

Commercial Tender -
Procurement Process

Welcome to our WebEx for Early Competition

We will commence the meeting on the hour



nationalgridESO

Agenda

- Introductions
- Housekeeping
- Content challenge and review
- Next steps



On the call today from the Early Competition Team are...

Richard Paterson (ESO)

Network Competition Policy
Development Analyst



Urmi Mistry (ESO)

Network Competition Policy
Development Analyst



Mothi Sayeeram

KPMG



Monika Stachowiak

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Tell us about you

Who are you? Where do you work? What is your interest in early competition?

House Keeping

We've scheduled the meeting for 1 hour and appreciate how precious people's time is so to help us keep to time:

Please feel free to ask questions and challenge views but please don't be offended if we need to park questions or discussion if we start to move off topic, or if we are running out time.

In this circumstance we can advise if this topic area is covered in one of our subsequent workshops, or we can make contact with you separately to further discuss at a later date.

Also please feel free to call questions out when you have them, or use the chat function.

Procurement Process – Key Components



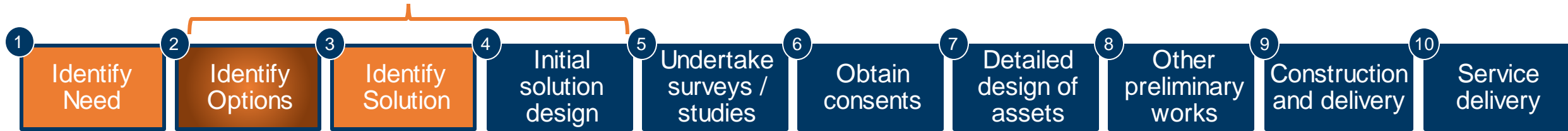
Assumptions

For the purpose of the following slides and group discussion a handful of assumptions are required as follows:

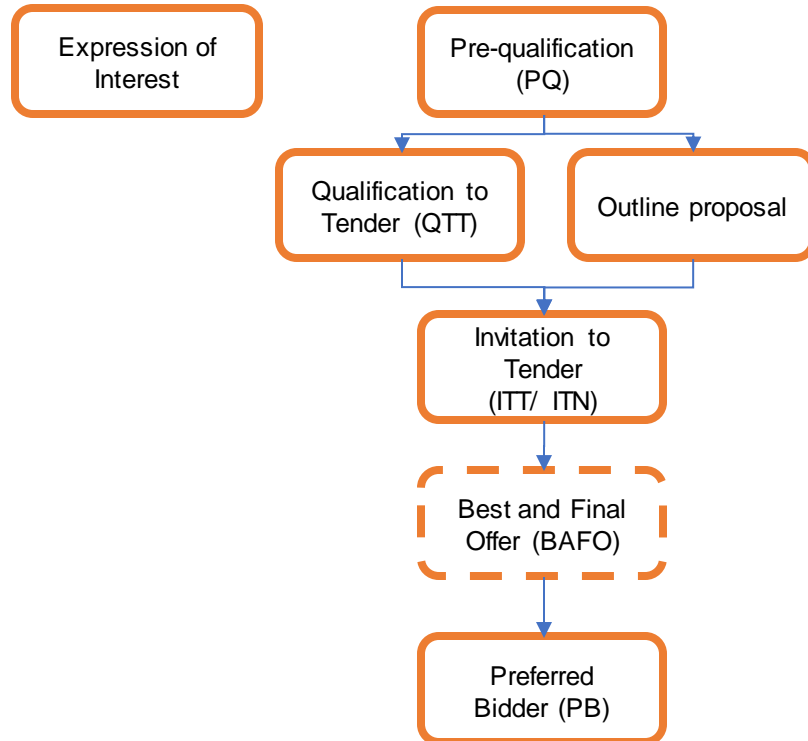
- The procurement process for non-network and network solutions is the same
- That the scope of competition is very early i.e. initial solution once the needs are identified
- The procurement process will be in accordance with the Utility Contract Regulations 2016
- Bidders are competing for a licence for transmission solutions (or other solutions that require a licence) and a contract for non-network solutions
- The procurement body may not be Ofgem or an existing Transmission Operator (TO) i.e. the procurement body is likely to be an independent third party

Scope

Procurement process covers the following stages within the very early competition process:



Procurement process can include (but is not limited to):



Do you agree with the overall structure and stages of the procurement process? Do we need a separate feasibility study stage?

