Technip responses to questions in the Consultation Document:

CHAPTER: Two	
Question 1: Do you have any views on the approach outlined in paragraph 2.8, namely to focus on a single OFTO build option and not to develop the early OFTO build option further at this stage?	Under "early OFTO build" the burden of consenting, land acquisition and property access would be with the OFTO and it is likely that this would serve to reduce the interest from potential OFTO companies. In addition generators would probably be concerned about important aspects of the development being outside their control before consenting approval and project financial close.
CHAPTER: Three	
Question 1: What are your views on the proposed arrangements for triggering a tender exercise?	The timeline is likely to be very tight for planning a tender exercise. This could potentially alleviated by earlier pre-qualification of potential OFTO bidders covering key generic criteria at an early stage, e.g. financial strength, HSE performance, procurement capability, etc.
Question 2: What are your views on whether our proposal on generator security will ensure the appropriate level of commitment from a generator?	The level of security would need to be sufficient to deter any unnecessary changes in process given the potential OFTO companies, and possibly their contractors, will be incurring significant costs during the tender process.
Question 3: Do you agree with our proposed approach to the tender specification for an OFTO build tender exercise?	Although an early OFTO build is not desirable, an early OFTO selection with the opportunity to be involved in or advise upon design requirements (although consenting responsibility would remain with the generator) could be advantageous in bringing innovation to the engineering and construction processes.
Question 4: Are the proposed arrangements for pre-construction works the most appropriate for investors and generators?	Should there be any possible requirement for the OFTO to acquire any permissions and consents this risk needs to be clarified in the tender documents to avoid process delays. Particular care needs to be placed on the dealing with survey works especially offshore.
Question 5: What other information, if any, in addition to that referred to within the tender specification and pre-construction works sections, would be	Construction plans, especially timescales, for the generating asset should be included so that potential conflicts and interfaces can be identified.

needed within the data room for the project?	It will be extremely important that all land access agreements are documented and contain the flexibility required by tenderers.
Question 6: What do you think would be the best approach to ensuring bidders have access to and confidence in a seabed survey undertaken by the generator?	Potential contractors for the separate scopes of work could advise on the necessary survey specification they would need to provide the optimum levels of cost prediction. However, in respect of cable installation, a generic survey will act as a guide to contractors but it cannot be a guarantee of subsea conditions no matter now comprehensive its nature.
Question 7: With reference to the approach to seabed surveys outlined within paragraph 3.22, what might be the best approach to developing an independent generic survey specification that would be acceptable to both generators and potential bidders?	A generic survey specification is highly unlikely to provide the level of confidence needed for fixed price lump sum when considering subsea cable installation. Even a site specific survey or contractor managed survey is unlikely to achieve this cost target in the current market for cable installation.
Question 8: Do you agree that ensuring procurement is undertaken by the OFTO through the tender process would be the most economic and efficient approach?	If the OFTO's are carrying out procurement activities under a large scale competitive bid process while all going through the OFTO tender process, it will create a huge inefficiency for the tier one and tier two contractors who will be providing multiple bids and negotiating varying terms and conditions for the same project. The ability for OFTO's to choose and manage the procurement process for their tier one and tier two contractors using options such as long term partnerships through the supply chain should be more efficient and provide greater opportunity for innovation.
Question 9: What are your views on whether there are supply chain constraints associated with the manufacture and delivery of some key offshore transmission assets? If there are constraints, do these vary significantly in relation to project design?	There are definite supply chain constraints and these can certainly be affected by project design, for example the selection of a DC transmission system will increase leads times on certain key items. In addition, site location itself can serve to affect supply chain capacity, e.g. longer distances for export cables can reduce the number of potential installation vessels capable of carrying the required lengths.
Question 10: What are your views on the examples of alternative approaches	The proposed approaches are likely to increase the demands on the suppliers without providing

