

Decision

Innovative Delivery Incentive Guidance Document (RIIO-ET3)

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1. Introduction

Context and related publications

- 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 Transmission Owners (TOs) must comply with in relation to the Innovative Delivery ODI-F.
- 1.3 We consulted on the proposed Innovative Delivery Incentive Guidance Document from 22 July 2026 to 22 August 2026 ([Proposed Innovative Delivery Incentive Guidance Document \(RIIO-ET3\) | Ofgem](#)).
- 1.4 This decision document must be read alongside the final Innovative Delivery Incentive Guidance Document and consultation responses.

Decision-making stages

Stage 1 Consultation open: 22 July 2026

Stage 2 Consultation closes (awaiting decision). Deadline for responses: 22 August 2026

Stage 3 Responses reviewed and published: 7 October 2026

Stage 4 Consultation outcome (decision): 7 October 2026

2. Summary of changes

This section summarises the changes we made to the proposed Innovative Delivery Incentive Guidance Document after considering consultation responses.

- 2.1 Ofgem has made amendments to the proposed Innovative Delivery Incentive Guidance Document after considering consultation responses. Significant amendments to each chapter are summarised below. Minor changes such as clarifications and definitions have been excluded from this summary. We have also addressed significant suggestions or feedback from TOs that we have not actioned and our reasons for not doing so.

Chapter 2: Innovative Delivery ODI-F eligibility criteria

- 2.2 The definition of ‘innovative’ under Eligibility Criterion 2 has been clarified to show that this incentive is not intended to simply reward first adopters of an innovation. We consider that TO adopting innovations that may already be in use by another network licensee would be beneficial to consumers and should be encouraged. Therefore, a TO can demonstrate that a submission is ‘new’, ‘novel’, or ‘different’ in the context of the TO’s own established practices, the GB electricity transmission sector, the wider GB energy sector, and/or international practices.
- 2.3 Eligibility Criterion 4 is aimed at ensuring consumers are not paying twice for the same outcome. We have amended the text to clarify the following:
- Deployed innovations on Accelerated Strategic Transmission Investment (ASTI) projects intended to accelerate delivery are not eligible for a reward under the Innovative Delivery ODI-F. This is because the Innovative Delivery ODI-F is intended to reward innovations that accelerate delivery *timelines*, and TOs have already agreed to accelerated delivery timelines for ASTI projects in RIIO-ET2.
 - Innovations on non-ASTI projects intended to accelerate delivery are not eligible for a reward if they are deployed after Ofgem has set a Major Projects ODI-F Target Delivery Date for those projects. This is because the Innovative Delivery ODI-F is intended to reward innovations that accelerate delivery *timelines* that inform the setting of Target Delivery Dates. Once a Target Delivery Date is set, any deployed innovation to accelerate it even further will be rewarded through the Major Projects ODI-F.
 - TOs raised concerns about deployed innovations being ineligible where the TO has been insulated from all or material risk of deployment through funding or rewards under another price control mechanism. We continue to consider this an important protection against consumers repeatedly funding the same outcomes. However, we consider there may be some instances where this is

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not readily apparent and we have introduced discretion for the Panel and Ofgem when deciding the extent to which a TO's submission meets this eligibility criterion.

2.4 Eligibility Criterion 5 is another important consumer protection that reflects the decision taken at RIIO-ET3 Final Determinations, ie examples of deployed innovations in a behaviour area must result in combined net consumer benefits of at least £5m. We have amended the text in response to feedback:

- TOs expressed concern that the benefits of 'Effective NESO Collaboration' may not be able to be readily monetised and struggle to meet the £5m threshold as they could primarily take the form of reduced administrative costs. We have therefore decided that for this behaviour area, TOs do not need to demonstrate £5m in net consumer benefits, noting that the Innovative Delivery Incentive Panel (the Panel) and Ofgem will give more weight to qualitative benefits when deciding whether submissions meet Eligibility Criterion 5.
- Stakeholders suggested a register of deployed innovations and claimed benefits submitted through the first Innovative Delivery ODI-F to inform future decisions. We consider this a useful way to ensure claimed benefits remain realistic and have committed to a review after the first assessment window in September 2027 to inform the second assessment window in September 2029.

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

2.5 TOs sought further guidance on what submissions must contain and page limits. TOs are required to, within 10 A4 pages per behaviour area, set out how their example(s) of innovative delivery meet all five eligibility criteria in Chapter 2 and the relevant assessment criteria in Chapter 5. We consider 10 pages appropriate to ensure TOs prioritise the most impactful example(s) of innovative delivery to submit, and are concise when articulating eligibility and outcomes, while balancing the volume of information that the Panel and Ofgem must review to arrive at timely decisions.

