



Ministerie van Economische Zaken

Information request

Market consultation on Pan-European cost efficiency benchmarking of gas and electricity transmission system operators

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Attachments:

- E3grid (2012/2013) and E2gas final reports.
- E3grid (2012/2013) and E2gas data definition guides.

Definition of terms

Candidate	The interested economic operator or organisation participating in this market consultation.
Information request	The present document in which the contracting authority has included questions with the aim of gathering information about the market and determining the extent to which various economic operators or organisations are capable of performing a future contract for the Pan-European cost efficiency benchmarking of gas and electricity transmission system operators. This request is part of the market consultation.
Market consultation	The procedure organised by the contracting authority to enable information to be exchanged with interested parties about the coordination of mutual requirements and information during the preparation stage of a project.
Information notice	A document in which the questions put by the candidates are included in anonymised form, including the answers given in response by the contracting authority.
Contracting authority	The State of the Netherlands, represented by Authority for Consumers and Markets (ACM, The Dutch NRA) on behalf of the Minister of Economic Affairs and the Counsel of European Energy Regulators (CEER).
Contractor	The party with which the contracting authority concludes the ultimate agreement.

1 Market consultation procedure

1.1 General

As a candidate, you are invited to respond by supplying the information requested in this document in as complete a form as possible, and to provide it as a full set within the stipulated deadline. From the moment this information request is issued until the dissemination of the results of this market consultation, the contracting authority will follow the procedure described in this chapter. You should ensure you comply with these procedural rules. By submitting the replies, you are agreeing to the rules, terms and conditions set out in this information request. This market consultation expressly does not form part of a tendering procedure.

If the contracting authority decides to put the contract out to Europe-wide tender, it will publish a separate contract notice at www.tenderned.nl.

1.2 Communication

All communication relating to this procedure should be conducted through the first contact person mentioned in the following table, or through the secondary contact person, unless explicitly stated otherwise. When sending an email to the first contact person, please ensure you cc the secondary contact person.

First contact person:	Secondary contact person:
Ministry of Economic Affairs	Ministry of Economic Affairs
RVO – IUC EZ	RVO – IUC EZ
Paul de Jong	Marjolein Switzar
Paul.deJong@rvo.nl	Marjolein.Switzar@rvo.nl

You are requested not to make direct contact with anyone other than the abovementioned officers in relation to this market consultation, unless explicitly stated otherwise.

1.3 Scheduling

The following timetable applies to this market consultation:

March 27 2017	Publishing and sending the information request
April 10 2017 13:00	Latest date and time for candidates to ask questions about the information request
April 17 2017	Sending an information notice
April 21 2017 13:00	Latest date and time for submitting replies

The contracting authority reserves the right, where circumstances give cause for doing so, to change a deadline or deadlines stated in the timetable. In such a case, the contracting authority will notify all candidates in writing of the new deadline or deadlines in good time.

1.4 Questions about the information request or the market consultation

Substantive questions about this information request or the market consultation should be emailed to the contact person shown in paragraph 1.2. The latest date for submitting questions is stated in the schedule included in paragraph 1.3. All questions, including the accompanying answers, will be included in anonymised form in an information notice. The contracting authority will email the information notice or make it available through www.tenderned.nl. Questions asked over the telephone will not be answered. Questions submitted after the latest dates specified will not be included in the information notice and may not be answered.

1.5 Submitting the answers

You are invited to answer the questions put in chapter 2 as fully as possible. The latest date for submitting answers to the questions put in this request for information is stated in the schedule included in paragraph 1.3.

You should send your answers in digital form, preferably by email, to the contact person referred to in paragraph 1.2. Any digital files should be supplied in MS Word (.doc), MS Excel (.xls), Adobe Acrobat (.pdf) or Open Office (.odf) format. You are requested to keep any additional information as brief as possible.

The answers you give should be numbered in accordance with the numbering of the questions in this information request.

The contracting authority is entitled immediately to put aside information which is submitted after submission deadline and not include it in the results and analysis of the results of this market consultation.

1.6 Unsolicited suggestions

The candidate is free to make what are known as unsolicited suggestions related to any future contract alongside the answers to the questions in this information request.

