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Ref – SPT Response to Ofgem’s Proposed Innovative Delivery Incentive Guidance Document (RIIO-T3)

SP Transmission (SPT), part of SP Energy Networks and the Iberdrola group, is the Transmission Owner (TO) in central and southern Scotland. Our network plays a critical role in supporting the delivery of the UK and Scottish Government’s decarbonisation ambitions, while enhancing energy security and system resilience alongside driving economic growth. We have a unique role in connecting and bulk transfer of renewable energy from Scotland into England & Wales benefiting stakeholders well beyond our licence area.

SPT welcome the opportunity to respond to Ofgem’s consultation on the Proposed Innovative Delivery Incentive Guidance Document (RIIO-T3) and support Ofgem's RIIO-T3 objective of encouraging innovative approaches to network delivery that accelerate delivery and provide value to consumers. The introduction of the Innovative Deliver Incentive (IDI) within the price control is a positive development and has the potential to encourage the adoption of new approaches, technologies and delivery practices that improve outcomes for consumers while supporting the timely delivery of critical network infrastructure. One of SPT's key asks is that Ofgem ensures the IDI remains focused on its core policy intent and provides a sufficiently strong and targeted incentive for innovative delivery. This requires clear and robust assessment measures that reward:

- **Accelerated delivery** of network infrastructure.
- **Improved outcomes for consumers**, supported by a transparent assessment of consumer value that appropriately considers affordability, bill impacts and wider system benefits.
- **Performance beyond business as usual**, recognising delivery approaches that involve genuine innovation, implementation risk and replicable benefits across future projects and portfolios.

Clear assessment criteria in these areas would help ensure the IDI rewards genuine innovative behaviours and delivers value for consumers. We encourage Ofgem to ensure the balance between the eligibility and exclusion of submission projects remains aligned with the original policy intent of rewarding innovative delivery that generates meaningful consumer benefit

The guidance is a helpful starting point in outlining the overall incentive structure and to start preparing future submissions. The inclusion of submission structure guidelines would be a welcome addition to the guidelines to ensure TOs are compared on an even playing field, alongside clarity of the defined (capitalised) terms within the guidance document. Drawing on experience from the RIIO-ED2 DSO incentive, we note that assessment frameworks have typically evolved over time, becoming increasingly prescriptive as lessons are learned and applied from early assessment rounds. In that context, we encourage Ofgem to provide as much clarity as possible at the outset of the RIIO-T3 IDI regarding submission requirements, including any expectations around report structure, supporting evidence, page limits, Panel roles and responsibilities along

with the Ofgem decision making timeline. A common submission template would help ensure consistency across licensees and allow the panel to focus on the substance of submissions and value delivered to consumers rather than differences in presentation.

While the eligibility criteria outlined in the guidance are generally understandable, SPT considers that the cumulative effect of the various exclusions significantly narrows the scope of activities that are eligible for assessment. In particular, further clarification is required regarding the interaction between the IDI and other RIIO-T3 mechanisms. The receipt of funding through another mechanism should not automatically preclude participation in the IDI where the mechanism is intended to incentivise a different TO behaviour. Mechanisms such as the Advanced Procurement Mechanism (APM), Major projects ODI-F and ASTI Early Construction Funding (ECF) serve distinct regulatory purposes. IDI guidance should focus on clarity on avoiding double counting of rewards for the same activity rather than exclusion of activities which are within these mechanisms which would significantly reduce the activities that can be considered under the IDI. Excluding activities funded or considered by other RIIO-T3 mechanisms risks potentially valuable examples of innovative delivery not being considered on a **wider portfolio basis**.

Net Consumer Value (NCV) is referenced as a measurement throughout the guidance and whilst Annex 1 represents a positive step towards greater consistency, significant uncertainty remains regarding how consumer benefits will ultimately be assessed and compared across submissions. Including the cumulative impact on consumers, **for example the guidance currently states that each IDI initiative must deliver £5m benefit**, this is a very high bar for SPT given the size of SPT's network in comparison to the other TO's. SPT could put forward 7 x £1m IDI initiatives delivering £7m consumer value across several assessment areas, whilst in comparison submitting one initiative x £5m, a submission of this nature would deliver an additional **net benefit to consumer** of £2m whilst installing a culture of innovative within the organisation. But would fail to meet the assessment criteria. This has been a challenge in other incentive mechanisms and there is a risk that differing approaches to NCV assessment between licensees could lead to inconsistent outcomes.

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Before licensees can fully assess likely eligibility or reward potential, there needs to be greater clarity regarding how consumer value will be calculated, evidenced and assessed. **SPT would welcome further guidance on acceptable methodologies, assumptions, treatment of uncertainty and the balance between realised and forecast benefits.** Some innovative activities may not deliver measurable benefits by the September 2027 submission deadline, despite having a strong evidence base that future benefits will materialise. The framework should therefore ensure that longer-term consumer benefits can be appropriately recognised, noting that the total value delivered to consumers rather than the meeting of a threshold in one criteria assessment area should be prioritised.

The Panel make up will be a key component of the IDI, we support the creation of an independent panel and outline in the attached appendix 1, how the current proposal could be strengthened by **ensuring the expertise have network experience, stakeholder engagement knowledge, risk, costs assessment and consumer backgrounds.** While we recognise the value of NESO expertise, clarification is required for all Panel members regarding **how conflicts and perceived biases will be managed**, particularly where assessments involve collaboration with NESO or activities related to network planning processes. Additional consideration by Ofgem should be made of **how the IDI Panel will interact with and coordinate alongside the NESO Independent Challenge Panel and NESO Performance Panel.** Clear governance arrangements along with definition of the respective roles, responsibilities and decision-making boundaries of each body, how information and recommendations will be shared between them, and how potential overlaps, duplication of effort or conflicting assessments will be managed will be essential to ensure a coherent and efficient framework that provides stakeholders with confidence in the incentive mechanism.

