



Consulation Response

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

21 August 2026

nationalgrid

Part 2: NGET responses to 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 support the intended purpose of the five proposed eligibility criteria; however, we do not agree with all aspects of the criteria as they are currently defined. We have provided feedback on each of the eligibility criteria against the behaviour areas, below.

Eligibility Criterion 1: Examples of innovative delivery must be for innovations in one or more defined behaviour areas:

We understand Criterion 1 is intended to ensure that IDI rewards are targeted at clearly defined innovative delivery behaviours that generate additional consumer value. We support this principle, but the five proposed behaviour areas do not yet fully support that intention. We therefore propose the following changes:

- **Design and engineering:** Retain, with clearer guidance on qualifying activity, evidential requirements and the treatment of forward-looking consumer benefits.
- **Supply chain and contracting:** Retain, subject to equivalent clarification on scope, evidence and consumer value.
- **Effective outage management:** Substantially revise to focus on innovation outcomes within the TO's reasonable control and avoid overlap with existing incentive mechanisms to reward genuine innovation rather than operational performance.
- **Effective NESO collaboration:** Retain but review assessment window and reframe criteria to reward the quality and outcomes of collaboration and planning, rather than submission timing.
- **Speeding up delivery:** Clarify the route for recognising pre-Project Assessment (PA) innovation, particularly for ASTI and major projects, and the boundaries between the IDI and other incentives.

We provide feedback and proposals for changes to the guidance document in our response to question 3 and 9.

Eligibility Criterion 2: Examples must be innovative

The definition of innovation provided in paragraph 2.3 of the guidance document is not clear and is currently too narrow. The definition should recognise that innovation may not lie only in the underlying solution, but also in the method, pace or scale of its deployment. This should include the organisational, digital, commercial and supply-chain changes required to replicate and embed a proven innovation across a portfolio of projects.

We propose the following changes to the guidance document:

- Expand the definition to include an additional category, such as “other innovative approaches”, to ensure genuinely novel innovations are not inadvertently excluded from the framework. Given the nature of innovation, it is not possible to define every potential type of qualifying activity in advance.
- Clarification on the ‘context’ required in paragraph 2.4. For example, is this a new or materially different approach within National Grid, other TOs, the wider power industry or regulated utilities generally. It should be incumbent on TOs to explain why it is materially different from relevant established practice in the context in which it is deployed.
- The IDI should recognise the consumer value created through the rapid adoption and deployment of innovations that have already been successfully demonstrated by other TOs, thereby avoiding duplication of effort and accelerating the spread of best practice through the sector. As described under Behaviour Area 1 in Q9, it would not be appropriate to reward only the first adopter of a solution and TOs should not be disadvantaged for adopting proven innovations later.
- Eligibility should depend on the licensee's leadership of deployment rather than origination of the underlying idea. Relevant evidence could include active sponsorship, assurance, systems integration, implementation and scaling across a portfolio.
- Ofgem should recognise rapid adoption, portfolio-scale deployment and institutional adoption as qualifying innovation where the licensee demonstrates additional consumer value and active leadership of implementation.

Eligibility Criterion 3: Examples must be of innovations deployed after 1 April 2026

We broadly agree with proposals for this criterion and would welcome further details and consideration of how this is to be applied.

We propose that Ofgem:

- Clarifies in the guidance how innovations will be treated where the IDI submission window occurs before determination of any relevant reopener (including Project Assessments).
- Clarifies the approach for jointly deployed innovations across group licensees e.g. NGET and NGED, providing the TO proves the adoption of this innovation on its network.

Eligibility Criterion 4: Examples must be for deployed innovations which have not been funded and/or rewarded by another price control mechanism

While we agree that double rewarding should be prevented, we are concerned that the current approach could create an unintended gap whereby innovations developed during project development and prior to PA deliver significant consumer value but are not recognised by any incentive mechanism because they become embedded within the approved project baseline at PA.

We welcome clarification on the boundary between IDI, PA and ASTI/Major Project incentives.

We note that Early Construction Funding (ECF) is not a relevant mechanism as it is overwritten by efficiency assessment at the PA. Therefore, ECF should not be referenced with regard to double counting.

We propose the following changes to the guidance document:

Ofgem to provide worked examples to support our understanding of how the IDI, PA and ASTI/Major Project incentives/price control mechanisms interact. For example:

- Ofgem to confirm if a deployed innovation is trialled or piloted on one project (fully or partially funded via its PA or its risk allowance) and then submitted for innovation funding to roll out on all projects, does this meet this eligibility criterion?
- Ofgem to confirm that in instances where there is efficiency without acceleration whether this is eligible.

Paragraph 2.10 of the draft Guidance risks excluding genuine innovations in commercial, procurement and supply chain delivery where a funding mechanism such as the Advanced Procurement Mechanism provides support but does not remove material deployment risk. We consider the Guidance should distinguish between the use of a regulatory funding mechanism and the innovative approach it enables, ensuring novel delivery models that create consumer value remain eligible for assessment.

Eligibility Criterion 5: Examples in a behaviour area must together provide net consumer benefits of at least £5 million

We support the principle of requiring innovative delivery to demonstrate material consumer value. However, further evidence is needed from Ofgem to show that £5 million net consumer benefit threshold is appropriate across all behaviour areas, particularly where benefits are qualitative, longer term or inherently difficult to monetise. Ofgem should determine how reward will be attributed to non-financial value being delivered by a TO. The threshold will also need to be underpinned by a clear and standardised methodology for calculating net consumer benefits to ensure it is applied consistently and transparently.

We also recommend refining the guidance for calculating net consumer benefits in Appendix 1. As drafted, the methodology relies on significant judgement and would benefit from greater clarity and standardisation to support transparent, consistent and comparable assessments of whether the threshold has been met. Please see our response to Question 2 for further detail.

