

---

## Enhanced Pre-Qualification Document for Tender Round 6 (TR6)

### Appendix 3: Evaluation Criteria and Guidance Limitation Criteria, Part 4 of the EPQ Questionnaire

**Publication date:** 30 November 2018

**Contact:** Sean Payne

**Team:** Competitive Networks

**Tel:** 020 7901 7243

**Email:** [tendercoordinator@ofgem.gov.uk](mailto:tendercoordinator@ofgem.gov.uk)

Appendix 3 to the EPQ Document for TR6 published 30 November 2018.

**Evaluation Criteria and Guidance: Limitation Criteria, Part 4 of the EPQ Questionnaire**

## Section 5: Approach to Asset Takeover

Grade:	D	- C +	- B +	- A +
<b>Section 5 Evaluation Criteria:</b>	<p>A Bidder must demonstrate that it has a good understanding of efficient and effective processes for taking over an offshore transmission system. This must include the principles that they would employ to ensure that asset takeover is achieved both smoothly and successfully within required timescales.</p> <p>A Bidder must also set out what they regard to be the key principles and approaches for how they would go about setting up an OFTO business. This may include a summary of any key challenges that a Bidder believes it might face in establishing an OFTO business and how these would be suitably managed to ensure successful asset takeover. Where relevant, a Bidder may draw on experience also mentioned in their response to Section 4 to highlight their understanding of the principles they would adopt in taking over the transmission assets/setting up an OFTO business.</p> <p>Bidders will be evaluated on the basis of their degree of understanding of asset takeover and the viability of their approaches. The response to section 5 should be a <b>maximum of 5 pages overall</b> and has a <b>total weighting of 15%</b>.</p>			
Question	Evaluation guidance			
	D	- C +	- B +	- A +
<b>[5A]</b>	<p>Please outline the principles you would adopt and the approach you would follow (including your approach to technical due diligence) in taking over the following elements of an offshore transmission system:</p> <ul style="list-style-type: none"> <li>i. onshore substation</li> <li>ii. offshore substation</li> <li>iii. onshore cable</li> <li>iv. subsea cable</li> </ul>			
	<p>Fails to demonstrate any understanding or only limited understanding of what is required to take over an offshore transmission system and viable approaches to the takeover of significant infrastructure assets generally.</p> <p>Major concerns identified which are</p>	<p>Principles and approach outlined for taking over the stated elements of an offshore transmission system demonstrate only a basic understanding of the nature of the business. Application of the principles lacks detail and there are a number of minor or one major uncertainty which is considered to materially undermine deliverability and/or viability.</p> <p>Basic detail provided on approach to taking over the elements may lack sufficient detail and significant issues or concerns with the response identified.</p>	<p>Principles and approach outlined for taking over the stated elements of an offshore transmission system demonstrates a good understanding of the nature of the business and a viable approach to the takeover of each of the four elements. Application of the principles is detailed and robust, and any uncertainty is considered to have little impact on deliverability and/or viability.</p> <p>Approach to taking over the elements is detailed, but raises some minor concerns.</p>	<p>Principles and approach outlined for taking over the stated elements of an offshore transmission system demonstrates an excellent understanding of the nature of the business and a viable approach to the takeover of each of the four elements. Application of the principles is comprehensive and robust, and any uncertainty is considered to have no impact on deliverability.</p> <p>Approach to taking over the elements is very detailed, comprehensive and clear with no material concerns.</p>

		fundamental to the response which undermine the response as a whole.	Basic detail provided in relation to the actual application of the approach in respect of the four elements of the system, undermining the extent to which approach can be considered deliverable and/or viable.	Approach to applying certain elements is good but may lack detail, undermining the extent to which approach can be considered deliverable and/or viable.	Application of principles relating to all elements is deliverable and/or viable.
<b>[5B]</b>	Please outline the approach and principles you would follow when setting up an OFTO business. In particular, the in-house technical and financial expertise would you need to procure and what services you would need to subcontract.	<p>Fails to outline a viable set of principles and approach to the set-up of an OFTO business.</p> <p>Major concerns identified which are fundamental to the response, which undermine the response as a whole.</p>	Principles and approach outlined for setting up an OFTO business demonstrate only a basic understanding of the nature of the business. Application of the principles lacks detail and consideration of the challenges is not generally included. No or limited use of experience to demonstrate capability. Response raises a number of minor concerns or one or more significant concerns in terms of viability of approach.	Principles and approach to setting up an OFTO business demonstrate a good understanding of the OFTO business including the potential challenges and how these could be effectively managed. Application of the principles is detailed. Good use of experience to demonstrate capability. Response raises some minor concerns in terms of viability of approach but these are considered unlikely to significantly impact upon the viability of the submission.	Principles and approach to setting up an OFTO business demonstrate an excellent understanding of the OFTO business including the potential challenges and how these could be effectively managed. Excellent application of principles to the set-up of an OFTO business. Application of the principles is deemed viable. Excellent use of experience to demonstrate capability. Any issues or concerns identified with the response are considered to be very minor or immaterial.

