



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

SSEN Transmission



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21st August 2026

Dear Ayesha,

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

This response is submitted on behalf of SSEN Transmission ("SSENT"), part of the SSE Group, responsible for the electricity transmission network in the north of Scotland. We welcome the opportunity to respond to Ofgem's Proposed Innovative Delivery Incentive Guidance Document (RIIO-ET3) published in July 2026.

We support the introduction of the Innovative Delivery Incentive (IDI) and its objective of encouraging the deployment of innovative approaches that accelerate network delivery and improve outcomes for consumers. As the scale, pace and complexity of network investment continue to increase, it is important that the regulatory framework supports innovation becoming embedded within business-as-usual (BAU) delivery rather than remaining confined to research, development and demonstration activities.

Whilst we support the intent of the IDI, we are concerned that several aspects of the proposed framework, taken together, risk limiting its effectiveness as an incentive for innovation deployment during RIIO-T3. In particular, the proposed eligibility restrictions, assessment framework, treatment of consumer value and assessment timings could unintentionally discourage participation, create uncertainty around potential rewards and exclude innovations capable of delivering significant consumer benefits. We therefore consider that further refinement is required to ensure the framework is transparent, proportionate and capable of recognising the full range of innovations that can deliver value to consumers.

Our detailed responses to the consultation questions are set out in Appendix 1. The key messages from our response are outlined below:

1. Eligibility Criteria: Funding

While we recognise Ofgem's objective of avoiding double counting and double recovery, we are concerned that the proposed eligibility restrictions may unintentionally exclude some of the most valuable innovations being deployed across the transmission network. Mechanisms, such as APM, serve different purposes to the IDI by enabling, supporting or de-risking deployment activities rather than rewarding successful implementation and consumer outcomes. Receipt of support through another RIIO mechanism should not automatically preclude eligibility where licensees subsequently manage deployment risks and

deliver demonstrable consumer value. The IDI should focus on incentivising innovation deployment and scaling, rather than excluding innovations that have benefited from complementary regulatory mechanisms.

2. Transparency and Consistency of Assessment

Given the significant role that panel judgement will play in determining rewards, it is essential that the assessment process is as objective, transparent and evidence-based as possible. Several aspects of the framework rely on subjective assessments of concepts such as innovation leadership, ownership, future proofing, collaboration effectiveness and resilience. Whilst expert judgement will always be required, clearer definitions, guidance and examples would improve consistency across submissions and provide greater confidence that innovations are being assessed and rewarded on a comparable basis.

3. Assessment Timing and Recognition of Long-Term Value

Given the timing of the first assessment window, there is a risk that some of the most impactful innovations deployed during T3 will not yet have delivered measurable outcomes or fully realised consumer benefits at the point of assessment. As a result, innovations that create significant long-term value could be disadvantaged relative to those with more immediate and readily quantifiable benefits. We therefore consider that the first assessment round should place particular emphasis on establishing clear expectations and precedents for future submissions, whilst ensuring that longer-term benefits and future deployment value can be appropriately recognised.

4. Stakeholder Engagement and Framework Development

We believe that greater stakeholder engagement would have been beneficial in the development of several key elements of the proposed framework. The consultation introduces important design features, including weighting approaches, scoring thresholds and reward mechanisms, without clearly explaining how these have been calibrated or the evidence base underpinning them. Whilst we recognise Ofgem's engagement during the early stages of the IDI's development, there has been limited opportunity for stakeholders to contribute to the detailed design of the framework prior to formal consultation. Given the material influence that these arrangements will have on licensee behaviours and the operation of the incentive, we encourage Ofgem to continue working closely with network companies to refine the framework, particularly following lessons learned from the first assessment cycle.

Overall, we support the intent of the IDI and welcome the opportunity to help shape its implementation. We consider that further refinement is required to ensure the framework remains practical, proportionate and capable to encourage the successful deployment and scaling of innovations that deliver meaningful consumer value. We look forward to continuing our engagement with Ofgem on the issues raised in this

response and would welcome a joint TO-Ofgem workshop to discuss outstanding areas of the framework ahead of implementation. Should you wish to discuss any aspect of our response further, please do not hesitate to get in touch.

Yours sincerely,

Rahul Sharma
Regulation Manager

Appendix 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?