In conclusion

Overall, we support the intended purpose of the five eligibility criteria but do not agree with them as currently drafted. We propose revisions to ensure the framework is sufficiently clear, proportionate and enables consistent assessment. The proposed revisions include broader and better-defined behaviour areas, a clearer and more inclusive definition of innovation, alignment between deployment and assessment timelines, explicit boundaries with other price control mechanisms, and a standardised approach to demonstrating net consumer benefits. These changes are necessary to avoid unintended gaps or exclusions and ensure that the IDI recognises innovative delivery that provides material consumer value.

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?

Overall, whilst the Guidance document and Appendix 1 establish a framework for assessing economic benefits, we have concerns that the methodology is not sufficiently clear, proportionate or practical in several areas.

Ofgem should publish a transparent and standardised NCV methodology alongside the final IDI Guidance, supported by a common calculation template and worked examples. The Guidance should explain how the methodology aligns with established network-investment appraisal approaches and ensures consistent treatment of inflation, discounting, NPV, counterfactuals, benefit attribution and sensitivity analysis.

While the Guidance and Appendix 1 establish an overall framework for assessing economic benefits, significant discretion remains in defining counterfactuals, attributing and allocating benefits, assessing long-term impacts and monetising strategic or system-wide outcomes. This could result in materially different NCV assessments for the same innovation, undermining consistent application of the £5 million threshold and potentially excluding valuable but difficult-to-monetise benefits. We welcome Ofgem's confirmation that a template based on existing CBA approaches is being explored, but it should be shared sufficiently early to support evidence gathering, assurance and preparation ahead of the first submission period.

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 eligible examples for the first assessment window in 2027/28. However, given the limited mobilisation period under a new framework, the range and evidential maturity of submissions are likely to vary materially by behaviour area. Innovations requiring longer development, deployment or scaling periods may not have generated sufficiently mature evidence of consumer benefit by the first submission window.

Our ability to confirm whether we will be ready for the September 2027 submission window also depends on the NCV methodology being published, which is not yet available. We would be better placed to answer this question once available. To allow licensees to identify, evidence and assure examples ahead of the first Panel, we consider the final Guidance and NCV methodology would need to be available by October 2026.

Whilst we expect eligible examples for the first assessment window in September 2027, the range and evidential maturity of submissions are likely to vary materially by behaviour area. The key constraint is not the availability of innovative activity, but whether Ofgem publishes sufficiently clear and timely guidance for licensees to identify, evidence and assure eligible examples before the first submission window.

The timing of the first panel submission in year 2 of RIIO-T3 creates a risk that innovative projects are assessed before sufficient evidence of consumer benefits has materialised. As a result, the framework may under-recognise innovations where value emerges over time, despite those benefits being delivered within the RIIO-ET3 period. If the first submission window is retained on the proposed timeline, later maturing consumer value should not be permanently excluded because it cannot be evidenced sufficiently at that point.

Should the final Guidance and supporting methodology not be available in time to support robust submissions, we would encourage Ofgem to consider whether the first assessment window remains deliverable.

An unrealised reward from the first submission window in September 2027 should be capable of consideration at the second submission in September 2029, where additional NCV is robustly evidenced, the standard Panel 2 reward requirements are met first and benefits are not double counted. This would maintain an incentive for early deployment while ensuring rewards reflect demonstrable consumer value rather than the timing of evidence maturity. This would avoid a "first-window cliff edge", where a reward is forfeited simply because the evidence has not matured by September 2027, even though the innovation ultimately delivers consumer value during RIIO-T3.

We welcome the opportunity to discuss in further detail with Ofgem examples of innovations we consider eligible based on the current guidance.

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 recognise the value that NESO could bring to the Panel through its expertise in system operation, network planning and whole-system coordination. However, given that NESO has a direct role or influence in some behaviours or outcomes being assessed (e.g. Effective Outage Management and Effective NESO collaboration) there is a potential conflict, or perception of conflict.

NESO could provide valuable system-operation evidence and support the quantification of network and consumer impacts, including through transparent modelling undertaken collaboratively with TOs. However, where NESO has had a direct role in the activity being assessed, calculating the associated benefits or reporting on relevant performance, it should not participate in scoring or reward recommendations unless Ofgem can demonstrate robust conflict-of-interest arrangements.

More generally, given the significant role of Panel judgement in determining reward outcomes, Ofgem should place equal emphasis on ensuring assessments are applied consistently and transparently. The Guidance should provide a standardised assessment methodology, supported by worked examples, to minimise subjectivity and provide confidence that similar evidence will be assessed consistently across licensees and assessment windows.

We welcome clarity in the guidance document in the following areas:

- The process for Panel appointment, including how Panel members are recruited and for how long.
- The required time commitment from Panel members, if Panel members would be remunerated and if so, who would pay for this. If Panel members do not receive any remuneration, confirmation of how their membership will be secured for the duration of the full assessment window across RIIO-T3.
- What 'independence from the licensees' means in practice and we welcome clarity on whether this includes supply chain partners – see our response to Question 5.
- Define NESO's role in providing system evidence and supporting benefit quantification.
- Ofgem to clarify how the Panel will balance qualitative and quantitative evidence, including the relative weighting given to factors such as NCV, innovation quality, scalability, replicability, delivery outcomes and wider system benefits. Without this clarity, there is a risk that different Panel members could place materially different weight on similar evidence, creating uncertainty around how rewards will be determined.

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 broadly agree that the proposed range of expertise is appropriate and provides a strong foundation for assessing IDI submissions. In particular, expertise in engineering, project delivery, commercial practice, system operations, innovation and economic analysis reflects the breadth of the five behaviour areas and the types of evidence the Panel will be expected to assess.

The proposed skillset could be strengthened through additional expertise in economic appraisal and CBA assurance, strategic thinking, innovation deployment and commercialisation, and major infrastructure transformation. These capabilities will be increasingly important given the Panel is expected to assess not only technical innovation, but also consumer value, scalability, replicability, future-proofing and delivery outcomes. Ofgem should also consider including representation from an independent engineering or infrastructure body to strengthen the Panel's technical credibility and understanding of major infrastructure delivery.