for supply chain engagement under OFTO build outlined in this section?	any increased likelihood of profitable return. This will not serve to alleviate any constraints within the supply chain and has the potential to achieve the opposite.
Question 11: Are there any other approaches we should consider under OFTO build to enable the supply chain to be engaged in time to ensure project delivery timescales are met, whilst maximising opportunities for competition through the tender process?	Allow competition to be carried out by OFTO's (and Generators) on longer term more consolidated basis and not on a project by project basis. Longer term more strategic relationships are required to make the process more efficient and stimulate the supply chain. Value for money for consumers can be assured via alternative methods than lump sum competitive tender, where OFTOs and contractors are incentivised to reduce overall programme costs – with Ofgem having visibility of the structure and performance of such alternative arrangements. Building a consistent, high performing and well managed supply chain serves to deliver more successful projects. This has been proved in more mature industries such as automotive manufacturing, oil and gas, etc.
Question 12: Should there be any restrictions on interactions between parties, either before or during a tender exercise in order to ensure fair and effective competition and best value for consumers?	OFTO's won't of course have access to each other's data but at the next levels down their needs to be security that suppliers who may be quoting to multiple OFTO's maintain discretion as to those activities.
Question 13: Do you agree that the current 20 year revenue stream provides the best value to consumers under the enduring regime (OFTO or Generator build)? If not, what alternatives should we consider?	Probably yes, but could some potential flexibility be built in to facilitate commitment to 40 year asset life investment.
Question 14: What are your views on our proposed treatment of risk relating to: - delay to licence grant? - weather delay?	The licence grant delay mechanism seems acceptable but highlights a potential risk to the consumer of process interruptions. Weather delay needs to be realistically assessed and accepted as a programme risk and dealt with as such. Note that weather performance of different installations solutions varies widely, a fact that needs to be taken into account when

	comparing proposals. Also, contractors will respond to OFTO/generator demands for them to carry significant risk by pricing such risk into their tenders. This is complicated area that we feel needs further examination.
Question 15: Are there other areas of risk which would be more efficiently managed (for consumers) through a risk sharing mechanism rather than factored into bidders' TRS bids? If so, can you suggest how these risks might be shared?	Fixed capital costs will be hard to achieve across all activities and in certain cases will not be economic for the risk pricing reason discussed above. Risk on such items might be better managed through a flexible pricing mechanism based upon different assumptions. This can be factored back into an adjusted TRS.
Question 16: Is the current approach to recovering bid costs appropriate for OFTO build? If not, what alternative approach to recovering bid costs would you recommend?	It is unusual for any bidder to receive tender costs back on failed bids, even the successful tenderer will have to cover his tender costs within his offer. Actual OFTO transaction costs for the selected OFTO could in our view be legitimately treated as flow through costs. We see a big issue here in that the costs of participating in major lump sum tenders, such as a single 1,200MW OFTO package, are significant and, as explained above, if there are multiple tender actions progressing in parallel, could act as a deterrent to participants.
Question 17: Are there any aspects of the current transitional arrangements or within the proposals for OFTO build, including revenue term, bid requirements and risk profile, which may prevent access to certain sources of finance in the enduring regime?	Our view is that the enduring regime OFTOs will be more challenging to finance and will require a very high level of quality assurance in the design and construction phases.
Question 18: Do you have any comments on the issues associated with incorporating a refinancing gain share mechanism and how such a mechanism could be structured?	The risk of delivering the OFTO assets carries risk and investors in that phase would naturally expect some reward for carrying that risk. This would manifest itself in a successful project in a profit being achieved on refinancing and vice versa. In our view this profit is for the OFTO. However, driven to competing on a lump sum basis, all tenderers will increase prices to cater for the risks they are being asked to price on a lump sum, and the margin available on a successful project could be far higher than would have been delivered on a more structured pricing

	basis and is a key argument for Ofgem to consider alternative pricing mechanisms. We think it is untenable for Ofgem to be able to unwind competitively won positions on an ex post basis in the same way as it would be for Ofgem to support OFTOs that had underpriced their tenders.
Question 19: Do you have any preferences from amongst the options outlined for how the PQ stage should operate?	The PQ stage should be carried out at the earliest opportunity, Option1, to reduce burden on bidders and improve efficiency.
Question 20: Are there any other ways that a PQ stage might operate in order to meet the objectives set out at the start of this section?	PQ stage could identify types or scales for projects for differing OFTO's to keep bidding lists to manageable levels at later stages.
Question 21: Do you have any preferences from the options outlined for how the ITT stage might operate?	Option One would be preferred as long as OFTO's are able to utilise longer term strategic supply relationships and therefore mitigate the disadvantage of the short time period between appointment and commencement of construction.
Question 22: Are there any other ways that the ITT stage might operate to ensure its efficiency and effectiveness?	We have no suggestions if a lump sum pricing approach is to be mandated.
Question 23: What are your views on the proposals for involving generators in evaluation of bids? In particular, what key technical aspects of bids would be most important for generators to evaluate?	The delivery characteristics of proposed solutions to meet grid connection requirements and other interconnection requirements such as SCADA interface would be those of interest to the Generator. As proposed these should be un-priced and confidential with intellectual property removed.
Question 24: What are your views on the proposals for involving NETSO in evaluation of bids? In particular, what key technical aspects of bids are most important for NETSO to evaluate?	As above, proposed performance and meeting grid connections requirements.
Question 25: Are there areas on which you think allowing variant bids under OFTO build would add value to	Innovation in engineering design should be encouraged where possible to allow the industry to mature technically and enhance the value to consumers. Variant bids should be allowed in