We are broadly supportive of the proposed five eligibility criteria. We agree with their overall intent and the principle that submissions should focus on the deployment of genuine innovation that delivers measurable value for consumers. The proposed criteria provide a reasonable framework for ensuring that the IDI rewards successful innovation deployment and benefits realisation, rather than innovation for its own sake.

We have a strong view that the industry should continue to move innovation beyond research and development and into deployment at scale across the transmission network. In this regard, the proposed eligibility framework provides an appropriate basis for promoting and recognising innovative delivery. However, further refinement is required to ensure the framework captures the full range of innovations capable of delivering consumer value.

In particular, we believe further consideration should be given to Eligibility Criterion 4. We recognise the importance of avoiding double recovery and ensuring that the same activity is not rewarded multiple times, however we are concerned that the proposed approach may unintentionally exclude some of the most valuable innovations being deployed across the network. Mechanisms, such as APM, serve a fundamentally different purpose to the IDI. They are designed to facilitate or de-risk delivery activities, including the procurement of long lead-time assets, whereas the IDI is intended to recognise the successful deployment of innovative solutions and the consumer value they ultimately deliver. As a result, receipt of support through another RIIO mechanism should not automatically render an innovation ineligible where the deployment itself continues to involve material implementation risk and delivers demonstrable consumer benefits. The key consideration should be the value delivered through successful deployment rather than the source of supporting funding.

We also believe there would be value in developing a more standardised approach to assessing and evidencing consumer benefits across the industry. Some innovations, particularly those relating to design standardisation, digitalisation, strategic asset management and novel asset solutions, may deliver significant long-term benefits but have impacts that are difficult to quantify in the early stages following deployment. Greater clarity on acceptable assessment methodologies would improve consistency, comparability and transparency across submissions.

Overall, we consider the five eligibility criteria to be broadly appropriate and aligned with the objectives of the IDI. However, additional clarity around the treatment of innovations supported through other RIIO mechanisms, together with a more consistent approach to evidencing consumer value, would help ensure that the framework recognises and rewards the full range of innovations capable of delivering benefits for consumers over both the short and long term.

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?

We consider the proposed eligibility criteria and associated guidance to provide a useful foundation for assessing innovative delivery. However, we do not believe the arrangements are yet sufficiently clear or developed to be considered fully workable. In particular, while we support Ofgem's objective of establishing a robust and evidence-based approach to assessing consumer value and comparing submissions across licensees, further guidance will be required to support consistent implementation and assessment across the industry.

The requirements for assessing economic benefits set out in Appendix 1 represent a helpful starting point. However, additional clarity is needed regarding the methodologies, assumptions and evidence that will be considered acceptable when quantifying consumer benefits. Without greater standardisation, there is a risk that licensees adopt different approaches to valuing benefits, making it more challenging for the Panel to compare submissions consistently and transparently.

To address this, we encourage Ofgem to adopt and evolve a common industry methodology for benefit assessment rather than developing a new approach specifically for the IDI. In our view, the existing SIF Cost Benefit Analysis (CBA) methodology provides a strong starting point, as it is already widely used and understood across network companies. A common methodology, supported by standard templates and guidance, would improve consistency, reduce unnecessary duplication and provide greater confidence that benefits are being assessed on a comparable basis across submissions.

We also recognise that quantifying the benefits of innovative delivery can be challenging, particularly where benefits are qualitative, indirect or realised over an extended period. Many innovations may create value through improved optionality, enhanced resilience, reduced delivery risk, accelerated future deployment, standardisation, improved safety performance or better operational decision-making. Whilst these outcomes can provide significant long-term consumer value, they may not always be readily monetised using conventional cost-benefit approaches.

We therefore encourage Ofgem to provide further guidance on how qualitative and longer-term benefits will be assessed, including the types of evidence that licensees will be expected to provide where direct cost savings or monetised benefits cannot be readily demonstrated. Greater clarity in this area would improve transparency, support more consistent submissions and help licensees establish appropriate data collection, reporting and assurance arrangements ahead of future assessment windows.

More broadly, we see value in greater alignment across innovation mechanisms, including SIF, NIA, the Innovation Measurement Framework (IMF) and the IDI. Applying a common benefit assessment methodology across these mechanisms would improve consistency, reduce regulatory burden and create a single framework that can evolve over time as approaches to measuring innovation benefits mature.

This would also provide greater certainty for licensees and support more meaningful comparisons of innovation outcomes across the sector.