We recognise the value that NESO could bring to the Panel through its expertise in system operation, network planning and whole-system coordination. However, the role of NESO on the Panel requires closer consideration, as per our response to Question 4.

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 support the intent to have a robust, independent assessment and decision-making process. To make the process effective, the final framework should provide greater clarity on how submissions will be assessed, how decisions will be reached and the timescales that will apply. A predictable, transparent and independently assured process will give licensees and investor confidence in how performance will be assessed and how value can be attributed to potential reward outcomes.

The final Guidance should clearly define the respective roles of Ofgem and the Panel, including the circumstances in which Ofgem may consider departing from the Panel's recommendation. Submissions should be anonymised where practicable, and licensees should be informed of any external information used to validate their evidence and given an opportunity to comment on it.

Ofgem should also clarify the presentation process, including attendance, whether the 60-minute allocation applies to the complete portfolio or each innovation, and the number, scope and detail of questions to be provided in advance. Panel reports should explain each score and recommendation, be shared with licensees before publication, and clarify whether innovations may be resubmitted in the second assessment window following Panel feedback where no reward has been given. These arrangements should be finalised sufficiently early to support the evidential preparation required for the first assessment window, as set out in our response to Question 3.

To provide a predictable, transparent and consistently applied assessment and decision-making process, Ofgem should:

- Demonstrate that the Panel process, resources and timetable can accommodate the anticipated scale and complexity of TO submissions.
- Set timescales for each stage of the assessment and determination process.
- Clarify the circumstances in which it may consider departing from the Panel's recommendation
- Establish an appropriate process through which licensees can challenge a panel assessment outcome
- Anonymise submissions where practicable.
- Clarify the format, attendance and time available for licensee presentations.
- Publish the Panel's assessment methodology in advance and require clear justification for each score
- Confirm when Panel reports will be shared with licensees and published.
- Confirm that innovations may be resubmitted in the second assessment window following Panel feedback.

These changes are required to provide licensees and investors with confidence that submissions will be assessed through a clear, consistent and independently assured process, and that Ofgem's final decisions will be fully transparent and supported by clear reasons.

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

We agree that Ofgem should check the completeness of licensee Panel submissions, but do not agree with Ofgem determining or influencing the substantive eligibility of individual examples before they are considered by the Panel. Eligibility should be assessed against clear, published rules, with licensees given an opportunity to clarify evidence or remedy omissions before an example is excluded.

We do not agree with the proposal in paragraph 4.2 that Ofgem will highlight to the Panel examples that do not fully meet the eligibility criteria. Determining whether an example satisfies the criteria may require technical and sector-specific judgement and should therefore form part of the Panel's expert assessment. Pre-qualifying examples in this way could constrain the Panel's consideration of the evidence and significantly reduce the value of establishing an independent expert Panel.

Further clarity is also required on the treatment of submissions where Ofgem considers that the methodologies, assumptions or inputs used by the licensee to calculate NCV are inconsistent with the Guidance or are not reasonable. The final Guidance should explain whether Ofgem would seek further information from the licensee, allow the licensee to clarify or amend its submission, or exclude the example from assessment. Licensees should have a reasonable opportunity to address omissions or methodological concerns before any decision is taken to prevent an example from proceeding to the Panel.

To ensure a clear and proportionate completeness and eligibility process, Ofgem should:

- Limit its initial role to checking whether the submission contains the information and evidence required by the IDI Guidance.
- Allow licensees to clarify evidence and remedy omissions or methodological issues before an example is excluded from the process.
- Clarify the process that will apply where Ofgem considers the NCV methodology, assumptions or inputs used by the licensee to be inconsistent with the Guidance or unreasonable.

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 support assessing performance as baseline, good or excellent, but do not agree with the proposed alpha values of 0, 0.5 and 1.0. These values do not reflect the relative progression between categories and create a disproportionate cliff edge between good and excellent performance.

Good performance already represents a material step beyond business as usual through deployed innovation and demonstrable consumer value, while excellent performance builds on this through greater scale, transferability or longer-term system benefits. However, the proposed calibration awards excellent performance twice the reward of good performance for the same net consumer value, placing disproportionate weight on what may be a finely balanced qualitative Panel judgement.

The alpha values should reflect both the progression implied by the assessment criteria and the principles of effective incentive design. Under the current calibration, a Good rating unlocks only 50% of the reward available for the same Net Consumer Value as an Excellent rating, implicitly assuming that the progression from Baseline to Good is equivalent to the progression from Good to Excellent.

However, Ofgem's assessment criteria indicate that achieving Good already requires deployed innovation and demonstrable consumer value delivery, while Excellent is defined as “in addition to Good” through greater scale, transferability and longer-term system benefits. This suggests that Good is materially closer to Excellent than to Baseline. A value of 0.75 therefore provides a more proportionate relationship between performance and reward, better reflecting the hierarchy established by the assessment criteria. It also creates a more graduated progression between performance categories, reducing the significance of finely balanced Panel judgements whilst retaining a clear incentive and reward premium for Excellent performance.

We therefore recommend retaining the three categories but increasing the alpha value for good performance from 0.5 to 0.75. This would provide proportionate recognition of good performance while preserving a clear premium for excellent performance, without introducing the additional complexity and subjectivity of a continuous scoring scale.

Ofgem should update the guidance document to include:

- Recalibrate the alpha values to 0 for baseline, 0.75 for Good and 1.0 for Excellent.
- Provide clear definitions and worked examples distinguishing each performance category.
- Explain how the Panel will balance qualitative factors, including innovation quality, scalability, replicability and future-proofing, with quantitative evidence such as NCV and delivery outcomes.
- Adopt a standardised assessment methodology to support consistent treatment across licensees, Panel members and assessment windows.

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 support the objectives underpinning the five assessment areas, but do not agree that all of the proposed criteria, as currently drafted, provide sufficiently clear, proportionate or appropriately targeted guidance to the Panel. While the design and engineering and supply-chain and contracting criteria provide a credible basis for identifying innovative delivery, further guidance is required on qualifying activity, evidential expectations, performance thresholds and the treatment of forward-looking consumer benefits.