What are the biggest concerns from a bidder perspective in terms of a procurement process?

Pre-qualification

Objective of Pre-Qualification (PQ) is to limit the bidders to those with the appropriate capabilities and experience.

How can a pre-qualification stage maximise consumer value in a procurement process?

Passports/
enhanced PQ?

Individual entities
or consortia?

Financial, legal,
technical and
other?






Standardised or
flexible?

- Are the pre-qualification requirements standardised enough to allow for 'passporting'?
- How often would companies need to renew their qualification?
- Would individual companies have to qualify or could consortia apply?
- Should the process be flexible for different types of need e.g. a multi-billion pound transmission project and a reactive power non-network solution?

Invitation to Tender

Objective of bid evaluation at the Invitation to Tender Stage (ITT) is to assess bidders proposals for the project and identify a single Preferred Bidder (PB).

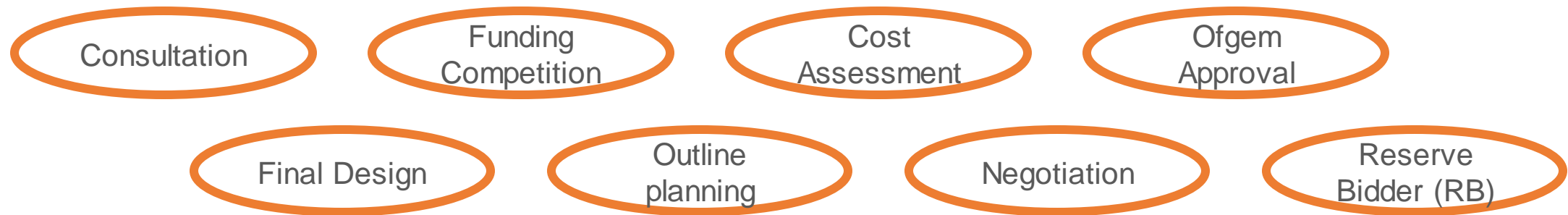
What are companies really competing on in an early competition and how should the tender be structured to reflect that? E.g. design, costs, innovation or cost of capital

| | | |
|------------------------------------|---|---|
| Stages | Should the process be split into multiple stages focussing at different elements? E.g. design, project costs, cost of capital? |  |
| Qualitative vs quantitative | Should the ITT be structured around the balance between qualitative and quantitative elements of the submission? |  |
| Governance | Should the evaluation of the tender be undertaken by a single party, multiple parties or Panel of different stakeholders? What is the role for public bodies? |  |
| Number of bidders | Is there an optimum number of bidders to maximise the optionality and potential for innovation? Costs to consumers will increase with bidder numbers. |  |
| Standardisation | Should every need/project that is tendered to the market follow the same process? |  |

Preferred Bidder

The Preferred Bidder (PB) stage is when a single bidder has been selected as the PB but there are a number of steps which may be undertaken at this stage (subject to procurement rules) before contract/ licence award.

What level of certainty/flexibility do bidders require during this stage and how can customer value be maximised?



- How should costs proposed during ITT be evaluated/set/adjusted?
- Would a PB stage funding competition provide better customer value? Would it provide better customer value in an early competition?
- What level of approval is required from Ofgem to give legitimacy to the process to support financing and to maintain customer value?
- Is a consultation required for all licences being awarded and what would be the scope of consultation?
- What sub-contracts and licence/contract negotiation could take place during the PB stage (if any)?
- Would bidders undertake further design work or consenting during the PB stage?
- Is a reserve bidder required? What would be the role of the RB?

Next steps

- If you have feedback or wish to discuss anything please get in touch

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- The slides and any notes from this session will be made available on our website
- We will be emailing a survey; please can you take the time to feedback on this session
- Our next milestone is the Early Competition Consultation Document which we expect to publish in July

