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# Long-term 2029 Contract Award Criteria

## Long-term 2029

Stability, Voltage and Restoration Services

Tender Assessment Methodology: EOI and ITT stages

NESO
National Energy System Operator

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# Contents

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## Purpose of this document and the ITT Pack

This document and the other documents that make up the ITT Pack have been provided in good faith. This document sets out the assessment criteria and methodology that will be followed to identify contracts for award as a result of this tender process. The purpose of these documents is to provide the market with information about the tender rules and requirements to enable market participants to make an informed tender submission as part of the ITT. This document has been updated accounting for feedback received through the consultation that was held prior to the Invitation to Tender (ITT). As a result, ITT documents may supersede earlier documents and/or information previously communicated during the EOI.

## Commercial Decisions

Any commercial decisions made by bidders to facilitate or support tender submissions, where they are not required as part of the tender criteria or other tender requirements, are made at the full discretion of the tender participant. Neither NESO nor any directors or employees of any such company shall be liable for any results of these commercial decisions and does not accept responsibility for any commercial decisions made by participants.

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# Version Control

| Version | Description | Date |
|---|---|---|
| **V1** | Initial publication at EOI stage of the Long-term 2029 tender. This document is subject to amends/updates at ITT stage to finalise the ITT assessment process and criteria. | 24 March 2025 |
| **V2** | Contract Award Criteria at ITT Stage of the Long-term 2029 tender. This version has been updated to finalise the assessment criteria at ITT Stage of the tender process. Specific clarifications have been made to Stage 3 about the financial health assessment. Specific clarifications have also been made to Stage 6 about the economic assessment process. | 16 July 2025 |
| **V3** | Updated version of the Contract Award Criteria published during the ITT Stage.<br><br>This version clarifies some details of Stage 6 about the economic assessment process following receipt of tender queries.<br><br>Updates/clarifications have been flagged by the 'V3' indicator. | 12 September 2025 |

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# Contract award strategy

The Long-term 2029 tender assessment will be conducted against the predetermined Contract Award Criteria as detailed in this document and in accordance with the Instructions to Tenderers document.

This document is applicable to both commercial participants and Network Owners (e.g. National Grid Electricity Transmission). This document should be read in conjunction with the rest of the tender documents with specific attention to the Instructions to Tenderers and the relevant submission documents.

The award of any Long-term 2029 contract(s) will be based on the most economically efficient combination of solutions to meet each of the services being procured through this tender, taking into consideration solutions submitted by both commercial participants and Network Owners where relevant, and the cost of purchasing Long-term 2029 services against the counterfactual of buying the same services through the Balancing Mechanism (BM) where relevant.

The award of the Long-term 2029 contract(s) will be made to the combination of Tenderer(s) whose solution(s) meet the technical requirements and all minimum threshold criteria for the service being procured and are subsequently identified as the most economic for each service being procured following the tender assessment.

**NESO may procure above, or below, the published target requirement for each service across each region according to the tender submissions received and the most economic action to take, at all times following the methodology set out in this document and other Long-term 2029 tender documents. NESO may choose to award to the most economic portfolio of solutions that meet more or less than the need, if this were deemed at NESO's sole discretion to be more economic than the combination that would meet 100% of the need.**

# Assessment process summary

Tender submissions received in response to NESO's EOI stage and subsequent ITT stage for Long-term 2029 shall be assessed by a designated team of evaluators who shall assess the solutions against the Contract Award Criteria and scoring methodology outlined in this document.

Detailed below is a summary of the criteria that will be considered and the assessment process that will be followed when awarding the Long-term 2029 contracts for each service, including a reference to the submission document that is applicable for each of the criteria.

**Expression of Interest Stage (Completed)**

*Table 1*

| Assessment Criteria | Assessment Method | Shortlisting Strategy | Applicable Document (s) |
|---|---|---|---|
| **Clear expression of interest** | Bidders must submit an expression of interest to be invited to ITT stage | Only bidders who submit an expression of interest will be invited to ITT stage | LT2029 EOI Submission Proforma |
| **Mandatory compliance requirements** | Pass/fail – must pass all pass/fail questions. | Submissions that do not meet any pass/fail questions will be rejected and will not be progressed to ITT stage. | LT2029 EOI Submission Proforma |

**ITT Stage (Current Stage)**

*Table 2*

| Stage No | Assessment criteria | Assessment method | Shortlisting strategy | Applicable submission document (s) |
|---|---|---|---|---|
| **0** | Initial compliance check | N/A – checking to ensure all submissions have been received in full. | Non-compliant submissions may be rejected at this stage. | *NESO will check that all required submission documents have been received in full.* |
| **1** | Eligibility criteria assessment | Pass/fail – must pass all pass/fail questions. | Submissions that do not meet any minimum pass/fail requirements will be rejected. | *LT2029 Eligibility Criteria Proforma* |
| **2** | Technical compliance assessment | Pass/fail – must pass all pass/fail questions for the service being bid for. | Submissions that do not meet any minimum pass/fail requirements for the service being bid for will be rejected. | ***Stability:***<br>*LT2029 Stability Technical Proforma and LT2029 Stability Feasibility Study Template*<br>***Voltage:***<br>*LT2029 Voltage Technical Proforma*<br>***ESR:***<br>*LT2029 ESR Feasibility Study Requirements and LT2029 ESR Technical Proforma* |
| **3** | Financial health assessment | Pass/fail - Must pass by satisfying requirements. | Submissions that do not meet any minimum pass/fail requirements will be rejected. | *LT2029 Commercial Proforma* |
| **4** | Project delivery criteria | Scored pass/fail questions. Must meet minimum pass threshold on all questions. | Submissions that do not meet any minimum pass/fail requirements will be rejected. | *LT2029 Project Delivery Proforma* |
| **5** | Terms and conditions | Pass/fail – must pass all pass/fail questions. | Submissions that do not meet any minimum pass/fail requirements will be rejected. | *LT2029 Contract PTMs Proforma* |
| **6** | Economic assessment | Must be identified as within economic portfolio of solutions for the service as result of the | This stage will be used to identify the most economically efficient portfolio of solutions for each service. | *LT2029 Commercial Proforma* |

| | |
|---|---|
| | economic assessment. |

*Please note that for timeline efficiency purposes NESO's assessment of stage 1 through 5 will be conducted in parallel.*

Throughout each stage listed in the assessment process above (EOI and ITT inclusive), where there is any ambiguity or an incomplete response, this may be clarified by NESO. Clarifications will be issued with a set response deadline. Bidders should make every effort to respond to clarifications on time. If more time is required, the bidder will first need to agree this with NESO. Tenderers should note that clarifications are only to clarify NESO's understanding of the tender or to clarify clear errors. They are **not** an opportunity to resubmit a response and should **not** be viewed as an extension of time.

For more details on the assessment methodology within each stage, please see the next sections of this document.

# Expression of Interest Stage (Completed)

## Clear Expression of Interest (Completed)

To be invited to the ITT stage, market participants must submit a clear expression of interest through the EOI submission pro-forma, confirming their company details. This information will not be assessed but this information must be provided in full for market participants to be invited to ITT stage. Expressions of interest must be received by the EOI deadline.

Within the EOI Submission proforma, there are several for information only questions that NESO have asked bidders to answer as part of their Expression of Interest.

### *Network Owners*

The STC process does not usually require Network Owners to express an interest before being requested by NESO to propose options for consideration through the usual STC processes. As Network Owners will be engaging with NESO through these same STC processes, Network Owners are **not** required to submit a formal expression of interest to be invited by NESO to propose counterfactual options. At EOI stage NESO will engage with Network Owners to confirm if they intend to submit options for NESO consideration at the ITT stage.

## Mandatory compliance requirements assessment methodology (Completed)

The mandatory due diligence and compliance questions will be evaluated using the scoring methodology outlined in this section.

*Table 3*

| Item | Question Type | Explanation/ Impact of Non-compliance |
|---|---|---|
| **1** | Pass/fail questions | Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected. |
| **2.** | For Information Only questions | The "For Information Only" questions are not scored but might be referred to when scoring pass/fail questions. |

### *Network Owners*

The STC process does not usually require Network Owners to complete these mandatory questions as Network Owners provide their options under regulated activities through their price control mechanisms, rather than through a commercial contract. As Network Owner solutions would be delivered in the same way for Long-term 2029, Network Owners are **not** required to complete these mandatory questions.

# Invitation to Tender Stage (Current Stage)

Note: Details of this section may have been updated following the EOI and consultation stage.

## Stage 1 Eligibility Criteria Assessment

Bidders are required to complete the generic eligibility criteria questions in the LT2029 Eligibility Criteria Proforma. This is a requirement regardless of which service a bidder is proposing a bid for.

The eligibility criteria questions will be evaluated using the scoring methodology outlined in this section. These criteria are generic and standard across all the services being procured. Bids made towards any service will be assessed against these criteria.

*Table 4*

| Item | Question Type | Explanation/ Impact of Non-compliance |
|---|---|---|
| **1** | Pass/fail questions | Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected. |
| **2** | For information only questions | The "For Information Only" questions are not scored. |

The specific pass/fail criteria for each question can be found in the LT2029 Eligibility Criteria Proforma.

NESO reserve the right to consider responses to for information only questions to inform the assessment of pass/fail questions.

For any Pass/Fail Questions that require a Yes/No response with supporting explanation or evidence, NESO will consider the full response to inform the assessment.

### *Assessment of Network Owners*

Network Owners will be required to complete some of the same questions as part of their proposals. These questions are mostly the same for Network Owners as commercial participants and will be assessed on the same pass/fail basis as outlined in the table above.

However, there may be some questions that are applicable to commercial participants only, and not applicable to Network Owners. These specific questions will be marked as 'Not Applicable' in the Network Owner Submission Document and therefore will not be assessed for Network Owners.

## Stage 2 Technical Compliance Assessment

This stage will be done on a service-by-service basis to ensure bids meet the technical requirements for each service being offered as part of a solution by a bidder.

Bidders who wish to bid in for multiple services through the same solution must complete the technical compliance questions for each service using the submission proformas provided at ITT stage.

