



*taking care of the essentials*

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## **Offshore Electricity Transmission – Competitive Tender Process**

Dear Richard,

Centrica welcomes the opportunity to comment on Ofgem's consultation on the Competitive Tender Process for Offshore Electricity Transmission. This non confidential response is on behalf of the Centrica group of companies excluding Centrica Storage Ltd.

The consultation document provides more detail in regard to the tender process and has addressed certain areas where Centrica has previously identified issues. We would like to thank Ofgem for their extensive work to date. There do remain some issues that we would like to draw to your attention. Of particular concern is that there have been no dates given for the publication of key future consultations and there are areas, such as the cost recovery methodology, which we believe are yet to be consulted upon. Additionally, it is difficult to comment on the tender process as a whole when we do not have visibility of complementary updated draft licences or Tender Regulations. Therefore, we feel that there are many areas of the tender process which remain uncertain, require more detail or are incomplete. Below, we initially cover some general points and then address the specific questions presented by Ofgem. We have also included some detailed comments on the annexes in Appendices 1 and 2.

Whilst we appreciate some issues will be addressed in the forthcoming Ofgem/DECC consultations, in the absence of dates for these documents, we wish to outline our main concerns below:

- We appreciate that Ofgem is aware of the issues around timing. However, we are still concerned that given there is a 12 month period from Go Active to Go Live, and the tender process takes 12 months, there is the potential that any delay in starting the tender process would potentially result in either the need for temporary OFTO licence measures to be put in place or some part of the tender process to be condensed. Additionally, the process does not seem adequate to ensure that the reserve bidder identified could be granted a licence within the timescales were this

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required. This could, in part, be addressed by Ofgem issuing PQQ documentation prior to Go Active;

- For the transitional regime, we suggest that there should be a small gap between the end of the first tender round and the start of the second for reflection. This would enable Ofgem and other stakeholders to review the process from start to finish, act on lessons learned, amending processes where required, and be better equipped for the second tender round;
- Also in relation to timing, we seek clarification of the application of the Transmission Network use of System (TNUoS) tariff under the transitional regime. The developer would be liable for TNUoS prior to the OFTO start date. We seek assurance that the TNUoS charges paid by the developer in this interim period would not reflect the OFTO revenue stream until the OFTO was in place. That is, they should contain the onshore element only;
- A fundamental requirement of this regime will be the alignment and co-ordination of the various construction elements i.e. construction of offshore Windfarm assets, onshore transmission assets, and OFTO assets. In order to avoid generator's being over exposed to costs and / or securities this needs to be addressed. The penalties for late delivery by the OFTO need to be significant and reflective of the exposures of other parties such as the wind farm operator. Assuming simple commercial incentives on the OFTO to deliver the capacity is insufficient. We believe a penalty or incentive needs to be applied;
- In terms of the tender process, we are concerned at the requirement that before a bidder knows its revenue stream (and whether the revenue stream will be subject to periodic review) and has visibility of its proposed licence conditions it will have had to have secured its financing. This might not be practicable in the current economic environment other than for companies that can take it on their own balance sheet;
- With regard to incremental capacity, we feel it would be appropriate for any increase in capacity to require the generator's consent and be appropriately reflected in the TNUoS charge. This would ensure that a generator would not unfairly pay TNUoS for incremental works which were not for its benefit. Additionally, it is stated that the cap is up to 20% of the initial capital cost. Whilst we do not support the cap, it might be appropriate to consider indexing this figure to ensure it remains a meaningful number;
- It remains unclear how the OFTO regime will create the appropriate incentives for the design & build of the most efficient costs solution, for example, this might be joint sub stations/infrastructure for a zone with several sites;
- Where an OFTO becomes insolvent, the appointment of a future, replacement OFTO is unlikely as the venture may be perceived as unattractive depending on the circumstances surrounding the insolvency of the prior OFTO. Centrica would like clarity on the process and generator safeguards;
- We still have serious concerns that there will be no OFTO of last resort process for the enduring regime. It is essential that there is confidence that future projects will be provided with connections to the onshore transmission system. For the

