

Proposed Innovative Delivery Incentive Guidance Document (RIIO-ET3)

Response to Ofgem's consultation

Respondent capacity: Individual

Date: 14 August 2026

Publication request: This response may be published, but I would be grateful if my name and any identifying personal or contact details could, where possible, be withheld from publication. The substantive response contains no confidential information.

Executive summary

The proposed Guidance is a strong foundation for a deliberately judgement-based incentive. It respects the policy architecture settled in the RIIO-3 Final Determinations: a reward-only ODI-F, five weighted behaviour areas, two assessment windows, an expert Panel making a non-binding recommendation, a maximum reward averaging 0.2% RoRE a year, and an outage-management condition that can reduce the total reward. Those choices should not be reopened through this consultation.

The principal implementation risk is not the absence of more criteria. It is that several important judgements are not yet sufficiently reproducible. In particular, the Guidance should distinguish clearly between eligibility and merit; the project outcome and the incremental effect of the innovation; a credible counterfactual and a “do nothing” case; forecast benefits and realised benefits; the £5 million eligibility threshold and the reward calculation; and the Panel’s recommendation and Ofgem’s statutory decision. Without those distinctions, reasonable assessors could reach materially different results from the same evidence.

The Guidance should therefore be issued with a proportionate evidence and decision-recording schedule. This need not turn the incentive into a mechanistic scorecard. It should require a contemporaneous baseline, an attribution statement, a benefit ledger, Category 1/2/3 benefit splits, criterion-level reasons, evidence-confidence disclosures, conflict and recusal controls, and a transparent explanation of how example-level judgements produce the overall behaviour-area score.

Subject to those amendments, the proposed framework is capable of rewarding genuine deployment and consumer value without duplicating other RIIO-ET3 mechanisms. The 30% outage adjustment is coherent with the importance and 30% weighting of outage management, but its trigger is not yet sufficiently precise. Ofgem should state whether failure of either metric is enough; apply the same permitted exclusions and explanations throughout the Guidance; address small samples and already high performers; and base the adjustment on assured, comparable data.

Key recommendations

1. Retain the five eligibility criteria, five behaviour areas, published weightings, two assessment windows and maximum reward, while clarifying the operational tests within the Guidance.
2. Require each example to register a contemporaneous, version-controlled counterfactual at deployment or at the relevant cost-assessment gateway, with subsequent changes explained.
3. Require an attribution statement separating the whole-project outcome from the incremental effect of the innovation, third-party contributions, external dependencies and the consumer share of value.
4. Define Category 1, 2 and 3 benefits operationally. Show the discounted value of each category, its evidence and dependencies, and confirm expressly that Category 3 is contextual only and excluded from [NCV_x](#).
5. Require a benefit ledger with stable identifiers to prevent duplication between examples, behaviour areas, licensees and other RIIO mechanisms. Material secondary effects should be disclosed but rewarded once.
6. Preserve expert judgement, but make the two-stage scoring reproducible through criterion-level scores and reasons, mandatory gates, evidence-confidence ratings, an aggregation rationale and visibility of all eligible examples, including baseline examples.
7. Strengthen Panel governance through a published skills matrix, consumer and evaluation expertise, conflict declarations, recusals, quorum and substitution rules, and special safeguards for the NESO member's dual role.
8. Separate Ofgem's preliminary completeness/admissibility review from the Panel's assessment and Ofgem's final decision. Use common cure periods, evidence cut-offs and version control for all licensees.
9. Clarify the reward formula's inputs, units, rounding, cap boundary, joint-example treatment and correction process. Correct the worked example's final unit to "£5.95m".
10. Retain the 30% outage adjustment only with unambiguous trigger logic, comparable denominators, a high-performer rule, permitted exclusions, minimum data-quality safeguards and reasoned Ofgem confirmation.

Scope and regulatory chain

This response treats the Guidance as the implementing document for Special Condition 4.5 and reads it alongside the RIIO-3 Final Determinations and the wider RIIO-ET3 guidance suite. The Final Determinations explain why Ofgem rejected a wholly quantitative approach: usable data were not sufficient to set robust metrics across all five areas. A Panel-based assessment is therefore a deliberate design choice, not a temporary defect to be removed by a hidden algorithm.