Overall, while the proposed guidance is a strong foundation, further development of the economic benefits assessment framework is required before the arrangements can be considered fully workable. In particular, greater standardisation of methodologies, additional guidance on qualitative and long-term benefits, and stronger alignment with existing innovation frameworks would improve consistency, transparency and confidence in the assessment process.

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

We expect that a range of potentially eligible innovations will emerge during T3. However, we are concerned that the timing of the first assessment window is likely to limit the number of examples that are able to satisfy all eligibility requirements. Given the long development and implementation timescales associated with major transmission projects, many innovations are likely to remain at a relatively early stage of deployment during the 2027/28 assessment period. In many cases, consumer benefits may not yet have fully materialised and sufficient evidence may not yet be available to demonstrate realised outcomes.

This challenge may be further exacerbated by the proposed eligibility requirements relating to benefit realisation and the treatment of innovations supported through other RIIO mechanisms. Whilst we understand the rationale behind these requirements, there is a risk that some of the most impactful innovations being deployed across the network are unable to demonstrate the level of maturity or evidence required within the timeframe of the first assessment window.

As a result, we expect the pool of eligible examples for the first assessment round to be relatively limited. There is a risk that innovations delivering substantial long-term consumer value, particularly those associated with major infrastructure programmes, standardisation, digitalisation and novel engineering solutions, will not yet be in a position to demonstrate their full benefits or deployment success.

We therefore consider that the first assessment window should be viewed not only as an opportunity to assess current performance, but also as an opportunity to establish clear expectations, precedents and learning for future submissions. In particular, the first assessment cycle should help provide greater clarity on evidential requirements, benefit assessment methodologies and the types of innovation that the framework intends to recognise and reward. This would help maximise participation and improve the quality and consistency of future submissions.

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?

We are broadly supportive of the proposed role and composition of the Innovative Delivery Incentive Panel. The proposed mix of engineering, project delivery, commercial, operational, innovation and economic expertise appears appropriate given the breadth of the assessment areas and the range of innovations that may be submitted. We agree that the Panel should provide an independent, expert forum capable of assessing innovative delivery approaches and the value they deliver for consumers.

However, given the significant role that Panel judgement will play in determining assessment outcomes and reward levels, it is essential that the framework promotes objectivity, consistency and transparency. Several aspects of the assessment process require judgement against concepts such as innovation leadership, ownership, future proofing, replicability and resilience. While expert judgement will always be necessary, there is a risk that subjective interpretation could lead to inconsistent outcomes across submissions and assessment windows.

To support confidence in the process, we encourage Ofgem to provide greater clarity on how assessments will be calibrated and how consistency will be maintained both across Panel members and over time. This is particularly important given that the first assessment window is likely to establish important precedents and shape future licensee behaviours. Transparent decision-making, clear assessment guidance and comprehensive feedback will be critical to ensuring that recommendations are reached on a consistent and evidence-based basis.

Overall, we support the proposed Panel structure. However, additional focus on transparency, consistency of assessment and clear governance arrangements would further strengthen confidence in the operation of the incentive and the robustness of Panel recommendations.

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?

We are broadly supportive of the proposed range of expertise and experience identified for the Panel. The proposed mix is appropriate given the breadth of the assessment areas and is broadly consistent with expertise that has proven effective in other industry innovation assessment processes.

However, we believe particular emphasis should be placed on expertise in innovation deployment, benefits realisation and innovation evaluation. The Panel will not simply be assessing technical novelty but also required to evaluate how effectively innovative approaches have been implemented, embedded within business processes and translated into meaningful consumer outcomes. Experience of assessing

innovation deployment and benefits realisation within complex infrastructure environments will therefore be particularly important.

We also consider it essential that the Panel has sufficient capability to assess both quantitative and qualitative evidence. Many innovations may deliver value through improved optionality, resilience, future proofing, standardisation or reduced delivery risk, where benefits can be significant but difficult to monetise. The Panel should therefore have the capability and experience to evaluate such benefits consistently and objectively where appropriate supporting evidence is available.

Finally, given the degree of judgement inherent within several assessment areas, we would welcome greater clarity on how consistency will be maintained across different Panel members and future changes in Panel composition. This will be particularly important where submissions contain significant qualitative evidence and where the first assessment window is likely to establish precedents for future submissions. Clear assessment guidance and transparent decision-making will help ensure confidence that recommendations are being reached on a consistent and objective basis.