While the scoring criteria of baseline, good and excellent themselves are useful, they would be significantly strengthened through worked examples demonstrating how the Panel will assess submissions. We would encourage Ofgem to publish scorecard examples and illustrative assessments showing how different types of innovation would be evaluated and how consumer benefits influence final scores to ensure consistency across TOs and submission windows.

Finally, SPT has concerns regarding the proposed reward calculation methodology. In particular, the combination of the **30% outage management adjustment and the licence term IDIPAS** reward calculation appears to disproportionately constrain rewards. As proposed, a licensee could be penalised through a reduction in overall reward while also receiving lower scores within the individual assessment outage management assessment area, effectively creating a double penalty. We therefore encourage Ofgem to consider whether a more proportionate adjustment, solely within the outage management assessment area would better align with the objectives of the incentive.

Further commentary and detailed question responses to the consultation are outlined in Annex 1 (attached).

As the incentive is rolled out within SPT, we'd welcome further engagement with Ofgem before the guidance is finalised to meet the first submission window in September 2027. Following the first submission we would also encourage Ofgem to review lessons learned and use those insights to refine future guidance. SPT would be pleased to discuss any aspect of this response further.

Yours sincerely,

Lauren Logan
Head of Transmission regulation and Policy
SP Energy Networks

Enc: Annex 1 – Consultation questions.

Annex 1: Consultation questions.

- Chapter 2 – Innovative Delivery ODI-F eligibility criteria

Q1. Do you agree with the proposed five eligibility criteria? If not, what would you propose to change and why?

SPT broadly agree with the proposed five eligibility criteria, as they are consistent with the RIIO-T3 Final Determinations and reflect policy decisions that have already been consulted on and implemented through the licence.

However, we have concerns regarding the drafting of paragraph 2.1, which states that licensees “*must submit examples of innovative delivery in one or more of the following areas*”. As drafted, this could be interpreted as creating an obligation on licensees to participate in the Innovative Delivery Incentive (IDI) imposed via a guidance document rather than within the licence.

The IDI was introduced as a reward-only incentive rather than a licence obligation. Whilst SPT will submit under the incentive we consider the drafting should make clear that participation is not an obligation and that licensees may submit examples where they consider they have eligible innovative delivery activities to present for assessment.

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?

SPT considers that, while the proposed eligibility criteria are generally understandable, several aspects of the eligibility framework and supporting guidance require further clarification to ensure the incentive is workable in practice and delivers the intended policy outcomes. The methodology should support consistency and robustness without inadvertently favouring short-term, easily monetised innovations over more transformational delivery approaches that may generate substantial long-term consumer value.

Economic benefits assessment: SPT welcomes the inclusion of Appendix 1 to promote consistency in the assessment of economic benefits, however, there remains a lack of clarity regarding how economic benefits will ultimately be assessed and compared across TO submissions. Consistent assessment methodologies are critical to ensuring a level playing field between licensees. We consider further guidance should be provided on the attribution of benefits where impacts are shared across different stakeholders and more clarity on the level of evidence expected to demonstrate compliance with the £5 million eligibility threshold. It would be helpful to understand whether the threshold is intended to be demonstrated, when the benefit is realised, with a high degree of precision or whether reasonable estimates supported by proportionate evidence will be sufficient.

Our experience of other innovation and delivery incentives suggests that differences in interpretation of benefits methodologies can lead to inconsistent outcomes. We therefore encourage Ofgem to provide further guidance on the assessment approach, assumptions and valuation methodologies that will be applied, including worked examples where possible.

Assessment categories and consumer benefit threshold: SPT does not agree with the statement in paragraph 2.2 that licensees should determine which single category is the “best fit” for a submission. The primary consideration should be the overall consumer value generated by innovative delivery activities, rather than the administrative categorisation of benefits.

The guidance appears to favour larger individual examples capable of demonstrating more than £5m of consumer benefits within a single assessment category. However, this may disadvantage activities that deliver significant cumulative benefits through multiple smaller initiatives and may be particularly relevant in a smaller licence area. Including the cumulative impact on consumers, for example the guidance currently states that each IDI initiative must deliver £5m benefit, this is a very high bar for SPT given the size of SPT's network in comparison to the other TO. SPT could put forward 7 x £1m IDI initiatives delivering £7m consumer value in comparison to 1 x £5m, this would deliver an additional **net benefit to consumer** of £2m whilst installing a culture of innovative within the organisation. The assessment framework should therefore recognise cumulative consumer benefits across a portfolio of innovative activities, rather than focusing predominantly on the size of individual submissions.

SPT has continued to outline the difference in TO size which will impact the ability to demonstrate the required £5m of net consumer value per assessment area. To illustrate this position, the regulated asset value (RAV) of each TO at 31 Mar'25 was: NGET¹, £20,570m, SSEN-T², £7200m and SPT³, £4146m, whilst the transmission coverage areas were, NGET, 58,000 sq miles, SSEN-T, 23,400 sq miles, SPT 8,800 sq miles. Yet each TO has to demonstrate the same consumer value for an innovation.

Furthermore, the proposed threshold appears challenging when considered against the materiality thresholds applicable to individual licensees. This may inadvertently limit participation by SPT and reduce the range of innovative delivery approaches brought forward for assessment. We note that elsewhere in the guidance, for example in relation to supply chain savings, Ofgem recognises the importance of considering materiality relative to the size of the licensee. A similar principle could usefully be applied more broadly and we'd ask Ofgem to consider a % of a TO regulatory asset value or regulatory investment size.