The implementation task is to discipline that judgement. The Panel advises; Ofgem decides. Eligibility determines whether an example may enter the assessment; it does not establish that the behaviour was

good or excellent. Deployment establishes that an innovation was put into use; it does not establish that an outcome occurred or that the innovation caused it. A submission may be complete yet weak, or potentially meritorious yet incomplete. The Guidance should keep each decision distinct and record the evidence used at each stage.

The wider policy context reinforces the need for this discipline. Government's Transmission Acceleration Action Plan seeks to halve end-to-end transmission build time, while NESO's System Access Reform programme is changing the planning and co-ordination of outages. A transmission owner's performance will therefore be affected by shared processes, changing baselines and external decisions. The incentive should reward the licensee's demonstrable contribution without treating every project outcome as solely attributable to it.

Responses to the consultation questions

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

Answer: broadly yes, with targeted clarification. The five criteria collectively ask the right gateway questions: relevance to a behaviour area; innovation; deployment during the applicable period; absence of duplicate funding or reward; and material consumer value. No additional headline criterion is needed.

The following changes would make the criteria workable and reduce strategic interpretation:

- For criterion 1, retain the rule that an example is allocated to the behaviour area where most benefits arise, but require the licensee to disclose all material secondary effects. A stable example and benefit identifier should then prevent the same value being used again in another area.
- For criterion 2, define "materially different in context" by reference to the licensee's established standard practice at the relevant decision date, not merely to whether the technology has been used elsewhere. Novelty is necessary for eligibility but does not prove additionality or merit.
- For criterion 3, define "deployed" for process, commercial and planning innovations. The minimum should be operational use in a live decision or delivery process with evidence of adoption; approval of a concept, a forecast schedule or a revised target should not be enough. For joint projects, the contribution allocation should be evidence-led and equal only as a fallback.
- For criterion 4, publish a concise interaction matrix covering the Totex Incentive Mechanism, NIA, SIF phases, SO:TO, Major Projects ODI-F, ECF and APM. The test should distinguish funding of development from a separate reward for deployment, while preventing the same incremental consumer value from supporting two rewards.
- For criterion 5, state whether all submitted examples in an area may contribute to the £5 million threshold or only those ultimately judged above baseline. The better approach is to test eligibility using the NCV of individually eligible examples, then include in the reward formula only the Category 1 and 2 NCV of examples that contribute to a good or excellent overall score. The two quantities must be labelled separately.

These amendments preserve the five-criterion architecture while making clear that eligibility is a gateway, not a finding of merit.

Q2. Are the eligibility criteria and associated guidance clear and workable? In particular, are the Appendix 1 requirements for assessments of economic benefits clear and sufficient?

Answer: the direction is clear, but Appendix 1 is not yet sufficient for consistent assessment. Its treatment of a credible baseline, incremental costs, consumer value, discounted NPV, evidence and sensitivity is sound. The use of a well-established “without innovation” case rather than a do-nothing or run-to-failure case is particularly important. The following additions are required.

Counterfactual registration and change control. Each example should identify the baseline selected, alternatives considered, the decision date, the evidence available at that date and the person or governance body that approved it. The baseline should be registered at deployment or at the relevant cost-assessment gateway, then frozen for assessment unless a change is justified in a dated log. A baseline first constructed in 2027/28 with the benefit of hindsight is not a reliable counterfactual.

Attribution. The submission should bridge five quantities: the whole-project outcome; the outcome relative to the credible baseline; the part caused or materially enabled by the innovation; the licensee’s contribution where delivery was joint; and the share accruing to GB consumers. A concise contribution analysis, with ranges where necessary, is preferable to false precision. Success of the surrounding project is not itself evidence that the innovation caused the benefit.

Benefit categories. Appendix 1 should require separate discounted amounts for Category 1 realised benefits, Category 2 high-confidence near-term benefits and Category 3 longer-term contextual benefits. For each, the submission should show timing, dependencies, probability or scenario treatment, source evidence and sensitivity. The phrase “meaningful proportion” of Category 1 and 2 benefits should either be defined by a rebuttable benchmark or replaced by a requirement for Ofgem to explain why the evidence mix is sufficient. Category 3 should be expressly excluded from both the £5 million threshold and *NCV_x*, unless Ofgem intends otherwise and consults on that change.

Risk and optimism. The 2026 Green Book emphasises risk, uncertainty, sensitivity and learning from forecast error. Appendix 1 should require evidence-based adjustments to costs, delivery durations or benefits where systematic optimism is plausible; switching values for the assumptions most capable of changing eligibility or the reward cap; and low, central and high cases where a single point estimate would mislead.