1.7 Results of the market consultation

The contracting authority will use the information collected as a result of this request for information during the decision-making process concerning the subsequent course of action. To give parties which do not participate in the market consultation the same starting point in the event of any future invitation to tender, the contracting authority will process the information collected during the market consultation in the form of a summary report. In that report the contracting authority will provide its summary and analysis of the information collected and, if so desired, will also provide anonymised answers of candidates.

As this consultation is part of an open tender process, please note that your answers to the questions will become public in an anonymized format, unless you explicitly, motivated and per question state what part of your answer should be handled confidentially (that part will only be distributed within CEER).

Should the contracting authority decide, in response to the market consultation, to launch a tendering procedure, including a Europe-wide tendering procedure, the summary report resulting from the information request will be made publicly

available to economic operators wishing to retrieve documents for the purpose of participation in that tendering procedure. It will therefore be possible to download the summary report in due course, when the contract notice is published on www.tenderned.nl. If the contracting authority decides not to launch a tendering procedure in response to the market consultation, it will send the summary report *on its own initiative* to all the parties which participated in the market consultation. This means that in both cases you do not need to submit a specific or individual request to the contracting authority asking for the summary report to be sent.

1.8 Supplementing, providing information and verification

The contracting authority may ask a candidate to explain its answers in more detail and/or to provide supporting documents. The contracting authority is entitled, but not obliged, to verify the accuracy of all answers submitted on the basis of the questions.

The candidate may not make any changes to the answers, supplement them and/or clarify them after the closing date and time for their submission unless the contracting authority has requested such as referred to above.

1.9 Costs

The costs incurred by the candidate in relation to this market consultation are payable in their entirety by the candidate.

1.10 Legal relationship

The market consultation is without any obligation for all parties. The market consultation in no circumstances implies an obligation to enter into a specific legal relationship with candidates. On the basis of the results of the market consultation the contracting authority will decide whether it will proceed with an invitation to tender or otherwise. Participation in this market consultation provides no entitlement to the award of a contract or the conclusion of an agreement. Nor will participation in the market consultation result in exclusion in respect of any future tendering procedure.

The market consultation is meant to be a dialogue whose results may be used by the contracting authority (or a third party) for the purpose of preparing documents for an invitation to tender yet to be carried out. However, information produced by this market consultation may differ from information provided in respect of a future invitation to tender. No rights or privileges may be derived from participation in the market consultation or information provided during the market consultation.

2 The information request

2.1 General

As a candidate, you are invited to answer the questions put in this chapter as completely as possible.

This consultation is meant to take an informed decision by the contracting authority about the tender procedure for next benchmark(s). It is not meant to facilitate academic discussions. You are kindly requested to keep your answers focused.

2.2 Candidate's details

You are requested to provide the following general information about your organisation:

- candidate's official name;
- physical address;
- postal address;
- contact person's name and position;
- contact person's email address;
- contact person's telephone number;

2.3 Questions

Since 2003 the Counsel of European Energy Regulators (CEER) has performed several cost efficiency benchmarks of electricity transmission system operators (TSO(s)-E), the most recent endeavor being the E3grid study in 2012/2013¹ with reference year 2011. For gas transmission system operators (TSO(s)-G), the same was done once in 2015/2016, called the E2gas study² with reference year 2014³. Formally, each benchmark was procured by one of the national regulatory

¹ *E3GRID2012 – European TSO Benchmarking Study, a report for European regulators*, Frontier-Economics et al., July 2013. NRAs that participated (16) were from: Austria, Czech Republic, Denmark, Estland, Finland, France, Germany, Greece, Luxembourg, The Netherlands, Norway, Poland, Portugal, Spain, Sweden, and United Kingdom. There were 21 TSOs-E in the sample: 50Hertz, ADMIE, Amprion, APG, CEPS, CREOS, Elering, Energinet.dk, Fingrid, National Grid, PSE Operator, REE, REN, RTE, SHETL, SPTL, Statnett, Svenska Kraftnät, TenneT DE, TenneT NL, and Transnet.

² *Project E2gas – Benchmarking European Gas Transmission System Operators*, Sumicsid, June 2016. NRAs that participated (11) were from: Austria, Belgium, Croatia, Denmark, Finland, Germany, Greece, The Netherlands, Portugal, Spain, and United Kingdom. Austria and Greece participated as observers. There were 22 TSOs-G in the sample: Fluxys, Bayernets, Fluxys Tenp, GASCADE Gastransport, Gastransport Nord, Gasunie Deutschland Transport Services, GRTgaz Deutschland, JordgasTransport, Terranets, Thyssengas, Nowega, Ontras - VNG Gastransport, Open Grid Europe, DONG Energy Pipelines, Energinet.dk, ENAGAS, REGANOSA, Gasum, Plinacro, Gasunie Transport Services, REN – Gasodutos, and National Grid.