## Section 6: Approach to Management and Operations

Grade:	D	- C +	- B +	- A +
<b>Section 6 Evaluation Criteria:</b>	<p>A Bidder must set out its understanding and approach to operating transmission assets, including how it would deliver fit for purpose services for an OFTO project, how this might change over the 25 year revenue term period and how the Bidder would manage such changes. A Bidder must also identify the key business and operational risks and explain how it would manage and mitigate these. Where appropriate the Bidder's response should be evidenced by experience-based management approaches, including relevant experience from other sectors.</p> <p>A Bidder must also set out how it would approach managing the key stakeholder interfaces which might be associated with an OFTO project, including identifying who the key stakeholders are and how any specific requirements would be managed.</p> <p>Bidders are required to explain their understanding of the electricity industry regulatory framework applicable to an OFTO and set out how they would approach compliance. Bidders should provide details of their past experience in applying principles of best practice and following internal codes of conduct for infrastructure projects. Finally, Bidders are required to explain how they would approach the decommissioning of OFTO assets, referencing their understanding in the context of BEIS<sup>1</sup> decommissioning guidance, where appropriate.</p> <p>Bidders will be evaluated on the basis of their degree of understanding of operating transmission assets and the viability of their approaches. Any project examples provided should be based on projects in which the Bidder has been involved within the past five years.</p> <p>The response to section 6 should not <b>exceed 20 pages</b>.</p> <p>This section has a <b>total weighting of 40%</b>.</p>			
Question	Evaluation guidance			
	D	- C +	- B +	- A +
<b>[6A]</b>	How you would approach operating transmission assets and delivering services for an OFTO project in accordance with the required operational performance standards, including examples from your experience of managing and	Bidder fails to demonstrate an understanding of how it would approach operating transmission assets and delivering services for an OFTO project to the required operational performance	Bidder demonstrates basic understanding of how it would approach operating transmission assets and delivering services for an OFTO project to the required operational performance standards e.g.	Bidder demonstrates good understanding of how it would approach operating transmission assets and delivering services for an OFTO project to the required operational performance standards e.g. SQSS, Grid code, BSEN, IET standards.
				Bidder demonstrates excellent understanding of how it would approach operating transmission assets and delivering services for an OFTO project to the required operational performance standards e.g. SQSS, Grid code, BSEN, IET standards.

<sup>1</sup> Was DECC, now BEIS. Note that the guidance remains labelled as DECC guidance.

<p>operating either transmission assets or other infrastructure assets where applicable. Your response should set out your approach for the full 25-year revenue period including the process and factors you intend to take into account. In particular, you should comment on the following:</p> <ul style="list-style-type: none"> <li>i. Procurement of required O&amp;M services;</li> <li>ii. Asset maintenance, repair and inspection</li> <li>iii. Spares management and procurement</li> <li>iv. Outage coordination and management strategy</li> <li>v. Network resilience and restoration</li> <li>vi. Efficient resourcing of activities</li> </ul>	<p>standards e.g. SQSS, Grid code, BSEN, IET standards.</p> <p>Major concerns identified which are fundamental to the response, which undermine the response as a whole.</p>	<p>SQSS, Grid code, BSEN, IET standards.</p>		
		<p>A basic explanation containing limited detail is provided as to how the Bidder would approach operation of transmission assets.</p> <p>Only basic detail and/or explanation is given around:</p> <ul style="list-style-type: none"> <li>i. operation and maintenance of the assets; and</li> <li>ii. obtaining and managing the necessary resources and contracts to deliver the transmission services required for an OFTO project.</li> </ul>	<p>A good explanation containing a good level of detail provided as to how the Bidder would approach operation of transmission assets.</p> <p>A good level of detail and/or explanation is given around:</p> <ul style="list-style-type: none"> <li>i. operation and maintenance of the assets; and</li> <li>ii. obtaining and managing the necessary resources and contracts to deliver the transmission services required for an OFTO project.</li> </ul>	<p>An excellent explanation containing a comprehensive level of detail provided as to how the Bidder would approach operation of transmission assets.</p> <p>A comprehensive level of detail and/or explanation is given around:</p> <ul style="list-style-type: none"> <li>i. operation and maintenance of the assets; and</li> <li>ii. obtaining and managing the necessary resources and contracts to deliver the transmission services required for an OFTO project.</li> </ul>
		<p>Response raises significant issues or concerns with regards to its completeness and demonstration of viability.</p>	<p>Response raises some issues or concerns but these are considered insignificant. A good level of confidence is provided that a largely viable approach would be taken.</p>	<p>Response entirely satisfies requirements or any issues identified are considered to be immaterial. A high level of confidence is provided that a viable approach would be taken.</p>
		<p>No or few references to examples of the delivery of previous relevant experience, in this or a similar industry or sector, are provided.</p>	<p>Good examples of the delivery of previous relevant projects, in this or a similar industry or sector, are provided.</p>	<p>Excellent examples of the delivery of previous relevant projects, in this or a similar industry, are provided. The Bidder may have indicated how it would use best practice from these in respect of OFTO projects.</p>