The effective outage management criteria should focus on material outcomes within the TO's reasonable control and avoid penalising beneficial optimisation or externally driven events, while reactive compensation availability should be removed or fundamentally revised. Effective NESO collaboration should be reframed to recognise the outcomes enabled by novel or materially improved approaches to collaborative planning while excluding routine engagement forming part of licensees' ordinary obligations, while the speeding-up-delivery criteria should provide a clear route for recognising ASTI and pre-PA innovation.

Without these changes, the criteria risk creating inconsistent Panel judgements, excluding valuable innovation, rewarding outcomes not directly attributable to innovative delivery and incentivising activity towards the mechanics of the framework rather than the greatest consumer value. Ofgem should therefore refine the criteria and provide

worked examples that give the Panel sufficient guidance while preserving appropriate discretion to assess the quality, context and consumer benefits of each submission.

We elaborate on each of the proposed behaviour assessment areas below.

Behaviour area 1: Innovations in design and/or engineering

We agree with the proposed ‘innovations in design and/or engineering’ behaviour area and can evidence scalable, business-led innovations within NGET that fall within this category, including innovations that support future-proofing, improved network design and longer-term consumer benefits.

The assessment should also recognise the replication and scaling of proven engineering innovations across multiple projects, including the capability, systems and integration required to embed them into standard design and delivery processes. In addition, Ofgem should clarify how the proposed requirement for licensees to actively lead the innovation will be assessed in practice. Many successful engineering innovations are developed collaboratively with suppliers, with the consumer value arising from the licensee’s role in identifying the opportunity, sponsoring deployment, integrating the solution into the network and scaling its application. We do not consider it appropriate for otherwise qualifying engineering innovations to be reclassified solely on the basis that the underlying idea originated from a supplier or elsewhere. Ofgem should confirm that Criterion 2 (Ownership and Intent) is satisfied through demonstrable licensee leadership of deployment, including active sponsorship, assurance, integration and scaling, rather than origination of the underlying idea.

We welcome Ofgem’s clarification during the bilateral discussion with NGET on 10 August 2026 that the proposed £5 million NCV threshold may reasonably be supported by benefits realised over a 15-year forward-looking period, including Category 2 benefits, rather than requiring all benefits to have been realised by the first assessment window in September 2027. This provides greater scope to recognise longer-term engineering innovations where benefits accrue through future deployment or over the life of the assets.

However, we welcome clarity on how design-stage innovation will be distinguished from business-as-usual activity and how forward-looking benefits should be evidenced and assessed. There may be a challenge in developing sufficiently mature and robust evidence by September 2027, particularly where the value of an innovation depends on project delivery or wider deployment. Please see our response to Question 3, where we discuss the timing of the first submission window.

Ofgem should confirm that the £5 million threshold may include Category 2 benefits expected over the 15-year period and should clarify how these benefits will be evidenced, assessed and distinguished from business-as-usual design activity. Ofgem should also clarify if portfolio-scale adoption of innovation may qualify where the licensee demonstrates active deployment leadership.

Behaviour area 2: Effective outage management

We agree that TOs and NESO should be accountable for optimising system access and minimising avoidable outage disruption, and that is value for consumers to incentivise TOs to develop and deploy innovations in this area.

However, the Effective Outage Management behaviour as defined in the Proposed Guidance Document is not currently an appropriate measure of innovative performance.

The economic theory of incentives is clear that they are only effective when:

- the subjected party is assessed against factors over which they have a high degree of control and that external factors can be identified and isolated from impacting the incentive outcome; and
- targets are set at a level which is stretching but attainable, often termed a “fair bet”.

The proposal in this area of the incentive falls short of these requirements. As such the incentive will not meet its stated aim of incentivising innovation in this area, with the ultimate impact of not improving consumer outcomes. This is because they measure TOs against a target over which they have limited control.

Paragraph 5.8

There are three distinct outage types: Planned, Unplanned and Fault. The current drafting appears to use unplanned outages and fault outages interchangeably, which may lead to incorrect interpretation and assessment.

Criterion 1: Reduced Outage Churn

We support the objective of reducing consumer impacts associated with outage changes. However, we have proposed several changes to improve the effectiveness of Criterion 1.

Firstly, we welcome further clarity on what constitutes an “outage change” and the scope of the “outage plan” for the purposes of Criterion 1. It is currently unclear whether the assessment is intended to capture only outage date

changes, or whether other amendments, such as Emergency Return to Service (ERTS) changes and updates requiring NESO approval through the electricity Network Access Management System (eNAMS), are also in scope. Further clarity is also required on which eNAMS booking categories are intended to be assessed, given that many bookings do not involve taking high-voltage equipment out of service and may have limited consumer impact. We therefore recommend explicitly defining both the outage-plan activities and outage-change types that are included within the metric.

The assessment should also distinguish between outage changes that create consumer detriment and those that deliver positive outcomes. For example, where asset condition proves better than expected and work is completed ahead of schedule, an earlier return to service should not be treated in the same way as an outage extension that increases consumer risk or cost. Likewise, changes that do not alter outage duration or consumer impact, such as minor outage start-time amendments, should be excluded as they are administrative rather than genuine outage churn. The methodology should also avoid double counting where administrative actions, such as removing an outage via the *To Be Arranged* (TBA) function before resubmitting revised dates, result in the same underlying change being recorded more than once. Overall, the assessment should separate genuine outage churn from beneficial outcomes, administrative changes or duplicate entries.

Secondly, unavoidable faults, as recognised in paragraph 5.14, should be excluded from performance assessment against Criterion 1. Where an outage is driven by a fault event, the associated outage should not contribute to outage churn metrics.