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?

We broadly support the proposed assessment and decision-making process and agree that the staged approach provides an appropriate framework for reviewing submissions and promoting consistency of assessment. The inclusion of an initial Panel review, licensee presentation and subsequent Panel recommendation should help improve the quality of submissions and provide opportunities for clarification where required.

However, we are concerned that the process may create significant regulatory and administrative burden for both licensees and the Panel, particularly given the scale and complexity of potential submissions. The proposed timeline requires licensees to respond to Panel questions, prepare supporting material and develop a presentation following the initial review stage within a relatively short timeframe.

In particular, we consider that the proposed 10 working day notice period between receiving Panel questions and the presentation is unlikely to provide sufficient time to prepare a comprehensive response. Addressing Panel questions may require input from multiple business functions, project teams, technical specialists and external partners, as well as the collection and assurance of supporting evidence. We therefore recommend extending this period to 20 working days to allow sufficient time to prepare robust responses, gather supporting evidence and ensure presentations address Panel feedback effectively.

More broadly, the process should seek to balance robust assessment with proportionality. The IDI is intended to encourage innovation deployment and we would not want the administrative burden associated with the assessment process to become a barrier to participation. We therefore encourage Ofgem to keep the process under review following the first assessment window to ensure that information requirements, response timelines and presentation expectations remain proportionate to the value of the incentive.

Overall, we support the proposed process but believe a longer response period between the initial Panel review and licensee presentation would improve the quality of submissions and reduce unnecessary regulatory burden while maintaining the integrity of the assessment process

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

We agree with Ofgem’s proposed role in undertaking completeness and eligibility checks prior to detailed Panel assessment. A consistent upfront review should help ensure submissions are assessed against a common set of requirements and provide confidence that only eligible examples proceed to detailed Panel evaluation.

However, the effectiveness of this role will depend on the clarity and transparency of the eligibility framework itself. As highlighted elsewhere in our response, we would welcome further clarification on the application of Eligibility Criterion 4 and the treatment of innovations that have received support through other RIIO mechanisms. Given the potentially significant impact this criterion may have on determining eligibility, it will be important that its application is consistent, transparent and reflects the distinct objectives of different funding and incentive mechanisms.

We would also encourage Ofgem to engage with licensees where eligibility is unclear or borderline, particularly during the early assessment windows. This would help avoid potentially valuable innovations being excluded due to differing interpretations of the guidance and would support the development of a consistent understanding of the framework across the sector.

Overall, we support Ofgem’s role in checking completeness and eligibility and believe this should help promote a consistent and objective assessment process. However, the success of this approach will depend on clear guidance, transparent decision-making and ongoing engagement with stakeholders as the framework matures.

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?

We broadly support the principle of assessing submissions against baseline, good and excellent performance levels. The approach provides a relatively simple framework for differentiating performance and gives the Panel flexibility to assess a diverse range of innovations.

However, we believe further refinement is required to improve consistency, transparency and objectivity of assessment. Across a number of assessment areas, the distinction between baseline, good and excellent performance is not always sufficiently clear, particularly where assessment relies on qualitative judgement relating to concepts such as innovation leadership, future proofing, collaboration effectiveness, replicability and resilience. Clearer definitions, examples and assessment guidance would provide greater confidence that submissions are being assessed consistently both within and across assessment windows.

We are also concerned that, in some areas, the criteria may place greater emphasis on the ability to evidence or document activity than on the quality of the underlying outcomes. Greater clarity on how qualitative and quantitative evidence will be weighted would help improve transparency and allow licensees to better understand the behaviours and outcomes that Ofgem is seeking to incentivise.

Finally, given the significant role these assessment categories and scoring thresholds will play in determining rewards, we believe there would be value in greater stakeholder engagement on the detailed design of the framework, including the calibration of assessment criteria, score boundaries and weightings. As the first assessment window will establish important precedents for future submissions, we would value Ofgem continuing to engage with network companies and the Panel as experience is gained and to remain open to refining the framework where improvements can be identified.

Overall, we support the proposed approach but believe additional clarity on the distinction between performance levels and further stakeholder engagement on the detailed application of the framework would strengthen consistency, transparency and confidence in the assessment process.