<p><b>[6B]</b></p>	<p>How you would manage and mitigate the impact of the key business and operational risks set out below, including examples from your experience managing and operating either transmission or other infrastructure assets where applicable. (Note: you are not required to detail here how you would approach dealing with the financial and/or commercial impact of the risks as this is addressed in Section 8 of the EPQ Questionnaire):</p> <ul style="list-style-type: none"> <li>i. Major failure / outage of the transmission link (once you have ownership of the transmission assets);</li> <li>ii. Asset degradation identified during inspection;</li> <li>iii. Persistent under-performance of the transmission system sufficient to impact the availability incentive (once you have ownership of the transmission assets);</li> <li>iv. Unavailability of vessels for maintenance work;</li> <li>v. Failure of supply chain member;</li> <li>vi. Variability in insurance costs over time;</li> <li>vii. Events such as collision, extreme weather or fatality scenarios impacting O&amp;M; and</li> <li>viii. Any additional risks you have identified which could have a significant operational impact.</li> </ul>	<p>Bidder fails to demonstrate an understanding of the implications of the key business and operational risks in relation to managing and operating infrastructure.</p> <p>Major concerns identified which are fundamental to the response, which undermine the response as a whole.</p>	<p>Bidder demonstrates basic understanding of the key risks that would have a business and/or operational impact on managing and operating infrastructure.</p>	<p>Bidder demonstrates good understanding of the key risks that would have a business and/or operational impact on managing and operating infrastructure.</p>	<p>Bidder demonstrates excellent understanding of the key risks that would have a business and/or operational impact on managing and operating infrastructure.</p>
			<p>Approach to managing the identified risks is basic and may lack detail. Significant issues or concerns with the response identified with respect to viability.</p>	<p>Approach to managing some/most of the identified risks is detailed and viable, but raises some minor concerns</p>	<p>Approach to managing the identified risks is comprehensive, clear and viable with no or only immaterial concerns identified.</p>

<b>[6C]</b>	How you would approach managing managerial and operational interfaces with key stakeholders and third parties for an OFTO project, referring to past experience of your contract management capability.	Bidder fails to demonstrate an understanding of the management of managerial and operational interfaces with key stakeholders and third parties.	Bidder demonstrates basic understanding of the managerial and operational interface management.	Bidder demonstrates good understanding of the managerial and operational interface management.	Bidder demonstrates excellent understanding of the managerial and operational interface management.
		Major concerns identified which are fundamental to the response, which undermine the response as a whole.	Proposed approach not considered to be viable indicating that the Bidder may experience difficulties in managing interfaces with key stakeholders and third parties. Evidence in support of the Bidder's ability to achieve this is not provided.	Proposed approach is largely viable, indicating that the Bidder should be able to manage interfaces with key stakeholders and third parties without significant difficulty. Some past relevant experience has been demonstrated.	Proposed approach is viable and deliverable and indicates how the Bidder would successfully manage interfaces with key stakeholders and third parties. Detailed evidence of relevant past experience is provided in support.
			A basic level or no detail provided on plans for how the Bidder intends to engage with stakeholders and/or one major reservation is identified with regard to a particular aspect of the response.	A good level of detail provided on how the Bidder intends to engage with stakeholders. Any reservations are not likely to significantly impact on the overall deliverability of the approach.	An excellent level of detail provided on how the Bidder intends to engage with stakeholders. There are either no reservations or any that exist are considered immaterial and will not impact on the overall deliverability of the approach.
<b>[6D]</b>	Your understanding of the electricity industry regulatory framework applicable to an OFTO and how you would ensure compliance in operating and managing offshore transmission assets. You should refer to documents referenced under 'Relevant Guidance and Other Documents' in Chapter 1 of this EPQ Document in considering your response to this question.	Bidder fails to demonstrate through its approach how it will ensure compliance with electricity industry regulatory framework applicable to an OFTO.	Bidder provides basic approach to ensuring compliance with electricity industry regulatory framework applicable to an OFTO.	Bidder provides a good approach to ensuring compliance with electricity industry regulatory framework applicable to an OFTO.	Bidder provides excellent approach to ensuring compliance with electricity industry regulatory framework applicable to an OFTO.
		Major concerns identified which are fundamental to the response which undermine the response as a whole.	Proposed approach provides limited confidence of the Bidder's understanding of, and ability to comply with, applicable codes and wider regulatory regime. Approach is provided in	Proposed approach provides a good level of confidence of the Bidder's understanding of, and ability to comply with, applicable codes and the wider regulatory regime. Approach is considered largely viable in terms of achieving compliance but is deficient of some	Proposed approach (supported by detailed evidence) provides a high level of confidence of the Bidder's understanding of, and ability to comply with, applicable codes and the wider regulatory regime. Approach is described in detail and demonstrates a comprehensive



