the Network Owner. However, commercial providers will have to pay for the energy losses associated with their solutions and are asked to build this cost into their bid. ESO will include an estimate of the cost of energy losses to consumers for Network Owner solutions and add this onto a Network Owner's assessment cost. Network Owners will provide details of their solution's energy consumption and using FES electricity price forecasts we will calculate an estimated cost for losses. ESO will assume 24/7 operation (8760 hours per year).

The four FES scenarios include different assumptions on the future price of energy, and consumers will be exposed to changes in this price. If ESO find that the solution is sensitive to the scenario used (i.e. that using the cheapest cost of energy leads to a Network Owner option being selected, while the more expensive scenario does not) then ESO will perform a least-worst regrets analysis on the competing options[1]. The commercial participant's cost will remain the same in each scenario, while the Network Owner's will differ with the energy price assumption. If choosing the Network Owner in the most expensive energy scenario carries less regret than choosing the alternative in the least expensive energy scenario, the Network Owner will be preferred. Please refer to Appendix A for an illustrative example of this analysis.

Assessment of TO Lite[2] Costs

Any third-party market participant operating as a TO Lite is permitted to submit a proposal in this tender. These parties will be required to declare they operate under this type of licence in their tender submission, using the technical and commercial submission proformas similar to any other commercial market participant. In their commercial submissions, these parties will provide a £/SP availability price similar to other market participants. The submitted availability price should cover capital costs and ongoing operation and maintenance costs.

As with commercial participants, ESO will also add any project delivery adjustments (see Stage 3 '**Adjustment Factor'** above), or late start adjustment costs (see '**Service Start Date'** above) to any TO Lite solution.

Infrastructure Costs – TO Lite

When a TO Lite party connects to the network, there are costs associated with various assets for the connection. Some of these will be connection assets where the cost is recovered from the connecting party through a connection charge. Others will be infrastructure assets, where the cost is socialised and recovered through TNUoS.

TO Lite tenderers do not need to consider infrastructure costs when pricing their solution. The ESO will apply the relevant infrastructure costs to each tender during the economic assessment, based on which connection requirement the Tenderer has met with their solution.

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[1] For details of the least-worst regret methodology, please refer to the NOA Methodology
[2] Reactors with a transmission license, please refer to the Instructions to Tenderers document for TO Lite participation rules.

For details, please refer to the "**Infrastructure Costs**" section above as the same approach will be followed.

TO Lite Adjustment for Losses

Please refer to "**Network Owner Adjustment for Losses**" above as the same methodology will be followed for TO Lite assets. In the case of a Provider becoming a TO Lite party after contract award has been made, please see contract clause 8.4.

Counterfactual

To ensure consumer value the options submitted in the Voltage 2026 tender will be compared to a counterfactual cost of managing voltage through the Balancing Mechanism (BM).

To value BM costs ESO need to match the reactive power requirement in each region and settlement period with available generation, which is a function of the scenario's generation background and availability to spin up. An average unit cost (£/MWh) will be calculated for each region, as the number of available generators who can assist in managing voltage varies per region.

The counterfactual will assume the generator is not already dispatching; therefore, it will include the sum of the cost to dispatch the generator, and an estimate of the Obligatory Reactive Power Service (ORPS) fee. A Linear Programming (LP) optimisation algorithm is utilised to find the lowest cost solution for each hour, while meeting all constraints. The BM costs are determined by combining the cost of accepting offers on the available generators up to their stable export limit (SEL). ESO need to maintain the balance of generation and demand, so the cost of bidding off an equal amount of generation elsewhere is also included.

When dispatching a BM unit to manage voltage, there will be a minimum number of MW each generator will need to generate. For the purpose of this counterfactual, it will be assumed that this is 250MW per generator.

The number of generators required to be dispatched will be calculated using the Leading the Way FES 2023 dispatch model, which models how many voltage BM units are active in a single settlement period. Using the ESO voltage rule methodology, which groups generators into regions and applies a minimum number of generators needed to provide sufficient voltage support, we can calculate the number of settlement periods where the rule is not met. This will be summed over the modelled year and multiplied by 2 (as each settlement period is a half hour), to give a Total Hours Generators Dispatched value. The voltage rule methodology was approved by Ofgem for use in the Balancing Service Incentive Scheme from 2011-2018 for cost forecasting. This approach is still used in all timescales from year ahead planning to within day control room operations. It is also still used internally and externally for cost forecasting and week ahead voltage requirement.

The counterfactual cost for one balancing mechanism generator (i.e. providing 200MVar) will be equal to:

Avg £/MWh per region x 250MW x Total Hours Generators Dispatched

If it is cheaper to manage some or all of the requirement using the BM compared to using tendered options, ESO may buy less than the requirements set out in the tender documentation.

Security Requirements for the Largest Loss

This tender is not procuring any redundancy to mitigate against the largest loss.

Finding the Optimal Solution

V2 Clarification: *Please note this section has been updated as part of the V2 publication.*

ESO will use the assessment process to find the most cost-effective solution to our requirements. The process will be set up to minimise cost, subject to meeting the desired reactive power in each of the two regions (note that ESO may procure above, or below, the total requirements for Voltage 2026 if economic to do so (which ESO will decide at its sole discretion)). Mutually exclusive and bundling efficiency group constraints will be added based on the information provided through individual tender submissions. ESO will also apply constraints that prevent multiple solutions from different providers being chosen at one substation.

