



How the panel score should be converted into a financial reward

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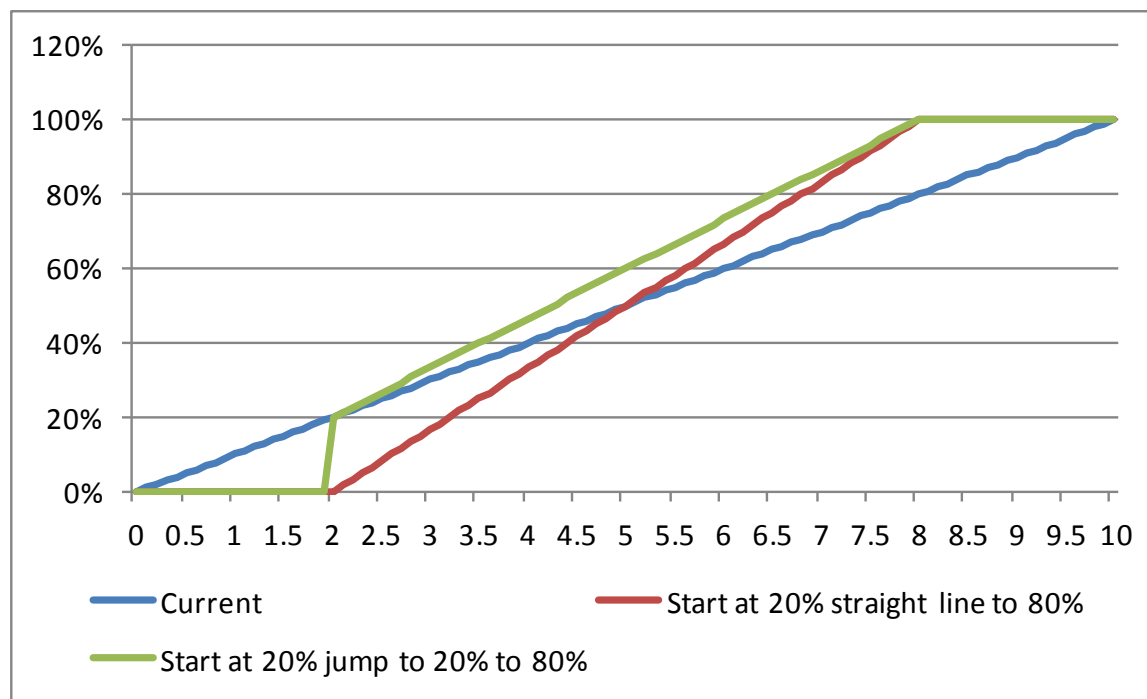
electricity
north west

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- Any proposed change to the incentive needs to be carefully considered to ensure the incentive properties are maintained
- If the opportunity to earn rewards is significantly impaired then companies may not undertake some of the good work that has resulted from this incentive
- There are potentially different impacts on GDNs DNOs and Transmission companies depending on where they are in regulatory cycle
- If a 'threshold' is proposed then the levels need careful consideration and so the level of reward at the entry to the threshold

Some options



- Blue line shows the current straight line approach applied to DNOs
- Red line shows an 'entry threshold' of 2 and a straight line to maximum reward at a threshold of 8
 - ie the company receives no reward for a score less than 2 but receives maximum reward at 8
- Green line has a similar 'entry threshold' but reward is 20% for a score of 2 with a straight line to maximum reward at 8