			outline only without any supporting detail.	of the supporting detail linking all aspects.	understanding of the duties and responsibilities required.
			No or limited cross references made to the appropriate code and licence requirements.	A good level of cross referencing to the appropriate code and licence requirements is provided.	Comprehensive cross references to the relevant code and licence requirements are provided.
<b>[6E]</b>	How your past experience with applying principles of best practice and following internal codes of conduct for infrastructure projects would help you ensure compliance when operating and managing a transmission system, in terms of:  i. Applicable health and safety legislation in managing the key health and safety risks to your employees, subcontractors' employees, members of the public and with respect to the safety of the installations themselves; and  ii. Applicable environmental and planning legislation.	Bidder fails to demonstrate through its approach how it will ensure compliance with health and safety as well as environmental and planning statutory requirements.  Major concerns identified which are fundamental to the response which undermine the response as a whole.	Limited detail provided, with only headline reference made to relevant health and safety legislation and demonstrating limited understanding of the Bidder's obligations and responsibilities for infrastructure projects and how these might apply to a transmission system.	A good level of detail is provided which makes reference to the relevant health and safety legislation, demonstrating the Bidder's understanding of obligations and responsibilities for infrastructure projects and how these might apply to a transmission system. This is supported by good examples of previous experience on similar projects.	Comprehensive response provided which makes reference to the relevant health and safety legislation demonstrating the Bidder's full understanding of obligations and responsibilities for infrastructure projects and how these might apply to a transmission system. This is supported by excellent examples of previous experience on similar projects.
			No HS&E control process/procedure documents, that the Bidder proposes are applicable, are identified.	Detailed HS&E control process/procedure documents, that the Bidder proposes are applicable, are identified.	Comprehensive HS&E control process/procedure documents, that the Bidder proposes are applicable, are identified and provided.
			Basic understanding of key health and safety risks demonstrated and explanation of how these would be managed.	Good understanding of key health and safety risks demonstrated and explanation of how these would be managed.	Excellent understanding of key health and safety risks demonstrated and a clear explanation of how these would be managed.
			Basic reference to applicable environmental and planning legislation and limited detail provided as to how the activities will be delivered in accordance with this legislation.	Good understanding of applicable environmental and planning legislation and good level of detail provided as to how the activities will be delivered in accordance with this legislation.	Excellent understanding of applicable environmental and planning legislation and comprehensive level of detail provided as to how the activities will be delivered in accordance with this legislation.
<b>[6F]</b>		Bidder fails to demonstrate a feasible or deliverable high	Bidder provides a basic approach to	Bidder provides a good approach to decommissioning, which is	Bidder provides an excellent approach to decommissioning,

How you would approach the decommissioning of OFTO assets (please refer to BEIS <sup>2</sup> guidance on decommissioning <sup>3</sup> ).	level approach to decommissioning.  Major concerns identified which are fundamental to the response, which undermine the response as a whole.	decommissioning impacting on the viability of the approach. Limited detail has been provided with little reference made or thought given to future decommissioning works required in respect of OFTO assets.	viable. Detailed description provided of the approach that would be adopted for future decommissioning works of OFTO assets, demonstrating a good understanding of the obligations and responsibilities.	which is viable. Comprehensive description provided of the approach that would be adopted for future decommissioning works of OFTO assets, demonstrating an excellent understanding of the obligations and responsibilities.
		Response provides a basic level of confidence of an understanding of the associated risks involved as well as stakeholder and third party engagement requirements.  Some significant concerns remain as to the stated decommissioning approach.	Response provides good level of confidence of an understanding of the associated risks involved as well as stakeholder and third party engagement requirements.  Minor concerns may have been identified but these are not likely to significantly impact the proposed decommissioning approach.	Response provides a high level of confidence of an understanding of the associated risks involved, as well as stakeholder and third party engagement requirements.  No concerns with the decommissioning approach have been identified or any concerns identified are considered immaterial.  An outline stakeholder and third party engagement plan may have been provided.
		Some significant questions with regard to the relevant experience provided.	Good examples of previous relevant experience provided.	Excellent examples of previous relevant experience provided.