Please note that with regards to efficiency groups: each efficiency group proposed by a tenderer will be treated as mutually exclusive of one another, and that each solution within an efficiency group must be capable of being delivered independently of the other solutions within that efficiency group. Please refer to Appendix 2 for an example of how an Efficiency Group might be proposed.

Solutions submitted into the London region will only be assessed as having a reactive power contribution for the London region. Equally, solutions submitted into the North region will only have be assessed as having a reactive power contribution for the North region. When finding the optimal solution for the North region, ESO reserve the right to either procure for 2 lots of -200Mvar against the 2026 and 2027 solutions, or to procure all -400Mvar from either 2026 or 2027 solutions, or any other split of the total -400Mvar requirement for the North region across 2026 and 2027 solutions according to the bids received and what is considered to be the most economic action to take at ESO's discretion.

The assessment cost per solution will be the total present value over the contract period (factoring in any secured adjustment factor in Stage 3, or any late start costs being applied as per **'Service Start Date'** above).

In addition to the options submitted by Tenderers, there will be options that represent the cost of buying different amounts of reactive power using BM units, based on the counterfactual set-out above. This may mean that the full requirement is not bought from Tenderer's solutions if the cost would be excessive and there are alternative actions ESO could take to meet the requirement.

Once a solution is found, ESO will check that there are no technical interactions between the selected options. Note that ESO may procure above, or below, the total requirements for Voltage 2026 if economic to do so (which ESO will decide at its sole discretion).

Re-evaluating the Solution

Tenderers will have a maximum of 30-business days to sign contracts and provide the Acceptable Security after ESO notify the successful bidders through contract award letters. When communicating the results of the tender, ESO will make clear if any contract award is linked to another party also signing their contract.

ESO expect that all solutions that are successful in the tender will sign their contract and provide their Acceptable Security within the 30-business day timeframe, as this is a condition of the Tenderer Declaration that all Tenderers must return at Tender Submission. However, there may be circumstances in which this is breached, and an accepted solution does not sign the contract and/or does not provide the Acceptable Security as required.

If within this 30-business-day period a successful solution breaches the Tenderer Declaration and declines to sign and/or does not provide their Acceptable Security, ESO reserve the right to reject the solution and re-evaluate the stack to procure the most economic replacement(s).

If within this 30-business-day period any of the linked contracts breaches the Tenderer Declaration and declines to sign and/or does not provide their Acceptable Security, ESO reserve the right to reconsider all the linked contract awards and procure the most economic replacement(s). For the avoidance of doubt, if within this 30-business-day period all the linked contracts are signed and all Acceptable Securities provided, this will not be required.

If after the 30-business-day signature deadline a linked contract has failed to sign and/or failed to provide their Acceptable Security, ESO reserve the right to reject the solution and procure the most economic replacement(s) for said solution(s) only. The replacement(s) could be chosen from the previously unsuccessful tendered options, managing the system through the Balancing Mechanism, or re-tendering for the remaining requirement if necessary.

Efficiency Groups

Tenderers should note that the tender criteria and assessment process detailed will be applied to each individual solution proposed by a Tenderer. Efficiency group information is brought in at stage 4 during the economic assessment, after individual solutions have met all previous pass criteria on all previous assessment stages. If a solution within an efficiency group fails to meet the pass criteria on all previous stages (stages 1-3), ESO will not consider that efficiency group during stage 4, however individual solutions within an efficiency group that did pass all the criteria in assessment stages 1-3 would still be considered individually in stage 4.

Site Visits, Presentations, Interviews

ESO reserves the right to undertake site visit(s), request a presentation from participants, or undertake a safety leadership interview with all or some of the Tenderers who meet the above criteria. These will be used to provide greater understanding of participant's submissions.

Negotiations

ESO reserves the right to initiate negotiations with Tenderers.

Appendices

Appendix 1 – Least Worst Regrets Analysis Example

In these examples, two options' costs are compared across the four FES scenarios. The commercial participant's solution, Option A, costs the same no matter the scenario as the availability fee they are paid is fixed. The TO option's cost will change depending on the energy prices assumed in each scenario. The below examples show the possible outcomes.

Example 1

	LW	CT	ST	SP	
Option A	100	100	100	100	
Option TO	105	99	103	96	
min cost	100	99	100	96	
Regrets					Worst Regret
Option A	0	1	0	4	4
Option TO	5	0	3	0	5

Option A (commercial participant) is chosen.

Example 2

	LW	CT	ST	SP	
Option A	101	101	101	101	
Option TO	104	98	102	95	
min cost	101	98	101	95	
Regrets					Worst Regret
Option A	0	3	0	6	6
Option TO	3	0	1	0	3

The TO option is chosen.

Appendix 2 – Efficiency Group Example

If a Tenderer has submitted two individual solutions, but if taking forward both enables a price efficiency, Tenderers can propose this through an Efficiency Group.

Example
Tenderer A would like to offer a 100MVar solution for £1/SP at Substation A and a 150 MVar solution for £1.50 /SP at Substation B. However, it is possible to build both and offer a price efficiency if both are delivered as a combined efficiency group of £1/SP for each solution, therefore £2 / SP overall. The best way

to present this is to first submit the individual solutions as below, with their respective prices if chosen separately:

Solution 1, 100 MVar, £1/SP
Solution 2, 150 MVar, £1.50/SP

Then using the ‘Project Overview Tab’ propose the efficiency group, confirming the new price per solution within an Efficiency Group 1, inclusive of Solution 1 and Solution 2, at £1/SP per solution.
Efficiency Group 1 is mutually exclusive to both Solution 1 and Solution 2, while Solution 1 and Solution 2 must be independent of one another.