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?**

We broadly support the proposed assessment areas and agree that they seek to incentivise behaviours that can deliver meaningful consumer value through improved network delivery. The criteria provide a useful framework for assessing innovative delivery across a diverse range of activities. However, across

several assessment areas we consider that additional clarity would improve consistency, objectivity and transparency within the assessment process.

In particular, further guidance is needed on how qualitative benefits will be assessed, how evidence should be weighted and how the Panel will distinguish between genuine innovation, good operational performance and business-as-usual activities. We are also concerned that some criteria may unintentionally favour the ability to evidence or document activity rather than the quality of underlying outcomes. As the first assessment window will establish important precedents for future submissions, it will be important that the framework provides sufficient flexibility to recognise innovation at different stages of maturity while maintaining a consistent and objective basis for assessment. The following sections detail our views on each of the assessment areas:

A. Innovations in design and/or engineering

We broadly support the proposed criteria and consider they are aligned with the objective of encouraging innovation deployment and long-term consumer value. The criteria are capable of driving positive behaviours but additional clarity would improve consistency of assessment and reduce the risk of unintended consequences.

Criterion 1 - Future Proofing and Adaptability

Criterion 1 is broadly reasonable and could help drive innovations that are transferable across multiple projects, maximise consumer benefits and accelerate adoption into business-as-usual practices. However, terms such as “improved optionality” and “resilience to future uncertainty” are currently broad and open to interpretation. There is a risk that the criterion could reward normal future proofing activities or additional scope rather than genuine innovation. We therefore encourage Ofgem to provide clearer guidance on what constitutes innovative future proofing, how benefits should be evidenced and how consumer value should be demonstrated.

Criterion 2 - Ownership and Intent

We are supportive of Criterion 2 and believe it could strengthen licensee leadership in innovation while encouraging the supply chain to contribute more proactively to innovative solutions. However, there should be a clear distinction between genuine innovation and simple cost reduction, particularly where whole-life consumer value may not be reflected in short-term savings alone.

We are also concerned that the criterion could unintentionally create a “first mover” incentive where only the earliest adopter of an innovation is recognised. This risks discouraging collaboration and knowledge sharing across the sector. The framework should recognise the value created when proven innovations are adopted, adapted and scaled across multiple networks ensuring that collaboration is encouraged alongside innovation. To avoid this, the incentive should allow multiple licensees to be rewarded for adopting, adapting or scaling the same innovation where that creates consumer or system value. The Transmission Innovation Deployment groups provide a useful model here, as they encourage shared

learning and Ofgem-led collaboration which ultimately supports broader and faster adoption of proven innovations across the sector.

Overall

Overall, the criteria provide a useful framework and are likely to drive many of the behaviours the IDI seeks to encourage. However, clearer definitions, stronger guidance on evidencing benefits and recognition of collaborative deployment would help improve consistency, maintain objectivity and avoid unintended incentives that favour competition over wider industry learning and adoption

B. Effective outage management

We recognise the importance of effective outage management in reducing system costs and supporting network delivery. However, we are not currently convinced that the proposed criteria fully capture the breadth of activities that contribute to effective outage management or the consumer value that can be delivered through innovation in this area.

As the GB Outage Planning process is currently being reviewed through the System Access Reform (SAR) programme, we believe the IDI should recognise and incentivise innovations arising from this work. Consideration should be given to whether delivery of SAR recommendations could contribute towards performance under this category.

We support Ofgem's intention to establish objective performance measures, but further clarity is needed on what constitutes baseline, good and excellent performance. In particular, it would be beneficial for Ofgem, NESO and the TOs, potentially through the SAR programme, to develop a common understanding of baseline performance and the associated consumer benefits. Consideration should also be given to whether baseline performance should be linked to a TO average, helping to ensure that licensees delivering sustained strong performance are not disadvantaged and that the incentive rewards improvements beyond business-as-usual performance rather than simply avoiding underperformance.

More broadly, we are not convinced that the current criteria fully capture effective outage management or the full range of activities that contribute to consumer value. While the proposed measures may provide a useful starting point, they should not be viewed as a complete definition of effective outage management. The framework would benefit from broader criteria and supporting guidance that better reflects the range of outage planning, coordination and delivery activities undertaken by TOs. Continued engagement with industry would help ensure that the framework evolves in a way that appropriately captures and incentivises the behaviours and outcomes that deliver the greatest benefits for consumers.