<sup>2</sup> Was DECC. Note that the guidance remains labelled as DECC guidance.

<sup>3</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/80786/orei\\_guide.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80786/orei_guide.pdf)

## Section 7: Funding Solution

Grade:	D	- C +	- B +	- A +
<b>Section 7 Evaluation Criteria:</b>	<p>A Bidder must outline its approach for determining a funding solution that would be appropriate for each Qualifying Project included in its EPQ Submission, including why it considers each solution to be suitable for the relevant Qualifying Project. A Bidder must also explain what alternative approaches have been considered and provide details of how it would identify and evaluate alternative financing solutions to ensure that the approach remains competitive throughout the Tender Exercise. The Bidder will be evaluated on the basis of the viability of the expected funding strategy or strategies.</p> <p>The response to section 7 should not exceed <b>12 pages</b>. This section has a <b>total weighting of 25%</b>.</p>			
Question	Evaluation guidance			
	D	- C +	- B +	- A +
<p><b>[7A]</b> Please explain how you would go about determining an efficient and effective funding solution for the Qualifying Project(s), including:</p> <p style="padding-left: 20px;">(1) What you currently consider to be a suitable financing structure for each Qualifying Project (including what type of finance you currently anticipate using) and what considerations and criteria you have taken into account in determining the financing solution;</p>	<p>Bidder has not selected their preferred financing solution for each Qualifying Project included in the EPQ Submission.</p> <p>AND</p> <p>Bidder has failed to set out the considerations and criteria to be used in determining their appropriate financing solution/solutions, or has set out unsuitable / incomplete criteria.</p> <p>OR</p> <p>No or very poor rationale/application of criteria for choosing the selected structure(s) which causes significant concerns over the viability and deliverability of the</p>	<p>Bidder has provided a limited description of suitable financing structure(s) which fails to provide detail on fundamental aspects of the structure or raises concerns about the viability of the proposed approach.</p> <p>Bidder has provided an outline of considerations and criteria to be used in determining the appropriate financing solution for each Qualifying Project, including a description and explanation as to why each is appropriate, however the considerations stipulated are not considered to be particularly relevant in the context of the relevant Qualifying Project(s).</p> <p>There is a poor rationale/application of criteria for selecting a financing</p>	<p>Bidder has provided a good description of the suitable financing structure (corporate finance, project finance, etc.) for each Qualifying Project including detail regarding – inter alia:</p> <ul style="list-style-type: none"> <li>i. Anticipated sources (commercial bank debt, public bond, private placement, cash reserves, corporate facilities etc.)</li> <li>ii. Approximate gearing levels/coverage ratios</li> <li>iii. Other debt covenants or restrictions applicable to financing structure</li> <li>iv. Key conditions attached to drawing corporate finance</li> <li>v. Target credit rating requirements</li> <li>vi. Letters of support / indicative terms for corporate finance, project finance debt and/or equity</li> </ul>	<p>Bidder has provided an excellent description of the suitable financing structure (corporate finance, project finance, etc.) for a Qualifying Project with significant detail regarding – inter alia:</p> <ul style="list-style-type: none"> <li>i. Anticipated sources (commercial bank debt, public bond, private placement, cash reserves, corporate facilities etc.)</li> <li>ii. Approximate gearing levels/coverage ratios</li> <li>iii. Other debt covenants or restrictions applicable to financing structure</li> <li>iv. Key conditions attached to drawing corporate finance</li> <li>v. Target credit rating requirements</li> <li>vi. Letters of support / indicative terms for corporate finance, project finance debt and/or equity</li> </ul>