Specifically, we are concerned regarding the criterion area of "effective NESO collaboration", and the costs / benefit for each behaviour example as outline in paragraph A1.11 and A1.12. Limiting eligibility to monetised benefits may undervalue innovations delivering significant consumer value through resilience, operability, safety, environmental outcomes, connection project developments or delivery capability improvements where robust monetisation methodologies may not exist. We recommend Ofgem clarify whether such benefits can contribute to eligibility.

Scope of exclusions

SPT is concerned that the cumulative effect of the various exclusions significantly narrows the scope of activities that may be eligible for the incentive. We encourage Ofgem to review whether the balance between eligibility and exclusion remains aligned with the original policy intent of rewarding innovative delivery that generates meaningful consumer benefits. We outline below two specific areas where we have identified potential impact:

Interaction with the Major Projects ODI-F

Paragraph 2.09 excludes activities that are rewarded through the Major Projects ODI-F. Given that a significant proportion of transmission investment could be allocated to this incentive, with the parameter and decision process for allocation still unclear, this exclusion may substantially reduce the scope for IDI submissions. The policy intent is to be innovative in delivery but excluding projects with the Major Projects ODI-F dilutes this incentive significantly to the point it may be

¹ [NGET Doc](#)

² [Financial Reporting and Information - SSEN Transmission](#)

³ [SPT_2025_Accounts.pdf](#)

unviable across the behaviours. There also remains significant uncertainty around the application of the ODI-F given Ofgem's recent decision on the first Load Re-Opener submissions, with the rejection of SPT's first major Project ODI-F proposal despite the project delivering significant consumer value through the upgrade on existing assets, being part of both the holistic network design and classified as a Clean Power 2030 priority transmission project from government.

More fundamentally, the eligibility criterion relating to speeding up delivery appears closely related to outcomes that may already be rewarded under other delivery incentives. Ofgem should therefore provide greater clarity on the distinction between the two mechanisms. One potential distinction could be that the Major Projects ODI-F rewards project-specific delivery performance, whereas the IDI rewards portfolio-wide or enduring changes to delivery approaches that can be replicated more broadly and generate longer-term consumer benefits. For example, if SPT delivers a major transmission reinforcement ahead of schedule, the resulting consumer benefit could already be recognised through the Major Projects ODI-F. However, if SPT achieves early delivery by developing a new modular construction methodology or portfolio-wide delivery model that can subsequently be applied across multiple projects, the primary benefit extends beyond the individual scheme. In that circumstance, the IDI could reward the creation and implementation of the innovative delivery approach, while the Major Projects ODI-F would continue to reward the successful delivery outcome of the specific project.

We also note Ofgem's reference to accelerating delivery in paragraph 5.28. In assessing such benefits, Ofgem should ensure alignment with wider sector objectives, including the recommendations of the Accelerating Electricity Transmission Report⁴ regarding reducing network delivery timescales.

Interaction with uncertainty mechanisms

Paragraph 2.10 would benefit from further clarification regarding the treatment of activities funded through other price control mechanisms, including Early Construction Funding (ECF). In particular, Ofgem should clarify whether implementation risks (eg: technical risk that innovation may not perform as expected, delivery risk that the approach may disrupt existing practices and not deliver against the objective) new associated with innovation are fully excluded from assessments where activities have received funding through such mechanisms. Without additional clarity, there is a risk that activities delivering genuine consumer value through innovative approaches are excluded from the incentive.

Collaboration between Transmission Owners (TOs)

Paragraph 2.7 may inadvertently discourage collaboration between TOs by requiring any reward to be shared between participating parties. Given the importance of coordinated delivery across the electricity transmission network and TO obligations to be co-ordinated across the whole system, the incentive framework should encourage rather than discourage collaboration. Ofgem should consider whether collaborative activities could instead be assessed based on each licensee's contribution, efforts and impact to the consumer within each area, rather than requiring a fixed split of any reward. Arguably Ofgem should consider introducing a specific assessment criterion for TO collaboration. As TO investment becomes increasingly interconnected, actions by one TO can materially affect the delivery of another's projects. Recognising collaborative initiatives, such as coordinated programme planning, shared delivery solutions or joint management of

⁴ [Accelerating electricity transmission network deployment: Electricity Networks Commissioner's recommendations - GOV.UK](#)

network interfaces, would encourage behaviours that improve consumer benefits beyond those captured by project-level incentives.

Definition of "novel" and "new"

The distinction between "novel" and "new" in paragraph 2.3 is not sufficiently clear. Additional guidance on how Ofgem will differentiate between these concepts would improve certainty for applicants and help ensure consistent treatment of submissions.

Illustrative examples

It remains unclear on how Ofgem intends to distinguish between activities that are eligible for the IDI and those that are excluded on the basis that they are funded elsewhere. Additional examples and worked case studies would help improve understanding and reduce the risk of inconsistent interpretation. The guidance would benefit from examples illustrating the application of the economic assessment methodology, including the treatment of counterfactuals, benefit allocation, avoided costs, discounting and aggregation across multiple examples. This would improve transparency, reduce administrative burden and support consistent submissions across licensees.

Additions to the guidance document of illustrative examples would also support how Ofgem propose to treat innovations that have originated through NIA-funded activities (as outlined in paragraph 2.9) and how licensees should distinguish benefits associated with NIA development, from those associated with successful operational deployment in RIIO-T3. We would be happy to support Ofgem in developing examples.

Q3. Based on the eligibility criteria, are there likely to be a range of eligible examples for the first assessment window in 2027/28?

SPT expects to identify potential eligible examples for the first assessment window in 2027/28. As part of preparing for the significant increase in transmission network delivery required, we have conducted an end-to-end review of our delivery processes to identify opportunities to accelerate project delivery, improve efficiency and drive better consumer outcomes, this work is currently being rolled out into the business. Outputs from this review should identify a number of innovative delivery initiatives that could potentially meet the eligibility criteria for assessment under the IDI. We anticipate opportunities to emerge that support accelerated delivery of network infrastructure, reflecting the broader objective of reducing delivery timescales while maintaining value for consumers.