Benefit ledger and reconciliation. Every monetised benefit should have a stable identifier, value type, time period, price base, behaviour-area allocation, licensee share and cross-reference to other RIIO mechanisms. The ledger should reconcile to the submitted CBA and identify removals, overlaps and corrections. This is the simplest practical control against double counting.

Assurance proportionality. Independent assurance should focus on material and judgement-sensitive inputs: counterfactual choice, attribution, large Category 2 forecasts, consumer allocation, avoided costs and overlap. Ofgem should set a proportionality threshold rather than implying identical assurance for every input.

The proposed 2023/24 price base and Green Book discount rates are workable if Ofgem also specifies the index used to convert source data, the convention for the base year, whether values are mid-year or end-year, and how submissions are aligned across the two assessment windows.

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

Answer: probably, but the published material does not provide enough pipeline evidence for a confident empirical forecast. The eligibility definition is broad enough to capture technology, engineering, operational, planning, procurement and commercial innovations deployed after 1 April 2026. Early-stage activity funded under NIA or SIF discovery, alpha or beta may also generate later deployment examples, while SIF deployment funding and several named RIIO-ET3 mechanisms are excluded.

The principal risk is not lack of conceptual variety but the short evidence clock. By 2027/28, some innovations may be deployed but have limited realised benefits; others may have benefits but an immature attribution record. Ofgem should therefore publish, before the first submission window, a non-exhaustive set of worked examples covering: a physical technology; a design standard; an outage-planning process; a procurement model; a joint NESO–licensee process; and a delivery-sequencing method. Each example should show both an eligible and an ineligible variant, including overlap with another incentive.

Ofgem should also offer an optional, non-binding pre-submission classification clinic available equally to all three licensees. Advice should be published in anonymised form where it has general application. It must not pre-judge scoring or consumer value.

Q4. Do you agree with the role and composition of the proposed Panel? If not, what would you change and why?

Answer: yes to an advisory five-member Panel, subject to stronger governance. A five-member body, including a chair and one senior NESO employee, is proportionate. Four members independent of the licensees should provide a majority capable of challenging submissions, while NESO brings essential system-planning and operational context. Ofgem should remain the decision-maker and explain any material departure from the Panel recommendation.

The Guidance should add:

- a published register of interests and annual or case-specific declarations;
- a rule that a member does not receive papers, question the licensee, score or vote on an example where a conflict cannot be managed;
- a quorum rule that remains valid after recusals, plus a pre-appointed substitute process;
- minutes recording recusals, external expert input and any material dissent;
- fixed appointments spanning both windows where possible, with staggered succession and calibration for replacements; and

- confidentiality and information-security obligations proportionate to commercially sensitive evidence.

The NESO member requires a specific protocol. NESO may have supplied data, agreed outage changes, collaborated on the innovation or be assessed indirectly through the “effective NESO collaboration” evidence. In those circumstances, the member can provide factual context but should not score the disputed evidence unless Ofgem documents why no actual or perceived conflict arises. The independent members should retain a scoring majority.

Q5. Is the proposed range of Panel experience or expertise appropriate? Is other expertise required?

Answer: the proposed range is broadly appropriate, but the selection matrix should be widened.

Engineering, delivery, commercial and procurement, system planning and operations, innovation, infrastructure and economic analysis are all relevant. It is unrealistic to expect every member to cover every field, so Ofgem should publish a whole-Panel skills matrix and identify which capabilities must be present for every assessment.

Three additions are important:

- consumer and economic-regulation expertise, so that claimed savings are tested from the consumer perspective rather than as company or project benefits alone;
- programme evaluation, counterfactual and contribution-analysis expertise, to distinguish association from attributable benefit; and
- quantitative evidence and data-assurance expertise, including uncertainty, sampling, metric construction and audit trails.

Ofgem should also retain power to commission tightly scoped external advice where specialist knowledge is missing. External advisers should be subject to the same conflict and confidentiality controls, disclose their instructions, and advise rather than score.