		<p>selected approach/approaches.</p> <p>OR</p> <p>Bidder has not considered their approach to engaging with financiers or a suitable timetable for their plan(s).</p>	<p>structure for a Qualifying Project.</p> <p>Bidder provides limited explanation regarding their approach to engaging with financiers and/or the timetable for their plan is unsuitable.</p>	<p>approval processes and/or timescales</p> <p>vii. A description of any reserve accounts/facilities</p> <p>Bidder has provided a clear outline of considerations and criteria to be used in determining the appropriate financing solution(s), including a description and explanation as to why each is appropriate for the relevant Qualifying Project, however detail is lacking in some instances.</p> <p>There is a good rationale/application of criteria for selecting the structure for the relevant Qualifying Project, however the response may lack some detail.</p> <p>Bidder has provided a good explanation of their approach for engaging with financiers, including a brief timetable against bid development plan although there are some elements still to be fully developed.</p>	<p>approval processes and/or timescales</p> <p>vii. A description of any reserve accounts/facilities</p> <p>Bidder has provided a detailed explanation of considerations and criteria to be used in determining the appropriate financing solution for each Qualifying Project, including a description and explanation as to why each is appropriate.</p> <p>There is a strong rationale/application of criteria for selecting this structure for the relevant Qualifying Project, with clear evidence as to how the Bidder has reached this conclusion in the context of the relevant Qualifying Project.</p> <p>Bidder has provided a detailed explanation of their approach for engaging with financiers, including a detailed timetable against bid development plan.</p>
	<p>(2) What alternative types of finance you would propose, and the circumstances under which you would consider these further;</p>	<p>Bidder has not provided details of any alternative financing solutions that have been considered.</p> <p>AND</p> <p>Bidder has failed to provide detail on the circumstances under which an alternative structure would be considered further.</p>	<p>Bidder has provided a poor description of one or more alternative financing solution(s).</p> <p>Bidder has compared the alternative structure(s) against proposed structure and criteria identified in 7A(1) but their response for each such alternative(s) lacks detail.</p>	<p>Bidder has provided a good description of at least one alternative financing solution for each Qualifying Project which outlines some of the details described in the first bullet of [7A](1) above.</p> <p>Bidder has compared the alternative structure(s) against proposed structure and criteria identified in [7A](1).</p>	<p>Bidder has provided a comprehensive description of at least one alternative solution for each Qualifying Project which outlines all of the details outlined in the first bullet of [7A](1) above.</p> <p>Bidder has compared the alternative structure(s) against proposed structure and criteria identified in [7A](1).</p> <p>Bidder has provided a clear explanation of the circumstances</p>

			<p>Bidder response lacks detail on the circumstances under which each alternative structure would be considered further.</p> <p>Bidder does not demonstrate the ability to implement an alternative solution or an understanding of the issues related thereto.</p>	<p>Bidder has provided a brief outline of the circumstances under which each alternative structure would be considered further.</p> <p>There are some minor concerns over the Bidder's ability to implement their alternative solution(s), should the need arise.</p>	<p>under which each alternative structure would be considered further.</p> <p>Bidder instils confidence that they have the flexibility to implement their alternative solution(s), should the need arise. Bidder has experience closing more than one financing solution.</p>
	<p>(3) What external financing/OFTO specific market factors have influenced your anticipated financing solution(s), and what further factors you would take into account when proposing a funding solution at the ITT stage;</p>	<p>Bidder has not considered any relevant external factors when selecting their proposed financing structure(s).</p> <p>AND</p> <p>Bidder has not considered how the effect of the external factors can be mitigated.</p>	<p>Bidder has provided a basic list of some external market factors taken into consideration when selecting their proposed financial structure(s), including how these factors were reflected in their solution choice and how these factors will be considered during the development of ITT submissions, however the majority of key external market factors have been omitted.</p> <p>Bidder has not considered how the effect of the external factors can be mitigated, or the proposed mitigants are not considered to be robust/viable.</p>	<p>Bidder has provided a detailed list of some external market factors taken into consideration when selecting their proposed financial structure(s), including how these factors were reflected in their solution choice and how these factors will be considered during the development of ITT submissions, however some key external market factors have been omitted.</p> <p>Bidder has considered how the effects of only some external factors, or the proposed mitigants are not considered to be robust/Bidder has outlined some potential mitigants for these external factors but their response lacks detail.</p>	<p>Bidder has provided a comprehensive list of external market factors (including OFTO performance) taken into consideration when selecting their proposed financial structure(s), including how these factors were reflected in their solution choice and how these factors will be considered during the development of ITT submissions.</p> <p>Bidder has clearly considered how they will mitigate the effect of a comprehensive set of external factors, (where possible) and these mitigants are considered to be robust/viable.</p>