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transitional regime, it would be useful to have more information on the OFTO of last resort process;

- In general, we prefer the asymmetric incentives, however we believe there could be value for a generator if the OFTO can exceed its performance requirement of 98%. There may be instances where generators are prepared to pay for increased levels of performance, beyond 98%, and this option should be available;
- In relation to unknown unknowns, we support Ofgem's approach that such income adjusting events (IAE) can occur on a case by case basis and in exceptional circumstances. We would like this approach to be consistent with existing IAE processes and for a minimum value to be required in order for the OFTO to be able to use the provisions to request an IAE. The provisions should also be symmetrical such that the developer can also request an IAE if it believes an event has resulted in OFTO's costs decreasing, again by a minimum value. For this approach to be effective, good quality information about costs of operation will need to be published;
- We agree with the statement in the Executive Summary with regard to achieving the "best value for electricity consumers". We welcome the fact that Ofgem are not bound to take the lowest cost bid and appreciate that Ofgem is aware that cheaper and timelier may not be the best value for customers. However, we note that the consultation is not always clear on this. Under 1.6, the Government conclusion is that the approach would "deliver cheaper and timelier grid connections, encourage innovation through competition and enable new entrants to compete in the market...". Within the opening context section the document also suggests "...fit for purpose offshore transmission developed..... (such that) connections are provided at the lowest possible cost through technical innovation" We would seek assurance that this goal is consistent with value for customers. For example, a cheaper transmission asset that is built for a 20 year life, in instances where the generator life is in well in excess of 20 years, might not present best value;
- In relation to the revenue stream, the Authority reserves the right to review the revenue stream at pre-defined intervals in instances where it considers there has not been sufficient competition. We are concerned that the criteria for a sufficiently competitive tender are not clearly set out. Such situations would result in the generator affected having an uncertain TNUoS charge when other generators (whose OFTOs' revenue streams are not subject to review) have greater certainty over the charges they will face. Additionally, it is not clear at what point bidders may be advised that the proposed revenue stream would be subject to [5 yearly] review and whether, in the light of this, they can then withdraw their bid if they wish. Based on the document, we are concerned that an OFTO might be granted a licence on different terms to those on which they bid and have no choice but acceptance or referrals to the Competition Commission. Under these circumstances, we believe the likely service they would receive could be a matter of concern to the generator affected;
- Decommissioning requirements should also be considered during the transitional regime. This would ensure that work is not being duplicated by the developer and potential bidders in this area;

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- For the enduring regime, the OFTO may have to secure land in order to build the assets. However, it is unclear whether the OFTO will have compulsory purchase ability in its licence. If it is only the generator that can compulsorily purchase land then this would add additional complexity whereby the generator would have to purchase the land and then sell or lease it to the OFTO;
- We are concerned about the confidentiality obligations that will exist in respect of certain information that is required for the data room. For example, commercially sensitive contracts with third parties;
- Developers should not be put in a position where they cannot comply with their obligations to make disclosures in the data room without breaching pre-existing obligations of confidentiality to third parties. One way of addressing this is that the regulations could formally mandate disclosure. Under most confidentiality agreements a release required by law would amount to a permitted disclosure;
- We believe there would be benefit from the generator having some input in the selection process of the preferred (and reserve) bidder as it is the generator who has to engage in a long term relationship with the OFTO. Generator involvement would help to ensure there is a successful working relationship between the OFTO and generator going forward. However, we realise that there may be difficulties where a generator affiliate is involved in the bidding process. This could be addressed by having an appeal mechanism that accommodates situations where the developer has a robust objection to a particular OFTO;
- The tender cost recovery methodology is a fundamental part of the regime and we look forward to seeing more detail at the earliest opportunity. We believe that this is a crucial area for Ofgem to consult the industry upon;
- Ofgem make it clear that they will be the hub of information during the tender processes. Ofgem should give consideration to providing a code of practice for the right and appropriate behaviour for interaction between developers and potential OFTO bidders prior to the tender process;
- Whilst we maintain that a 20 year revenue stream period for an OFTO is too short, we welcome Ofgem's flexibility with regard to extending the licence of the OFTO or re-tendering as required on a case by case basis. We would wish to see such an exercise occur 2 to 3 years in advance of the end of the 20 year period. This would help to ensure that the asset is maintained to a level consistent with the generator's requirements; and
- There is no discussion or coverage of how generators should deal with integrated transmission and generation assets, which cannot be separated, and whether there are any special arrangements needed and / or allowed under this regime.

