

# Guidance on the Criteria for Competition

## Guidance

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### Overview:

This guidance document sets out the Criteria for Competition for onshore electricity transmission. This document should be read in conjunction with Extending Competition in Transmission (ECIT) policy documents, for example the November 2016 policy decision document.

Ofgem may update this guidance from time to time.

# 1. Criteria for competition

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## Criteria for competition

1.1. The criteria for competition are:

- New;
- Separable; and
- High-value.

### Meaning of New

1.2. New means:

- A completely new transmission asset or a complete replacement of an existing transmission asset.

### Meaning of Separable

1.3. Separable means:

- The boundaries of ownership between these assets and other (existing) assets can be clearly delineated.
- Transmission assets do not need to be electrically contiguous or electrically separable from other assets to be considered separable.
- The System Operator may on a case-by-case basis propose electrical separability at project interfaces, if the SO considers there is a cost-benefit justification for this.

### Meaning of High-value

1.4. High-value means:

- A threshold set at or above £100,000,000 of expected capital expenditure at the point of our initial assessment of the appropriate delivery model.
- The threshold will be a fixed nominal value and not indexed to a reference year.



## Guidance on the Criteria for Competition

- Expected capital expenditure will be assessed in the price base of the year of assessment.
  
- The expected capital expenditure will include:
  - (a) purchasing the component parts of the relevant assets;
  - (b) the construction of the relevant assets;
  - (c) the land at which the relevant assets are situated;
  - (d) compliance with the conditions attached to consents;
  - (e) the third-party works upon which the operation of the relevant assets depends;
  - (f) project management;
  - (g) itemised risk and contingency allowances;
  - (h) the procurement of itemised goods, services and works; and
  - (i) any other cost elements which can be reasonably justified as integral or relevant to the construction or function of the relevant assets.