

Consultation

Proposed Innovative Delivery Incentive Guidance Document (RIIO-ET3)

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Response deadline:	21 August 2026
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We are consulting on the proposed Innovative Delivery Incentive Guidance Document ('Guidance Document'). We intend to issue the proposed Guidance Document in accordance with Part C of Special Condition 4.5 (SpC 4.5) of the electricity transmission licence ('the licence'). It is directed at the following licensees: National Grid Electricity Transmission Plc, Scottish Hydro Electric Transmission Plc, and SP Transmission Plc ('the licensees'). The proposed Guidance Document sets out the following:

- the requirements that the licensee must comply with when preparing and submitting its Innovative Delivery Incentive Performance Panel Submission ('Panel Submission');
- the appointment and role of the Innovative Delivery Incentive Performance Panel ('the Panel');
- the criteria and process by which the licensee's Panel Submission will be assessed, including what information will be used in the assessment process; and
- the methodology that Ofgem will use to determine the value of the licensee's Innovative Delivery output delivery incentive performance reward (IDIPAS_i) for the purposes of a direction under Part D of Special Condition 4.5 of the licence.

We want to hear from those with an interest in RIIO-ET3, and innovation in the electricity transmission and wider energy sectors.

Consultation Proposed Innovative Delivery Incentive Guidance Document (RIIO-ET3)

Once the consultation has closed, we will consider all responses. We will publish any non-confidential responses we receive alongside a decision on next steps on our website at www.ofgem.gov.uk/consultations.

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Contents

1. Introduction.....	4
Purpose of this consultation	4
Context and related publications	4
Overview	4
Consultation stages	5
How to respond	6
Your response, data, and confidentiality.....	6
How to track the progress of a consultation	7
2. Consultation questions	8
Chapter 2 – Innovative Delivery ODI-F eligibility criteria.....	8
Chapter 3 – Innovative Delivery Incentive Panel membership and appointment.....	8
Chapter 4 – Innovative Delivery ODI-F assessment and decision-making process	8
Chapter 5 – Innovative Delivery ODI-F assessment criteria.....	9
Chapter 6 – Methodology to calculate IDIPAS _t	9
Send us your feedback	10
Appendix 1. Privacy policy	11
Personal data	11

1. Introduction

Purpose of this consultation

- 1.1 In December 2025, Ofgem published our [Final Determinations for the Electricity Transmission \(ET\) price control](#) running from 1 April 2026 to 31 March 2031, RIIO-ET3.
- 1.2 Our Final Determinations included a new Innovative Delivery financial output delivery incentive (ODI-F), which was subsequently established under Special Licence Condition 4.5 of the ET licences. The Innovative Delivery Incentive Guidance Document sets out what licensees must comply with in relation to the Innovative Delivery ODI-F.
- 1.3 We are consulting on the proposed Innovative Delivery Incentive Guidance Document attached as Annex 1. The proposed Guidance Document covers:
 - the eligibility criteria that licensees' submissions must meet, including the information and evidence they must provide;
 - the process by which Ofgem will appoint a panel to assess licensees' submissions;
 - the role and requirements of the panel when assessing licensees' submissions and making its recommendations to Ofgem;
 - the criteria that the panel will use to assess licensees' submissions; and
 - the methodology that Ofgem will use to determine the value of any reward under the licence.

Context and related publications

- 1.4 This consultation document must be read alongside the proposed Innovative Delivery Incentive Guidance Document attached as Annex 1.
- 1.5 Our [Final Determinations for the ET price control](#) provide further context on the design of the Innovative Delivery ODI-F.

Overview

- 1.6 Several parts of the electricity transmission price control directly and indirectly incentivise licensees to innovate in their delivery and operations. The Totex Incentive Mechanism (TIM), for example, rewards licensees that find lower-cost or more efficient ways to deliver outputs by allowing them to keep a share of any underspends. And the [Network Innovation Allowance \(NIA\)](#) and [Strategic](#)

Consultation Proposed Innovative Delivery Incentive Guidance Document (RIIO-ET3)

[Innovation Fund \(SIF\)](#) support early-stage innovations up to commercialisation and, as of RIIO-3, deployment.

- 1.7 The need for a new incentive arose because when transmission owners deploy innovations early in project planning and delivery (eg, design and engineering solutions development, procurement approach design), any resulting efficiencies may be reflected in cost allowances set, which reduces the incentives for innovation.
- 1.8 The Innovative Delivery ODI-F is designed to encourage innovations at an early stage of project development, so that delivery is quicker and investments provide value to consumers.

Table 1: Summary of the Innovative Delivery ODI-F as set out in Final

Determinations

Nature of the incentive	Reward-only, output delivery incentive
Assessment method and frequency	Licensee submissions are assessed by a panel of independent experts twice during the price control period, in Regulatory Years 2027/28 and 2029/30.
Behaviour areas and weighting	Licensees can submit and be assessed in one or more of the following five areas, each weighted differently: 1) Innovations in design / engineering (30%) 2) Effective outage management (30%) 3) Effective NESO collaboration (15%) 4) Savings in supply chain / contracting (15%) 5) Speeding up delivery (10%)
Maximum reward	As set out in Appendix 1 of Special Condition 4.5 Up to a total of 0.2% of the individual licensee's Rate of Regulated Equity (RoRE) spread over the two assessment periods – 25% in 2027/28 and 75% in 2029/30.
Reward	Determined by Ofgem, taking into account the Panel's recommendation.