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## **Chapter 4: Tender Process in the Transitional Regime**

Given the time constraints, we welcome the fact that the tender process for the transitional regime is the focus of this consultation. We still believe there is a lot of detail to be confirmed prior to the tender taking place. Below we highlight several issues surrounding releasing confidential information, limiting the bidders invited to tender to a maximum of four, the selection of the Tender Panel, clarifications around the data room and recovery of costs, and the practical application of the approach.

### **The extent of information that should be requested at the Pre-Qualification and Invitation to Tender stages**

The intention should be for the information requested to be sufficient to ensure a bidder is suitable, but should not deter or limit the amount of potential bidders.

For Pre Qualification, the suggested amount of information appears comprehensive in order to evaluate who to invite to tender. We have additional comments on the details in Appendix 1 below.

For the Invitation to Tender stage, detail of the information required from bidders has been provided in the Annex. We have provided comments in Appendix 2 below. We can see potential issues where a bidder has to provide its own modelling as well as the input's to Ofgem's model. What would occur when the conclusions from each model significantly vary?

### **The extent of information Ofgem propose should be available to bidders**

This currently includes all contracts relating to the transmission assets. However, as noted above, certain contracts will contain confidentiality obligations that prevent them being made available to a third party. We would like to understand how Ofgem intends to overcome this (by mandatory disclosure?) to enable such contracts to be added to the data room without the developer facing breach of confidentiality claims.

### **Ofgem's proposed approach to selecting bidders**

We are concerned with the proposal to limit the number of bidders to four prior to the ITT stage. The intention should not be to limit the number of bidders but ensure that bidders are suitable. It is not clear how a bidder would be excluded in the event that there were five or more equivalent PQQ bids that meet all the requirements. There would need to be a process for a final differentiation and we believe it is important that Ofgem consult on how they would propose to handle this part of the process.

It may also be the case that any such excluded bidder, were they to have been invited to tender, could have developed their bid during the ITT stage to be selected as the preferred bidder. Such limitation might also discourage bidders from responding at the PQQ stage.

We also note that the ability to bid for multiple offshore projects provides advantages to bidders with economies of scale and that the regime would seem to lend itself to facilitating a market with only a small number of viable potential bidders. Therefore any part of the regime that might deter a potential bidder should be avoided. This would not facilitate competition in the long run.

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The Tender Panel to be established by Ofgem needs to have the necessary expertise to undertake its role as described in the consultation document and also in the panel's remit. It would be useful if Ofgem could make available the criteria for becoming a Tender Panel member, how Ofgem propose to select panel members and how long they would anticipate members serving. Whilst there may be inherent difficulties with doing so, having some form of industry experts on the Tender Panel might prove beneficial.

We welcome the additional detail provided in the annexes for the PQQ and ITT templates but still feel that these are somewhat incomplete. We note that the criterion used is often described as 'the extent of evidence'. We would welcome a more prescriptive criterion such that it is clear for a bidder to understand the minimum required thresholds.

The tender process allows two months for the PQQ stage. This would mean that it could be two months into the tender before the level of interest from bidders is identified. For the transitional regime this would be valuable time for the OFTO of last resort in its preparations should this role be required. Communication should occur promptly between Ofgem and the developer in instances where Ofgem is aware that the level of interest is low. We have suggested that the PQQ stage for the transitional regime could start before Go Active. This could help alleviate some of the timing issues were no bidders to come forward for a project.