### Stability Service Technical compliance assessment methodology

Bidders are required to complete the stability technical compliance questions in the LT2029 Stability Technical Proforma and return a completed LT2029 Feasibility Study Template.

The stability service technical compliance assessment is made up of two parts, section A) technical solution outline questions and section B) feasibility study questions. The stability service technical compliance questions (both section A and section B) will be evaluated using the scoring methodology outlined in this section.

*Table 5*

| Item | Question Type | Explanation/ Impact of Non-compliance |
|---|---|---|
| **1** | Pass/fail questions | Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected. |
| **2** | For information only questions | The "For Information Only" questions are not scored. |

The specific pass/fail criteria for each question can be found in the LT2029 Stability Technical Proforma.

NESO reserve the right to consider responses to for information only questions to inform the assessment of pass/fail questions.

For any Pass/Fail Questions that require a Yes/No response with supporting explanation or evidence, NESO will consider the full response to inform the assessment.

Tender participants must pass the technical compliance assessment questions in full.

**Please Note:**

- Bidders must complete all the relevant tests described in the Stability Feasibility Requirements document
- Bidders must complete both Section A and Section B of the Stability Technical Submission Proforma
- Any test results must be presented to NESO in a clear and concise report with clearly readable graphs and figures
- The feasibility report must be submitted using the template provided

For more details on the feasibility simulation requirements please refer to the Stability Feasibility Requirements document provided as part of the ITT Pack.

### *Assessment of Network Owners*

Network Owners will be required to complete some of the same technical compliance questions as part of their proposals. These questions will be mostly the same for Network Owners as commercial participants and will be assessed on the same pass/fail basis as outlined in above.

However, there may be some technical compliance questions that are applicable to commercial participants only, and not applicable to Network Owners. These specific questions will be marked as 'Not Applicable' in the Network Owner Submission Document and therefore will not be assessed for Network Owners.

## Reactive Power Service Technical compliance assessment methodology

Bidders are required to complete the reactive power technical compliance questions in the LT2029 Voltage Technical Proforma.

The reactive power service technical compliance questions will be evaluated using the scoring methodology outlined in this section.

*Table 6*

| Item | Question Type | Explanation/ Impact of Non-compliance |
|---|---|---|
| **1** | Pass/fail questions | Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected. |
| **2** | For information only questions | The "For Information Only" questions are not scored. |

The specific pass/fail criteria for each question can be found in the LT2029 Voltage Technical Proforma.

NESO reserve the right to consider responses to for information only questions to inform the assessment of pass/fail questions.

For any Pass/Fail Questions that require a Yes/No response with supporting explanation or evidence, NESO will consider the full response to inform the assessment.

### *Assessment of Network Owners*

Network Owners will be required to complete some of the same technical compliance questions as part of their proposals. These questions will be mostly the same for Network Owners as commercial participants and will be assessed on the same pass/fail basis as outlined in above.

However, there may be some technical compliance questions that are applicable to commercial participants only, and not applicable to Network Owners. These specific questions will be marked as 'Not Applicable' in the Network Owner SRF Submission Document and therefore will not be assessed for Network Owners.

## Restoration Service Technical compliance assessment methodology

The restoration service technical compliance assessment is made up of two parts:

- Part A) ESR feasibility questions
- Part B) ESR Technical Capability assessment questions.

The restoration service technical compliance questions will be evaluated using the scoring methodology outlined in this section.

### Part A: Feasibility Questions

For Part A, Bidders are required to complete the restoration feasibility questions in the LT2029 ESR Feasibility Study Requirements document.

#### *Assessment criteria*

NESO will review the responses to these questions to validate the feasibility of the proposed restoration service. If the feasibility of the proposed project is satisfactory to NESO upon review of the responses it will be proposed to assessment of Part B questions. If the feasibility of the proposed project is not satisfactory to NESO it will not be progressed further.

*Table 7*

| Criteria | Description |
|---|---|
| **Feasibility is satisfactory** | The feasibility report submitted is clear, unambiguous and sufficiently detailed to demonstrate ESR capability. Where required full descriptions, diagrams, graphics and tables have been provided.<br>The response leaves NESO confident, with little to no concerns, about how the ESR service would be provided. |
| **Feasibility is not satisfactory** | No feasibility report submitted, or the feasibility report submitted is not sufficient to demonstrate ESR. There is a lack of evidence submitted where diagrams, graphics or tables were required. Response leaves NESO with significant concerns about how the ESR service would be provided. |

### Part B: Capability Assessment Questions

For Part B, Bidders are required to complete the restoration capability questions in the LT2029 ESR Restoration Technical Proforma.

*Summary of criteria used*

*Table 8*

| Item | Question Type | Explanation/ Impact of Non-compliance |
|---|---|---|
| **1** | Pass/fail questions | Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected. |
| **2** | Scored questions | See tables below for how the restoration criteria will be scored. |
| **3** | For information only questions | The "For Information Only" questions are not scored. |

The minimum criteria / pass/fail criteria for each question can be found in the LT2029 ESR Restoration Technical Proforma.

NESO reserve the right to consider responses to for information only questions to inform the assessment of pass/fail questions.

For any Pass/Fail Questions that require a Yes/No response with supporting explanation or evidence, NESO will consider the full response to inform the assessment.

### *Assessment criteria for Anchor (Primary) Generator Service*

*Table 9*

| Item | Topic | Assessment criteria | Score Weighting |
|---|---|---|---|
| **1** | Minimum requirements | Pass/Fail | Pass/Fail |
| **2** | Connection to Network | Scored / 8% | 8% |
| **3** | Time to Connect | Scored / 5% | 5% |
| **4** | Service Availability | Scored / 10% | 10% |
| **5** | Resilience of Supply | Scored / 20% | 20% |
| **6** | Block Loading Size | Scored / 10% | 10% |
| **7** | Power Output | Scored / 25% | 25% |
| **8** | Contribution to System Stability | Scored / 12% | 12% |
| **9** | Contribution to Restoration Time | Scored / 10% | 10% |

The score achieved out of 100% will be prorated into a score out of 50%: *Score out of 100% * 50%*

### *Assessment criteria for Top-Up Service*

*Table 10*

| Item | Topic | Assessment criteria | Score Weighting |
|---|---|---|---|
| **1** | Minimum requirements | Pass/Fail | Pass/Fail |
| **2** | Connection to Network | Scored / 8% | 8% |
| **3** | Resilience | Scored / 20% | 20% |
| **4** | Resilience of Supply | Scored / 15% | 15% |
| **5** | Service Availability | Scored / 10% | 10% |
| **6** | Block Loading Size (Optional) | Scored / 10% | 10% |
| **7** | Reactive Power Output (Optional) | Scored / 25% | 25% |

| | | | |
|---|---|---|---|
| **8** | Contribution to System Stability (Optional) | Scored / 12% | 12% |

The score achieved out of 100% will be prorated into a score out of 50%: *Score out of 100% * 50%*

See the next section for how each topic will be scored.

### *Scoring Criteria Details: Anchor (Primary) Generator Service*

**Connection to Network: Max Score available 8%**

The point at, and way in, which a potential contracted provider is connected has an impact on the speed of restoration.

Where a contracted Restoration Service Provider has more than one connection onto the Network, that increases the likelihood of availability of that specific Service Provider under a full or partial National Power Outage event. As such, the following scoring criteria will be used. Note: Resilience is also affected by geographical locations, and diversification of technologies.

*Table 11*

| | | Score (%) |
|---|---|---|
| **Connection to the Network (8%)** | Multiple connections to the Network | 4 |
| | Single connection to the Network | 0 |
| | Other contracted Service Provider(s) in the same Substation? (NO = 4, YES = 0) | 4 |

**Time to Connect: Max score available 5%**

Contracted providers with the ability to self-start will have different challenges to Start-Up and will be able to contribute to Restoration at different stages.

*Table 12*

| | | | Score (%) |
|---|---|---|---|
| **Time to Connect (5%)** | Phase 1 | 0h < t ≤ 2h | 5 |
| | Phase 2 | 2h < t ≤ 24h | 2 |
| | Phase 3 | 24h < t ≤ 72h | 1 |

**Service Availability: Max score available is 10%**

Contracted Restoration Service Providers are expected to have a high restoration service availability so that they can be relied upon in the instance of a Total or Partial shutdown, which could happen at any time.

*Table 13*

| | | Score (%) |
|---|---|---|
| **Service Availability (10%)** | 80% ≤ SA <85% | 2 |
| | 85% ≤ SA <90% | 6 |
| | SA ≥ 90% | 10 |

**Resilience of Supply: Max available score 20%**

After a shutdown NESO will work to restore demand as quickly as possible. Returning to a normal system operation will not resume for a while after the event, so the ability of contracted Restoration Service Providers to contribute to different stages of Restoration will be valued.

*Table 14*

| | Time (hours) | Score (%) |
|---|---|---|
| **Restoration Service at Contracted Output** | 10 ≤ t < 24 | 2 |
| | 24 ≤ t < 72 | 6 |
| | 72 ≤ t < 120 | 10 |
| | t ≥ 120 | 15 |

*Table 15*

| | Time (hours) | Score (%) |
|---|---|---|
| **Electricity System Restoration Auxiliary Unit(s)** | 72 ≤ t < 120 | 2 |
| | t >=120 | 5 |

**Block Loading: Max score available 10%**

Blocks of bigger size will require less switching and will contribute to speed up Restoration.

*Table 16*

| | | Score (%) |
|---|---|---|
| **Block Loading Size (10%)** | 10 ≤ BLS <15 | 2 |
| | 15 ≤ BLS <20 | 6 |
| | BLS ≥ 20 | 10 |

**Power Output: Max score available 25%**

A higher active and reactive capability will support a faster restoration.