Thirdly, we recommend that outage changes driven by external parties or wider system requirements are treated separately from those within the reasonable control of the licensee. These factors include NESO operational requirements, DNO driven-changes, evolving generation patterns, locational voltage conditions, equipment obsolescence and wider supply-chain constraints. For example, NGET's analysis suggests that DNO driven changes alone can conservatively account for up to 2.4% of monthly outage bookings. Given the proposed requirement to achieve less than 20% outage changes during delivery to achieve an "Excellent" rating, this represents a significant proportion of the assessment threshold. As a result, relatively small volumes of externally driven changes outside the TO's control could materially influence performance outcomes and weaken the link between the metric and innovation delivery.

Fourthly, we recommend adopting the existing STCP 11-1 definition of delivery timescales for the purposes of Criterion 1. The current guidance refers to outage changes occurring during the delivery phase as those made less than three weeks before the outage start date. However, STCP 11-1 already defines the delivery phase as the period from 26 days up to and including the outage start date. Introducing an alternative definition within the IDI would create unnecessary complexity and risk inconsistent interpretation of outage performance across existing industry processes and incentive frameworks.

In addition, we would welcome clarity on how outage changes made during an active outage will be treated. The current drafting states that performance will be assessed based on the percentage of outage changes during delivery (" < 3 weeks from the outage"), which appears to focus on changes made shortly before an outage begins. It is unclear whether changes made after the outage has started, for example extensions or reductions to an outage already in progress, would be considered delivery changes.

Lastly, we would welcome confirmation that outage changes are only counted where they affect the number of outage days within the relevant delivery assessment period. Changes that extend or reduce outage duration outside the delivery timescale being assessed should not be treated as outage churn for that period. For example, where the outage start date remains unchanged within the assessment period but the end date is extended beyond the assessment window, this should not be counted as a delivery-timescale change, as the number of outage days within the assessed period is unchanged. The assessment should therefore focus only on schedule changes that alter outage exposure within the relevant delivery timeframe.

Criterion 2: Reduced Unplanned (non-fault) Outages

We support the objective of reducing avoidable unplanned outages arising from asset condition and maintenance issues. However, not all unplanned outages are related to assets in distress or indicative of poor asset management, and the metric should not discourage prudent short-notice outages required to investigate signs of asset distress, as this could increase longer-term system and consumer risk. Ofgem should clarify how unplanned outages will be counted, including whether the assessment considers frequency, duration and consumer impact, and confirm the treatment of trips and delayed auto-reclose events.

A proportion of unplanned outages arise for several reasons, including NESO network studies, DNO rejection, third-party reasons (for example wildfires and third-party cable strikes), and other whole-system considerations. As such, using all unplanned outages as a proxy for asset management performance risks capturing events which are unrelated to maintenance effectiveness or asset health. We therefore recommend that Ofgem consider whether certain categories of unplanned outages should either be excluded from the metric or reported separately, ensuring the assessment focuses on controllable performance.

Criterion 3: Notice of Late Return

Paragraph 5.16

Ofgem should further clarify the wording within this criterion and its interaction with Criterion 1.

Late returns are already likely to be reflected within outage changes occurring during delivery timescales and therefore there is a risk that the same underlying event could influence performance under both Criterion 1 and Criterion 3. This could result in double counting of the same issue. We recommend that this criterion should focus specifically on the quality and timeliness of communication relating to late returns, rather than the occurrence of the late return itself.

Criterion 4: Availability of Reactive Compensation Equipment

Paragraph 5.17

Reactive power should not be included as a simple availability-based performance metric. Doing so would risk creating a blunt incentive that does not reflect where reactive capability is needed most, why an asset is unavailable, or whether the TO is taking the right actions to improve long-term system resilience. A national percentage could reward the wrong outcomes in low-criticality areas and penalise efficient, proactive action in high-criticality areas where planned intervention is necessary to restore enduring capability. The better regulatory outcome is to treat reactive power through a targeted, evidence-led framework that reflects locational need, controllability, asset type and delivery of a credible improvement plan. That would give Ofgem stronger assurance, focus TO accountability and better protect consumers from both avoidable operational costs and poorly targeted incentives.

Published NESO voltage-performance data provides an existing evidence base for reflecting locational system need. We would welcome the opportunity to work with Ofgem and NESO to determine how this evidence could inform a proportionate and auditable locational assessment.

We would welcome clarity from Ofgem on the assessment period over which reactive compensation availability will be measured. The Proposed IDI Guidance does not specify whether performance will be assessed as an annual average, across the full RIIO-T3 period, or through a threshold-based test where a single period of reduced availability could trigger the adjustment. This distinction is important, as each approach would create materially different incentives and risk exposure. The final methodology should clearly define the assessment period and ensure that performance is evaluated over a timeframe that provides a representative view of asset management and system performance.

Paragraph 5.18

NGET is concerned that using top-level reactive plant availability as a performance lever may be too simplistic unless the methodology distinguishes between the different drivers of unavailability. Reactive compensation includes static assets such as reactors and capacitors, as well as dynamic assets such as SVCs and STATCOMs, each of which has different technical functions, availability performance, failure modes, supply chain challenges and remediation pathways. Industry-level documentation shows materially different availability levels across capacitive, reactive and dynamic equipment, with dynamic equipment presenting a distinct challenge.

Ofgem should clarify how the proposed metric would be calculated, including whether it is intended to be a simple roll-up average across all reactive compensation assets and how performance will be treated where different asset types have materially different roles and availability profiles.

In addition, reactive compensation equipment can be unavailable for reasons that are not directly caused by the reactive asset itself. Some reactive equipment is tied off other circuits or located in close proximity to associated assets, meaning it may need to be taken out of service due to bay, circuit, access or wider network constraints. In these cases, a headline availability measure may overstate the extent to which the unavailability reflects poor performance of the reactive compensation equipment itself.

The metric should also distinguish between types and causes of unavailability. Long-term faults on reactive equipment should appropriately be reflected in the assessment. However, planned outages should not automatically be treated in the same way as avoidable fault-driven unavailability. Planned maintenance is undertaken to improve future asset health, reliability and availability. Penalising licensees for taking planned outages to maintain assets, including associated bay equipment, risks creating a perverse incentive against proactive maintenance activity that improves long-term resilience and consumer outcomes.