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

Answer: yes to the six-stage sequence, with procedural safeguards. The sequence—Ofgem review, initial Panel questions, presentation, Panel assessment, minded-to decision, consultation and direction—is logical. The Guidance should specify the following common process for all licensees:

1. A published submission timetable, common templates, page or data limits where relevant, and an evidence cut-off.
2. A completeness notice distinguishing curable omissions from substantive weaknesses. All licensees should receive the same cure period and version-control requirements.
3. Written Panel questions shared with Ofgem, with responses placed in the final evidence pack. Follow-up questions should be logged.

4. A standard presentation format and equal maximum time. New evidence should be accepted only under a defined late-evidence rule and made available for assurance.
5. A locked evidence-pack index identifying every version relied upon by the Panel and Ofgem.
6. A short factual-accuracy stage on the draft Panel report. Licensees should be able to correct factual or transcription errors, not reopen evaluative judgement or introduce an improved case.
7. A minded-to decision that gives reasons on eligibility, scoring, NCV, exclusions, conflicts and any departure from the Panel recommendation.
8. A final direction that identifies changes made after consultation and the treatment of confidential evidence.

This structure supports equal treatment while preserving the value of an oral presentation and expert judgement.

Q7. Do you agree with Ofgem's role in checking completeness and eligibility?

Answer: yes, provided the first-stage eligibility view is expressly preliminary. Ofgem is best placed to check compliance with the licence, overlap with other mechanisms, cost-assessment status and submission requirements. It should not be reduced to a clerical completeness check.

The present wording risks blurring three decisions. Ofgem should issue: first, a completeness/admissibility notice; second, a preliminary eligibility report to assist the Panel; and, after receiving the Panel recommendation and any consultation responses, the final eligibility and reward decision. The Panel may test and disagree with the preliminary analysis; Ofgem retains final authority.

The cure process should not allow a licensee to redesign an example after seeing another party's evidence or the Panel's emerging view. Missing documents and clear errors may be cured; a new counterfactual, a new benefit theory or a material new example should normally wait for the next window. Ofgem should publish anonymised precedents from the first window to improve consistency in the second.

Q8. Do you agree with the baseline, good and excellent approach to assessment?

Answer: yes, as a proportionate three-band framework, but the evidential meaning of each band should be clearer. Three bands are sufficient to distinguish no reward, half of the available score-based proportion and the full proportion. More bands would imply precision that the underlying evidence may not support. The framework should not become a checklist in which a licensee can count favourable statements and ignore the quality or materiality of evidence.

For every behaviour area, the Guidance should specify:

- which criteria are mandatory gates and which are contextual indicators;
- the minimum evidence necessary to award good or excellent;
- how mixed performance across criteria and examples is treated;
- how scale, materiality, evidence confidence and adverse evidence affect the overall judgement;

- that excellent means materially beyond good, with evidence of sustained or transferable outcomes rather than a larger forecast alone; and
- a “no material deterioration” safeguard where formulaic thresholds would otherwise reward performance below a licensee’s own recent level.

Uncertainty should affect confidence in the score, not be hidden inside a point estimate. Where the evidence supports more than one plausible band, the report should state the range, identify the decisive assumption and explain Ofgem’s selection. Baseline performance can still create consumer value, but under the formula it attracts no reward. That distinction should be explicit.

Q9. For each assessment area, are the criteria clear, is the balance between guidance and Panel discretion appropriate, what positive behaviours are likely, and what unintended consequences may arise?

Answer: the five areas are recognisable and the balance is broadly appropriate, but each needs targeted clarification. The Panel should retain discretion over quality and context, subject to common definitions and a reasoned decision record.

Innovations in design and/or engineering

The proposed emphasis on future-proofing or adaptability and licensee ownership or intent is sensible. It should promote earlier standardisation, modular designs, option preservation and active adoption of better solutions.

“Ownership” should mean accountable leadership in selecting, deploying, governing, learning from and, where appropriate, standardising the innovation. It should not require the licensee to have originated the idea. Otherwise the criterion may discourage supplier-led innovation or collaboration. The submission should identify who conceived, developed, selected, integrated and carried delivery risk for the solution.

Future-proofing should be tested against a defined range of credible future states, not asserted by reference to general flexibility. The Panel should consider any option cost, lock-in, interoperability, cyber or operational dependencies, whole-life maintenance and whether adaptability benefits merely defer rather than avoid expenditure. Excellent performance should require evidence of deployment outcome, transferability or a justified route to standard practice, not only design ambition.