2.6 TOs asked for decisions on the Innovative Delivery ODI-F to be made by 15 December in the year of each assessment window to align with updates to the Price Control Financial Model. We do not consider that reaching a decision in two and a half months, including consultation and panel assessment time, realistic or appropriate to ensure that the Panel and Ofgem apply the appropriate scrutiny to TO submissions and that stakeholder feedback can be considered.

Chapter 5: Assessment criteria

- 2.7 A majority of the changes to assessment criteria have been made to address TOs' concerns about the subjectivity of the assessment criteria. We consider subjectivity to be inherent in a Panel-based assessment. However, where possible, we have provided the Panel with further guidance on how the materiality or significance of outcomes should be judged. For example, the significance of demonstrated savings under 'Savings in supply chain/contracting' should be judged with reference to the total cost of the project(s) to which the savings relates. We considered and rejected setting specific percentage thresholds (eg, 20% savings) as there is no reliable data to inform what an appropriate threshold should be.
- 2.8 One TO suggested that rewards should be considered for innovative supply chain/ contracting approaches that support UK-based manufacturing capabilities. We agree and have included this as an example of 'excellent' performance that can demonstrate how a TO has strengthened supply chain resilience and competition, while delivering savings.
- 2.9 TOs provided feedback on the assessment criteria for 'Effective NESO Collaboration', challenging its focus on the development of the first Centralised Strategic Network Plan (CSNP). We have maintained the focus of this behaviour area on the CSNP given how critical TO collaboration with the NESO will be to its delivery. We consider that the outcomes under other suggested areas, such as collaboration on system access reform, are partly captured by other behaviour areas such as 'Effective outage management'.
- 2.10 TOs requested more detail on how the Panel will score submissions to ensure consistency across TOs and avoid bias, and how qualitative and longer-term benefits will be considered. We have clarified that the Panel may compare evidence across TO submissions to ensure consistent interpretation and assessment, and that in arriving in overall behaviour area-level scores, the Panel will consider the extent to which submissions meet more than one criteria, qualitative benefits, and longer-term benefits (beyond 15 years). Importantly, the NESO Panel member will be a non-scoring member when assessing submissions under 'Effective NESO Collaboration' to avoid any actual or perceived bias.

Chapter 6: Methodology to calculate IDIPAS_t

- 2.11 TOs recommended that the behaviour area weighting is only applied to IDIMAX_t, (the maximum reward available to a TO in each assessment window), rather than also applying it to the Net Consumer Value (NCV). We do not consider this appropriate. The maximum reward available to a TO in each behaviour is the minimum of the performance-based IDIMAX ('good' or 'excellent') or the NCV, which is inherently uncertain and acts as a cap on rewards. The weighting for a

given behaviour area will apply to this minimum, consistent with the policy intent.

2.12 The majority of comments on this chapter focused on the negative adjustment to overall rewards as a result of poor performance on outage management. TOs disagreed with the need for a negative adjustment, the fact that it applies to rewards achieved under all behaviour areas and not just ‘effective outage management’, the criteria that would trigger the negative adjustment, the need for exemptions to the criteria, and the percentage for the negative adjustment (30%). We considered each in turn:

- In our RIIO-ET3 Final Determinations in December 2025, we noted that effective outage management will be vital to achieve national decarbonisation targets. As such, it is the only behaviour area which can trigger Ofgem applying a negative adjustment to *overall rewards* achieved through the incentive. We have therefore maintained this position in the Guidance Document, including that it applies to *overall rewards*, not just rewards achieved through the ‘effective outage management’ behaviour area.
- The choice of trigger criteria is consistent with what the NESO describes as areas that generate the most costs for consumers – the proportion of changes to outage plans made less than 3 weeks from the outage start date, and the availability of reactive compensation equipment that is not on a planned outage.
- We understand there may be exceptional circumstances outside a TO’s reasonable control that mean they fail to meet the trigger criteria. We have made amendments to allow TOs to set out evidence for Ofgem to consider in deciding whether the TO has met the trigger criteria or not.
- We have introduced a phased approach to the negative adjustment – 15% if the TO fails to meet either of the two criteria, and 30% if the TO fails to meet both criteria. A TO can therefore receive partial relief if it improves on one of the two criteria.

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 decision. 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.