We note that the developer will be responsible for responding to data room requests and would like some clarity on this process. This process will take considerable developer resource and incur cost that was not originally budgeted for within those projects that are in the transitional regime. As such, it would be appropriate for the developer to be recompensed for its efficient costs in responding to such requests.

It is also not clear what the timeframes for data room question responses are. We would suggest that enough time should be allowed to enable a sensible response from the developer. This might therefore depend on the number of questions posed. We suggest that all reasonable endeavours to respond in 2 working days and up to a maximum of 5 working days would be appropriate.

### **Ofgem's proposed approach to identifying the preferred bidder**

For the transitional regime, the bidder has to accept the developer's terms of transfer without amendment. We note that there may be some instances where a developer may be prepared to negotiate on some areas to ensure that a bidder is not deterred from doing so based on the terms of transfer. We anticipate there could be significant issues to resolve at this stage regarding the separation of assets that were integrated when built and due consideration will need to be given to existing operational arrangements.

Additionally, the bidder has to provide a declaration that it accepts the generator's performance requirements. Further clarification on what can be included in the generators performance requirements would be beneficial. For example, does this allow for the generator to vary the OFTO percentage for annual availability from 98% or to pay extra for the additional certainty?

The process for the reserve bidder is not clear especially with regard to appointing an OFTO by Go Live. It would appear that a reserve bidder is simply identified. However, this

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would seem to be of limited value unless the reserve bidder can be granted a licence in the same time as the preferred bidder. What would occur if it is identified that the preferred bidder cannot or chooses not to satisfy Ofgem's final requirements until very late in the process? Potentially this final process would have to be restarted for the reserve bidder.

There may also be situations where, because of the uncertainty of winning a tender, an OFTO bids for more projects than it has the resources to accommodate. This could lead to situations where they have secured preferred bidder status on the maximum number of projects they wish to take on and thus wish to decline others. It might be worthwhile requiring a bidder to state the maximum projects they can take on simultaneously.

Ofgem identify that a key factor in the evaluation strategy will be the revenue stream. This seems sensible providing that the desire to achieve value for the customers is not lost. We note that Ofgem include in the ITT a statement that they are not bound to accept the cheapest bid.

### **Ofgem's proposed approach to dealing with bids for multiple offshore projects**

We are not opposed to Ofgem's approach of allowing for bidders to demonstrate savings were they to be awarded multiple offshore projects whilst still requiring bids to identify the revenue stream for each project individually. As mentioned previously, we do note that such a regime could favour larger bidders and might not encourage new entrants sufficiently or facilitate longer term competition as it would lend itself to a market of a few large players.

There could also be interactions with the tender window. Given all tenders occur in unison, a potential bidder might be deterred from certain projects because they want to focus on those they see as most profitable (or are constrained in how many they can bid for at a time due to resources and deadlines occurring simultaneously).

### **Ofgem's draft template Pre-Qualification Document, particularly whether any further questions need to be considered in the Pre-Qualification Questionnaire**

Many areas of the PQQ are still incomplete. We have provided detailed comments in Appendix 1.

As mentioned previously, we note that the criteria would benefit from being more prescriptive. Rather than using the term 'extent of evidence' it would be better to know the minimum requirements.

### **Ofgem's draft template Invitation to Tender document**

The ITT will publish the list of prequalified bidders. It is our understanding that bidders would not normally be publicised until later in the process (although there are examples of more bidders being named as suggested). We can see advantages and disadvantages with this approach; hence we would like to better understand Ofgem's reasons for identifying the prequalified bidders at such an early stage.

As previously mentioned, it does not seem clear what the role of a reserve bidder will be and this would need to be included in the ITT document.

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More detailed comments are provided in Appendix 2.