C. Effective NESO collaboration

We believe that the current criteria does not fully align with the stated objective of the IDI, which is to encourage innovative approaches to delivery. While we recognise the importance of effective collaboration with NESO, the proposed assessment criteria appear to focus primarily on compliance with

existing CSNP-related processes and evidence of good operational performance, rather than innovation itself.

We are also concerned that the focus on CSNP coordination is unnecessarily narrow. Whilst CSNP activities are an important part of the TO-NESO relationship, they represent only one aspect of a much broader range of collaborative activities undertaken through the STC and wider operational, planning and outage management processes. Consideration should therefore be given to recognising a broader range of collaborative activities that support innovative delivery and improved consumer outcomes.

The distinction between baseline, good and excellent performance also appears somewhat simplistic for what are often complex and iterative interactions. For example, a high-quality submission on a strategically important issue may naturally require significant follow-up engagement with NESO. Equally, constructive challenge and debate can improve outcomes rather than indicate ineffective collaboration. As a result, measures such as reduced follow-up activity, reduced duplication or fewer disagreements may not always be reliable indicators of effective collaboration.

Finally, some of the criteria for demonstrating excellent performance may be difficult to evidence in a proportionate manner. Demonstrating avoided escalation, reduced duplication or improved efficiency can rely heavily on counterfactual assumptions and extensive record keeping across complex multi-party discussions. There is a risk that the framework rewards the ability to document activity rather than the quality of collaboration and delivery outcomes themselves. We therefore encourage Ofgem to consider whether more objective measures could be incorporated and whether the evidential burden remains proportionate to the value of the incentive.

Overall, we support the intent of encouraging stronger TO-NESO collaboration but believe the criteria would benefit from a broader focus on innovative collaboration and more objective outcome-focused measures.

D. Savings in supply chain and/or contracting

We are broadly supportive of the proposed assessment area and consider that it provides a clear framework for recognising innovations that deliver value through procurement, contracting and supply chain activities. The criteria are generally aligned with the objective of encouraging innovative delivery and are capable of incentivising positive behaviours across the supply chain.

However, we believe the criteria could be strengthened by better recognising the wider range of benefits that supply chain innovation can deliver. In particular, there is limited consideration of whole-life value, with a strong focus on upfront cost reductions and cost avoidance. Innovations such as asset standardisation, reduced spares holdings, simplified maintenance regimes, improved asset performance and end-of-life efficiencies can deliver significant long-term consumer benefits. A consideration of cradle-to-grave view of costs and benefits would provide a more complete assessment of value.

We also consider that the framework should recognise improvements in asset quality, performance and asset life. Some innovations may not deliver immediate cost savings and may even require higher upfront

expenditure but can result in longer asset lives, improved reliability, reduced maintenance requirements and lower whole-life costs. These benefits can provide significant long-term value to consumers and should be appropriately recognised within the assessment framework. Without this flexibility, there is a risk that innovations delivering substantial long-term benefits are disadvantaged relative to innovations with more readily quantifiable short-term cost savings.

In addition, the framework should provide greater flexibility to recognise non-commercial benefits. Some innovations may not deliver material cost savings but can still provide significant value through lower carbon materials, reduced environmental impacts, safer delivery methods or improved community outcomes. The current drafting could unintentionally favour innovations with readily quantifiable financial benefits and disadvantage innovations that support broader industry and societal objectives.

In relation to supply chain resilience, we are supportive of Ofgem recognising the importance of resilient supply chains. However, consideration should also be given to innovations that support near-shoring, onshoring and increased UK manufacturing capability. While such approaches may involve higher upfront costs, they can improve long-term resilience, support domestic supply chains and align with wider sector initiatives relating to economic growth and local content. We encourage Ofgem to consider how the criteria could better recognise these outcomes.

More broadly, we believe there is an opportunity for the assessment framework to align more closely with existing sector initiatives such as the Sector Growth Plan and local content ambitions. This would help ensure consistency of objectives across the industry, reinforce key strategic outcomes and avoid duplication of effort through multiple standalone initiatives.

Overall, we support the proposed assessment area and believe it can incentivise valuable innovation across procurement, contracting and supply chain activities. However, the framework currently places significant emphasis on immediate financial benefits. Greater recognition of whole-life value, asset performance, resilience, environmental outcomes and broader societal benefits would better reflect the range of value that innovation can deliver and reduce the risk of innovative solutions being overlooked because their benefits are realised over longer timeframes.