³ For the German TSOs data from the year 2010 was used.

authorities (NRA(s)) on behalf of CEER⁴. Below with E3grid we only refer to the latest edition (2012/2013).

The purpose of the benchmark studies was to derive a static cost efficiency figure for each of the participating TSOs. Static cost efficiency reveals how the performance of a TSO compares to other TSOs in a certain year. TSO benchmarking is of relevance to NRAs as European regulation stipulates that tariffs of a TSO shall reflect the actual costs incurred insofar as these costs correspond to those of an efficient and structurally comparable network operator⁵. Note that in E3grid also a frontier shift analysis was done, which was not done in E2gas.

To follow up E3grid and E2gas, CEER anticipates a next benchmark in 2018 referred to as the CEER TSO Cost efficiency Benchmark 2018 (CEER-TCB18). Similar to E3grid and E2gas, on behalf of CEER, the Authority for Consumers and Markets (ACM, The Dutch NRA, member of CEER and for this consultation: the contracting party⁶) anticipates to conclude an agreement with one tenderer (the contractor) in response to a tender document that the contracting party expects to issue later in 2017. The precise format and scope of the assignment that will be tendered for is not yet clear. This consultation document is meant to help CEER develop the required clarity to take an informed decision about the final tender document for CEER-TCB18 and/or subsequent benchmarks. To this end, the contracting party requests consultants that are active or wish to become (more) active in the field of benchmarking to respond to a number of questions. You can find the questions below.

Having done several TSO-E benchmarks and a TSO-G benchmark, CEER has gained a lot of experience. CEER wishes to use that experience to embed the strong elements of previous benchmarks in CEER-TCB18 and subsequent benchmarks. In particular, with regard to future benchmarks, CEER seeks to achieve the following goals:

- Make the timing of future benchmarks insensitive to the fact that national regulatory cycles are not aligned in Europe. In other words, the timing of future benchmarks should be convenient to all participating NRAs⁷;
- Further reduce the out of pocket costs of future benchmarks;
- Further and continuously improve the quality of benchmarking in a general sense; and
- Increase the transparency of the data and benchmark results.

⁴ For E3grid formally Bundesnetzagentur was the contracting party on behalf of CEER. For E2gas this was ACM.

⁵ Article 13 of Regulation 715/2009 (gas) and Article 14 of Regulation 714/2009 (electricity).

⁶ To emphasize that CEER-TCB18 is a CEER project, this document is written from this perspective, although formally ACM will be the tendering and contracting party for CEER-TCB18 (however, on behalf of CEER).

⁷ As the timing of E3grid and E2gas was ad hoc to some extent, it fitted the regulatory cycle of some NRAs quite well, but for other NRAs it was less convenient.

As to the timing of future benchmarks, instead of having an ad hoc benchmark study performed, CEER considers to perform a benchmark every two years resulting in cost efficiency rates for both gas and electricity TSOs for the two most recent years for which data is available. That way each benchmark edition results in cost efficiency rates for gas and electricity TSOs, referencing two recent years. Naturally, gas TSOs will only be compared among each other and the same goes for electricity TSOs (so the contractor will investigate for each reference year both a gas TSO sample and an electricity TSO sample). This would ensure that each NRA always has a recent result at its disposal so that, regarding the regulatory cycle of NRAs, they do not depend anymore on the timing of benchmarks. The first edition of the anticipated benchmark routine will be CEER-TCB18.

CEER expects that, in the long run, setting up a benchmark routine will also better facilitate the analysis of a TSO's efficiency over time and of the sector as a whole (frontier shift analysis). Also, with regular and frequent performances, CEER expects to steepen the learning curve so as to more rapidly and naturally improve and maintain the quality of benchmarks and at the same time develop an efficient and stable benchmark routine.