Potential unintended consequences include over-engineering to preserve remote options, relabelling normal design development as innovation, claiming supplier activity as licensee-led activity, and double counting the same design benefit under speed or supply chain. The attribution statement and benefit ledger would mitigate those risks.

Effective outage management

The four criteria cover important dimensions—churn, unplanned non-fault outages, late return and reactive plant availability—but this area needs the greatest metric specification. It is reasonable for the Panel to consider qualitative evidence where the data are sparse; it is not reasonable for licensees to calculate nominally identical rates using different populations or exclusions.

Ofgem and NESO should publish a metric dictionary specifying the event, unit of analysis, observation window, denominator, treatment of cancelled or combined outages, voltage-zone aggregation, planned versus required availability, missing data, materiality and permitted exclusions. Percentage-point changes should not be compared without the underlying event counts and denominators. For small samples, the Panel should consider multi-year evidence, confidence intervals or a qualitative stability test.

The first-window churn hierarchy can fail for an already high performer. Baseline is set five percentage points better than the 2024/25–2025/26 average, good is fifteen points better than baseline, and excellent is below 20%. If the historic average is already low, “good” may become more demanding than “excellent” or mathematically impossible. Ofgem should publish a high-performer rule that preserves the ordering baseline < good < excellent in merit while preventing deterioration. This could combine absolute bands with a no-material-deterioration condition rather than mechanically subtracting points in every case.

The Guidance should also clarify the phrase “unplanned non-fault outage”, the distinction between avoidable and unavoidable events, and how a late return caused by a third party is treated. For reactive plant availability, Ofgem should define whether voltage zones are weighted equally, by capacity or by another system-relevant measure. The same exclusions recognised during scoring—for example, a change requested by NESO or an unavoidable fault—should apply when calculating the cross-area negative adjustment.

The criteria should encourage earlier planning, fewer avoidable changes, accurate return forecasts, rapid escalation and co-ordinated use of system access. Unintended consequences include under-reporting changes, resisting a beneficial NESO request to protect a metric, returning assets nominally but not sustainably, or avoiding necessary maintenance. The Guidance should state that safe and economic system operation takes precedence and that transparent, justified changes are not equivalent to poor control.

Effective NESO collaboration

The criterion should promote early, high-quality and iterative engagement on the first Centralised Strategic Network Plan, resolution across licensees and evidence that collaboration improved a system outcome. Submission one month early may be a useful indicator, but speed of submission is not a proxy for usefulness.

The Panel should assess completeness, data quality, responsiveness, joint issue resolution, changes made as a result of challenge and whether outputs were usable by NESO. It should distinguish matters within the transmission owner’s control from dependencies on NESO’s specifications, timing or decisions. Excellent performance should not require favourable outcome evidence that NESO alone controls.

There is a risk of premature submission, excessive meetings, production of documentation with little decision value, or strategic dependence on NESO testimony. NESO’s dual role as collaborator, evidence holder and Panel member makes the conflict protocol in Q4 essential. Where NESO supplied or validated the decisive evidence, the independent members should determine the score.

Savings in supply chain and/or contracting

Requiring demonstrated savings and considering commercial innovation, replicability and market health is appropriate. It should promote earlier supplier engagement, better risk allocation, standardisation, framework innovation and supply-chain capacity where these reduce whole-life consumer cost.

“Savings” should be measured against a credible procurement and delivery baseline and net of implementation, financing, risk-transfer, quality, maintenance, resilience and re-procurement costs. A lower contract price alone is not consumer value. The submission should disclose changes in scope, specification, indices, contingency, payment timing and retained risks, with supplier or independent evidence where proportionate.

Excellent performance should require a combination of material net savings and evidence that the approach is sustainable or replicable without damaging competition, supplier solvency, workforce capability, safety or quality. Unintended consequences include aggressive risk transfer that later returns as claims, short-term price reductions at the expense of resilience, bundling that excludes smaller suppliers, and claiming market-wide savings that are not attributable to the licensee.

Speeding up delivery

The criterion should reward a deployed innovation that credibly advances a project or output relative to a contemporaneous delivery baseline. It should distinguish an accelerated target from an achieved or highly assured outcome. Merely resetting the target date, resequencing milestones without advancing consumer benefit, or forecasting acceleration is not deployment success.