It is important to note that the volume and range of eligible submissions will ultimately depend on how the finalised eligibility criteria and how exclusions are applied in practice, particularly in relation to the interaction with other RIIO-T3 incentives and mechanisms. Greater clarity as requested in our response to question two on these areas would provide additional confidence regarding the types of activities that will be eligible for the first assessment window.

- Chapter 3 - Innovative Delivery Incentive Panel membership and appointment

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?

SPT agrees that an independent panel will be instrumental in supporting robust, transparent and objective assessment of IDI submissions. However, we consider that several aspects of the

proposed panel composition and governance arrangements would benefit from further development.

Panel composition

SPT notes Ofgem's proposal that the Panel should comprise individuals with a broad range of relevant expertise, including innovation, engineering, finance, programme delivery and regulation. We support the principle of a multidisciplinary panel and agree that a diversity of expertise will be important. However, we note that the proposed membership does not currently include representation from consumer advocacy organisations, local communities or individuals with specific climate and environmental expertise. Given the importance placed on delivering consumer value, facilitating network infrastructure delivery and supporting net zero objectives, we urge Ofgem to consider a broader range of perspectives which would strengthen the assessment process.

Given submissions will include transmission specific details, we consider a significant proportion of panel members should have direct experience of electricity network planning, critical infrastructure delivery and regulation background. Ofgem should consider specifying that at least 50% of panel members have relevant network or infrastructure delivery experience. While we recognise a broad range of expertise is valuable and would support the consideration of additional experts as outlined above, innovative delivery activities are likely to involve complex technical, engineering and programme delivery considerations. It is therefore important that the panel has sufficient practical experience to assess submissions consistently and credibly.

Interactions with existing panels.

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We request further clarity from Ofgem on how the IDI Panel will interact with and coordinate alongside the NESO Independent Challenge Panel and NESO Performance Panel. In particular, greater transparency is required regarding the respective roles, responsibilities and decision-making boundaries of each body, how information and recommendations will be shared between them, and how potential overlaps, duplication of effort or conflicting assessments will be managed. Clear governance arrangements will be essential to ensure a coherent and efficient framework that provides stakeholders with confidence in the operation and evaluation of the incentive mechanism.

Role of the NESO on the panel

SPT would welcome further clarity regarding the role of the proposed NESO representative. Given NESO's involvement in wider network planning and strategic development, it would be helpful for Ofgem to explain how potential conflicts or perceived biases will be managed, particularly where assessments relate to activities where NESO are directly involved, outage management, CSNP co-ordination, and how the panel member will be fair in reviewing all TO submissions.

Governance and transparency

Transparency in the intent and principles of the Panel is vital, it would therefore be beneficial for Ofgem to publish the Panel's Terms of Reference (ToR), including details of its assessment principles, decision-making processes and voting arrangements. Sight of the ToR would provide licensees with greater confidence regarding the assessment of submissions and support submission applications.

SPT also supports the introduction of formal conflict of interest requirements for panel members. In particular, panel members should be required to declare any actual, potential or perceived conflicts both on appointment and throughout their tenure, with appropriate procedures in place to manage any conflicts that arise during assessment periods.

More generally, Chapter 3 of the guidance document details the process Ofgem will follow in appointing and operation of the IDI Panel rather than obligations or expectations placed on licensees. Given that licensees must “comply⁵” with the guidance document these provisions would be more appropriate in an annex of the guidance document or a separate governance document. This would improve the focus and usability of the guidance while maintaining transparency regarding the panel's operation.

Overall, SPT supports the establishment of an independent assessment panel but encourages Ofgem to provide greater clarity regarding panel governance, conflict management and assessment processes, while ensuring the panel contains sufficient network delivery expertise to assess submissions effectively alongside ensuring the panel is diverse, SPT provided an independent assessment on Panel make up as part of our RII0-T3 Draft Determination response which included a section of research on judging panels and global examples of how other regulated industries are using performance incentivisation.⁶].

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?

Our response to this question should also be considered with our response to question four above where we commented on the composition of the panel. Whilst we broadly support the proposed range of expertise it could be enhanced through the inclusion of Panel members with experience of stakeholder engagement (how would NESO engagement be assessed without this), risk and economic assessment, and pragmatic skills to review outage management.

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

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

The guidance document strives to outline a structured and transparent approach to the assessment of IDI submissions. However, it gives limited detail on the expectations of the submission itself which SPT consider would be appropriate to include within the guidance. In addition, several elements of the process would benefit from further clarification to support consistency, transparency and proportionality.

Submission:

Use of a standard submission template or outline for TOs to consider and follow would be beneficial in the ability of the Panel to review consistent submissions. A common structure would support licensees, reduce administrative burden and allow the submissions to be compared more effectively. In particular, Ofgem could set out minimum expectations regarding:

- executive summaries;
- evidence requirements –

⁵ 4.5 Innovative Delivery output delivery incentive

Part C: The Innovative Delivery Incentive Guidance Document

4.5.9 The licensee must comply with the Innovative Delivery Incentive Guidance Document in relation to the Innovative Delivery output delivery incentive.

⁶ [Annex 8.2 - SPEN Research on Behaviour Incentivisation report FINAL 26-08-2025.pdf](#)

- Evidence from third parties, including organisations such as Innovate UK, academic institutions, industry bodies and independent experts, should this form part of a TO submission or be independently submitted for consideration.
- Evaluation of external evidence.
- Ability of TOs to comment on any external evidence submissions.
- economic benefit assessments;
- supporting documentation; and
- presentation of risks, assumptions and uncertainties.

Stage 1: Ofgem completeness and eligibility check:

SPT would welcome clarification on when Panel members will first receive and review submissions. Consideration should be given to providing submissions to the Panel at the same time as Ofgem.

