

Tender Specification Workshop – Report

Context

As part of its extending competition in transmission (ECIT) project, Ofgem has established a steering group to assess policy options. This steering group is attended by TOs, potential CATOs, generators and the Scottish Government, along with the ENA.

ENA was asked at the ECIT steering group to facilitate a one off stakeholder session to discuss the late tender model specification. The workshop took place on 20th June. The ECIT steering group asked ENA to draft a short report to capture the views expressed by stakeholders at the workshop. The note below captures those stakeholder views but does not represent a company position on these questions. The group agreed up front not to discuss risks and liabilities in detail and to instead focus on the specification itself, with these to be covered at a future session. This note should be read alongside the report produced by TNEI alongside Ofgem's recent consultation.¹

The group considered the generic issues but recognise that each case will be different and it is therefore hard to get into specifics. The below are guiding principles for a framework and each project will then need project-specific considerations.

Annex 1 to the note includes a list of the stakeholders who attended the workshop on 20th June.

1) Extent of required works

Does the proposed tender specification list reflect your experience of the extent of works typically undertaken ahead of procurement and construction of a transmission project? Are there any elements missing, or additions that are unnecessary or untypical?

The group agreed that this looked like a good starting point, and much of what they expected to see was listed. It would be useful to have a terminology for the list of preliminary works, to ensure that all parties are aligned about the meaning and extension of each activity. Some additional areas that would also need to be considered were identified:

Interaction with Adjacent Systems

Crossing agreements and interaction with existing infrastructure for other systems such as DNOs, railways and telecoms would need to be considered.

Any works required by the DNO needs to be included in the tender specification. This would need to include a quote for any DNO works to be funded by the CATO. Risks need to be set out in terms of risks to the programme and interaction between the CATO and DNO.

Consenting

Consenting to route corridors is unlikely to work and consent needs to be more specific in terms of route and margins – there would need to be a clear red line boundary to define environmental impact assessment works.

The existence and the content of land agreements would need to be considered as part of the tender specification, as well as the transferability of the various types of consents. Some elements of the consenting process may require detailed design and engagement with the supply chain.

National Grid does not see consenting as part of its role as SO. The uncertainty over this needs to be resolved.

Geotechnical Information

Geotechnical information based on field surveys should be included in the specification.

¹https://www.ofgem.gov.uk/system/files/docs/2016/05/tnei_poyry_tender_specification_under_late_cat_o_build_model_0.pdf

Burial reports are generally not needed and can be derived from other information. However, for offshore works there may be a requirement for a burial assessment report – the Scottish Marine Plan has a presumption for protections and there is ongoing debate on this requirement.

Vessel Availability

Vessel availability does not need to be included in the specification as it is up to individual bidders to ensure. This needs to be considered on a case by case basis. There are a limited number of vessels and this would impact on timescales if they were not available due to already being commissioned on other projects.

Surveys

If additional surveys or additional survey detail required, rather than each bidder doing their own surveys, it would be more efficient for a third party to undertake all surveys and then provide the information to bidders. Bidders would then need to do due diligence on the information provided. Need to ensure that these third parties consent to others relying on their survey(s).

Support during the Tender Process

If bidding is based on the NOA and other information provided by National Grid, there needs to be a team available to talk through some of the data with bidders to aid their understanding.

Protections Design

It is necessary to define the roles and liabilities of TOs/SO/CATO on the design of the protections.

2) Design

Who should be doing what in design, particularly for Front End Engineering Design (FEED)? Do bidders need to do all FEED? Can it be split? How is this best managed alongside the tender process?

Definition of FEED

FEED is not a specifically defined term and different parties may have varying understandings of work required to be classed as 'FEED'. Instead of specifying FEED, a better approach may be to set out exactly what work is needed to avoid ambiguity (i.e. what is required for planning consent and no more). In order to allow scope for innovation it may be best to keep this at a basic level. The minimum work required needs to be agreed and the split needs to be set out in detail. This can sit in Ofgem's decision document initially, and going forward should be set out in STC procedure.

Which Party Should Undertake the Work?

In the majority of cases, the bidder should do this work within the constraints of the information available to them. However, this may not be the case for any SWW projects to be tendered as this is already underway. Ofgem will need to consider what work has been done (and what additional work is likely to have been done by the time of the tender) on a case by case basis when producing tender specifications for SWW projects.

As indicated previously, there may be detailed design elements required in order to obtain consents and therefore it should not be assumed that the bidder will be undertaking all elements of the design. It also needs to be considered that the TO/SO has statutory rights to access land which other parties will not have.

Independent Advice

Ofgem could seek independent engineering advice on what preliminary works are required for the running of a transparent and competitive tender process for specific projects.

Surveys

The developer who is taking forward the consents could be best placed to undertake the detailed surveys and this may be more efficient and avoid duplication.

Managing Design Work alongside the Tender Process

How to best manage this alongside the tender process is better discussed at a later date.

3) Handover of Preliminary Works

How should the handover of preliminary works between the TO and the CATO be managed? Are there any areas where the bidder might need to input during the tender process? After consent is granted what are the things that need to be done before construction can start, and who is best placed to do them?