	<p>(4) The approach you would take to due diligence in relation to your financing solution(s);</p>	<p>Bidder's response does not demonstrate an understanding of the due diligence process required for an OFTO project.</p> <p>Where corporate finance is used, Bidder has not addressed the demonstration of financial robustness.</p>	<p>Bidder has provided a basic outline of the due diligence process for an OFTO project, however there is limited confidence that the Bidder has understood the process required.</p> <p>Bidder has failed to consider the majority of the key inputs required to progress the due diligence process and dependencies in the due diligence process.</p> <p>Bidder has failed to engage in discussions with third parties responsible for due diligence.</p> <p>Where corporate finance is used, Bidder has provided a poor explanation of how the financial robustness of the project will be tested, demonstrated and maintained in the absence of third party lender due diligence. Reference to the creditworthiness of the group now and in the future is not made or unclear.</p>	<p>Bidder has provided an outline of the due diligence process for an OFTO project, including steps already undertaken and those to be completed and an anticipated timetable for completion of due diligence process.</p> <p>Bidder has clearly considered some of the key inputs required to progress the due diligence process and dependencies in the due diligence process, however some key inputs and dependencies have been omitted or the response lacks detail.</p> <p>Bidder has engaged in discussions with third parties responsible for key due diligence areas (e.g. technical) but discussions are relatively unprogressed. Bidder has identified potential providers for other due diligence areas (e.g. model audit).</p> <p>Where corporate finance is used, Bidder has provided some explanation of how the financial robustness of the project will be tested, demonstrated and maintained in the absence of third party lender due diligence, with some reference to the creditworthiness of the group now and/or in the future.</p>	<p>Bidder has provided a comprehensive description of the full due diligence process for an OFTO project, including steps already undertaken and those to be completed and an anticipated timetable for completion of due diligence process.</p> <p>Bidder has clearly considered the key inputs required to progress the due diligence process and dependencies in the due diligence process.</p> <p>Bidder has engaged in discussions with third parties responsible for most due diligence areas (including consideration of plan to achieve any required credit ratings) and identified these parties where appropriate / had detailed fee &amp; scoping discussions / appointed advisors.</p> <p>Where corporate finance is used, Bidder has provided a clear and comprehensive explanation of how the financial robustness of the project will be tested, demonstrated and maintained in the absence of third party lender due diligence, with reference to the creditworthiness of the group now and in the future.</p>
--	--	---	--	--	--

	<p>(5) From the Preferred Bidder stage onwards, please outline your approach to ensuring that your financing solution(s) continues to be the most appropriate and remains competitive, including what arrangements you would make for external factors, such as a delay to asset transfer and change in market conditions;</p>	<p>Bidder has not considered any relevant external factors when selecting their proposed financing structure(s).</p> <p>AND</p> <p>Bidder has failed to provide any detail on how specific scenarios caused by external factors will be managed.</p>	<p>Bidder has provided a limited explanation of steps to be undertaken during Preferred Bidder phase to maintain competitiveness of their preferred solution(s) which instils a lack of confidence that they will be able to maintain competitiveness.</p> <p>Bidder has not made clear whether/how movements in interest rates or other macroeconomic variables affect pricing &amp; availability of project finance and/or corporate finance solutions (as applicable).</p> <p>Bidder has provided a limited explanation of how specific scenarios caused by external factors will be managed which does not explicitly consider the impact of an asset transfer delay and a change in market conditions.</p>	<p>Bidder has provided a list and explanation of steps to be undertaken during the Preferred Bidder phase to maintain competitiveness of each preferred solution, however the proposed timetable(s) and allocation of responsibilities is unclear.</p> <p>Bidder has provided some indication as to whether/how movements in interest rates or other macroeconomic variables affect the pricing &amp; availability of project finance and/or corporate finance solutions as applicable.</p> <p>Bidder has provided a brief explanation of how specific scenarios caused by external factors will be managed. Their response is limited to the minimum: an asset transfer delay and a change in market conditions.</p>	<p>Bidder has provided a detailed list and explanation of steps to be undertaken during Preferred Bidder phase to maintain competitiveness of each preferred solution, including a proposed timetable(s) for these steps and clear allocation of responsibilities.</p> <p>Bidder has made clear and comprehensive statements whether/how movements in interest rates or other macroeconomic variables affect the pricing &amp; availability of project finance and/or corporate finance solutions as applicable, and how these could be benchmarked by Ofgem.</p> <p>Bidder has provided a detailed explanation of how specific scenarios caused by external factors will be managed. Their response includes, at a minimum: an asset transfer delay and a change in market conditions, however the Bidder has also clearly considered other external factors.</p>
--	--	--	---	---	--

<p><b>[7B]</b></p>	<p>Please describe the approach and assumptions for dealing with the following items for the proposed funding solution you have referred to in your response to question 7A.</p> <p>In particular, please comment on how you would expect to determine:</p> <ul style="list-style-type: none"> <li>i. Indexation approach;</li> <li>ii. Taxation;</li> <li>iii. Special Purpose Vehicle (SPV) and/or management costs;</li> <li>iv. Bid Cost Recovery;</li> <li>v. Other Income Items; and</li> <li>vi. Other foreseen financial costs over the life of the Qualifying Project(s).</li> </ul>	<p>Bidder’s approach to dealing with each assumption listed in 7B(i – vi) raises significant concerns that approach and assumptions are not credible, or Bidder does not address all of these matters.</p> <p>The source of each assumption is unclear.</p> <p>Bidder has clearly not considered the suitability of their assumptions in light of their preferred financing solution.(s)</p>	<p>Bidder has provided an limited outline of their approach to dealing with some of the assumptions listed in 7B(i – vi) which provides little comfort that their assumptions are credible.</p> <p>The source of most of the assumptions is unclear.</p> <p>Bidder has provided limited consideration of the suitability of their assumptions in light of their preferred financing solution(s).</p>	<p>Bidder has provided an outline of their approach to dealing with each of the assumptions listed in 7B(i – vi) which provides some comfort that their assumptions are credible.</p> <p>The source of some, but not all, of the assumptions has been clearly identified.</p> <p>Bidder has considered the suitability of their assumptions in light of their preferred financing solution(s).</p>	<p>Bidder has provided a detailed description of their approach to dealing with each of the assumptions listed in 7B(i – vi) which instils confidence that their assumptions are credible.</p> <p>The source of each assumption has been clearly identified and is supported by a strong rationale.</p> <p>Bidder has clearly considered the suitability of their assumptions in light of their preferred financing solution(s).</p>
--------------------	---	--	--	--	--