*Table 17*

| | MVAr | Score (%) |
|---|---|---|
| **Reactive Capability (10%) (MVAr > 0, MW = 0)** | 50 ≤ RC < 100 | 2 |
| | 100 ≤ RC < 150 | 6 |
| | RC ≥ 150 | 10 |

*Table 18*

| | MW | Score (%) |
|---|---|---|
| **Active Power Capability (15%)** | 50 < P ≤ 100 | 2 |
| | 100 < P ≤ 200 | 6 |
| | 200 < P ≤ 350 | 10 |
| | P > 350 | 15 |

**Contribution to System Stability: Max score available 12%**

Throughout restoration and particularly during block loading, contracted Restoration Service Providers will need to manage and be able to withstand larger frequency deviations than normal within their power island (47.5Hz – 52Hz). Providers that can contribute to inertia of the power island will reduce the risk of trips/restarts. Also, throughout restoration, the higher the Short-Circuit Level the more robustly voltage and voltage angle movement will be contained across larger network and load energisation, allowing a power island to be developed faster.

### Short-Circuit Level

**t≤80ms following the start of a system disturbance where U≡ connection voltage [kV]**

*Table 19*

| kA | Score (%) |
|---|---|
| $I \geq \frac{240\ [MVA]}{\sqrt{3} \cdot U}$ | 2 |
| $I \geq \frac{360\ [MVA]}{\sqrt{3} \cdot U}$ | 3 |
| $I \geq \frac{480\ [MVA]}{\sqrt{3} \cdot U}$ | 4 |

**>80ms following the start of a system disturbance where U≡ connection voltage [kV]**

*Table 20*

| kA | Score (%) |
|---|---|
| $I \geq \frac{100\ [MVA]}{\sqrt{3} \cdot U}$ | 1 |
| $I \geq \frac{150\ [MVA]}{\sqrt{3} \cdot U}$ | 2 |
| $I \geq \frac{200\ [MVA]}{\sqrt{3} \cdot U}$ | 3 |

### Contribution to Inertia

*Table 21*

| | MVA.s | Score (%) |
|---|---|---|
| Inertia | 400 ≤ Inertia < 800 | 1 |
| | 800 ≤ Inertia < 1200 | 3 |
| | Inertia ≥ 1200 | 5 |

**Contribution to Restoration Time: Max score available 10%**

NESO's plan, as defined under the current Strategy, is to achieve an average Restoration Time across the year of 24 hours to restore 60% of national demand. To assess that Restoration Time a model has been developed by NESO (validated by DESNZ (formerly BEIS) and Ofgem) and is the tool used to monitor Restoration performance.

By end 2026, NESO will be obligated to meet the future Electricity System Restoration Standard (ESRS) target to restore 60% of regional demand within 24 hours and 100% within 5 days.

NESO is considering further developments in the model to accommodate individual contributions from contracted Service Providers to Zonal Restoration Times.

Anchor Generator (Primary/Full) Restoration Service Providers: 10%

### *Scoring Criteria Details: Top-Up Service*

**Connection to Network: Max Score available 8%**

The point at, and way in, which a potential contracted provider is connected has an impact on the speed of restoration.

Where a contracted Restoration Service Provider has more than one connection onto the Network, that increases the likelihood of availability of that specific Service Provider under a full or partial National Power Outage event. As such, the following scoring criteria will be used.

Note: Resilience is also affected by geographical locations, and diversification of technologies.

*Table 22*

| | | Score (%) |
|---|---|---|
| **Connection to the Network (8%)** | Multiple connections to the Network | 4 |
| | Single connection to the Network | 0 |
| | Other contracted Service Provider(s) in the same Substation? (NO = 4, YES = 0) | 4 |

**Resilience: Max score available 20%**

Ability to maintain a state of readiness that will enable the Restoration Service Provider, once external electrical supplies are re-established, to receive an instruction from NESO and Start-Up in alignment with the expected behaviour under normal operating conditions.

*Table 23*

| | | Score (%) |
|---|---|---|
| **Resilience (20%)** | 72h ≤ t < 96h | 10 |
| | 96h ≤ t < 120h | 20 |

**Resilience of Supply: Max score available 15%**

After a shutdown NESO will work to restore demand as quickly as possible. Returning to a normal system operation will not resume for a while after the event, so the ability of contracted Restoration Service Providers to contribute to different stages of Restoration will be valued.

*Table 24*

| | Time (hours) | Score (%) |
|---|---|---|
| **Restoration Service at Contracted Output (15%)** | 10 ≤ t < 24 | 2 |
| | 24 ≤ t < 72 | 6 |
| | 72 ≤ t < 120 | 10 |
| | t ≥ 120 | 15 |

**Service Availability: Max score available 10%**

Contracted Restoration Service Providers are expected to have a high restoration service availability so that they can be relied upon in the instance of a Total or Partial shutdown, which could happen at any time.

*Table 25*

| | | Score (%) |
|---|---|---|
| **Service Availability (10%)** | 80% ≤ SA <85% | 2 |
| | 85% ≤ SA <90% | 6 |
| | SA ≥ 90% | 10 |

**Block Loading: Max score available 10% (Optional)**

Blocks of bigger size will require less switching and will contribute to speed up Restoration.

*Table 26*

| | | Score (%) |
|---|---|---|
| **Block Loading Size (10%)** | 10 ≤ BLS <15 | 2 |
| | 15 ≤ BLS <20 | 6 |
| | BLS ≥ 20 | 10 |

**Reactive Power Output: Max score available 25%**

A higher reactive capability will support a faster restoration.

*Table 27*

| | MVAr | Score (%) |
|---|---|---|
| **Reactive Capability (25%) (MVAr > 0, MW = 0)** | 50 ≤ RC < 100 | 5 |
| | 100 ≤ RC < 150 | 15 |
| | RC ≥ 150 | 25 |

**Contribution to System Stability: Max score available 12%**

Throughout restoration and particularly during block loading, contracted Restoration Service Providers will need to manage and be able to withstand larger frequency deviations than normal within their power island (47.5Hz – 52Hz). Providers that can contribute to inertia of the power island will reduce the risk of trips/restarts. Also, throughout restoration, the higher the Short-Circuit Level the more robustly voltage and voltage angle movement will be contained across larger network and load energisation, allowing a power island to be developed faster.

**Short-Circuit Level**

**t≤80ms following the start of a system disturbance where U≡ connection voltage [kV]**

*Table 28*

| kA | Score (%) |
|---|---|
| $I \geq \frac{240\ [MVA]}{\sqrt{3} \cdot U}$ | 2 |
| $I \geq \frac{360\ [MVA]}{\sqrt{3} \cdot U}$ | 3 |
| $I \geq \frac{480\ [MVA]}{\sqrt{3} \cdot U}$ | 4 |

**>80ms following the start of a system disturbance where U≡ connection voltage [kV]**

*Table 29*

| kA | Score (%) |
|---|---|
| $I \geq \frac{100\ [MVA]}{\sqrt{3} \cdot U}$ | 1 |
| $I \geq \frac{150\ [MVA]}{\sqrt{3} \cdot U}$ | 2 |
| $I \geq \frac{200\ [MVA]}{\sqrt{3} \cdot U}$ | 3 |

### Contribution to Inertia

*Table 30*

| | MVA.s | Score (%) |
|---|---|---|
| Inertia | 400 ≤ Inertia < 800 | 1 |
| | 800 ≤ Inertia < 1200 | 3 |
| | Inertia ≥ 1200 | 5 |

### *Assessment of Network Owners*

Network Owner proposals are not considered when procuring restoration services.

## Stage 3 Financial Health Assessment

This stage will focus on the financial health assessment of Bidders. Bidders are required to complete the financial health tab in the LT2029 Commercial Proforma.

This financial health assessment is generic and standard across all services being procured. It will be assessed on a bidding company basis rather than a solution basis. All bidders will be assessed against these criteria irrespective of the services they bid in for.

The financial health assessment is made up of the following parts:

1. Financial ratio analysis.
2. Dun & Bradstreet analysis.
3. Turnover to contract value analysis.
4. Security provision and credit check of guarantor providing the security.

Each part will be assessed using the methodology outlined below.

Please note that for parts 1 and 3 listed above, Bidders are required to provide the most recent 3 years of their financial information. Then through a combination of built-in formulas and population by NESO, this produces scores for parts 1 through 3 which together provide a financial health score. More details on how this is done are explained below.

**V2 Clarification**: The financial health tab should be completed with the financial information of the bidding entity/contracting entity that would deliver the contracts being proposed. Bidders can also provide the financial information of their parent company for Parts 1 through 3, but this should be submitted in addition to having provided the financial information for the bidding entity/contracting entity. Where Bidder's do provide their parent company financial information in addition to their own, NESO reserves the right to assess the submission considering the financial health of all parties. **(V3: Typo Correction)**

- **V2 Clarification:** Please note, where parent company financial information is provided, this will also be assessed in line with Parts 1 through 3 detailed below as equally as it will be for the Bidder's own financial information.

*Part 1 Financial ratio analysis*

Using the three years' financial information provided by Tenderers, NESO will assess the following financial ratios:

*Table 31*

| Ratio | Formula | Maximum Available Score* |
|---|---|---|
| Gross Margin Ratio | Gross Profit / Sales | 6 |
| Profit Margin Ratio | Net Profit / Sales | 12 |
| Asset Turnover Ratio | Sales / Total Assets | 6 |
| Current Assets Ratio | Current Assets / Current Liabilities | 10 |
| Debt to Assets Ratio | Total Debt / Total Assets | 6 |
| **Total Available Score** | | **40** |

**Please refer to the Financial Health tab in the Commercial Submission document if you wish to view the formulas used to convert ratios into a score out of the maximum available score. Please note these formulas are built into the Commercial Submission document and should not be edited.*

Liability/ debt values should be inserted as positive figures, not negative figures. Any losses (e.g. net profit) should still be inserted as a negative figure.

Financial information should be provided in full **to the nearest pound £ (GBP Sterling)**. Financial information should not be provided in the thousands, or millions.

If three years of financial information cannot be provided, for example if only one or two years are provided due to company age, the outturn ratio will default to 0 for the years where information cannot be provided.