The submission should show the critical path before and after the innovation; decision and dependency dates; changes in scope, risk, cost and quality; the part attributable to the innovation; and whether the accelerated date was sustained. Category 2 benefits may capture high-confidence future value, but the score should reflect the evidence clock. Where the output is also subject to the Major Projects ODI-F, SO:TO or another acceleration mechanism, the interaction matrix and benefit ledger should identify what is distinct.

The criterion should encourage early removal of blockers, parallel working where safe, faster decisions and repeatable delivery methods. Potential unintended consequences include optimistic schedules, deferral of scope, transfer of risk to later stages, reduced resilience or safety margin, and double reward for meeting an already funded accelerated date.

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

Answer: not in its present form; it can be retained only with a transparent aggregation rule. Scoring each eligible example from 1 to 3 and then considering together only examples scoring at least 2 is simple, but it creates three risks. First, baseline examples disappear from the second stage even if they reveal inconsistent practice or contradict a claimed portfolio-wide behaviour. Second, “average” across relevant criteria is undefined where criteria differ in materiality or some are mandatory. Third, the route from several heterogeneous examples to a single behaviour score of 2 or 3 is not reproducible.

Ofgem need not impose rigid numerical weights on every criterion. It should require the following structured approach:

1. Score every eligible example against each relevant criterion, identifying mandatory gates, with concise reasons and an evidence-confidence rating.

2. Give each example an overall band and state how mixed criterion results were resolved. A failed mandatory gate cannot be averaged away.
3. Keep all eligible examples visible at aggregation. Baseline examples cannot generate NCV for reward, but serious weaknesses, contradictory evidence or systematic underperformance remain relevant context.
4. For the behaviour-area judgement, explain the relative significance of examples, including NCV, deployment scale, repeatability, evidence quality and adverse evidence. Do not permit a licensee to obtain excellent by selecting only its best examples while omitting the rest of a material pattern.
5. Record score dispersion, any alternative plausible band and the decisive factors. Where the Panel is divided, record the nature of the dissent without requiring attribution to an individual member.

This preserves expert judgement while making the score auditable. Ofgem should also clarify that the £5 million eligibility threshold is tested before scoring, whereas NCV_x in the reward formula comprises only the qualifying Category 1 and 2 value that Ofgem determines contributed to the awarded behaviour score.

Q11. What other information should the Panel report include?

Answer: the report should provide a compact decision trail, not merely the final score. In addition to the proposed eligible examples, overall score, NCV, comments on assumptions and improvement suggestions, it should include:

- the evidence-pack version and data cut-off;
- each example's eligibility conclusion and reasons, including overlap decisions;
- criterion-level example scores, mandatory-gate outcomes and evidence-confidence ratings;
- Category 1 and 2 NCV admitted to NCV_x , with Category 3 shown separately;
- the baseline, attribution and consumer-share conclusions;
- the benefit-ledger identifiers included, excluded or allocated to another area or licensee;
- the rationale for aggregating examples to the behaviour-area score;
- material sensitivities, switching values and unresolved uncertainty;
- conflicts, recusals, quorum, external advice and any material dissent;
- the Panel's recommended score and reward inputs, clearly separated from Ofgem's decision; and
- lessons that can be published for the second window without disclosing confidential information.

The public version may redact genuinely confidential inputs, but it should preserve the reasoning. A numerical result without an intelligible explanation would not support comparability or learning.

Q12. Do you agree with the proposed approach to calculating IDIPAS_t, including the licensee's innovative-delivery maximum value and the time horizon?

Answer: broadly yes, subject to tighter input definitions. It is reasonable to cap the incentive by the licence-defined IDIMAX_t, use only eligible examples that contribute to the overall score and focus the monetary input on realised and high-confidence near-term value. A maximum 15-year period for Category 1 and 2 benefits is a cautious boundary within the wider CBA horizon and reduces reliance on distant forecasts.

The Guidance should state expressly that:

- NCV_x includes discounted Category 1 and 2 consumer value only; Category 3 is contextual and excluded;
- the same benefit cannot enter more than one NCV_x, assessment window, licensee share or RIIO reward mechanism;
- negative incremental value is retained within the relevant example or benefit stream and cannot be removed through selective aggregation;
- joint examples use an evidenced contribution share, with equality only where evidence cannot support another allocation;
- the price base, discount date, indexation and rounding rules are common across licensees;
- material changes between the minded-to and final decision are reconciled; and
- any post-direction correction is limited to a defined error or misrepresentation process and does not routinely reopen judgement.