## Section 8: Financial and Commercial Risk Management

Grade:	D	- C +	- B +	- A +
<b>Section 8 Evaluation Criteria:</b>	<p>A Bidder must demonstrate an understanding of the key risks that could have a financial and/or commercial implication for the operation of transmission assets and how to respond appropriately to them. Bidders will be evaluated on their understanding of these risks and the viability of their expected approach to managing and mitigating the key risks.</p> <p>The response to section 8 should not exceed <b>8 pages</b>. This section has a <b>total weighting of 20%</b>.</p>			
Question	Evaluation guidance			
	D	- C +	- B +	- A +
<p><b>[8]</b> Please describe your understanding of the following risks, or state why you do not view them as a risk, and what you consider would be the best approach to dealing with their financial and/or commercial impact.</p> <p>Please provide the reasoning for your potential solution(s), including relevant evidence of your experience dealing with similar risks, and, where applicable, the use of insurance cover to address such risks. Your response should address the following risks:</p> <ul style="list-style-type: none"> <li>i. major failure / outage of the transmission link (post transfer of the Transmission Assets);</li> <li>ii. persistent under-performance of the Transmission Assets sufficient to impact the availability incentive (post transfer of the Transmission Assets);</li> </ul>	<p>Bidder demonstrates no or incoherent understanding of the implications of the key financial and commercial risks in relation to transmission assets.</p> <p>Major concerns identified with the approach proposed to managing the commercial and /or financial impact of the risks outlined, resulting in the response being considered to have fundamental issues that undermine the response as a whole.</p> <p>The response suggests the Bidder has a limited understanding of the risks specific to transmission assets that undermines the response as a whole.</p>	<p>Bidder demonstrates basic understanding of the key risks that would have a financial and/or commercial impact to transmission assets. Bidder may demonstrate some understanding of additional risks specific to transmission assets but this is likely to be limited.</p> <p>Approach to managing key risks may be deliverable in parts but may lack detail and/or significant issues or concerns with the response identified.</p> <p>Limited detail provided in relation to the use of insurance and/or significant concerns regarding the viability of the approach.</p>	<p>Bidder demonstrates good understanding of the key risks that would have a financial and/or commercial impact to transmission assets. Bidder also demonstrates a good understanding of additional risks specific to transmission assets.</p> <p>Approach to managing key risks is largely deliverable, but may raise some minor concerns.</p> <p>A good level of detail is provided in relation to the use of any insurance. Approach to use of insurance is considered reasonably viable with some minor concerns but these are considered unlikely to impact upon the viability of the approach.</p>	<p>Bidder demonstrates excellent understanding of the key risks that would have a financial and/or commercial impact to transmission assets. Bidder also demonstrates an excellent understanding of additional risks specific to transmission assets.</p> <p>Approach to managing key risks is detailed, clear and coherent, with any concerns identified are considered immaterial.</p> <p>A comprehensive level of detail is provided in relation to the use of any insurance. Approach to use of insurance is considered viable. Any concerns identified are considered to be immaterial.</p>

<ul style="list-style-type: none"> <li>iii. identification of asset degradation following inspection;</li> <li>iv. unavailability of vessels for maintenance operations;</li> <li>v. failure of supply chain member;</li> <li>vi. change in inflation over the lifetime of the revenue term and how you would take this into account in your approach to indexation;</li> <li>vii. changes to decommissioning costs or requirements;</li> <li>viii. unavailability of insurance and variability in insurance costs over time; and</li> <li>ix. any additional risks you have identified in connection with the Qualifying Project which could have a significant financial and/or commercial impact.</li> </ul>		<p>Few or poor relevant examples of experience and/or supporting documentation provided to demonstrate a basic understanding of the risks.</p>	<p>Good examples of relevant experience and/or some supporting documentation provided to demonstrate a good understanding of the risks.</p>	<p>Excellent examples of relevant experience and/or full supporting documentation provided to demonstrate an excellent understanding of the risks.</p>
---	--	--	---	--