*Part 2 Dun & Bradstreet analysis*

Within one month after the tender submission deadline, NESO will assess Dun & Bradstreet Failure and Delinquency Scores for the Tenderer. This will be done using Dun & Bradstreet and a prorated analysis. The following formula will be used: Dun & Bradstreet Score / 100 * Maximum Available Score

*Table 32*

| Dun & Bradstreet Score | Max Dun & Bradstreet Available Score | Maximum Available Score |
|---|---|---|
| Company Failure Score | 100 | 30 |
| Company Delinquency Score | 100 | 15 |

*Please note these formulas are built into the Commercial Submission document and should not be edited.*

Where Dun & Bradstreet Failure and Delinquency scores are not available, NESO will use the Dun & Bradstreet PAYDEX score as an alternative. This will be scored with the same weighting as the Failure and Delinquency Score combined. If a PAYDEX score is not available, then the default score used for the assessment will be 0.

*Part 3 Turnover analysis*

NESO will assess the indicative annual contract value as a percentage of annual turnover.

The following formula will be used:

- Indicative annual contract value / Tenderer's provided annual turnover * 100.
  - This formula will be repeated three times for each FY to calculate an average percentage.
  - The average percentage will be scored based on the table below.
- For reference the indicative annual contract value will be calculated by NESO upon receipt of bids based on the following formula:
  - ((Settlement periods per year (17,520) * the average of the £/SP prices submitted by a participant within their commercial submission) * the maximum number of solutions being offered independently of one another by a bidder)
- If three years of financial information cannot be provided, for example if only one or two years are provided due to company age, the assessment will default the turnover analysis to 100% for those years.

*Table 33*

| Criteria | Maximum Available Score |
|---|---|
| If contract value is 0-50% of annual turnover | 15 |
| If contract value if 51-70% of annual turnover | 10 |
| If contract value is 71-90% of annual turnover | 5 |
| If contract value is 90% or more of annual turnover | 0 |

*Please note formulas are built into the Commercial Submission document and must not be edited.*

The scores achieved across these three parts will be combined to identify a score out of a 100 based on the summary shown below. **Please note that the overall financial health score will not be identified until NESO populate the D&B analysis section of the financial health assessment, upon the return of tender submissions.**

*Table 34*

| Criteria | Maximum Available Score |
|---|---|
| Gross margin ratio | 6 |
| Profit margin ratio | 12 |
| Asset turnover ratio | 6 |
| Current assets ratio | 10 |
| Debt to assets ratio | 6 |
| D&B failure score | 30 |
| D&B delinquency score | 15 |
| Contract value as % of turnover | 15 |
| **Total** | **100** |

*Part 4 Securities provision and credit check of guarantor providing the security*

Bidders must confirm they will provide an Acceptable Security in line with the tender rules and contractual requirements.

The questions within Part 4 of the financial health assessment will be evaluated using the scoring methodology outlined in the table below.

*Table 35*

| Item | Question Type | Explanation/ Impact of Non-compliance |
|---|---|---|
| **1** | Pass/fail questions | Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected. |
| **2** | For information only questions | The "For Information Only" questions are not scored. |

The specific pass/fail criteria for each question can be found in the LT2029 Commercial Proforma.

NESO reserve the right to consider responses to for information only questions to inform the assessment of pass/fail questions.

This part of the financial health assessment asks Tenderers to:

- Confirm they will provide an Acceptable Security in line with the tender rules and contractual requirements.
- Confirm which form of Acceptable Security they will be providing (e.g., a Parent Company Guarantee, Cash in Escrow).
- Provide a draft version of the chosen Acceptable Security to ensure it is acceptable to NESO.
    - Where relevant confirm that the type of security is based on the NESO template
- Confirm the details of the guarantor company (Company Name, Company Registration Number) who will be providing the Acceptable Security.
    - For example, where a PCG is being provided, the details of the parent company would be provided. Alternatively, where a Performance Bond or Letter of Credit is being provided through a Rated Bank, the details of the Rated Bank would be provided.

Based on this information, NESO will conduct a pass/fail assessment, including a check that the guarantor providing the Acceptable Security (e.g., parent company, Rated Bank) has an acceptable credit rating based on the list below.

- A- Standard and Poor's (S&P) long-term rating; or
- A3 Moody's long-term rating.

Should the guarantor company providing of the Acceptable Security (e.g., parent company, Rated Bank) not have an acceptable credit rating for either S&P or Moody's then NESO reserve the right to either:

- Accept an alternative credit rating that is deemed equivalent to the listed credit ratings above.
- Request the security is provided by an alternative provider that meets the acceptable credit ratings. If the Tenderer does not agree to do so, NESO shall consider this a 'fail'.
- Accept a lower rating at NESO discretion on a case-by-case basis subject to performance on other aspects of the financial health check and perceived level of risk associated with the bid.
- Accept a lower rating or lack of rating at NESO discretion if the form of security being provided is Cash in Escrow, subject to performance on other aspects of the financial health check and perceived level of risk associated with the bid.

*Financial health assessment summary*

The score out of 100 from parts 1 through 3 combined with the pass/fail assessment of part 4 will define whether the financial health assessment has met the requirements set out below.

*Table 36*

| Result | Description | Comments |
|---|---|---|
| **Pass** | Scores 50+ out of 100 across parts 1 through 3. Satisfies the pass/fail requirements of part 4. | Tenderer has satisfied the requirements of the financial health check in full and will progress to the next stage of the assessment. **V2 Clarification:** Where parent company information is provided, NESO reserves the right to consider this when assessing bids. |
| **Subject to Review** | Scores between 0-49 across parts 1 through 3. Satisfies the pass/fail requirements of part 4. | If Part 4 has been passed, then the Tenderer will typically be allowed to pass by NESO (subject to the below). NESO may explore the reasons for the lower score out of 100. NESO reserve the right to retain or remove tenderer from tender process as result of these findings. **V2 Clarification:** Where parent company information is provided, NESO reserves the right to consider this when assessing bids. |
| **Fail** | Scores between 0-100 across parts 1 through 3. Fails to meet the pass/fail requirements of part 4. | Tenderer has failed to satisfy the financial health requirements and will not be considered in the economic assessment. **V2 Clarification:** Where parent company information is provided, NESO reserves the right to consider this when assessing bids. |

**Notes on the Financial Health Assessment**

- **V2 Clarification**: Where Bidders do provide the financial information for their parent company and are passed on the basis of their parent's financial health, then the form of Security that should be provided is either: 1) a parent company guarantee (PCG), or alternatively 2) Cash in Escrow from a third-party lender where sufficient funds can be demonstrated.
- **V2 Clarification:** Where bidders wish to provide a PCG as their security, these bidders should provide the financial information for the parent company in addition to their own financial information.
- **V2 Clarification:** Where a parent company is tendering on behalf of multiple subsidiaries or SPVs, the parent company should provide their own financial information as well as the financial information of the subsidiaries/SPVs that would rely upon them as the guarantor.
- **V2 Clarification:** If tenderers elect to provide parent company financial information and offer a PCG, upon review of the parent company's financial information, NESO reserves the right to request alternative form of Security (i.e. performance bond, letter of credit) if the parent company's finances or credit check result is not acceptable to NESO during the tender assessment.
    - This equally applies where cash in escrow is the form of security offered by a bidder relying on their parent company information, should the financial status of the company providing the security not be acceptable to NESO during the tender assessment process.
- If the Tenderer does not agree to provide the alternative form of Security, NESO shall consider this a 'fail'.

- **V2 Clarification:** For Tenderers who do not have a parent company and intend to provide an alternative form of Acceptable Security as defined by the contract, such as a performance bond, then the bidding entity/contracting entity information should still be provided.
- These Tenderers should confirm the form of Security they are providing within the Financial Health Assessment proforma.
- NESO reserves the right to review the details of the security and request amendments/variations or an alternative form of Acceptable Security. If the Tenderer does not agree to a form of security that is acceptable to NESO, then NESO would consider this a 'fail' and the submission would be removed from the tender process.

- Should a bidder not provide the most recent three years of financial information as required, NESO retain the right to clarify why, and considering the rationale provided by the bidder, reject or retain the bidder.

If you have any queries about what financial information to provide for your company, please contact NESO through the query process.

### *Assessment of Network Owners*

The STC process does not usually require a financial health assessment as Network Owners provide these options under regulated activities through their price control mechanisms, rather than through a commercial contract. As Network Owner solutions would be delivered in the same way for Long-term 2029, Network Owners are **not** required to complete this Stage of the assessment process.

## Stage 4 Project Delivery Criteria

Bidders are required to complete the project delivery criteria questions in the LT2029 Project Delivery Proforma.

The project delivery criteria will be evaluated using the scoring methodology outlined in this section. NESO reserve the right to consider all information provided by the bidder in their tender submission when scoring these questions.

The table below summarises the different types of assessment methodology used to assess project delivery capability.

*Table 37*

| Item | Question Type | Explanation/ Impact of Non-Compliance |
|---|---|---|
| **1** | Scored pass/fail questions.<br>These questions give an overall score with a minimum set pass/fail threshold for each individual question. | These questions will be awarded a score using the scoring range detailed in **Table 38** considering the requirements set out for each project delivery question in **Table 39**.<br>**The minimum pass/fail threshold must be satisfied for each question.**<br>Submissions that do not meet any minimum pass/fail requirements will be rejected. |

*Table 38*

| Score | Criteria | Detail for awarding score |
|---|---|---|
| **0** | Unsatisfactory / Fail | Unsatisfactory response. The response is unacceptable and fails to demonstrate the requirements. The response does not answer the question, no response is provided and/or lacks sufficient detail in certain areas giving NESO low confidence that the requirements would be met. |
| **1** | Satisfactory / Acceptable | Response is satisfactory. The response demonstrates that nearly all the requirements are met to an acceptable level. Evidence is sufficient but there are some areas where there is a lack of detail or evidence with regards to the requirements of the question. Response gives NESO reasonable confidence that most of the requirements will be met. |
| **2** | Good | Response is good. The response is full and descriptive, meeting all the set-out requirements with one or two minor reservations. The response gives NESO a higher level of confidence that all the requirements are met. |
| **3** | Excellent | Response is excellent. The response is comprehensive, unambiguous and demonstrates a thorough understanding of the requirements. The response exceeds the requirement in some or all areas. The response gives NESO very high confidence that the requirements will be met in full. There are no reservations. |

The minimum pass score for each question is detailed in the LT2029 Project Delivery Proforma.