Ofgem should publish the value of IDIMAX_t used for each licensee and window in the assessment pack, including the units and licence reference. This will allow independent replication.

Q13. Do you agree with the proposed reward formula?

Answer: yes, as a simple implementation of the settled architecture, with drafting corrections and acceptance tests. The formula is internally coherent:

$$\text{IDIPAS}_t = \text{beta} \times \sum_x [w_x \times \min(\text{NCV}_x, \alpha_x \times \text{IDIMAX}_t)]$$

The weights sum to 100%; α_x is zero for baseline, 0.5 for good and 1 for excellent; and beta is 1 or 0.7 depending on outage performance. The cap is applied before the behaviour weight, so the maximum contribution of an excellent design/engineering area is 30% of IDIMAX_t, not the whole maximum.

The published worked example is arithmetically correct. With IDIMAX_t = £50m, design NCV of £30m at good gives $30\% \times \min(\text{£}30\text{m}, \text{£}25\text{m}) = \text{£}7.5\text{m}$; speed NCV of £10m at excellent gives $10\% \times \min(\text{£}10\text{m}, \text{£}50\text{m}) = \text{£}1\text{m}$; and $\text{beta} = 0.7$ produces $0.7 \times \text{£}8.5\text{m} = \text{£}5.95\text{m}$. The table should state “£5.95m”, not “£5.95”.

The Guidance should make four further points explicit. First, the cap is exhausted when NCV is **equal to or greater than** the applicable cap; paragraph 6.7 currently says “greater than”. Second, NCV_x should

be labelled in £m throughout. Third, Ofgem should specify calculation precision and rounding order. Fourth, the discrete **alpha_x** boundary is intentional: at high NCV, moving design from good to excellent increases its maximum contribution from £7.5m to £15m. This makes the reasons and evidence around the score boundary especially important.

Acceptance test, assuming IDIMAX_t = £50m	Expected result	Point tested
Design, good, NCV £5m	£1.5m	£5m eligibility threshold is not the reward
Design, baseline, NCV £100m	£0	Value alone cannot overcome alpha = 0
Design, good, NCV £100m	£7.5m	Good cap: 30% × £25m
Design, excellent, NCV £100m	£15m	Excellent cap: 30% × £50m
All five areas excellent, each NCV at least £50m	£50m	Weights sum to 100% of IDIMAX_t
Same maximum case with beta = 0.7	£35m	30% adjustment applies after aggregation

Ofgem should publish these and boundary cases in a machine-readable calculation template. The formula should not be replaced by a more complex model at this stage; the priority is to make its inputs and score judgements reliable.

Q14. Do you agree with the trigger points for the negative adjustment and the 30% reduction across all behaviour areas?

Answer: partly. The 30% reduction is coherent, but the trigger specification needs amendment before it is applied. Outage management has a 30% weighting and is central to safe, efficient delivery. A 30% reduction across the aggregate reward therefore creates a clear minimum-performance condition and is consistent with the Final Determinations. It is better understood as a condition on a discretionary reward than as a separate financial penalty.

The Guidance should, however, resolve the following points:

- State whether failure of **either** of the two identified criteria triggers **beta = 0.7**, or whether both must fail. The current wording can be read either way. If either is intended, say so expressly.
- Use exactly the same adjusted metric definitions, exclusions and explanations in section 6 as in the outage scoring section. An unavoidable fault or NESO-requested change should not be recognised for scoring but ignored when applying the adjustment.
- Apply assured data, common denominators and a minimum-volume or materiality test. A single event in a very small denominator should not automatically determine 30% of the entire reward without contextual review.

- Introduce a high-performer rule for churn so that baseline, good and excellent remain ordered and a licensee is not rewarded for deterioration or faced with an impossible threshold.
- Define reactive plant availability aggregation across voltage zones and the treatment of planned unavailability, system instructions, data gaps and exceptional events.
- Require Ofgem to confirm the trigger independently in its minded-to decision, disclose the values used and address the licensee's evidence. The Panel may advise, but the formula input is Ofgem's decision.

The adjustment should not depend on proving that poor outage performance caused shortcomings in every other behaviour area. Its policy purpose is a cross-area minimum condition. Conversely, an unexplained miss should not be excused merely because causation is complex. The right safeguard is a precise, assured and consistently adjusted metric, not an open-ended waiver.