This could help ensure that initial assessments are formed independently by Panel members based directly on the evidence submitted, rather than being influenced by any preliminary views developed during the Ofgem review process.

Stage 2: Initial Panel review

Stage 1 and Stage 2 should be undertaken simultaneously to ensure the Ofgem analysis does not influence the Panel in their submission assessment or create bias on the quality of any submission.

Stage 3: Licensee presentation and Q&A:

Panel presentation: questions issued in advance of presentations should be proportionate and limited in number. Whilst we recognise licensees may be able to provide supplementary written responses; the proposed ten working day period may not provide sufficient time to prepare a comprehensive detail where questions are extensive or require additional analysis and evidence gathering. To ensure the presentation and Q&A give most benefit a focused set of questions provided in advance would enable licensees to respond effectively and ensure that sessions are used efficiently.

Stage 4: Panel assessment:

Methodology: To support TO understanding of the Panel assessment methodology and scoring, to provide greater certainty to licensees and help ensure submissions are developed on a consistent basis.

We would request Ofgem add to the guidance:

- a detailed scoring framework explaining how each assessment criterion will be evaluated
- the weighting applied to different criteria (as outlined in Annex 1);
- examples of the evidence required to support higher scoring submissions;
- worked examples illustrating how submissions would be assessed against the scorecard.

In addition to supporting TO submissions this supplementary information added to the guidance would also aid Panel members in their role of the assessment.

This is as it relates to outage management

Previous performance information: The use of previous performance information, as referred to in Stage 4, should be clarified. The purpose of the IDI is to assess the merits of specific innovative delivery activities and the consumer benefits they generate. Assessment should therefore be based primarily on the evidence contained within the submission and information directly relevant to the activity being assessed. The consideration of historical performance information could introduce the risk of actual or perceived bias and could undermine confidence in the objectivity of the assessment process. Ofgem should clarify the circumstances in which such information would be used, its relevance to the assessment criteria, and the safeguards that will be applied to ensure fair and consistent treatment across all licensees.

Panel's report and recommendation: paragraph 4.7 states the "Panel's report and recommendation, excluding any information confidential to the licensees, will be made public when Ofgem consults on its direction under Part D of Special Condition 4.5". To improve TO performance the complete panel report should be shared directly with TOs, with a redacted version published to the wider audience.

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

Ofgem has a crucial role to play in assessing the completeness and eligibility of Panel Submissions given the complexities of the RIIO-T3 price control and cross condition connectivity. However, this process should be designed in a way that preserves the independence of the Panel's assessment, it would be beneficial for TO Panel Submissions to be provided to both Ofgem and the Panel at the same time. This would ensure Panel members have access to the original submission from the outset and are able to form their own initial views based on the evidence provided by the licensee. It is also important to consider if the Panel report requirements outlined in paragraph 5.33⁷ are duplicative of the Ofgem assessment regarding eligibility.

While Ofgem's completeness and eligibility review is appropriate, SPT feel the current proposal could mean the Ofgem's preliminary views influence the Panel's initial assessment. The Panel's primary role should be to undertake an independent evaluation of eligible submissions against the published assessment criteria.

SPT would therefore welcome further clarification regarding:

- the information that will be shared with the Panel following Ofgem's review;
- timings of Ofgem providing commentary / review to the Panel confirming this will not occur before the Panel has completed its initial assessment; and
- the process for resolving any disagreements regarding eligibility.

Overall, SPT supports Ofgem undertaking completeness and eligibility checks, but considers that submissions should be shared simultaneously with Ofgem and the Panel to ensure the independence, transparency and objectivity of the assessment process.

• Chapter 5 – Innovative Delivery ODI-F assessment criteria

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?

The use of baseline, good and excellent as outlined is supported by SPT as an appropriate approach for assessment. The current framework is however largely judgement-based, with some areas relying on subjective panel views and others using arbitrary thresholds. This risks inconsistency between assessment periods and between licensees.

As outlined to our response to question 6, SPT advocate for the addition of a scoring methodology and formal scorecard to ensure objective scoring across TOs, the different panel windows and criterion. The addition these prescriptive measures would remove some of the subjectivity and

⁷ [Proposed Innovative Delivery Incentive Guidance Document \(RIIO-T3\)](#) - paragraph 5.33: "the eligible examples for each assessment area that the licensee submits in and the reasons for determining they are eligible"

interpretation within the current baseline, good and excellent expectations.

A formal scorecard could assess across a variety of areas, priorities we would consider are: against the consumer benefit (relative to the size of a transmission area), acceleration achieved, ability to replicate the activity, evidence submitted.

In conversation with SPT, they realised the assessment criteria are scorecards

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?

Assessment criteria for innovations in design and/or engineering (30%)

Do you agree with the proposed criteria? If not, what would you propose to change and why? - How well do the criteria drive the positive behaviours we are seeking to incentivise through the Innovative Delivery ODI-F?

Criterion 1: SPT broadly agree with the underlying basis of this criterion in trying to align scoring with timelines of expected benefits, however in many parts the language is ambiguous and subjective e.g. for good performance, “future changes would need to be materially easier, quicker and/or lower cost” - how is “material” defined, how is “quicker” evidenced against what, given impacts of supply chain and rising cost should the measure not be lower or maintaining cost, rather than lower cost? Specifically for baseline performance the scoring criteria wording seems contradictory, as it refers both to current performance but also future needs, increased definition within the activities to be reviewed and the starting point of review is required.

Ofgem could consider an approach where the performance measure could be referred to in terms of price controls e.g. baseline would be applicable for innovations that are designed to benefit the TO within current price control, good would provide flexibility, resilience across multiple price controls, excellent would be long-term.