E. Speeding up delivery

We support the objective of promoting faster delivery and recognise the importance of accelerating network build to support Clean Power 2030 ambitions. However, we consider that the current assessment criteria place significant emphasis on demonstrating material acceleration, which may be difficult to achieve given the scale, complexity and scrutiny associated with RII0-ET3 project portfolios.

In particular, Criterion 1 (Timeline Acceleration) may set a challenging threshold for many projects, even where innovative approaches are being successfully deployed. Transmission Owners are delivering portfolios that are significantly larger and more complex than in previous price control periods and material acceleration may not always be achievable despite the application of innovative solutions. We therefore consider that acceleration should be viewed as an aspirational objective for this regulatory period rather than the sole indicator of success.

We also believe greater emphasis should be placed on Criterion 2 (Real-Time Delay Management) and would support a more balanced weighting between the two criteria. Successfully identifying, mitigating and recovering delays can deliver significant consumer value and is often a more realistic measure of effective innovative delivery than material programme acceleration alone.

Broadly the criteria should recognise activities that create the foundations for future acceleration, even where the full benefits are not realised within the assessment window. Examples could include the development of modular or mobile substation frameworks, pilot deployments, standardised designs and detailed design solutions that can be scaled across future projects. These initiatives may not immediately accelerate a specific project but can materially improve delivery performance across future investment programmes.

Overall, we support the intent of the criteria and the behaviours they seek to promote. However, we believe the framework places too great an emphasis on demonstrable timetable acceleration within the assessment period. Greater recognition should be given to delay avoidance, delay recovery and innovations that establish the capability for future acceleration across wider delivery portfolios. This would better reflect the realities of RIIO-ET3 delivery while continuing to incentivise innovations that improve network delivery performance and consumer outcomes.

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

We support the principle of a two-stage scoring approach and recognises the benefit of allowing the Panel to assess both individual examples and overall performance within each assessment area. The approach provides flexibility for the Panel to consider a range of innovations rather than relying on a single example.

However, we are concerned that the proposed scoring framework may inadvertently exclude innovations that deliver significant consumer and industry value where they do not perform strongly against every criterion within an assessment area. In practice, innovative solutions often involve trade-offs and may excel against some criteria while performing less strongly against others.

For example, innovations such as modular substations and digital substations have the potential to deliver significant reductions in cost and programme. However, it may be more difficult to demonstrate performance against criteria relating to avoiding hard-to-change constraints or future uncertainty, as these innovations inherently involve adopting new technologies or design approaches that may carry greater long-term uncertainty than traditional solutions. There is therefore a risk that innovations delivering substantial consumer benefits could receive lower scores because they do not align equally well with all elements of the assessment framework.

We therefore encourage Ofgem to ensure that the scoring process allows sufficient flexibility for the Panel to recognise innovations that deliver significant overall consumer value, even where performance against

individual criteria is uneven. Greater clarity on how criteria will be weighted and how trade-offs between different assessment factors will be considered would further improve transparency and confidence in the scoring process.

Overall, we support the intent of the proposed approach but believe the framework should avoid creating circumstances where genuinely innovative and high-value solutions are disadvantaged because they do not satisfy every criterion to the same extent.

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

We consider that the Panel's report should provide sufficient transparency to enable licensees to understand how conclusions have been reached and how future submissions can be improved. Given the important role that Panel judgement will play within the assessment process, detailed feedback will be critical in establishing confidence and consistency across assessment windows.

In particular, we believe the Panel's report should include:

- A clear explanation of how qualitative and quantitative evidence was weighted during the assessment process
- Commentary on the assumptions, methodologies and evidence used when considering consumer benefits
- Feedback on the strengths and areas for improvement of submissions against each assessment criterion
- Clear reasoning where significant judgement has been applied in determining whether performance has been assessed as baseline, good or excellent

This level of transparency would improve confidence in the assessment process and help all licensees better understand the behaviours and outcomes that Ofgem is seeking to incentivise. It would also support the development of higher-quality and more consistent submissions in future assessment windows.

Given the inherently subjective nature of some assessment areas, particularly those relating to innovation leadership, ownership, future proofing and replicability, clear and detailed feedback from the Panel will be important to ensure the incentive remains transparent, predictable and objective over time.