As to CEER's aim to reduce out of pocket costs, CEER considers that:

- By benchmarking electricity and gas TSO's in a single project, benchmark projects will benefit from synergies regarding the process and benchmark method;
- By improving the quality of the data definition guides, discussions on the interpretation of some data elements and data corrections can be reduced⁸;
- By shifting work and responsibilities from the contractor to CEER regarding collection and validation of data, the scope of the assignment that will be tendered for will be smaller; and
- By incorporating the data requests regarding accepted TSO specifics (done as part of E3grid and E2gas⁹) in the initial data request in CEER-TCB18, and by a priori accepting these particular TSO specifics in CEER-TCB18, the process of collecting and investigating TSO specifics will be less intensive.

Below we elaborate on these considerations and relate these to the questions we would kindly ask you to respond to. Please address explicitly the goals of CEER as mentioned in the above.

⁸ Please note that, anticipating CEER-TCB18, CEER is already working on the evaluation and improvement of the data definition guides used in E3grid and E2gas.

⁹ Note that in E3grid and E2gas TSO specifics were referred to as so-called Z-factors. A Z-factor is an exogenous, durable and substantial feature that is special to a certain TSO and for which not handling it in the benchmark could lead to an unfair comparison. Part of E3grid and E2gas was a (sub)process for collecting and analyzing Z-factors, apart from the initial data collection phase.

2.3.1 General questions

Given the considerations mentioned in the above about reduction of out of pocket costs, CEER is interested to better understand what elements (phases, activities, features, materials) of a benchmark project like E3grid, E2gas or CEER-TCB18 drive the out of pocket costs and to what extent.

Question 1.1

In your view, what elements (phases, activities, features, materials) of a benchmark project like E3grid, E2gas or CEER-TCB18 drive CEER's out of pocket costs and to what extent? If possible, please be as concrete as possible, notably supporting your answer with some figures (e.g. percentages of the costs of certain elements relative to the total costs). To what extent do you agree that CEER's considerations regarding out of pocket cost reduction are realistic and effective?

As explained in the above, CEER wishes to set-up a bi-annual benchmark routine. This raises the question of how many benchmarks CEER should tender for at once.

Question 1.2

What would in your view be the advantages, drawbacks and risks of tendering for a series of benchmark studies at once? Could such series be set up such that first two (one, three, more?) versions after CEER-TCB18 are more or less updates of CEER-TCB18? How would such an update differ from CEER-TCB18?

Another idea is to combine the electricity and gas benchmarks in future benchmark editions (starting with CEER-TCB18). Please note that until now CEER was used to benchmark electricity and gas TSOs in separate projects.

Question 1.3

What would in your view be the advantages, drawbacks and risks of combining electricity and gas benchmarks in a single project?

Finally:

Question 1.4

What would in your view be the advantages, drawbacks and risks of analyzing the cost efficiency rates of two recent reference years per benchmark edition, rather than analyzing only one recent reference year?

2.3.2 Questions on specific ideas

To reduce the costs of benchmarks CEER considers to shift work and responsibilities (compared to E3grid and E2gas) regarding data collection and validation from the contractor to the participating NRAs.

In E3grid and E2gas for each TSO the data was collected by its NRA, based on data definition guides and Excel formats (to fill in the data) drafted by the contractor. Each NRA validated the data from "its" TSO(s) using other sources at hand (e.g. regulatory data and public sources like annual reports), solved any problems with it, endorsed the final version, and submitted it to the contractor via a web-based project platform. From there on the contractor (cross-)validated the

TSO data sets, i.e. checking on completeness and possible misinterpretations of data definitions and requirements that may have slipped the attention of one or more NRAs, or that individual NRAs could not validate.

Although in E3grid and E2gas the data request to a TSO and the endorsement of the data was done by the relevant NRA, the contractor fully facilitated the process of data collection, i.e. the contractor was responsible for the data definition guides and Excel formats, the overall management of the data collection process, organizing a workshop with TSOs and NRAs to kick-off the data collection phase, and for supporting individual NRAs with solving any problems.

As to future benchmarks and in contrast with E3grid and E2gas, CEER considers to create data definition guides itself and to do the project management of the data collection and validation as well. For the data collection and validation, the role of the contractor will then be limited to delivering support, notably support on finalizing the data definition guides for specific benchmark editions (add or adjust project specific items), supporting NRAs to answer questions from TSOs for which NRAs cannot find a good answer themselves, and/or supporting NRAs with cross-validating data. In this scenario CEER would take full responsibility for the quality of the TSO data. However, the consultant will remain responsible for modelling and reporting after the data collection and validation phase.