Criterion 2: The proposed subjective wording of this criterion would mean a Panel using its discretion to interpret the requirement. Further detail and certainty in the language would ensure TOs and the Panel are clear of the expectations:

- “Leadership” (as detailed in excellent performance) – can there be multiple leaders across the TOs? Could multiple TOs be awarded excellent performance in a Panel assessment.
- It is implied but could be strengthened as in other criteria, to reflect the scope of innovations across the scoring – baseline can see ownership and intent across isolated, perhaps single projects, good could be applied to a group/ programme and excellent would see this applied at portfolio level.

- Do you consider the proposed criteria provide sufficient guidance to the Panel without restricting its discretion?

Overall, as outlined above, there is concern the current wording in this assessment area does not give a Panel a sufficient framework certainty to score reliably between TOs and across the two submission periods.

- Are there any unintended consequences from our proposed criteria?

We would suggest the current criterion in this assessment area could have the unintended consequence of slowing the pace of delivery if TOs are rewarded solely for developing and

delivering innovation philosophies internally rather than in partnership with the supply chain to deliver? The current drafting suggests that relying on supplier / industry best practice / expertise / advice is not encouraged? Given the scale of the investment and delivery ahead, a collaborative approach between TOs and industry should be eligible for innovative reward under this assessment criteria.

Assessment criteria for effective outage management (30%)

- Do you agree with the proposed criteria? If not, what would you propose to change and why?

- Reduced outage churn - Criterion 1: Further discussion between NESO, TOs and Ofgem will be required to understand if eNAMS retains enough outage information in order to establish a baseline for this criterion. Changes within the delivery period at customer request should be exempt, which isn't mentioned in 5.14 and yet can be a major driver of short notice change for a positive reason rather than perceived poor planning.
- Reduced unplanned (non-fault) outages - Criterion 2: NESO currently have been marking extensions to ONCOM outages as unplanned, as it removes the need to put these through the planning process and seek re-sanctioning. Before the guidance is finalised there is a need to establish if this is the correct behaviour with all outages across all voltage levels as it will reflect poorly in assessment of this criterion.
- Notice of late return - Criterion 3: Prior to finalised guidance further discussion between NESO, TOs and Ofgem will be required to understand if eNAMS retains enough outage information to establish a baseline for this criterion.
- Availability of reactive compensation equipment - Criterion 4: At present assessment includes planned outages which restrict reactive unavailability to meet requirements of reinforcement projects, customer connections or planned asset replacement. These inclusions would affect a TOs ability to meet the criteria for Excellent performance. The assessment should consider assessment of unplanned unavailability instead.

- Do you consider the proposed criteria provide sufficient guidance to the Panel without restricting its discretion?

- Overall: Within the current guidance for assessment there is a risk of TOs calculating each specific outage performance statistic differently. SPT believe the Network Access Policy (NAP) Forum (which has NESO and Ofgem attendees) should be used to confirm the methodology across the three TOs to ensure we're all using the same process and reporting strategy are utilised.
- Reduced outage churn - Criteria 1: This criterion is not clear. What is the intention "the number of changes to a licensee's outage plan", "the volume of change requests received within NESO's delivery phase only?". Or should the assessment include new outage requests within the delivery period? (<3 weeks before the outage's requested start date).
- Reduced unplanned (non-fault) outages - Criteria 2: We note the dubiety in extensions of planned outages being considered as unplanned in current working methods and seek certainty that these would not form part of the assessment or if included would be considered separately.
- Notice of late return - Criteria 3: No Comment.
- Availability of reactive compensation equipment - Criteria 4: This metric is transparent in it's assessment approach, data would be pulled directly from NESO's E7 report or from TO working sheets, where the applicable asset types should match the E7 classification for "Reactive Compensation Equipment Availability".

- How well do the criteria drive the positive behaviours we are seeking to incentivise through the Innovative Delivery ODI-F?

Whilst the current guidance criteria look to monitor behaviours under the incentive and drive improvement, they are limited. We would urge Ofgem to consider criterion which consider "what

constitutes development of a good transmission outage plan” and support the network long term rather than just short-term activities. The current criterion currently focuses on interaction with NESO and areas of improvement to address short term planning issues, rather than incentivising TOs to work on long term development of accurate and comprehensive outage plans.

- Are there any unintended consequences from our proposed criteria?

The current drafting of Reduced outage churn - Criterion 1 & Notice of late return - criterion 3 could counteract each other. Notifying an outage extension earlier under Criterion 3 will be done so with less certainty and may therefore increase churn measured under Criterion 1 due to subsequent revisions. Outage requests made closer to the start/end dates are historically the most accurate due to less risk/variables.

Reduced unplanned (non-fault) outages - Criteria 2: With current practices around ONCOM extensions being treated as unplanned, the current guidance would incentivise TOs to build a buffer into outage requests to improve perception of early return or lack of extension.

Assessment criteria for savings in supply chain and/or contracting (15%)

- How well do the criteria drive the positive behaviours we are seeking to incentivise through the Innovative Delivery ODI-F?

The proposed criteria to assess the savings in supply chain and / or contracting seem reflective of the policy intent. However, we would advocate that the introduction of new mechanisms such as the Advanced Procurement Mechanism (APM) which will affect TO contracting and supply chain engagement be considered as an area of review. SPT see the APM as a key part of the RIIO-ET3 regulatory framework of the price control and we’d ask Ofgem to be pragmatic in the eligibility review of any benefit the mechanism may drive for consumers across each of the criteria in this area. Ofgem’s expectation that APM should be embedded as BAU is unrealistic given the guidance was only finalised six months ahead of the RIIO-T3 Final Determination. APM is also not an incentive, it is a regulatory mechanism that allows access to funding instead of the Early Construction Funding, no other funding mechanisms are excluded for example Ofgem have not excluded all Volume Driver Projects or all Pre-Construction Funding Activities. The APM is still in its infancy and requires continuous improvement through the implementation phase, Ofgem should encourage TOs to continuously improve as well as embed and deliver innovative initiatives utilising the APM funding source.