The table below outlines the requirements for each project delivery question that will be considered when scoring the project delivery criteria.

*Table 39*

| Question | Requirements |
|---|---|
| **Project Management** | • Evidence of the project management tools that will be used to support the successful delivery of the project.<br>• Demonstration of an internal and external meeting cadence that enables the bidder to meet the basic contractual reporting requirements on project delivery progress (i.e., ensures the impact of project delivery timescales will be minimised).<br>• Evidence of a clear governance and reporting structure that demonstrates issues will be identified and escalated in a timely manner to appropriate persons/positions which have the authority to agree an action plan to resolve issues (depending on their nature) and that NESO will be kept appropriately informed throughout so that it is aware of issues and resolution plans/progress.<br>• Explanation of the project team that will be used to deliver this project, their credentials and experience and how the bidder will maintain sufficient credentials and training through the life of the project where appropriate. Personally identifiable information is not necessary such that the credentials, experience and training is demonstrable.<br>• Explanation of lessons learnt from previous experiences and how these will be applied. |
| **Risk Management** | • A robust explanation of the risk identification and management process that will be used whilst delivering the project<br>• Evidence of risk management tools that will be used whilst delivering the project<br>• An explanation of how risk mitigation actions are monitored<br>• An explanation of how NESO will be kept appropriately informed of risks and mitigations<br>• Explicit explanation of the project-specific risks (at the time of tender submission) related to, as a minimum, the following areas: 1) Land & planning, 2) Project financing, 3) Procurement & supply chains, 4) Build, construction, and commissioning.<br>• Explicit explanation of the risk mitigations that are or will be in place in relation to the risks identified, as a minimum, in the following areas: 1) Land & planning, 2) Project financing, 3) Procurement & supply chains, 4) Build, construction, and commissioning.<br>• Explanation of lessons learnt from previous experiences and how these will be applied. |
| **Finance** | • An evidenced plan for how the project will be funded.<br>• A clear explanation of the actions to be taken to secure the funding.<br>• Clear explanation of the dependencies within this plan and how these will be managed.<br>• Identification of any third parties who will be providing any funding.<br>• Evidence of letter of support/in-principal agreement from investment committees/board that is specific to (or at least would include) the proposed solution.<br>• Exceeding the requirements could be shown by evidencing that funds have already been secured with little to no dependencies to access project funding.<br>• Explanation of lessons learnt from previous experiences and how these will be applied. |
| **Sourcing & Supply Chain** | • Explanation of the sourcing process to be followed, which should follow recognised industry practice for sourcing/procurement of this nature.<br>• Explanation of how contracts will be managed which should follow any recognised contract management best practice.<br>• Explanation of the mechanisms that will be leveraged in supply chain contracts to ensure timely delivery of the proposed solution (for example: delivery incentives, delay damages)<br>• Explanation of any existing contractual relationships that might be in place.<br>• Explanation of whether and how local supply chain organisations or small-medium enterprises (SMEs) are engaged and used<br>• Outline of the plan to secure OEM factory slots on a timely basis (if not already secured). |

| | |
|---|---|
| | • A robust plan for co-ordinating the logistics of delivery of equipment and services.<br>• An explanation of how equipment delivery / service provision by sub-contractors may impact the wider delivery programme and how this will be managed.<br>• Identification of the long-lead items for the proposed solution, with an explanation of how the procurement and delivery of these will be carried out to ensure timely delivery of the solution<br>• Exceeding the requirements could be shown by evidencing that all supply chain contracts are in place with orders made and factory slots secured.<br>• Exceeding the requirements could be shown by evidencing any mechanisms already in place in supply chain contracts to ensure timely delivery of the proposed solution<br>• Explanation of lessons learnt from previous experiences and how these will be applied. |
| **Land, Planning & Associated Permissions** | • Explanation of the end-to-end process to be followed to secure land. Responses should provide an explanation for both the land for the location of the proposed solution and the cabling required between location of the asset and the connection point.<br>• Identification of any dependencies to secure land and an explanation of how these will be satisfied<br>• A robust plan for securing the required development rights or planning permissions<br>• A robust plan for securing any cable easements or similar<br>• An explanation of any consideration made towards other site constraints and how these will be managed if required (for example: height restrictions)<br>• Explanation of any other easements or permissions required to enable the solution<br>• Explanation of any efforts already made to commence this process and associated outcomes.<br>• Explanation of lessons learnt from previous experiences and how these will be applied to the process for securing land/ development rights and planning permissions/ cable routing.<br>• Exceeding the requirements would be shown by evidencing any already existing/ already secured land rights/ land ownership, associated planning permissions and/or permitted development rights. |

**Note:** The project delivery questions each have a page limit. These limits are detailed in the Project Delivery Proforma. These limits must be adhered to. Any response more than the maximum page limit may only be considered up to the limit that was set, any detail beyond this may not be considered.

### Adjustment Factor

For the project delivery criteria there is the opportunity for Tenderers to exceed the 'satisfactory' threshold by scoring a 2 or 3. Tenderers who score a 2 or 3 on these questions will be recognised through a 'price adjustment factor'.

The adjustment factor will be applied on a question-by-question basis, as well as a service-by-service basis. It will be calculated using the following formula:

Bidder's submitted £/SP * 48 SPs per day * Day Weighting

This formula will be applied for each service a bidder has submitted a solution for using the availability £/SP submitted for each service. For example, if a bidder submits the same solution in for the stability and the voltage service, the above formula would be calculated twice, firstly using the stability £/SP fee then secondly using the voltage £/SP fee. See Stage 6 for how it will then be considered in the economic optimisation process.

Please see the table below for details on the day weighting that will be applied for each score that could be achieved on each scored pass/fail question.

*Table 40*

| Question | Score | Day Weighting Applied | Score | Day Weighting Applied | Score | Day Weighting Applied | Score | Day Weighting Applied |
|---|---|---|---|---|---|---|---|---|
| **Project Mgmt.** | 0 | None, question failed | 1 | None, question passed. | 2 | 7.5 days | 3 | 15 days |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Risk Mgmt.** | 0 | None, question failed | 1 | None, question passed | 2 | 7.5 days | 3 | 15 days |
| **Finance** | 0 | None, question failed | 1 | None, question passed | 2 | 25 days | 3 | 50 days |
| **Sourcing & Supply Chain** | 0 | None, question failed | 1 | None, question passed | 2 | 22.5 days | 3 | 45 days |
| **Land, Planning & Associated Permissions** | 0 | None, question failed | 1 | None, question passed | 2 | 27.5 days | 3 | 55 days |

The higher the score for each of the scored questions, the lower the perceived risk of delivery delays for NESO. Lower risk of delays has a material benefit to NESO, as it reduces the risk of needing to trigger alternative actions to address the requirement during any period of delay. As such, Tenderers that can demonstrate higher scores for the scored pass/fail questions will receive the 'price adjustment factor'.

The adjustment size applied to each question through the "day weighting" reflects NESO's perception of the impact and likelihood of delays materialising due to issues related to the topic each question seeks to address. A score of '3' is lower in risk than a score of '2' and as such the adjustment for a '3' is greater than for a '2'.

### Application of the Adjustment Factor

The effect of this price adjustment factor will be to reduce the contract price that is assessed for the purposes of Stage 6 Economic Assessment only, to reflect the value to NESO of the reduced risk.

The total adjustment that a Tenderer benefits from by scoring 2 or 3 is applied as a discount to their solution price for each service that they have submitted for, for the purposes of the Economic Assessment only. Thereby including the benefit of attaining a 2 or a 3 in these questions in NESO's evaluation and identification of the most economically efficient tender(s).

**Reminder:** The adjustment factor formula will be applied for each service a bidder has submitted a solution in for using the availability £/SP submitted for each service. For example, if a bidder submits a solution in for the stability and the voltage service, the above formula would be calculated twice, firstly using the stability £/SP fee then secondly using the voltage £/SP fee.

Worked Example (illustrative purposes only)

- Price offered by Tenderer for a service = £10/SP
- Total price of Tenderer's solution for said service = £1.752m over a 10-year contract (£10/SP)
- Total Adjustment Applied = 180 days (Tenderer scored a 3 for every question)
- Discount to be applied to price within the Economic Assessment for said service: £10 * 48 SPs per day *180 days total = £86,400
- Price to be used in the Economic Assessment for that service = £1,665,600

If the tenderer bid in the same way for the three services, this would be conducted and applied for each of the three services.

For the avoidance of doubt:

- Any solutions that score 2s or 3s on some questions but fail to meet the pass threshold on other questions will not progress to the next stage of the assessment, and therefore will not receive any adjustment factor.
- These adjustment factors are being applied for the purpose of the tender assessment only, to account for the value offered by the responses that score higher. The contract will be paid at the £/SP submitted, without the adjustment factored applied.
- Tenderers who score multiple 2s and/or 3s gain the adjustment noted for each question i.e., the total adjustment factor a Tenderer can gain is cumulative.

*Assessment of Network Owners*

Network Owners will be required to complete Project Delivery questions within their proposals. These will also be assessed using same assessment methodology as set out above.

These questions are mostly the same for Network Owners as commercial participants, however there may be some questions that will be adapted to better reflect the way Network Owners will deliver their solutions through regulated activities. These questions will still be assessed on the same basis.

## Stage 5 Terms and Conditions Assessment Criteria

This stage will ask bidders to respond to various contract related questions, including provision of proposed contract milestone dates against the contractual post tender milestones (PTMs) through the LT2029 Contract PTMs Proforma. The contract-related questions will be evaluated using the scoring methodology outlined in this section.

*Table 41*

| Item | Question Type | Explanation/ Impact of Non-compliance |
|---|---|---|
| **1** | Pass/fail questions | Must pass all pass/fail questions. Submissions that do not meet any minimum pass/fail requirements will be rejected. |
| **2** | For information only questions | The "For Information Only" questions are not scored. |

The specific pass/fail criteria for each pass/fail question is detailed in the LT2029 Contract PTMs Proforma.

