

Joe Baddeley
OFGEM
Transmission Competition Policy
9 Millbank
London
SW1P 3GE

TransmissionCompetition@ofgem.co.uk

Mark Westbrook
John Laing
1 Kingsway
London
WC2B 6AN

22nd July 2016

Dear Joe

RE: Re: Consultation document “Extending competition in electricity transmission: criteria, pre-tender and conflict mitigation arrangements”, dated 27th May 2016

Thank you for the opportunity to respond to the Ofgem consultation document regarding arrangements to introduce onshore tenders dated 27th May ‘2016.

John Laing is a leading international developer, investor and manager of infrastructure projects and is active in the energy, transport and social infrastructure markets.

We are happy for you to consider our response as non-confidential. We are also happy to have a further dialogue regarding our response, if required.

Your sincerely

Mark Westbrook

[attachment 1: John Laing response to the Consultation document..., 27th May 2016]

John Laing Ltd
1 Kingsway
London
WC2B 6AN

Tel: +44 (0)20 7901 3200
Fax: +44 (0)20 7901 3520

www.laing.com

Attachment 1: John Laing Response to the Consultation document “Extending competition in electricity transmission: criteria, pre-tender and conflict mitigation arrangements”, dated 27th May 2016

CHAPTER: 2: Criteria for Competition

QUESTION	JOHN LAING RESPONSE
Question 1: What are your views on our proposed arrangements for asset ownership and responsibilities? In particular can you provide examples of specific scenarios where it may be necessary for ownership transfer of existing physical assets to occur between network operators?	We agree with the proposed arrangements and also that most interface arrangements can be addressed through the provision of access rather than ownership. Bidders will want to ensure the access arrangements are sufficiently flexible to allow them to meet the performance regime and this may be an area of potential conflict with an existing TO bidder.
Question 2: Do you agree with our proposed principles for packaging projects?	We agree generally but would suggest that the £100m tests should apply to the aggregated project.
Question 3: Do you consider the processes we have set out for determining which projects to tender are appropriate?	These look appropriate
Question 4: Beyond the NOA and the connections process, what other routes should we be utilising to identify suitable projects for competition, e.g. for non-load projects?	No comment
Question 5: What do you consider should constitute ‘early development works’ for options ahead of their assessment in the NOA process, i.e. what works should be undertaken in order to ensure that the most appropriate tendered options are developed for submission at the initial tender checkpoint?	No comment

CHAPTER: 3: What will be subject to competition and how will we identify those projects?

QUESTION	JOHN LAING RESPONSE
Question 6: What are your views on the suggested process for carrying out the pre-tender roles?	We support the proposals
Question 7: Regarding preliminary works and the tender specification: (a) What are your views on the scope of the baseline tender specification? (b) How likely is it that additional preliminary works will be required, and if so, what types of works are likely to be required? (c) What are your views on: (i) The role of bidders in identifying the need for further information / additional preliminary works (eg additional	a. This looks appropriate. We suggest it would be useful for bidders to have a draft interface agreement(s) with existing asset owners which would identify the interface with existing owners and how the works (during both the delivery and operational phases) will be coordinated on sites controlled by others. b. There may be additional project specific surveys required e.g. Existing asset condition reports (where relevant) c. i. We suggest market sounding would be beneficial

<p>independent surveys) to inform robust bid assumptions? (ii) The most efficient process for enabling this?</p>	<p>ii. A regular (e.g. Annual) industry day followed by one-on-one consultations is an efficient process we see used in other markets to inform future tendering processes.</p>
<p>Question 8: What are your views on the proposed arrangements for the data room and bidder clarifications?</p>	<p>The arrangements seem robust</p>
<p>Question 9: What are your views on our proposals regarding the funding of preliminary works and tender support activities in RIIO-T1?</p>	<p>The arrangements seem appropriate</p>
<p>Question 10: Do you have any initial views on risk allocation across the preliminary works party and the CATO?</p>	<p>Generally, the risk allocation noted in the TNEI/Poyry report (specifically Table 4-2) looks reasonable.</p> <p>As a general comment, CATO bidders can accept certain key risks remain to be resolved by the TO/SO during the bidding process (although visibility of status is very important to bidders to ensure all stakeholders are fully engaged in the bidding process e.g. Lenders). We would anticipate however that key risks such as access rights and project consents would need to be fully resolved for the CATO's to achieve an efficient fully committed financing and progress to the construction phase.</p> <p>In relation to 3rd Party Interfaces it is most efficient for the TO/SO to document these in draft form as part of the tender specification while leaving scope for bidders to engage directly in relation to any bidder solution specific requirements.</p> <p>In relation to Supply Chain/HVDC – where the design/consenting process requires the TO/SO to make a selection or shortlisting of the equipment supplier we suggest that as a condition of such selection or shortlisting the suppliers agree to participate on a non-exclusive and non-discriminatory basis with all CATO bidders.</p>

CHAPTER: Four: Mitigating Conflicts of Interest

QUESTION	JOHN LAING RESPONSE
<p>Question 11: Do you agree with our proposed requirements for incumbent TOs to mitigate potential conflicts of interest, where they are both bidding for and developing a project in RIIO-T1?</p>	<p>Generally, we are supportive. We note in the consultation that reference is made to the risk in a TO favouring its related bidding party in relation to “contracting at interface points”. We suggest that including an interface agreement (as noted above) should go some way to mitigate the risk.</p>
<p>Question 12: Is internal scrutiny of the arrangements the TO has in place to mitigate conflicts of interest sufficient, or would there be significant additional value in having an independent party scrutinise and audit the TO's arrangements?</p>	<p>We don't believe an external audit would add significantly to the mitigations proposed although we do agree that Ofgem should be actively involved in monitoring the specific measures proposed and addressing any concerns during the bidding process.</p>
<p>Question 13: Do you agree with our proposal to manage conflicts for other bidders?</p>	<p>These look appropriate.</p>