### **The practical application of the proposed approach**

As mentioned above, we have concerns about how confidentiality obligations in developers' contracts will be addressed. It will not be acceptable for a developer to be forced to negotiate releases from these obligations or to be left in a position where they have to either breach the confidentiality obligations or fail to comply with the disclosure obligations.

In addition, we would like more information on why a written warranty is required for the information provided by a developer in the data room. It might normally be expected for the developer to agree that the information provided is, to the best of its knowledge, factually correct. This is the normal process and should be sufficient without involving the developer in unnecessary additional cost and risk.

The timing of site visits needs further consideration. These would occur during the ITT stage but there is often a limited window in which site visits can be accommodated due to weather or a possible conflict with construction over vessel and personnel availability. Site visits can also be very expensive. There should be a means by which the developer can recover the costs of accommodating the site visits as part of the overall Ofgem Tender administration costs.

With regard to the data room, Ofgem suggest a confidentiality agreement for bidders that cover all members of a bid group. Depending on the form of the agreement, this approach would be acceptable to us.

### **Chapter 5: Pre-Tender Requirements**

#### **Ofgem's proposed approach to RAV assessments and agreeing to commence a tender**

There is still little information on how Ofgem will judge what is an efficient level of investment or how the RAV will be calculated. This is a significant issue and needs to be addressed urgently. We remain of the view that there should be a valuation appeals mechanism in defined circumstances.

Additionally, we would encourage Ofgem to provide high quality estimates of the costs of the RAV assessments. This is a cost, to be borne by the developer that is currently uncertain. Once the estimate has been provided, developers should also be notified if and when it becomes clear that the actual cost is going to vary from this estimate. Provisions should be made to ensure that significant variations can be built into the resulting revenue stream.

#### **The scope of information Ofgem should make available to market ahead of tenders commencing.**

This appears appropriate. However, we remain concerned about how Ofgem will ensure confidential information will be able to be provided into the data room.

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## **Chapter 6: Tender Process in the Enduring Regime**

### **How Ofgem would ensure that information provided by the offshore developer (such as seabed surveys) would be transferred to the successful OFTO**

It would be useful to clarify whether it is at the developer's discretion to decide whether or not to undertake the seabed survey. As seabed surveys will need to be carried out to a certain extent for the consenting process, developers are likely to bear this cost. Will the successful bidder be obliged to cover this cost even if they decide to undertake their own seabed survey? It is also not clear how a developer would be able to ensure that a seabed survey covered all aspects required by the bidder. It would reduce efficiency if more than one was undertaken as these are expensive and time-consuming exercises.

### **Whether Ofgem should establish parameters for variant bids, to ensure that the evaluation process remains transparent**

It is unclear how Ofgem will be able to define the parameters of variant bids. By nature, they should be innovative and unique.

### **The proposal to introduce a new licence condition for NGET covering information provision and assistance in the enduring regime.**

We would support the use of the new licence condition, perhaps with a table which can be amended as the result of a methodology type consultation.

### **Any views on the practical application of the proposal to broadly apply the principles of the transitional regime tender process on an enduring basis**

We agree that exercising the Crown Estate Lease will be too onerous a pre-condition as this assumes consent has been received and construction is about to commence. This would leave little time for an OFTO to be appointed, construct the transmission assets (especially if an annual tender round has just passed), and little scope for the OFTO to suggest design variations.

## **Chapter 7**

Chapter 7 covers Ofgem's cost recovery powers. However, no methodology has been provided. We encourage Ofgem to provide and consult on this at the earliest opportunity. It is a fundamental part of the regime.

The proposed new cost recovery powers will enable the Authority to seek deposits or security from developers to underwrite Ofgem's costs. Centrica seeks assurance that this security payment will only be claimed in the circumstances where a developer defaults on the project.

Finally, we would like to reiterate our thanks to Ofgem and all other parties contributing to the policy update. The additional detail to comment on has been useful and we would urge the forthcoming consultations to be published as a matter of urgency.