More broadly, NGET considers that reactive availability is part of a wider industry challenge rather than an issue that can be resolved solely through asset repair. Whilst asset unavailability amplifies operational cost and risk, it does not create the underlying system challenge on its own. The issue is also influenced by changes in generation mix, overlapping compliance obligations placed by SQSS on NGET and NESO, embedded generation, distribution

network behaviour, NESO operational requirements, system access constraints, supply chain limitations and unclear investment triggers.

On that basis, the proposed portfolio-level metric should be removed or redesigned. Any retained measure would require a clear, transparent and auditable methodology that recognises:

- locational system need and voltage-zone criticality,
- differences between static and dynamic reactive compensation equipment,
- planned, fault-driven and other unplanned causes of unavailability,
- associated equipment, bay, circuit and access constraints,
- assets on agreed decommissioning or replacement pathways,
- the extent to which the cause of unavailability is within the reasonable control of the TO,
- the improvement and remediation actions already being progressed by the TO.

NGET is actively progressing work to improve reactive compensation availability and strengthen the long-term approach to voltage management, including development of an action plan covering asset review, intervention planning, procurement strategy, planning assumptions and reactive asset strategy. The metric should therefore recognise not only the final availability outcome, but also whether the licensee is taking evidence-led action to manage capability, prioritise critical locations, and work with NESO and relevant stakeholders to address the wider system challenge.

Behaviour area 3: Effective NESO collaboration

NGET supports the principle of incentivising collaborative behaviours that contribute to a robust first CSNP. However, the scope and assessment criteria should be refined and reframed to instead recognise the outcomes enabled by effective collaboration between TOs and NESO.

The proposed behaviour area is assessed solely through timely and quality inputs into the first CSNP during assessment window 1. Whilst we are supportive of the outcomes enabled through CSNP collaboration being assessed within window 1, we think restricting the assessment to this period risks undervaluing a significant proportion of relevant NESO-TO collaborative activities taking place after TOs' CSNP submissions, such as on individual schemes, continuation of CSNP collaboration and across wider strategic energy planning activities in RIIO-T3 more generally.

To ensure the incentive remains focused on genuinely value-adding, innovative, behaviours, the scope could be reframed to recognise the novel or materially improved approaches to collaborative planning that demonstrably improve CSNP and strategic energy planning outcomes.

The bulk of TOs' CSNP submissions are due at the end of September 2027, with NESO quality assurance of TO options planned for October 2027. As currently drafted in the proposed Guidance, the principal CSNP milestones fall after the first assessment panel in September 2027, which may limit the evidence available to be assessed.

We also do not agree that good performance should be demonstrated by submitting information materially in advance of the agreed deadline. The principal objective should be the quality, completeness and usability of TO submissions and the extent to which they support CSNP outcomes. Earlier submission should be recognised only where it demonstrably improves analysis, coordination, planning or decision-making and has been agreed between NESO and the TO. The example of submission "one month ahead" should therefore be removed, as it could become a de facto target and incentivise early submission at the expense of evidence maturity and quality.

Unlike other behaviour areas, the principal outcomes of effective collaboration are improvements in investment planning quality and optionality, coordination, decision-making and delivery of strategic planning outcomes.

These benefits are often realised over longer timescales and predominantly qualitative in nature. As a result, the £5 million net consumer benefit threshold may not always provide a suitable eligibility test for the basis for assessment. Ofgem should consider applying a proportionality approach where benefits are inherently unquantifiable.

Ofgem should make the following changes to the guidance document:

- Reframe the criterion around the outcomes enabled by TO-NESO collaboration. These should be the quality, completeness, usability and deliverability of the resulting plan, rather than the timing of TO submissions.
- Recognise novel or materially improved approaches to collaborative planning that demonstrably improve CSNP outcomes, irrespective of the forum in which they arise, while excluding routine engagement forming part of licensees' ordinary obligations.

- Remove the example of submission one month ahead and recognise earlier submission only where it demonstrably improves outcomes.
- Define what constitutes a high-quality submission and explain how the Panel should assess quality consistently while retaining appropriate discretion.
- Review the £5 million net consumer benefit threshold for this behaviour area and consider its application wherever benefits are inherently unquantifiable.
- Provide worked examples of qualifying collaborative activity and demonstrate how they would be evidenced, assessed and rewarded.

Before finalising the Guidance, Ofgem should hold a joint session with the TOs and NESO to agree the assessment criteria, measures of success, relevant assessment milestones, defined counterfactual and evidence requirements. This would help ensure the incentive rewards the delivery of a high-quality, robust and deliverable CSNP, rather than the timing of the contributions towards it.

Behaviour area 4: Savings in supply chain and/or contracting

We support the inclusion of savings in supply chain and/or contracting as an IDI behaviour area and consider that there are credible examples of innovation that could be presented to the IDI panel, including the introduction of alternative suppliers, novel equipment and commercial arrangements, and initiatives that strengthen supply-chain resilience. However, we consider that aspects of the proposed eligibility and assessment criteria require further clarification to enable licensees to identify eligible initiatives with confidence and to support transparent and consistent panel assessment.

This behaviour area should apply to innovation in commercial, procurement and supply-chain approaches. Jointly developed technical solutions should remain capable of assessment under Behaviour Area 1 Design and Engineering where the licensee demonstrates active leadership of assurance, integration, deployment and scaling.

Ofgem should address the following points in the final IDI Guidance:

- Define qualifying innovation, with examples distinguishing it from routine procurement, including novel applications of existing technology, alternative suppliers and new commercial arrangements.
- Clarify performance thresholds, including whether “one-off” savings may be replicated across a programme or portfolio, and what constitutes “material” and “significant” savings.
- Confirm deployment and benefit requirements, including the treatment of pilots, first deployments, wider adoption, and credible and appropriately evidenced near-term and longer-term savings.
- Define supplier-feedback requirements, including the relevant suppliers and procurement activities, the expected evidence and how it will inform the assessment of market health and resilience.