NESO reserve the right to consider responses to for information only questions to inform the assessment of pass/fail questions.

NESO reserve the right to reject a bid if the Planned Completion Date a bidder proposes exceeds the Contractual PTM Date for any PTM.

*Assessment of Network Owners*

Network Owners do not deliver projects through commercial contracts but instead as part of their regulatory regime. As such, Network Owners will not be required to agree to any contractual terms and conditions. However, they will be required to provide key dates information for some of the same project delivery milestones as commercial providers.

## Stage 6 Economic Assessment

This stage will be done on a service-by-service basis to ensure bids that are selected to meet the requirement for each service are selected based on their merit for that service.

Bidders who wish to bid in for multiple services through the same solution must provide an availability price (£/settlement period) per service. Bidders will also be invited to offer a discount reduction if they are selected for multiple services following the economic assessment processes described in this section.

Please note that since the EOI Stage more information has been provided in this section at ITT Stage. Please refer to the "**ITT V2 Clarification**" signposts for where more information has been provided.

### Stability Economic Assessment

This stage will identify the overall optimal combination of solutions, to ensure that our stability requirements are met per region of need at the lowest overall cost to consumers.

*Information that will be used during the stability economic assessment*

- Submitted stability availability prices in £ per settlement period (£/SP)
    - This should be in 2029 prices, regardless of the solution's planned start date of the stability service, and should be inclusive of all costs faced by the provider. For example, all applicable network/ use of system charges, levies & losses.
- Service start date and any associated late start adjustments.
- Adjustment factor resulting from Stage 4 of the assessment process.
- Infrastructure costs associated with connecting the option.
- Short circuit current contribution in kA at the Grid Entry Point at 40ms after a 3-phase symmetrical fault at the relevant Reference Point(s). These values need to be demonstrated in the technical feasibility study
- Inertia contribution in MVA.s[1] as per the Technical Specification and as demonstrated in feasibility studies
- Declared connection point of the solution
- Effectiveness of the connection location: which is calculated based on the declared connection point of the solution and voltage level.
- Where a Tenderer has submitted mutually exclusive constraints, these constraints will be factored at this point, subject to passing all previous assessment stages.
- NESO will also apply the mutually exclusive constraints as set out in Sections 15 and 16 of the Instructions to Tenderers document.

*Finding the Optimal Solution for Stability* ***(this section has been updated as part of V2)***

NESO will use the assessment process to find the most cost-effective solution to our stability requirements across each region of need. The process will be set up to minimise cost, subject to meeting the desired stability requirement in each of the regions of need (note that NESO may procure above, or below, the total requirements in any region if economic to do so. This will be at NESO's sole discretion). The process will be set up to first consider bids from solutions which are new or providing additional capability first. In the event the Stability requirements are not fully met by bids providing new or additional capability, NESO will consider bids from existing solutions (as defined by the Stability Technical Specification).

If bids based on capability from existing solutions are considered, NESO reserve the right (but not the obligation) to only award contracts to bids based on existing solutions capability up to a threshold limit. **ITT V2 Clarification**: **The threshold limit for this will be whatever requirements are left unmet by new and additional capability.**

Mutually exclusive constraints will be added based on the information provided through individual tender submissions. NESO will also apply constraints to reflect the bidding rules set out in the Instructions to Tenderers.

Reminder: In line with the LT2029 Stability Effectiveness Sheet, some substations fall into multiple regions of need. In addition, within some of the stability regions of need substations are acceptable and effective towards multiple locations of need within those regions. Solutions submitted at these substations can be considered as having a stability contribution for all regions that the site is effective towards. Solutions at substations which are only effective within one region of need will only be considered as having a stability contribution for that region of need.

The assessment cost per solution will be the total present value over the contract period (1 April 2029 through to 31 March 2039) assuming 100% availability (factoring in any secured adjustment factor in Stage 4, any late start costs being applied as per **'Service Start Date'** below**,** or any infrastructure costs as per '**Infrastructure Costs'** below).

- ***V3 Clarification****: (Present Value based on Stability £/SP * SPs in contract period) – (Any adjustment factor from stage 4) + (Any late start adjustment) + (Any relevant infrastructure costs)*
    - *Where the submitted Stability £/SP should be in 2029 prices, and should be inclusive of all costs faced by the provider*

[1] Note: We consider 1 GW.s = 1 GVA.s for the provision of inertia.

- *Where 175,200 is maximum the amount of SPs in the contract period across the 10-year contract term.*

In addition to options submitted by Tenderers, NESO will consider options submitted by Network Owners. Please see the additional information section below for details on how Network Owner costs will be considered.

In addition to the options submitted by Tenderers, there will be options that represent the cost of buying different amounts of stability using BM units, based on the counterfactual methodology. This may mean that the full requirement is not bought from Tenderer's solutions if the cost would be excessive and there are alternative actions NESO could take to meet the requirement.

Once a solution is found, NESO will check that there are no technical interactions between the selected options (this will include a check to ensure no more than 12GVA.s can be lost to a credible fault).

***Balancing Mechanism Counterfactual***

To ensure consumer value, the options submitted in this tender will be compared to a counterfactual cost of managing the identified requirement (where possible) through the Balancing Mechanism (BM). If it is cheaper to manage some or all of the requirement using the BM compared to using tendered options, NESO may buy less than the requirements set out in the tender documentation.

**ITT V2 Update:** Determination of BM costs for managing stability will be achieved through using a simulated BM stack and dispatching generation to meet any requirements that are not met from the original dispatch. Potential plant contributions will be mapped to regions of need, with an associated cost for turn up applied to any plant which was not already dispatched in the simulated stack. Further dispatch of plants will then be optimised against a timeseries of both the requirements for SCL in each region of need and the total system inertia. This will create an annualised set of costs for meeting overall stability requirements through the BM.

These simulations will use the FES 25 scenario backgrounds. NESO may also include the option to negate these requirements through curtailment of non-synchronous sources, where the requirements are prohibitively difficult to meet through BM actions. The conditions of this curtailment will be bound by the Security and Quality of Supply Standards (SQSS).

Unlike the voltage cases, the counterfactual costs used in this case will cover the entirety of the stability requirements, rather than being targeted at each category. This is due to the ability of stability solutions to simultaneously contribute towards multiple requirements, in contrast to the highly locational nature of voltage solutions. In this case, the counterfactual costs of stability solutions will therefore be compared to tendered solutions across the whole set of requirements,

As a sensitivity to ensure the most economic solutions are selected: NESO may also perform subsequent counterfactuals focusing on one region's SCL requirement, by re-running this analysis under the assumption that the requirements in all other regions of need are met. This re-run will subtract the already met requirements and the selected solutions and then perform the same BM stack simulation.

## Reactive Power Economic Assessment

This stage will identify the overall optimal combination of solutions, to ensure that our reactive power requirements are met per region of need at the lowest overall cost to consumers.

*Information that will be used during this assessment*

- Submitted reactive power availability prices in £ per settlement period (£/SP)
  - This should be in 2029 prices, regardless of the solution's planned start date of the reactive power service, and should be inclusive of all costs faced by the provider. For example, all applicable network/ use of system charges, levies & losses.
- Service start date and any associated late start adjustments.
- Adjustment factor resulting from Stage 4 of the assessment process.

- Infrastructure costs associated with connecting the option.
- Reactive power absorption capability in MVAr at the Grid Entry Point for a voltage equal to 1.0 p.u at the Grid Entry Point (where an absorption requirement exists).
- Reactive power injection capability in MVAr at the Grid Entry Point for a voltage equal to 1.0 p.u at the Grid Entry Point (where an injection requirement exists).
- Declared connection point of the solution
- Effectiveness of the connection location – which is calculated based on the declared connection point of the solution and voltage level.
- Where a Tenderer has submitted mutually exclusive information, these constraints will be factored at this point, subject to passing all previous assessment stages.
- NESO will also apply the mutually exclusive constraints as set out in Sections 15 and 16 of the Instructions to Tenderers document.

***Finding the Optimal Solution for Reactive Power***

NESO will use the assessment process to find the most cost-effective solution to our requirements across each region of need. The process will be set up to minimise cost, subject to meeting the desired reactive power in each of the regions (note that NESO may procure above, or below, the total requirements in each region if economic to do so at NESO's sole discretion). Mutually exclusive constraints will be added based on the information provided through individual tender submissions. NESO will also apply constraints to reflect the bidding rules set out in the Instructions to Tenderers.

Reminder: In line with the LT2029 Voltage Effectiveness Tables, some substations are acceptable and effective towards multiple locations of need. Solutions submitted by a provider at these substations will be required to confirm which location of need the solution is for. If a provider submits the same solution at the same substation towards multiple locations of need, these will be treated as mutually exclusive such that it will only be assessed as having a reactive power contribution to one location of need at a time. Solutions at substations which are only effective within one region of need will only be considered as having a reactive power contribution for that region of need.

- **V3 Clarification**: With regards to the Voltage Service Specifically: Where bidders wish to offer both an injection and absorption service from the same solution, where the injection requirement and absorption requirements have different reference point locations of need, it is acceptable to offer this within the same solution. In this case, when returning tender submissions for a solution, bidders must specify the absorption and injection reference points they are contributing towards with that solution.

The assessment cost per solution will be the total present value over the contract period (1 April 2029 through to 31 March 2039) assuming 100% availability (factoring in any secured adjustment factor in Stage 4, any late start costs being applied as per **'Service Start Date'** below, or any infrastructure costs as per '**Infrastructure Costs'** below).

  - ***V3 Clarification**: (Present Value based on Voltage £/SP * SPs in contract period) – (Any adjustment factor from stage 4) + (Any late start adjustment) + (Any relevant infrastructure costs)*
    - *Where the submitted Voltage £/SP should be in 2029 prices, and should be inclusive of all costs faced by the provider*
    - *Where 175,200 is maximum the amount of SPs in the contract period across the 10-year contract term.*

In addition to options submitted by Tenderers, NESO will consider options submitted by Network Owners. Please see the additional information below on how Network Owner costs will be considered.