Land Owner Agreement

There needs to be an agreement between CATOs and TOs as to how they will interact and work with land owners, considering the impact of multiple developers contacting land owners. After a project is handed over from a TO (in RIIO-T1) or other party (post-T1) to a CATO, the TO may still need to interact with the land owner for future projects. This will need consideration on a case by case basis.

Handover and Ownership Cut Off

In general, the handover needs to be as black and white as possible with a rigid cut off between TO ownership for SWW projects and CATO ownership. Expect a point where CATOs licence conditions kick in and CATO assumes full responsibility and the SO/TOs obligations end, bearing in mind the points made above about ongoing interaction to deliver an efficient system.

A clean handover may be less straightforward in some instances and some specific issues may need to be considered on a case by case basis.

CATO-TO Interaction

The level of interaction needed between the TO and the CATO depends upon the length of the period from when the winning bidder is chosen to the award of their licence. The longer this period, the greater interaction needed between parties. In general, view as that any consent conditions etc. should be implemented by the CATO, unless there is an overriding reason for SO/TO to do it.

Conflict of Interest

A potential conflict of interest was identified. CATOs would need to submit their outage plans to the SO for approval and a CATO affiliated with NGET (through links to SO) may feel there was a lower risk of their outage plan not being accepted than a non-affiliated CATO. This could also impact distribution networks.

4) TNEI Report Feedback

CATO and TO Standards

Lessons can be learned from DNO and iDNO work on independent connections.

While some standards are covered in code, these are very high level. TOs primarily set their own detailed standards individually. In the short term, it makes sense for all parties to comply with codes but maintain their own standards and work together at interface points. Longer term as the system develops with multiple TOs/CATOs, it may be beneficial to develop cross-industry standards. A working group to discuss this may be useful in due course. Notwithstanding concerns over enduring asset adequacy, common standards are required to ensure that bids are on an equitable basis and can be assessed fairly. The IEC standards could be a starting point for these.

Functional or Detailed Specification

TNEI suggest that it may be difficult to compare functional specifications and a more detailed specification may be required. However, in an ideal world a functional specification would be preferred.

Annex 1 – Stakeholder attendees at CATO incentives workshop, 20 June 2016

Name	Organisation
Mark Askew	Energy Networks Association
Elizabeth Smith	Energy Networks Association

Joanna Carter	National Grid
Ben Graff	National Grid
Lloyd Griffiths	National Grid
Alan Kelly	SP Energy Networks (Transmission)
Chris Veal	Transmission Investment
Gary Thornton	Diamond Transmission
Heather Stewart	Scottish Government
Mark Westbrook	Laing
Colin Green	ABB
Mike Lee	Transmission Investment
Malcolm Burns	SHE Transmission
Leticia Pelizan	SHE Transmission
Gordon Hutcheson	Ofgem
Joseph Baddeley	Ofgem
Matthew Ball	Ofgem
Parth Mehta	Siemens
David Wells	Siemens
Dan North	Balfour Beatty
John Sinclair	Balfour Beatty
Dave Bevan	National Grid BD
Simon Deacon	RES
Peter McEssick (phone)	SSE
Zoe Dick (phone)	SSE
David Adams (phone)	SP Energy Networks

Annex 2 – Key Terms

Term	Definition
TO – <i>Transmission Owner</i>	Britain's electricity network is owned and maintained by regional transmission companies known as TOs. Incumbent TOs are SP Energy Networks, SHE Transmission and National Grid.
SO – <i>System Operator</i>	Britain's electricity network system is operated by a single System Operator. This role is performed by National Grid Electricity Transmission plc (NGET) – it is responsible for ensuring the stable and secure operation of the whole transmission system.
CATO – <i>Competitively Appointed Transmission Owner</i>	Where a TO is competitively appointed by Ofgem's proposed onshore tender system, they will be known as a CATO.
STC – <i>System Operator – Transmission Owner Code</i> ²	The STC defines the relationship between the Transmission System Owners and National Grid
SQSS – <i>System Security and Quality of Supply Standards</i> ³	The National Electricity Transmission System Security and Quality of Supply Standards establish a coordinated set of criteria and methodologies that Transmission Licensees

² <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/System-Operator-Transmission-Owner-Code/>

³ <http://www2.nationalgrid.com/uk/industry-information/electricity-codes/sqss/the-sqss/>

	use in the planning and operation of the National Electricity Transmission System.
HSE – <i>Health and Safety Executive</i> ⁴	The Health and Safety Executive is the national independent watchdog for work-related health, safety and illness.
NOMs – <i>Network Output Measures</i>	The Network Output Measures Health & Risk Reporting Methodology & Framework sets out the overall process for assessing condition based risk and specifies the parameters, values and calculation methods to be used. The collective outputs of the assessment, used for regulatory reporting purposes, are known as the Network Output Measures.
DNO – Distribution Network Operator	Companies licenced by Ofgem to distribute electricity in Great Britain.

⁴ <http://www.hse.gov.uk/>