Behaviour area 5: Speeding up delivery

We do not fully support this behaviour area, as it appears to miss incentivisation for ASTI and major projects that are post development stage but pre-PA where innovations are necessary to maintain delivery to the RIIO-T2 dates which were externally driven, deterministic and not probabilistic.

We welcome further clarity from Ofgem by providing clearer boundaries between the IDI, ASTI, ECF and PA mechanisms to avoid both double rewarding and unintended gaps where early-stage innovation receives no incentive. ECF is neither a final allowance nor an incentive, so there should not be any overlap between it and the IDI.

Ofgem should make the following changes to the guidance document:

- Include a clear definition of the boundaries between the IDI, ASTI/Major Projects ODI-F, ECF and PA mechanisms.
- Confirm how efficiency innovations on ASTI projects will be rewarded and avoid unintended exclusion from the IDI.
- Ensure innovation is not penalised simply because it is identified or trialled before PA.
- Provide a route for recognising project development and pre-PA innovation that delivers consumer value but may not fit neatly within existing mechanisms.

In conclusion, we support the principle of Criterion 1 and agree that innovative delivery should be demonstrated through defined behaviour areas. However, we do not consider all five behaviour areas to be sufficiently clear, comprehensive or appropriately aligned with innovation as currently drafted.

While we support the inclusion of design and engineering and supply-chain and contracting innovation, further guidance is required on qualifying activity, evidential requirements and the recognition of forward-looking consumer benefits. The outage-management criteria should be revised to focus on material outcomes within the TO's reasonable control, while reactive compensation availability should be removed or fundamentally revised.

The speeding-up-delivery behaviour area should also provide a clear route for recognising ASTI and pre-PA innovation, supported by clearer boundaries between the IDI and other incentive mechanisms.

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

We broadly agree with the proposed two-stage scoring approach but require greater clarity on how individual assessments will determine the overall behaviour-area score and avoid disproportionate cliff edges between performance categories.

The final Guidance should explain how the Panel will assess a mix of baseline, good and excellent examples, including the weight given to quality, materiality, net consumer value and overall portfolio performance, and confirm whether NCV from baseline-scoring examples will be excluded from the reward calculation.

As set out in our response to Question 8, we propose a more proportionate calibration of performance categories. Ofgem should also confirm final reward outcomes before 15 December 2029 to enable accurate reflection in Allowed Revenue and avoid subsequent true-ups, bill volatility and reduced pricing certainty.

The assessment timetable must also align with the annual revenue-setting process. Licensees are required to determine Allowed Revenue, and consequently network charges that feed into consumer bills, in December each year. Unless the outcome of the September 2029 Panel assessment is confirmed before 15 December 2029, licensees will be unable to reflect the final incentive value accurately within their RIIO-3 Allowed Revenue calculations. This would require a subsequent revenue true-up in the following price control, creating avoidable volatility in consumer bills and reducing pricing certainty for customers and licensees.

To provide a transparent, proportionate and consistently applied scoring process, Ofgem should:

- Clarify how individual example scores will be combined to determine the overall behaviour area score
- Explain how the Panel will consider example quality, materiality and NCV where a submission includes a mix of baseline, good and excellent examples
- Confirm how baseline-scoring examples and their associated NCV will be treated in the reward calculation
- Provide worked examples illustrating the application of scoring boundaries and the treatment of mixed-quality submissions
- Align the assessment timetable so that the final IDIPAS term is known before the relevant revenue-setting deadline or provide a minded-to position in advance of December 2029.

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

We broadly agree with the proposed content of the Panel's report and recommendations. However, the final Guidance should require both the Panel and Ofgem to provide clear and equivalent explanations of their assessments and decisions.

We support the provision of specific feedback to improve future submissions. As Ofgem retains responsibility for the final reward, it should apply the same standard of transparency and clearly explain any departure from the Panel's recommendation, including the reasons for changes to eligibility, scoring, net consumer value or reward.

To support transparent and consistent decision-making, Ofgem should require the Panel's report and its subsequent decision to include or explain:

- How individual example assessments have been combined to determine the overall behaviour-area score, including the treatment of example quality, materiality, net consumer value and baseline-scoring examples.
- Where evidence has been given limited weight or the Panel has reached a different conclusion from the licensee on eligibility, scoring or consumer value, including the principal assumptions, limitations and sensitivities informing its judgement.
- How qualitative and quantitative factors have been balanced, including innovation quality, scalability, repeatability, institutional adoption, delivery outcomes and wider system benefits, as set out in our response to Question 5.
- How benefits arising before project costs or delivery dates are set, or beyond the RIIO-T3 period, have been assessed.

- How the counterfactual has been determined, including the use of evidence such as 'should-cost' estimates.
- Specific areas for improvement to support subsequent licensee submissions.
- Clear reasons for any departure by Ofgem from the Panel's recommendation.

Chapter 6 – Methodology to calculate IDIPAS_t

Q12: Do you agree with the proposed approach to calculating IDIPAS_t, which is the value of the licensee's Innovative Delivery ODI-F performance reward? If not, what do you propose to change and why?

We support the principle that rewards should be based on independently assessed innovation, should reflect demonstrable consumer value and should not exceed the net consumer benefits delivered. However, we do not think the proposed calculation methodology will operate effectively as currently designed. Targeted changes are required to ensure that reward outcomes reflect the total consumer value delivered, rather than being determined disproportionately by the timing of benefit realisation, the distribution of value across behaviour areas or binary operational thresholds

We support the proposed net consumer benefit cap, which ensures that rewards remain proportionate to the benefits delivered and protects consumers from over-reward. However, where an innovation has been deployed before the September 2027 submission window, but its benefits cannot yet be evidenced at sufficient maturity or scale, permanently forfeiting the associated reward would create a cliff edge based on evidence timing rather than consumer value. Unrealised Panel 1 rewards should therefore be capable of being considered at Panel 2 the second September 2029 submission window, provided that additional NCV is robustly evidenced, the standard Panel 2 requirements are met first and no benefits are double counted. Ofgem could also apply a higher NCV threshold to any carried-over reward.