- 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?

Demonstrated savings - Criterion 1: SPT are broadly in agreement with the criteria albeit with some caveats:

1. The terminology used within the criteria could be misconstrued, we would advocate that reference to frameworks is updated to reference not just frameworks but also contract awards.
2. The methodology or definition of how “material”/ “significant” (in the context of the licence) will be determined is required to ensure an appropriate and consistent approach across TO submissions by the Panel.
3. The Baseline position refers to one-off project savings, whilst excellent refers to savings in “multiple projects” or portfolio”. Given these stipulations, what would good therefore be? Should good be multiple projects and excellent be portfolio?

Commercial innovation and replicability - Criterion 2: The assessment for this criterion could benefit from clarity on how consumer value would be delivered under good. Whilst saving against contracting are potentially easily measurable those introduced against performance maybe less demonstrable. Are the two contracting features inextricably linked or is the proposal the Panel will

assess each separately? Furthermore, within the category there maybe industry wide adoption of commercial innovation, should this fall within the assessment? If it was to be considered consideration should be given to the size and scale of licensee areas and proportionate reflection of the value.

Market health and resilience – Criterion 3: Assessment by the Panel would be supported by clarity on “responsible market engagement”, examples of what this may look like in the guidance would support TOs in striving to reach good performance. In addition, examples of the evidence required to reach excellent when reviewing “supply chain resilience and competition” given commercial practices and necessity to comply with procurement legislation would be required.

- Are there any unintended consequences from our proposed criteria?

Overall: Focus on savings could create the significant unintended consequence, that whilst creating saving and speeding of delivery in the short term, it may come at the expense of other measures such as quality and long-term efficiency. The assessment guidelines should account for different scenarios and effects not just against the “saving” for the Panel consideration.

Assessment criteria for effective NESO collaboration (15%)

SPT considers the proposed guidance and assessment framework for Effective NESO Collaboration to be one of the weakest areas of the draft Guidance Document. The proposed assessment is focused entirely on TO collaboration in support of the CSNP, despite obligations in this area already being introduced through Special Licence Condition 9.22 (CSNP Coordination).

Delivery of the CSNP is inherently dependent on collaboration across industry participants, the timelines established by NESO require coordinated engagement from all relevant parties to deliver whole-system outcomes and maximise consumer value. In this context, a TO working independently with NESO and submitting information earlier than required, whilst well-intentioned, is unlikely to generate meaningful additional consumer benefits on its own. Equally, the proposed assessment of the “quality” of information submitted is highly subjective and may depend as much on the quality and clarity of the information request as on the response provided by the TO.

SPT specifically requests the removal of the wording “*materially in advance of the NESO's specified deadlines*” proposed under Good performance. SPT does not consider that early submission, in isolation, is a suitable indicator of effective collaboration or consumer value. A more appropriate expectation would be the timely submission of complete and accurate information in line with NESO's required deadlines.

Furthermore, the assessment framework appears to place responsibility for successful collaboration predominantly on TOs. Effective collaboration is, however, dependent on the actions and engagement of all parties, including NESO. Assessment of performance should therefore recognise the role played by all participants and consider the options reasonably available to TOs where wider engagement or collaboration from other parties does not materialise.

SPT also has concerns regarding how consumer value will be identified and quantified within this assessment area. Unlike other behaviour areas, there is often no direct and measurable consumer benefit attributable to collaborative activity alone. This may make assessment particularly challenging for the Panel, given both the proposed panel composition and the difficulty of establishing links between collaborative behaviours and consumer outcomes. These challenges are further compounded by existing CSNP development timelines, many of which are outside the direct control of individual TOs.

Notwithstanding these concerns, SPT fully recognises the importance of active and constructive engagement with NESO as a fundamental part of planning and operating the transmission network. However, SPT considers that this incentive category should not be limited solely to collaboration related to the CSNP. In reviewing the Innovative Delivery Incentive guidance, SPT has considered the key areas of collaboration currently undertaken with NESO. Day-to-day operational engagement is already captured through the Effective Outage Management assessment area, while strategic network planning is addressed through the proposed CSNP-focused criteria. We suggest that the strategic planning element could be broadened to include collaboration relating to the Strategic Spatial Energy Plan (SSEP), which will continue to evolve through future update cycles.

More broadly, a significant area of TO-NESO interaction that is not currently reflected within the proposed guidance is connections collaboration. Given the importance of timely connection delivery to consumers and wider energy policy objectives, SPT considers that innovative and effective collaboration between TOs and NESO in the connections process, noting the linkage to the SSEP above could represent a more appropriate area for assessment and incentivisation under this category.

Criterion: The Gated Application Window and Offer process following the implementation of connections reform.

Baseline	Baseline would start and be based on the G2tWQ or first application window. • Processing application in accordance with current licence, STC and STCP. • TO should be working to improve transparency/understanding of the options available at pre-application. • TO should be working to assure application data from NESO and customer. • TO should be working to increase the accuracy and speed of delivering offers. • TO should be working to improve the customers understanding of their offer.
Good	Demonstrable improvement in offer quality, data consistency, and customer experience through enhanced collaboration. • Data – agreed data reconciliation/validation processes. • Offers – high right first time TOCO rate. • Customer – enhanced communication and transparency through gated window, improved customer satisfaction
Excellent	Delivery of truly innovative solutions that could be adopted as best practice. • Data – single source of truth, shared customer portal. • Offers – AI assisted quality assurance, material reduction in offer production timescales through efficiency.