Consultation stages

Stage 1 Consultation open: 22 July 2026

Consultation Proposed Innovative Delivery Incentive Guidance Document (RIIO-ET3)

Stage 2 Consultation closes (awaiting decision). Deadline for responses: 21 August 2026

Stage 3 Responses reviewed

Stage 4 Consultation outcome (decision or policy statement) and consultation responses published.

How to respond

We want to hear from anyone interested in this consultation. Please send your response to the person or team named on the front page of this document.

We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

We will publish non-confidential responses on our website.

Your response, data, and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.

If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we

Consultation Proposed Innovative Delivery Incentive Guidance Document (RIIO-ET3)

will evaluate each response on its own merits without undermining your right to confidentiality.

How to track the progress of a consultation

1. Find the web page for the call for input you would like to receive updates on.
2. Click 'Get emails about this page', enter your email address and click 'Submit'.
3. You will receive an email to notify you when it has changed status.

A consultation has three stages: 'Open', 'Closed (awaiting decision)', and 'Closed (with decision)'.

2. Consultation questions

This section sets out the questions we are seeking feedback on for each chapter of the proposed Innovative Delivery Incentive Guidance Document attached as Annex 1.

Chapter 2 – Innovative Delivery ODI-F eligibility criteria

Questions

- Q1. Do you agree with the proposed five eligibility criteria? If not, what would you propose to change and why?
- Q2. Are the proposed eligibility criteria and associated guidance clear and workable? In particular, are the ‘requirements for assessments of economic benefits’ in Appendix 1 of the Innovative Delivery Incentive Guidance document clear and sufficient?
- Q3. Based on the eligibility criteria, are there likely to be a range of eligible examples for the first assessment window in 2027/28?

Chapter 3 – Innovative Delivery Incentive Panel membership and appointment

Questions

- Q4. Do you agree with the role and composition of the proposed Innovative Delivery Incentive Panel? If not, what would you propose to change and why?
- Q5. Is the range of experience and/or expertise we are seeking from the proposed Panel appropriate for their role? Are there other types of expertise that the Panel will require?

Chapter 4 – Innovative Delivery ODI-F assessment and decision-making process

Questions

- Q6. Do you agree with the proposed assessment and decision-making process? If not, what would you propose to change and why?

- Q7. Do you agree with Ofgem's role in checking the completeness and eligibility of licensee Panel Submissions?

Chapter 5 – Innovative Delivery ODI-F assessment criteria

Questions

- Q8. Do you agree with our proposed overall approach to the assessment criteria ie, assessing examples based on 'baseline', 'good', or 'excellent' performance? If not, what would you propose to change and why?
- Q9. For each of the five individual assessment areas:
- Do you agree with the proposed criteria? If not, what would you propose to change and why?
 - Do you consider the proposed criteria provide sufficient guidance to the Panel without restricting its discretion?
 - How well do the criteria drive the positive behaviours we are seeking to incentivise through the Innovative Delivery ODI-F?
 - Are there any unintended consequences from our proposed criteria?
- Q10. Do you agree with the proposed two-stage approach to Panel scoring?
- Q11. Should the Panel's report and recommendations include any other information?

Chapter 6 – Methodology to calculate IDIPAS_t

Questions

- Q12. Do you agree with the proposed approach to calculating IDIPAS_t, which is the value of the licensee's Innovative Delivery ODI-F performance reward? If not, what do you propose to change and why?
- Q13. Do you agree with the proposed reward formula to calculate IDIPAS_t?
- Q14. Do you agree with the trigger points for a negative adjustment for 'effective outage management' and for the adjustment to be 30% of the licensee's total reward across all behaviour areas?

Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this consultation. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.

Appendix 1. Privacy policy

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

Information: Include here all organisations outside Ofgem who will be given all or some of the data. There is no need to include organisations that will only receive anonymised data. If different organisations see different set of data, then make this clear. Be as specific as possible.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for 12 months after the consultation has closed.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it

Consultation Proposed Innovative Delivery Incentive Guidance Document (RIIO-ET3)

- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
 - to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/> or telephone 0303 123 1113.

7. Your personal data will not be sent overseas (Note that this cannot be claimed if using Survey Monkey for the consultation as their servers are in the US. In that case use “the Data you provide directly will be stored by Survey Monkey on their servers in the United States. We have taken all necessary precautions to ensure that your rights in term of data protection will not be compromised by this”).

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system. (If using a third-party system such as Survey Monkey to gather the data, you will need to state clearly at which point the data will be moved from there to our internal systems.)

10. More information For more information on how Ofgem processes your data, view our [Ofgem privacy policy](#).