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If you have any questions or comments relating to this response, please contact me on the number above or at [chris.stewart@centrica.com](mailto:chris.stewart@centrica.com)

Yours sincerely

*By e-mail*

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## **Appendix 1: Draft Prequalification Template**

As mentioned previously, the PQQ is incomplete and is therefore difficult to comment on as a whole. We have therefore provided the following detailed comments.

### **Important Notice (page 2 and 3)**

We note that there is a list of items that the term 'media' encompasses (although is not limited to). Please clarify whether company intranets would also be captured.

The term 'Related Party' is used and defined in the glossary. However the glossary definition also discusses 'associated party' which is not defined. Please define associated party.

It is made clear that each Applicant bears its own costs both here and in 1.4.6. We believe that the intent for refunds (as described in 2.4.2 (B)) would only apply to payments for the Authority's costs in running the tender. This should be made clear.

**1.** There is no mention of the Reserve Bidder and its role in the process.

**1.3.4.** It is not explicit what elements will comprise the RAV and how much detail would be provided.

**2.2.2.** We do not see a need for the documents to be provided in colour. Colour can be used where it adds clarity but should not be required throughout.

**2.3.2 B.** If there is going to be a maximum number of bidders invited to tender, there needs to be a question or criterion that will help to resolve a tie break situation. This should be consulted upon.

There needs to be more detail around the ring fencing requirements. It is not clear if an OFTO Licence would be geographically unique and whether an OFTO might hold one or more licences. If an OFTO holds only one licence, which might cover a number of projects then we assume that the financial ring fencing provisions to apply in respect of each project to protect the affected generator. We would appreciate an early sight of the next draft of the OFTO licence conditions to help us understand the approach.

**2.4.2 B.** It is important to have visibility of the cost recovery methodology. As currently written it implies that all costs would be refunded and not just Ofgem costs.

**B.** In the case where the Applicant is a consortium operating through a special purpose vehicle (SPV), we would like to understand the effect of the potential licence conditions. For example, depending on the membership of consortia, we could envisage scenarios where additional ring fencing requirements might need to be applied specifically to certain members. How would such differential requirements be addressed?

**C1.** Where an Applicant has less than 3 years audited accounts it is not clear how this is going to be used and weighted so that new entrants are not unfairly disadvantaged.

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**D3.** It is not clear how the information provided on default of services will be assessed in instances where there has been change of ownership of the Applicant, consortium or sub-contractors within the five years.

**D4.** Given the OFTO and generator would normally have a 20 year relationship, it would be vital to also include succession planning as an area for the Applicant to demonstrate its competence.

**E.** It needs to be made clear that the technical and specialist capability must exist in a ring fenced environment.

**G5 and G6.** It is not obvious what information is trying to be extracted from Applicants here and what can be reasonably asked for. For example, an Applicant could be a consortium with thousands of employees spread through the various consortium members - is it appropriate to ask for criminal information on all individuals 'related to an Applicant'? It would seem appropriate that some reasonable limitation in this area should be considered for practical reasons.

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## **Appendix 2: Draft Invitation to Tender Template**

As mentioned previously, the ITT template is incomplete and is therefore difficult to comment on as a whole. For example, the Technical Overview in 3.2 only states what it will set out. We would expect some elements of this to be standardised and able to be consulted on as part of the final regime. We have provided the following detailed comments.

### **Important Notice (page 2 and 3)**

As with the PQQ template, we note that there is a list of items that the term 'media' encompasses (although is not limited to). Please clarify whether company intranets should be captured.

It is made clear that each Applicant bears its own costs both here and 1.4.6. We believe that the intent for refunds (as described in 4.11) should only apply to payments for the Authorities costs in running the tender. This should be made clear.

**1.1.2.** It would be useful to see a revised version of the Tender Regulations.

**1.4.1.** As mentioned previously, we would like to understand Ofgem's reasoning for identifying the prequalified bidders at this stage.