**V3 Typo Correction**: In addition to the options submitted by Tenderers and Network Owners, there will be options that represent the cost of buying different amounts of reactive power using BM units, based on the counterfactual set-out below. This may mean that the full requirement is not bought from Tenderer's solutions if the cost would be excessive and there are alternative actions NESO could take to meet the requirement.

Once a solution is found, NESO will check that there are no negative technical interactions between the selected options.

Note: in regions where NESO require both reactive power injection and reactive power absorption services, NESO reserve the right to prioritise procurement of the services from solutions that offer both services where it is economic to do so.

***Balancing Mechanism Counterfactual***

To ensure consumer value, the options submitted in this tender will be compared to a counterfactual cost of managing the identified requirement (where possible) through the Balancing Mechanism (BM). If it is cheaper to manage some or all of the requirement using the BM compared to using tendered options, NESO may buy less than the requirements set out in the tender documentation.

**ITT V2 Clarification:** The number of generators which are required to be re-dispatched through the BM for purposes of managing absorption/injection of reactive power will be determined through analysis of the FES 2025 scenarios. The number of active voltage BM units which can contribute towards each region of need will be determined by using a modelling tool to simulate market dispatch over the relevant time horizon. Using the NESO voltage rule methodology, which groups generators into regions and applies a minimum number of generators needed to provide sufficient support, it will then be possible to determine the number of settlement periods for which these conditions are not met through normal dispatch behaviour.

This will then be translated into a counterfactual cost for management of voltage absorption/injection through the BM. The counterfactual cost for one balancing mechanism generator (i.e. providing N MVar) will be equal to:

Avg £/MWh per region x N MVar x Total Hour Generators Dispatched/Power Factor

For each region of need, this will create an estimated cost of managing the requirements, based on summation of individual balancing actions across each financial year. These costs will be directly integrated into the tender assessment methodology in the form of a “counterfactual option” for each requirement, and will directly compete with tendered options during the assessment. If it is cheaper to manage some or all of the requirements in the LT29 tender through the calculated BM actions, rather than using tendered options, NESO reserves the right to buy less than the requirements set out in tender documentation.

While many parts of the overall counterfactual methodology remain the same between absorption and injection options, a couple of differences do exist:

- Assessment of settlement periods will be conducted across the most relevant periods of day for each service. Absorption requirements will primarily be determined in overnight hours and injection requirements will primarily be determined in peak demand periods.
- Regions of need, and therefore relevant generators, will be separately defined for the absorption and injection requirements, based on the relevant reference points and availability of generators towards the absorption requirements and injection requirements.

## Restoration Economic Assessment

**Step 1**

- For the purpose of the restoration economic assessment, the first step will be to allocate a percentage (%) score to the cost of the restoration service per solution per bidder. (**V3 Typo Correction**)
- The cost per solution will be the cost of the bid over the contract period (1 April 2029 to 31 March 2039) assuming 100% availability based on the submitted £/SP restoration availability fee, factoring in any secured adjustment factor in Stage 4, any late start costs being applied as per **‘Service Start Date’** below, or any infrastructure costs as per ‘**Infrastructure Costs’** below

- ***V3 Clarification:*** *(Restoration £/SP * SPs in contract period) – (Any adjustment factor from stage 4) + (Any late start adjustment) + (Any relevant infrastructure costs)*
  - *Where the submitted Restoration £/SP should be in 2029 prices, and should be inclusive of all costs faced by the provider*
  - *Where 175,200 is maximum the amount of SPs in the contract period across the 10-year contract term.*

- The solution with the lowest cost based on this calculation will receive a score of 100%, all other solutions will receive a pro-rated score out of 100% based on how much more expensive they are compared to the lowest cost solution.
  - This will be done using this formula: *(lowest cost / bidder's solution cost) * 100%*

**Step 2**

- The commercial scores out of 100% will then be pro-rated into a score out of 50%
  - *Score out of 100% * 50%*

- This score out of 50% will be combined with the technical score out of 50% received in Stage 2 when assessing the Restoration Service Technical Capability, to determine an overall score out of 100% per solution for the Restoration Service.

| | |
|---|---|
| Restoration Stage 2 Technical Score | X / 50% |
| Restoration Stage 6 Commercial Score | X / 50% |
| Restoration Overall Score | X / 100% |

- This will provide a ranked stack of the solutions based on the overall score out of 100% per solution for the Restoration Service.

**Step 3**

- NESO will then use its restoration model to identify how many of bids (in ranked stack order) will be taken forward to help meet the Electricity System Restoration Standard target.

There is no comparison to a Balancing Mechanism counterfactual for the restoration process.

There is no comparison to Network Owner options for the restoration process.

## How multi-service discount prices will be considered in the assessment process

As part of the commercial submission proforma, bidders who are bidding the same solution for multiple services will have the opportunity to confirm if they are willing to offer a percentage (%) discount to their £/SP availability fees if they are successful in the economic assessment for each service following completion of ITT Assessment Stages 1 through 6.

This percentage (%) discount will only be applied once the economic assessment has been completed and a stack for each service identified. Where a bidder's solution is in the stack for multiple services, their offered percentage (%) discount will be applied to their £/SP availability fee for each service, and this will be the contractual availability fee in their contract.

Publicly Available

# Additional Information: Stage 6

Additional information on the various factors referenced in Stage 6 of the above processes is provided below. Please note that since the EOI Stage more information has been provided in this section at ITT Stage. Please refer to the "**ITT V2 Clarification**" signposts for where more information has been provided.

## Availability Price

Each solution should have an availability price per settlement period for each of the service(s) being bid for. This should be submitted in the commercial submission proformas provided at ITT stage.

These prices should be inclusive of all costs faced by the Tenderer. Depending on the Tenderer's solution these may include but are not limited to:

- Cost to build the asset.
- Ongoing operating and maintenance costs, including:
  - Energy costs, including all relevant levies and charges, e.g. Final Consumption Levies, TNUoS, etc. If applying as TO Lite these costs may be different. See Section on TO Lite Costs for detail.
  - **Note:** when considering energy costs, bidders should note there is a 90% availability requirement (i.e. 7884 hours/year) for this contract
- Connection charges, as faced by the user e.g., one-off costs, securities, connection asset costs.
  - Please note this should not include infrastructure asset costs, which are socialised, and accounted for separately. Please refer to the infrastructure costs section below for more information.

Submitted prices should not include:

- Connection Infrastructure costs – I.e. the infrastructure costs associated with the cost of the connection, as described in the 'Infrastructure Costs' section in this document below.

**Note:** NESO will not be compensating for any feasibility study costs or construction compensation costs for any projects for any service as part of this tender. All availability prices should be priced considering this.

## Service Start Date

NESO are seeking delivery from 1 April 2029 across all the locational requirements for each service within this Long-term 2029 tender.

### Early start dates

NESO are seeking services from 1 April 2029. In tender submissions bidders will be asked to confirm if they can start service provision on 1 April 2029.

- Bidders will have an opportunity to advise if they can start earlier than 1 April 2029 and if so, what date they could commence service provision. There is no firm cap on how early this date can be.
- When conducting the stability and reactive power economic optimisation, NESO will consider this opportunity and whether it is the most economic approach to meet the identified requirements.
- If it is, NESO may contract with said provider from the earlier date and assets will be paid under the contract from the date they start providing the service. If it is not, NESO may contract with the provider from 1 April 2029 and assets will be paid under the contract from the date they start providing the service.

### Late start dates and adjustment

During the tender assessment NESO will also consider options that start on or after the sought service start date for each region up until 31st March 2032.

For solutions delivering after the sought service start date, NESO will include an additional late start adjustment in the assessment which is associated with options arriving late. The adjustment applied will be calculated in accordance with the table below for each region. Note that NESO will not accept solutions that are unable to start service provision before 1 April 2032.

*Table 42 (ITT V2 Update)*

| Solution start date | Late start adjustment applied |
|---|---|
| **Solution starts by 1st April 2029** | No late start adjustment applied |
| **Solution starts between 2nd April 2029 and 31st March 2030** | No late start adjustment applied |
| **Solution starts between 1st April 2030 and 31st March 2031** | Adjustment applied calculated as follows:<br>((Submitted £/SP * 1.5) * days late from 1 April 2030 * 48 SPs per day) |
| **Solution starts between 1st April 2031 and 31st March 2032** | Adjustment applied calculated as follows:<br>((Submitted £/SP * 1.5) * 366 days * 48 SPs per day) + ((Submitted £/SP * 1.75) * days late from 1 April 2031 * 48 SPs per day) |
| **Solution starts on or after 1st April 2032** | Solution will not be considered |

**The above will be applied for each service for each region of need.**

For example, a solution with a start date in March 2029 would not have a late start adjustment applied to its price, whereas a solution with a start date in January 2031 would have the late start adjustment applied. A 'late' option may still outperform an 'on time' option due to a cheaper price or other adjustments that overcome the late start adjustment. This avoids a hard cut off whereby options connecting before the sought service start date would win at any cost over those who connect even a week beyond the deadline, while encouraging delivery by the sought service start date where possible.

**The latest acceptable service start date NESO will consider is 31 March 2032.**

**Note:** This latest acceptable start date is being implemented for the purpose of the tender assessment. In contract delivery, it is possible that delays may be incurred which may or may not delay projects past this date. Any project delays will be managed in line with the contract terms.

## Infrastructure Costs

When a user connects to the network, there are costs associated with various assets for the new connection. Some of these will be connection assets where the cost is recovered from the connecting party through a connection charge. Others will be infrastructure assets, where the cost is socialised and recovered through TNUoS.

Tenderers do not need to consider infrastructure costs when pricing their solution. NESO will apply the relevant infrastructure costs to each tender during the economic assessment, based on which connection requirement the Tenderer has met with their solution.