The calculation should also avoid incentivising licensees to optimise the distribution of innovation across behaviour areas rather than maximise total consumer value. Once minimum expectations for behavioural breadth have been met, Ofgem should allow limited flexibility for surplus NCV in a high-performing area to offset a shortfall elsewhere at a discounted rate. This would retain appropriate behavioural breadth while allowing licensees to prioritise and scale the innovation opportunities that deliver the greatest overall consumer and whole-system value.

In regard to the β adjustment, our primary position is that it should be removed from the IDI.

Ofgem should therefore:

- Remove the β adjustment.
- Allow unrealised reward from the first submission window to be considered at the second submission window, subject to additional evidenced consumer value and safeguards against double counting.
- Consider introducing flexibility to move NCV across behaviour areas, assuming minimum performance thresholds are met, to prioritise overall consumer value.

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

The methodology for calculating NCV is not yet sufficiently defined to support consistent and comparable submissions. Ofgem should publish a transparent and standardised NCV methodology, supported by a common template and worked examples, and explain how it aligns with established network-investment appraisal approaches. The methodology should be published with the final IDI Guidance to provide sufficient time for evidence capture, assessment and assurance before the first submission window.

The IDIPAS_t formula should clearly demonstrate the intended allocation of the incentive reward across years, proportionate to the distribution of the IDIMAX_t.

This allocation is not currently evident from the published formula and should be made explicit within both the Guidance and associated calculation templates.

Our primary position is that the beta adjustment should be removed. Our proposal for the allocation of the IDIPAS_t term (assuming the beta adjustment is retained) would be:

$$IDIPAS_t = (\beta * \sum w_x * \min(NCV_x, \alpha_x * \sum_{2026/27}^{2030/31} IDIMAX_t)) * \frac{IDIMAX_t}{\sum_{2026/27}^{2030/31} IDIMAX_t}$$

We note that there is an inconsistency of the IDIMAX_t value per the NGET licence¹ published on Ofgem's website at Appendix 1 of Special Condition 4.5 Innovative Delivery output delivery incentive (IDI_t) where the value over RIIO-T3 is £133.49m relative to the £133.59m in the RIIO-T3 final determination financial model² (RoRE

¹ [Electricity licensing \(from October 2025\) - Publications - Ofgem Public Register](#)

² [RIIO-3 Final Determinations Electricity Transmission Business Plan Financial Model.xlsx](#)

worksheet Σ AU135-AY135 refers). Whilst appreciating that this is a marginal difference, and that Ofgem intends to publish a revised version of the PCFM in August, these values should align in the final documentation.

Ofgem should update the guidance document to reflect:

- Confirmation from the bilateral engagement that the NCV and the resulting IDIPAS^t values must also be expressed in 2023/24 prices.
- Ofgem should publish a standardised CBA model alongside the final IDI Guidance, incorporating current inflation data, discounting and NPV calculations to support consistent and traceable NCV assessments. Publishing the proposed template only before the first submission window would not provide sufficient time for evidence gathering and assurance. This concern is highlighted in our response to question 2.

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 do not agree with the inclusion of a negative adjustment for effective outage management within the IDI as it is currently designed or with the negative adjustment being set at 30% of the licensee's total reward. Outage management, as defined in the Proposed Guidance Document, should be addressed through a separate performance measure because it is not a direct measure of innovative delivery and is materially influenced by factors outside the TO's reasonable control.

Applying the adjustment across rewards earned under all behaviour areas would dilute the IDI's focus on consumer-benefiting innovation and create a conflicting regulatory signal. Outage-planning performance is already addressed through the SO:TO Optimisation ODI-F under Special Condition 4.6 and the STCP11-4 process, under which TO or NESO-initiated changes to the outage programme may be rewarded where they deliver assessed constraint-cost savings. The framework also includes a close-out clawback and requires NESO to report on the operation of the incentive, providing existing safeguards against non-delivery and unintended deterioration in outage-planning quality. The same beneficial outage change could nevertheless count as churn under the IDI and contribute to a 30% reduction in rewards earned through unrelated innovations. These overlapping and potentially conflicting controls support addressing outage management through the existing, dedicated framework rather than through a further IDI-wide adjustment.

The proposed trigger points also create a disproportionate cliff edge, whereby a relatively small difference in outage churn or reactive compensation availability could reduce the licensee's total reward by 30%, including rewards earned through unrelated innovations. This is inconsistent with the graduated assessment of baseline; good and excellent performance applied elsewhere in the IDI.

Please refer to Q9 Behaviour Area 2, where we explain why the proposed performance metrics may not be fit for purpose. For example, the reduced outage churn trigger does not distinguish between changes that cause consumer detriment and those that deliver positive or neutral outcomes, including earlier restoration of network capability or reduced outage duration. It also does not distinguish changes within the TO's reasonable control from those requested by NESO, DNOs, other TOs or required to support wider system operability. The proposed trigger could therefore penalise beneficial re-optimisation and externally driven changes. We would welcome clarity from Ofgem that the proposed amendments to Behaviour Area 2 will be considered before applying any negative adjustment.

We also do not support the use of blanket reactive compensation availability as a binary trigger. A single portfolio-level threshold does not recognise that reactive capability has inherently locational value or account for differences in technology, planned maintenance, associated equipment, asset lifecycle status and system access. Availability can also be affected by obsolescence, supply-chain limitations and wider system decisions outside the TO's reasonable control. We explain our proposed treatment of reactive compensation availability in our response to Question 9, paragraphs 5.17 and 5.18. As set out in the response to Question 9, the assessment should draw on published NESO voltage-performance data to reflect locational system need.

Our primary position is that Ofgem should remove the effective outage management adjustment and the β term from the IDIPAS^t formula. Any retained beta adjustment should be proportionate, transparent and linked only to the specific innovation activity being assessed, rather than reducing rewards earned through unrelated innovation performance across other behaviours. We would welcome further discussion with Ofgem on the design of any retained adjustment.

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