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?

We do not fully agree with the proposed approach to calculating IDIPAS_t. Whilst we support the principle that rewards should be linked to demonstrated consumer value and subject to appropriate safeguards, we are concerned that the proposed methodology may unintentionally restrict access to the incentive and produce disproportionate outcomes.

In particular, the proposed methodology appears to constrain rewards by applying the behaviour weighting to both the maximum reward (IDIMAX_t) and the recognised net consumer value (NCV). In practice, each behaviour area's NCV is effectively reduced by the relevant weighting before contributing to the overall reward. We consider that the weighting should determine the proportion of the incentive available to each behaviour area, whilst NCV should act as a consumer protection mechanism to ensure rewards do not exceed consumer benefits delivered. We therefore recommend amending the methodology so that the weighting is applied to the score-adjusted reward cap rather than effectively limiting the recognised consumer value.

We are also concerned that the current approach requires each behaviour area to generate NCV greater than IDIMAX_t in order to unlock its full share of the reward. As a result, a licensee may need to demonstrate aggregate consumer benefits significantly in excess of the maximum available reward to access the full incentive opportunity. As different behaviour areas are likely to generate different levels and types of consumer value, applying this constraint individually to each area could result in disproportionate outcomes. We consider a more proportionate approach would be to cap rewards against the total consumer benefits delivered across the overall submission portfolio, rather than applying the constraint within each individual behaviour area.

We are further concerned by the proposed 30% negative adjustment associated with effective outage management. Under the current methodology, underperformance against two outage management criteria can reduce rewards earned across all assessment areas, including those unrelated to outage management. We consider that any outage management adjustment should apply only to the effective outage management component of the reward rather than the total IDI reward.

Finally, the rationale for basing the negative adjustment on only two of the four outage management criteria is unclear. Under the current proposal, a licensee could avoid the overall reduction by meeting the selected criteria while simultaneously scoring less favourably within the outage management assessment itself. This creates a potentially inconsistent outcome and may not appropriately reflect overall performance in the category. We therefore encourage Ofgem to review the operation of the negative adjustment mechanism and provide further justification for the proposed approach.

Overall, whilst we support the overarching principle of linking rewards to consumer value, we believe the proposed methodology should be revised to improve proportionality, remove unintended constraints on reward opportunities, and ensure that performance in one assessment area does not disproportionately affect rewards earned in unrelated areas.

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

The proposed reward formula works as written in the document; however, the supporting methodology ensures that the formula is restrictive and doesn't work as intended. Whilst the max reward for Innovative Delivery ODI is 0.2% of RoRE per year through RIIO-ET3, the proposed formula, in its current form, ensures that this is highly unattainable. Our reasons for this are evidenced in the detailed Q12 response above.

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?

We recognise the importance of effective outage management and support the principle that poor outage management performance should be reflected within the overall incentive framework. However, we do not currently have sufficient confidence that the proposed trigger mechanism and associated 30% adjustment are appropriately calibrated.

In particular, it would be helpful for Ofgem to provide greater transparency on the rationale for selecting a 30% adjustment. Whilst we recognise the importance of outage management in delivering consumer outcomes, the consultation does not clearly explain why performance in this area should result in a reduction to rewards earned across all other behaviour areas.

As highlighted in our response to Q12, there is a risk that the proposed approach creates a disproportionate outcome. Under the current proposal a licensee may be marked down within the effective outage management category and then incur an additional reduction to rewards earned in unrelated assessment areas. This effectively creates a double penalty for the same area of performance. We therefore question whether any adjustment should apply to the total IDI reward, rather than being limited to the effective outage management component.

We are also concerned that the rationale for triggering the adjustment based on only a subset of outage management criteria is unclear. More broadly, we have previously highlighted the need for greater clarity on what constitutes baseline, good and excellent outage management performance and whether the selected metrics fully capture the behaviours that deliver the greatest consumer value. Without this clarity it is difficult to assess whether the proposed trigger points are proportionate.

Overall, whilst we support the principle of linking outage management performance to incentive outcomes, we do not currently support the proposed design of the adjustment mechanism. We encourage Ofgem to provide further justification for both the trigger points and the 30% adjustment level, and to consider whether a more targeted approach would better align rewards with actual performance while avoiding disproportionate outcomes.