

In general terms, I regard the OFTO build process as a more efficient process and expect it to be capable of completing transfers at a much earlier time in the life of each project. Transferring responsibility to the OFT prior to contracts for construction will be cleaner and more attractive for prospective OFTO companies, especially without the burden of consenting which could serve to dampen interest (**q 2.1**), and should be more beneficial for major contractors. A more attractive and efficient process is essential in stimulating a very constrained supply chain.

There are however one or two issues with regard to some of the details involved in the process. Specifically these are:

- A. The timeline outlined for the process and all of the issues will be very tight (**q 3.1**).
- B. This process as proposed is likely to place a significant additional burden on the supply chain in terms of multiple bid processes.
- C. The expectation that fixed prices over all aspects of the transmission asset will be economic for the consumer is flawed, especially where related to subsea surveys (**q 3.6, 3.7**).

#### **A. Timing.**

Within the process, every opportunity should be considered for reducing the timeline on the critical path. Use of pre-qualifications for OFTO parties, or at least expressions of interest and basic information submissions, even before a tender exercise is triggered should be considered; possibly even an overall preferred bidders list with pre-determined scale of investment determined. The same could be applied to the major suppliers and contractors. There will be little or no benefit in Generators seeking non-binding arrangements as without commitment these will be unlikely to secure capacity in an already constrained supply chain (**q 3.9**). However, seeking expressions of interest and drawing up bidders' lists from those should at least serve to reduce some of the upfront time in the contracting process. Using industry standard contracts (such as LOGIC for offshore works and FIDIC for onshore works) would serve to reduce the timeline further. Having OFTO companies who intend using these as the basis for their procurement process would be advantageous.

#### **B – Supply Chain Burden**

Having the Generator seek non-binding agreements and then have the various OFTO's carry out bidding exercises with contractors while going through the OFTO tender exercise will place a huge burden on the major contractors and their sub-contractors. The costs of bidding for this type of work are very large and doing the same in parallel but with different entities, seeking different terms and conditions will multiply the administrative burden (**q 3.10**). This may serve to dissuade some contractors from participating in this industry. It will also create a cost burden that will have to be met by the consumer eventually; companies who have increased bidding costs will, of necessity, increase margins or cease participation.

Accelerating the choice of OFTO, to the earliest possible opportunity, but without the consenting burden previously identified should be the aim so that a more focussed engagement with the supply chain can be achieved as expeditiously as possible. Alternatively,

allowing the OFTO's to form a process carrying out the competitive assessments of contractors on a more generic longer term basis rather than project by project could stimulate the supply chain while keeping timescales reduced (**q3.11**).

### **C – Fixed Prices and Surveys**

Recent experience has shown that when it comes to offshore cable installation, a fixed price lump sum bid will most certainly not be achievable at a level that provides best value for the consumer. Subsea surveys are simply not capable of mitigating all of the risks involved in this aspect of the works and contractors will not do lump sum work and guarantee target depth for burial of cables. Weather is also notoriously unpredictable and is not a risk a contractor is willing to take; the proposed process is insufficient in dealing with this (**q 3.14**). The only way to get a fixed price lump sum with a guaranteed target depth for burial is to pay an inflated price covering all possible risks and eventualities. This would almost certainly not represent best value for the consumer. If companies are encouraged to start taking unnecessary financial risks in bidding this type of work, one difficult project can result in a cable installer going out of business; a situation that would not be good for the supply chain.

I've focused in my response on the project procurement process and how this aligns with the OFTO build tendering process and have tried to match my points with key questions. I hope this serves to be of use and would be willing to provide further input should my answers be ambiguous and/or contentious.

Regards,

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