**ITT V2 Clarification**: See the below table for how this will be done.

| Connection Requirement Option | Infrastructure costs that will be considered |
|---|---|
| Option A | Infrastructure costs for these solutions will be based on the indicative infrastructure costs provided as part of the Connection Feasibility Report provided by the relevant TO. |
| Option B | If a bidder relies on an existing connection agreement that was signed and in place prior to 30 September 2024 then the infrastructure costs will not be included. |
| Option C | If a bidder relies on an existing connection agreement that was signed and in place prior to 30 September 2024 then the infrastructure costs will not be included. |
| Option D | If a bidder required a modification application to enable their solution, then any infrastructure costs associated with the modification will be included. The bidder should provide their modification reference |

| | |
|---|---|
| | number so that NESO can verify and ensure the correct and relevant costs are applied. |
| Option E | For bidders who secure a new connection offer or agreement, NESO will apply the infrastructure costs associated with that connection offer/agreement. Bidders should confirm their connection agreement reference number (A/xxxx) so that NESO can verify and ensure the correct and relevant costs are applied. |

Please note, where a tenderer bids a solution for multiple services, the relevant infrastructure costs applied will be split across the services. For example, where a tenderer bids a solution in for two services, half the infrastructure costs will be applied to the cost of one service, and the remaining half applied to the cost of the other service.

The intention is that all infrastructure costs applied will be reviewed against NESO's cost book to ensure accuracy before use, and NESO will also check that costs are consistent between connections. The costs NESO use will be specific to the location and connection type of each solution.

NESO are aware that some providers may plan to use their connection for the provision of other services beyond this Long-term 2029 tender. It is not possible to portion the costs and reduce the infrastructure cost the project is assessed on beyond what is explained above, as this would require NESO to make a judgement on the viability of future projects for other services which is outside the scope of this tender.

## Assessing Network Owner Options (Relevant for Assessment of Stability and Voltage Services Only)

*Assessment of Network Owners' Costs (Relevant for Assessment of Stability and Voltage Services Only)*

Due to differences in how Network Owners are regulated, the way they recover their costs and the charges that apply to them, the methodology that applies will be different. Their costs will be calculated and assessed in line with the below sections. NESO will aim to reflect the cost to the consumer of any option to allow for a fair comparison with commercial solutions.

As with commercial participants, NESO will also add any project delivery adjustments (see Stage 4 '**Adjustment Factor'** above), or late start adjustment costs (see '**Service Start Date'** above) to any Network Owner solution.

*Network Owner Capital Cost and Operating and Maintenance Costs (Relevant for Assessment of Stability and Voltage Services Only)*

Network Owners will provide us with a capital spend profile to build a given asset along with costs for ongoing operating and maintenance and the amount of energy it consumes. NESO will calculate a present value (PV) representing the cost to consumers of proceeding to build and operate the solution. The PV of the capital spend profile will be calculated following the Spackman methodology, using the relevant Network Owner's weighted average cost of capital (WACC) as agreed in the RIIO-T2 price control framework. The total cost of the assets is assumed to be recovered over the contract length when determining a £/SP rate, which will ensure that Network Owners are assessed on parity against other commercial participants.

As Network Owners are not paid ORPS for reactive power, any costs associated with reactive utilisation should be included by Network Owners in the operating and maintenance costs. Network Owner costs will be checked against NESO's cost book for accuracy.

*Infrastructure Costs - Network Owners (Relevant for Assessment of Stability and Voltage Services Only)*

For solutions owned by Network Owners, where these solutions rely on reserved bays, the price of these solutions must not include the costs for what would be classified as infrastructure assets. Instead, the infrastructure asset costs identified in the Connection Feasibility Report will be applied, to ensure equal treatment across Network Owners and commercial participants who propose to use reserved bays.

However, for solutions where Network Owners are not relying on reserved bays, the capital costs submitted by the Network Owner will include the costs of assets which, for a user connection, would be infrastructure assets. This should be based on the same assumptions (e.g., margin for contingency) made when carrying

out the feasibility study. Therefore, these costs are already part of the Network Owners' costs as submitted for the tender assessment, while they do not form part of a commercial participant's tender price. Where applicable, commercial market participants will have infrastructure costs added on to the cost of their contract for the assessment in accordance with the above.

*Network Owner Adjustment for Losses (Relevant for Assessment of Stability and Voltage Services Only)*

The cost of energy losses from Network Owner owned assets are passed onto consumers, not paid by the Network Owner. However, commercial providers will have to pay for the energy losses associated with their solutions and are asked to build this cost into their bid. NESO will include an estimate of the cost of energy losses to consumers for Network Owner solutions and add this onto a Network Owner's assessment cost. Network Owners will provide details of their solution's energy consumption based on the 90% availability requirement (or 7,884 hours/year), and using FES electricity price forecasts we will calculate an estimated cost for losses.

The four FES scenarios include different assumptions on the future price of energy, and consumers will be exposed to changes in this price. If NESO find that the optimal solution for any service is sensitive to the scenario used (i.e. that using the cheapest cost of energy leads to a Network Owner option being selected, while the more expensive scenario does not) then NESO will perform a least-worst regrets analysis on the competing options. The commercial participant's cost will remain the same in each scenario, while the Network Owner's will differ with the energy price assumption. If choosing the Network Owner in the most expensive energy scenario carries less regret than choosing the alternative in the least expensive energy scenario, the Network Owner will be preferred. Please refer to Appendix 1 for an illustrative example of this analysis.

## Assessing TO Lite bids

*Assessment of TO Lite Costs*

Any third-party market participant operating as, or seeking to operate as, a TO Lite is permitted to submit a proposal in this tender. These parties will be required to declare they will operate under this type of licence in their tender submission. In their commercial submissions, these parties will provide a £/SP availability price in the same way as other market participants. The submitted availability price should cover capital costs and ongoing operation and maintenance costs.

As with commercial participants, NESO will also add any project delivery adjustments (see Stage 4 '**Adjustment Factor'** above), or late start adjustment costs (see '**Service Start Date'** above) to any TO Lite solution.

*Infrastructure Costs – TO Lite*

When a TO Lite party connects to the network, there are costs associated with various assets for the connection. Some of these will be connection assets where the cost is recovered from the connecting party through a connection charge. Others will be infrastructure assets, where the cost is socialised and recovered through TNUoS.

TO Lite tenderers do not need to consider infrastructure costs when pricing their solution. The NESO will apply the relevant infrastructure costs to each tender during the economic assessment, based on which connection requirement the Tenderer has met with their solution.

For details, please refer to the "**Infrastructure Costs**" section above as the same approach will be followed.

*TO Lite Adjustment for Losses*

Please refer to "**Network Owner Adjustment for Losses**" above as the same methodology will be followed for TO Lite assets.

## Re-evaluating the Solution

Tenderers will have a maximum of 30-business days to sign contracts and provide the Acceptable Security after NESO notify the successful bidders through contract award letters and issue final versions of the contract for signature. When communicating the results of the tender, NESO will make clear if any contract award is linked to another party also signing their contract.

NESO expect that all solutions that are successful in the tender will sign their contract and provide their Acceptable Security within the 30-business day timeframe, as this is a condition of the Tenderer Declaration that all Tenderers must return at ITT Tender Submission.

If within this 30-business-day period a successful solution breaches the Tenderer Declaration and declines to sign and/or does not provide their Acceptable Security, NESO reserve the right to reject the solution and re-evaluate the stack to procure the most economic replacement(s). For the avoidance of doubt, if within this 30-business-day period all the contracts are signed and all Acceptable Securities provided, this will not be required.

If within this 30-business-day period any of the linked contracts breaches the Tenderer Declaration and declines to sign and/or does not provide their Acceptable Security, NESO reserve the right to reconsider all the linked contract awards and procure the most economic replacement(s). For the avoidance of doubt, if within this 30-business-day period all the linked contracts are signed and all Acceptable Securities provided, this will not be required.

If by the close of the 30-business-day signature deadline a linked contract has failed to sign and/or failed to provide their Acceptable Security, NESO reserve the right to reject the solution and procure the most economic replacement(s) for said solution(s) only. The replacement(s) could be chosen from the previously unsuccessful tendered options, managing the system through the Balancing Mechanism, or re-tendering for the remaining requirement if necessary.

## Site Visits, Presentations, Interviews

NESO reserves the right to undertake site visit(s), request a presentation from participants, or undertake an interview with all or some of the Tenderers who meet the above criteria. These will be used to provide greater understanding of participant's submissions.

## Negotiations

NESO reserves the right to initiate negotiations with Tenderers. For avoidance of doubt, this includes price-based negotiations with those providers who are successful in Stages 1 through 5 and being considered in Stage 6 economic assessment for each service.

# Appendices

## Appendix 1 – Least Worst Regrets Analysis Example (For illustrative purposes only)

In these examples, the cost of two options are compared across the four FES scenarios. These options represent a marginal decision case within a stack, the choice of which is dependent upon FES scenario assumption. The commercial participant's solution, Option A, costs the same no matter the scenario as the availability fee they are paid is fixed. The TO option's cost will change depending on the energy prices assumed in each scenario. The below examples show the possible outcomes.

**Example 1**

| | HT | EE | HE | CF | |
|---|---|---|---|---|---|
| Option A | 100 | 100 | 100 | 100 | |
| Option TO | 105 | 99 | 103 | 96 | |
| min cost | 100 | 99 | 100 | 96 | |

| Regrets | | | | | Worst Regret |
|---|---|---|---|---|---|
| Option A | 0 | 1 | 0 | 4 | 4 |
| Option TO | 5 | 0 | 3 | 0 | 5 |

Option A (commercial participant) is chosen.

**Example 2**

| | HT | EE | HE | CF | |
|---|---|---|---|---|---|
| Option A | 101 | 101 | 101 | 101 | |
| Option TO | 104 | 98 | 102 | 95 | |
| min cost | 101 | 98 | 101 | 95 | |

| Regrets | | | | | Worst Regret |
|---|---|---|---|---|---|
| Option A | 0 | 3 | 0 | 6 | 6 |
| Option TO | 3 | 0 | 1 | 0 | 3 |

The TO option is chosen.