Recommended implementation package

The Guidance is intended to take effect on 1 October 2026. Ofgem can address the points above without delaying implementation by issuing a compact package alongside the final document.

Standard evidence schedule

For each example, the schedule should contain:

Field	Minimum content
Identity and allocation	Stable example ID; lead and joint parties; deployment date; primary behaviour area; material secondary effects
Innovation	Established practice at the decision date; what is new or materially different; development funding history
Deployment	Live use, decision or operational adoption; deployment evidence; cost-assessment status
Baseline	Contemporaneous counterfactual; options considered; approval date; later change log
Attribution	Whole-project outcome; incremental innovation effect; external dependencies; licensee contribution; consumer share
Benefits	Stable benefit IDs; Category 1/2/3 split; time profile; price base; discounting; risk and sensitivity
Costs and disbenefits	Incremental implementation and whole-life costs; transferred risk; negative impacts
Overlap	Mapping to other examples, behaviour areas, licensees, funding and RIIO reward mechanisms
Evidence and assurance	Sources; data owner; quality limitations; independent assurance; unresolved uncertainty

The schedule should be provided in a structured spreadsheet as well as a readable submission. Ofgem should publish validation rules and a worked reconciliation to the CBA.

Decision record and learning between windows

The first window should create a durable evidence base for 2029/30. Ofgem should publish anonymised eligibility and scoring precedents, recurring data-quality issues and formula boundary examples soon after the first directions. Any calibration change should apply prospectively to the second window after notice and, where material, consultation. It should not reopen a final first-window decision except for a defined error, non-disclosure or misrepresentation.

This approach respects three different clocks: operational evidence emerges continuously; the incentive makes decisions in two windows; and long-lived transmission benefits may mature over many years. Category 1/2/3 reporting and a stable benefit ledger allow evidence to mature without rewarding the same value twice.

Specific drafting amendments

Guidance location	Suggested clarification
Eligibility criterion 1	Require material secondary effects to be disclosed and assigned stable benefit IDs; reward each benefit once
Eligibility criterion 3	Define deployment for physical, process, planning and commercial innovations; evidence joint contribution
Eligibility criterion 4	Add an interaction matrix for NIA, SIF, TIM, SO:TO, Major Projects ODI-F, ECF and APM
Eligibility criterion 5 / Appendix 1	Separate threshold NCV from reward-formula NCV; state the treatment of baseline examples and Categories 1–3
Panel governance	Add declarations, recusals, quorum, substitutes, dissent and a NESO dual-role protocol
Stage 1	Separate completeness/admissibility from preliminary and final eligibility conclusions
Stage 4	Require criterion-level reasons, evidence confidence and a transparent aggregation rationale
Outage criteria	Add a common metric dictionary, high-performer rule, denominators, exclusions and data-quality tests
Formula section	Define units, equality at the cap, precision, rounding, joint shares, corrections and machine-readable inputs
Worked example	Change the final result from “£5.95” to “£5.95m”
Negative adjustment	State whether either trigger is sufficient and align exclusions with the scoring metrics

Matters that should remain unchanged

For clarity, this response does not recommend changing:

- the reward-only nature of the incentive;
- the five behaviour areas or their 30%/30%/15%/15%/10% weightings;
- the two assessment windows or their 25%/75% allocation;
- the maximum reward averaging 0.2% RoRE a year;
- the use of a five-member advisory Panel and Ofgem as final decision-maker;
- the three baseline/good/excellent bands or [alpha_x](#) values of 0/0.5/1;
- the 2023/24 price base and Green Book discount rates, subject to calculation conventions; or
- the principle of a 30% cross-area outage adjustment.

The proposed amendments improve comparability, attribution and auditability within the settled policy design.

Conclusion

The Innovative Delivery ODI-F can fill a genuine incentive gap where the value of early innovation is incorporated into allowances and is therefore not fully rewarded by existing mechanisms. The proposed Guidance is close to being workable, but its evidential chain must be made explicit before the first window: credible baseline, deployed innovation, attributable incremental effect, consumer value, eligibility, example-level merit, behaviour-area score, formula inputs and Ofgem's final decision.

A standard evidence schedule, benefit ledger, transparent two-stage score record and precise outage trigger would provide that chain without displacing expert judgement. These changes would also help the Panel reward behaviours that can be repeated and scaled, rather than isolated forecasts or outcomes that cannot be attributed reliably.

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