Question 2.1

What would in your view be the advantages, drawbacks and risks of the described scenario (compared to E3grid and E2gas) in which the role of the contractor regarding data collection and validation is limited to support (notably support on finalizing the data definition guides, support to answer questions from TSOs, and/or support to cross-validate data) and in which the contractor is not responsible any longer for the quality of the TSO data?

One particular reason for CEER to consider to create the data definition guides itself, is that CEER wishes to have a stable set of (baseline) data definition guides¹⁰ for future benchmark editions. CEER expects that stability will help to increase the efficiency of benchmarks and to reduce the workload for all parties (TSOs, NRAs, consultants) regarding data collection and validation. CEER intends to take the data definition guides of E3grid and E2gas (attached¹¹) as starting point for an improved set of data definition guides that will be a stable basis for future benchmarks. To this end, CEER will organize a full-day workshop in Brussels on 29 May, open to NRAs, TSO's and consultants in the field of benchmarking that have shown interest in E3grid or E2gas and/or wish to stay/become active in the field of cost-efficiency benchmarking. Even if you have not been involved in E3grid or E2gas, the workshop may be a good opportunity for you to prepare for the tender procedure, which is expected to take place later this

¹⁰ And also corresponding Excel templates to fill in the data. Where we speak of the guides we implicitly also refer to these templates.

¹¹ Attached are the so-called Call C (cost data) and Call X (asset data).

year. As such, please note that this workshop is not the start of a new benchmark project itself, but a preparatory step. The workshop is free of admission fees.

Question 2.2

If you are interested in the workshop of 29 May about improving the data definition guides, please contact Mr. Michiel Odijk (ACM) at michiel.odijk@acm.nl.

CEER wishes to use its experience with E3grid and E2gas for CEER-TCB18, in order to set up a stable benchmark routine, to maintain and improve the quality of the benchmark, and to reduce the out of pocket costs of benchmarks. To this end, CEER considers to prescribe several methodological elements in a tender procedure. Think for example of stipulating that Data Envelopment Analysis (DEA) is the standard method, stipulating that the scope of CEER-TCB18 is the same as for E3grid and E2gas, stipulating that output-parameters of the benchmark models of CEER-TCB18 are the same as in E3grid and E2gas, or stipulating that TSO specifics that were accepted (rejected) in E3grid and E2gas will be a priori accepted (rejected) in CEER-CTB18 (only to be re-examined if there is a clear reason for it).

Question 2.3

In your view, what would be the advantages, drawbacks and risks of prescribing several methodological elements. Think for example of the examples mentioned in the above (stipulating DEA, scope, output-parameters, TSO specifics)? For what kind of examples do you think would the advantages, drawbacks and/or risks be biggest? What other examples would you suggest?

In E3grid and E2gas about four workshops that were open to TSOs and NRAs were organized to kick-off the project, explain the data collection process, explain the process to deal with operator specifics and to explain the method. Given that CEER wishes to set up a benchmark routine, CEER considers that the need for interaction with TSOs may become lower in future benchmarks.

Question 2.4

In your view, what would be the advantages, drawbacks and risks of organizing none (or fewer) of such workshops?

2.3.3 Other questions

At the time of writing this consultation document the number of electricity TSOs and gas TSOs in the sample for CEER-TCB18 is not yet clear. For electricity CEER estimates a sample size of about 15 TSOs and for gas of about 20 TSOs.

Question 3.1

Could you please comment on the consequences of these (or smaller or larger) sample sizes regarding the benchmark process and method?

Frontier shift analysis investigates the sectorial performance development over time. In the tender documents of E3grid and E2gas an optional frontier shift analysis module was asked for. In E3grid this option was lifted, in E2gas it was not.

Question 3.2

In your view, would it make sense to optionally ask for a frontier shift analysis module for CEER-TCB18, considering that, on the one hand, CEER wishes to set up a stable cycle of benchmark projects and given that, on the other hand, CEER-TCB18 only refers to 2016 and 2017? If so, what would such an analysis look like? If not, would it make sense to ask for such optional module for later benchmark editions? (how much later?) On what conditions and criteria do such decisions depend?