**1.4.4. and 1.4.5.** If the preferred bidder fails to respond in a timely manner to these requirements, please confirm the effect. For example, would this be as if the preferred bidder had withdrawn? If so, would this automatically invoke the processes around the reserve bidder?

In addition, please confirm at what point Ofgem will provide the preferred bidder with a copy of the proposed draft licence. If, for example, the preferred bidder did not accept any adjusted terms or review intervals imposed by Ofgem, then would failure to respond frustrate the licence award process? This issue also emphasises the need for a more detailed process for, and criteria for re-engaging, the reserve bidder.

**2.3.5 A7.** When will Ofgem be consulting upon the cost recovery methodology?

**3.3.1 A.** There needs to be a date when the payment of the Regulated Revenue will commence.

**3.3.2.** There is not yet any detail of who will monitor the performance regime and how the incentive payments/penalties will work in practice.

**3.3.3 C2.** Should the reference be to BERR or DECC?

**3.3.3 D.** Having no protection against a change of law would present a risk for OFTOs which may increase costs or deter entry. It is not clear if a change in law might constitute as an income adjusting event.

**3.3.4.** This section should address whether the OFTO will have any compulsory purchase rights for land.

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**3.3.8 A 1.** This describes how a licence can be revoked with the agreement of the OFTO. Are there any instances where the OFTO should be able to request revocation and should there be provisions for this? Again, this might be clearer when an updated draft licence is made available.

**4.3.3.** It would be useful if this specified the form (written, email, verbal) of such requests.

**4.3.7.** It would be useful to have visibility of a draft Preferred Bidder letter.

**4.3.9.** Please provide more details on what “financial close” will comprise.

**4.3.11.** Ofgem should also inform developers where the Bid timetable or Tender Process is amended, together with an estimate of the effect this might be expected to have on the developer(s) affected.

**4.4.4.** The initial meeting with bidders will include the GBSO and developer. However, the meetings that result from requests for further information appear not to include the GBSO or developer. It is not clear what the process would be should Ofgem require information from these parties.

**4.4.5.** It is not clear who would be the permitting body for the site visits.

**4.5.3 D 1, 4.5.5 C and 4.7.7.** This requires that the bidder must accept the licence terms proposed. However, it is not clear when the bidder would see a draft licence. It would be unlikely to accept the licence unless it has seen a draft which details its conditions.

**4.9.** It would seem reasonable that this ongoing obligation to provide updated information should stop once a successful bidder has been awarded a licence.

**4.11.2 C.** Successful bidders will pay Ofgem costs. However, this cost is not a certain amount and it is not clear if the bidder will be able to recover this. If they have to factor it into their bid then this uncertainty could result in bidders frontloading this expected cost. It would seem reasonable for Ofgem to provide an estimate of the costs, and were these to differ by a set percentage then the OFTO would be able to pass the costs on.

## **Glossary**

Does BERR need to be replaced by DECC? Similarly, the definition of Secretary of State should be revised.

Like the PQQ template a definition of what an associated party is under the Related Party definition is required. Party on its own is not defined so should not be capitalised

Compliant Bid refers to 4.5.5A when it would appear more appropriate to refer to 4.5.5.

The definition of a Variant Bid only requires it to fulfil the criteria in 4.5.5(B) which is that it will comply with the relevant technical requirements under the codes. However, this should also have a reference to 4.5.5(A) to ensure that it delivers the developers requirements.

## **Appendix K Part 1 – Bidders Financial Model**

**A *centrica* business**

Centrica plc - The group includes British Gas Trading, British Gas Services and Accord Energy  
Registered in England No.3033654. Registered Office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD

**2.10.** Passwords should not be required where these stop formulae from being altered.

## **Appendix K Part 2 – Proposed Financing Structure**

This should also include appropriate financial ring fencing requirements.

**2.2** This appears inconsistent. Elsewhere in the document, it is noted that the SPV is not required to be formed until preferred bidder status is conferred, however this section implies that details of the SPV are required in the bid.

We note that page numbering would be useful for this document.