the process and to consumers?	key areas such as cable installation where cost certainty cannot be assured.
Question 26: What are your views on generators recovering efficiently incurred pre-construction costs at the point at which the transmission construction works are completed?	This is appropriate.
Question 27: Do you have any early views on the appropriateness of design incentives for transmission asset lifecycle design, eg transmission availability, quality of installation and transmission losses?	Availability and losses should be reasonable and can be measured objectively. Quality of installation will be much more difficult to measure objectively.
Question 28: What are your views on whether the current approach to indexation, and in particular the proportion of the TRS subject to indexation, provides the best value to consumers? How might any alternative approaches be managed?	We have no alternative to propose.
Question 29: Do you agree that additional delivery incentives for OFTOs are not necessary?	The delivery incentives appear to be adequate as they are without the need for any additional provisions.
Question 30: What are your views on what approach to decommissioning of assets would provide best ongoing value to consumers?	Decommissioning should take into consideration longer life asset designs where an economic justification can be made for those designs.
CHAPTER: Four	
Question 1: What are your views on whether there are benefits under Generator build to the generator undertaking the seabed survey against a comprehensive generic survey specification agreed by industry?	In respect of cable installation, a generic survey will act as a guide to contractors but it cannot be a guarantee of subsea conditions no matter now comprehensive its nature. Lump sum cable installation contracts might not be available on the market and, even if they are, would be unlikely to offer best value for money due to the risk pricing they will contain.
Question 2: Do you agree with the approach that Ofgem continues to run	The tender round method is a reasonable

tender rounds for groups of projects, not necessarily limited to one per year, or would you recommend an alternative approach?	approach.
Question 3: Do you think there are further efficiencies we could make to the tender process and the transaction procedures for Generator build which would increase their efficiency and provide greater certainty to bidders and funders?	Keep the planned transfer date until after the completion of commissioning.
Question 4: Are there any changes to the information supplied in the data room which would improve the efficiency of the process for Generator build?	The proposed data level is sufficient.
Question 5: What are your views on the benefits of involving generators in evaluation of bids as outlined in this section?	The generator has a vested interest in certain aspects and it would appear reasonable to invite its opinion on those technical proposals.
Question 6: Do you have any suggestions on amendments which would improve the efficiency of the process for finalisation of transfer documentation and which would maximise value to consumers?	The generator should be required to ensure that adequate personnel are allocated to the OFTO task and that they remain in place throughout the process to ensure continuity.
Question 7: What do you consider might be the implications of a share sale approach as opposed to a transfer of assets as has been seen to date?	The transfer process might be speeded up if a generator's contracts allow for change of control of its generator build contracting entity. Ther should be no difference in the due diligence requirements. Taxation might influence the choice of structure.
Question 8: Do you agree that the current split between costs priced into the TRS and those allowed as pass throughs provides best value for consumers?	In general, yes, but we see scope for some of the construction costs for areas not capable of economic lump sum pricing being included also, in a similar way to the proposed treatment of weather risk.
Question 9: Are there any aspects of the current arrangements for transitional tender exercises or within	Our view is that the enduring regime OFTOs will be more challenging to finance and will require a very high level of quality assurance in the design

the changes we have proposed above, including revenue term, bid requirements and risk profile, which may prevent access to certain sources of finance under Generator build?	and construction phases.
Question 10: Do you have any comments on the issues associated with incorporating a refinancing gain share mechanism for Generator build and how such a mechanism could be structured?	We think that investors in a generator build OFTO could expect a modest premium to reflect the risk they are taking in bidding and managing the transaction over investors that come in following the transaction, so in an open competitive market, Ofgem and the consumer should be satisfied without having recourse to refinancing gain.
CHAPTER: Five	
Question 1: Are you satisfied with the practical relevance of our definition of the terms 'phase' and 'stage'?	Yes
Question 2: What are your views on the measures we propose to determine whether a stage or phase within a site/zone qualifies for a single tender exercise?	These are appropriate.
Question 3: What are your views on whether running a separate tender exercise for each phase within a site/zone would best meet the objectives of the enduring regulatory regime?	Generally speaking yes, but where there may be geographic synergies these should be encouraged.

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