Assessment criteria for speeding up delivery (10%)

SPT supports the inclusion of project acceleration within the Innovative Delivery ODI-F and recognises the benefits that accelerated delivery can provide to consumers. However, we consider that further clarity is required to ensure consistent assessment outcomes and provide sufficient guidance to both transmission owners and the Independent Panel.

Previous comments regarding subjective language within the assessment criteria remain relevant. In particular:

- It is unclear what constitutes a "reasonably expected timetable" for the purposes of establishing a baseline. Greater clarity is required as to whether this relates to the TO's established delivery programme or an independent assessment of a reasonable delivery timescale.
- Additional guidance and worked examples would be beneficial to explain what constitutes a "material", "significant" or "exceptional" level of acceleration.

SPT would encourage Ofgem to consider whether a more objective assessment framework could be adopted, for example using percentage reductions in delivery timescales relative to an equivalent non-accelerated programme (e.g. 5% for baseline, 10% for good, and 15% for excellent performance). This would provide greater transparency and consistency while still allowing the Panel discretion to consider project-specific circumstances.

Without additional clarification, the current approach could create unintended consequences, including inconsistent assessment of similar projects, increased subjectivity in Panel decision-making, and reduced willingness by TOs to pursue acceleration opportunities where the likelihood of recognition is uncertain. SPT also considers that further guidance is required regarding projects that may overlap with other incentive mechanisms, including the Major Projects ODI-F, to avoid uncertainty regarding eligibility and the treatment of overlapping benefits.

Real-time delay management - Criterion 2: SPT supports the inclusion of Real-time Delay Management and recognises the consumer benefits of proactively managing delivery risks and minimising project delays. However, the proposed criteria rely on subjective terminology such as "strong and proactive management", "outstanding performance", and "exceptional intervention". SPT considers that further guidance and examples are required to ensure consistent assessment and provide greater transparency for both transmission owners and the Panel.

It would be helpful to clarify and give examples within the guidance of:

- what constitutes successful delay mitigation or recovery;
- the evidence required to demonstrate avoided or reduced delay impacts; and
- the distinction between baseline, good and excellent performance.

SPT considers that the criteria would more effectively incentivise positive behaviours if supported by measurable indicators, such as the proportion of delay recovered. One of the unintended consequences that the framework currently makes is that it could place greater value on recovering delays after they occur than on preventing them in the first instance. The assessment criteria should therefore recognise both proactive risk management and effective delay recovery to ensure the right behaviours are incentivised.

Q10. Do you agree with the proposed two-stage approach to Panel scoring?

The proposed two stage Panel scoring gives a structured approach to reach on overall IDI recommendation. SPT would suggest it useful that:

- Ofgem add worked examples would help demonstrate how the Panel is expected to balance innovation, replicability, delivery impact and consumer value when assigning scores.
- Clarity is given to the role that economic benefits play throughout the framework, it is not clear how the scale of consumer benefit influences scoring, despite this being a key consideration in any TO area of submission. The guidance explains how eligibility is set for

the £5m consumer benefit threshold, but it is less clear how economic benefits will influence the Panel's judgement between baseline, good and excellent performance.

Q11. Should the Panel's report and recommendations include any other information?

SPT strongly advocate the Panel report should be shared to ensure procedural clarity and support licensees in understanding how conclusions have been reached. The report should include: an explanation of how the Panel assessed the evidence against each assessment criterion (this links into the score card suggested above), areas of challenge identified by the Panel during its assessment (to allow TOs address gaps in a second submission) and details of any external evidence relied upon by the Panel in developing the recommendation.

- Chapter 6 – Methodology to calculate IDIPAS_t

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?

SPT agree with the proposed approach to calculate IDIPAS_t, SPT would advocate for transparency the formula to calculate reward should be in the licence as part of SpC 4.5 Part A.

Q13. Do you agree with the proposed reward formula to calculate IDIPAS_t?

SPT issues with the formula are detailed below:

The term "x" is described as "behaviour area" however the rest of the descriptions refer to this as the "assessment area" we propose that for consistency the term "x" should also be described as the "assessment area"

The term "NCV_x" should have the subscript t added as this value will be different at the separate assessment windows, the term should thus be timebound to its relevant assessment window.

The term w_x should be included in the $a_x * IDIMAX_t$ element of the formula as $w_x (a_x * IDIMAX_t)$ as currently if the NCV term was the minimum value it would take 30% of consumer value generated for the specific behaviour, whereas it should take 30% of the maximum available reward. This would make the equation result in the NCV for the specific assessment area or 30% of performance multiplied by max reward available whatever is lowest.

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?

The IDI design principles were a reward only incentive to encourage positive TO behaviour, to negatively adjust in the incentive is inconsistent with rewarding innovation whilst simultaneously applying a penalty. A negative adjustment to the incentive was not consulted upon but detailed in Final Determination⁸ following responses to Draft Determination and a proposal to use the SO:TO

⁸ [RIIO-3 Final Determinations – Electricity Transmission](#) 3.156 We have decided to include innovative TO actions to reduce transmission losses within the scope of the Innovative Delivery ODI-F. **Of the seven respondents, two supported this position, while five (including the TOs) opposed adjusting the scope of either the Innovative Delivery ODI-F or the SO:TO Optimisation ODI-F to include transmission losses.** We wish to incentivise losses reduction due to the environmental and system cost benefits TO innovation could deliver.

incentive to address Transmission losses. The 30% adjustment introduces double counting / double penalty potential since the reward is limited to 30% for excellent behaviour, yet the parameters for penalty against the reward are unclear. There is further consideration if the penalty potential of 30% is proportionate to the overall incentive value given the demonstration of consumer value required in each area.

If Ofgem wished to introduce a negative adjustment it would be more appropriate for this to operate solely within the outage management behaviour criteria, where the guidance already proposes discrete performance measures, rather than decreasing the incentive to innovate more widely.