



An Coimisiún
um Rialáil Fóntais
**Commission for
Regulation of Utilities**

An Coimisiún um Rialáil Fóntais
Commission for Regulation of Utilities

Price Control 5 Regulatory Framework User Guide

Information Paper

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CRU Strategic Plan 2022-24

<p>Our Mission</p> <ul style="list-style-type: none">• Protecting the public interest in water, energy and energy safety.	<p>Our Strategic Priorities</p> <ul style="list-style-type: none">• Ensure Security of Supply• Drive a Low Carbon Future• Empower and Protect Customers• Enable our People and Organisational Capacity
<p>Our Vision</p> <ul style="list-style-type: none">• Safe, secure and sustainable supplies of energy and water, for the benefit of customer now and in the future	

Executive Summary

GNI is licensed by the CRU as the owner and operator of the Irish gas distribution and transmission networks. As part of the CRU's legislative duties under the Gas (Interim) Regulation Act, 2002, as amended, the CRU approves the revenues that GNI can collect from its customers. These revenues are set every five years in a process called a 'price control'.

In December 2023 the CRU published a paper ([CRU2023140](#)) setting out its decision regarding the regulatory framework for the Price Control 5 (PC5) period.¹ The PC5 Decision included a suite of changes which aimed to ensure that GNI has sufficient flexibility to adapt to the challenges of PC5 and to incentivise behaviours which are in the interest of the customer. The proposals were structured around three core pillars, presented in Figure 1 below.

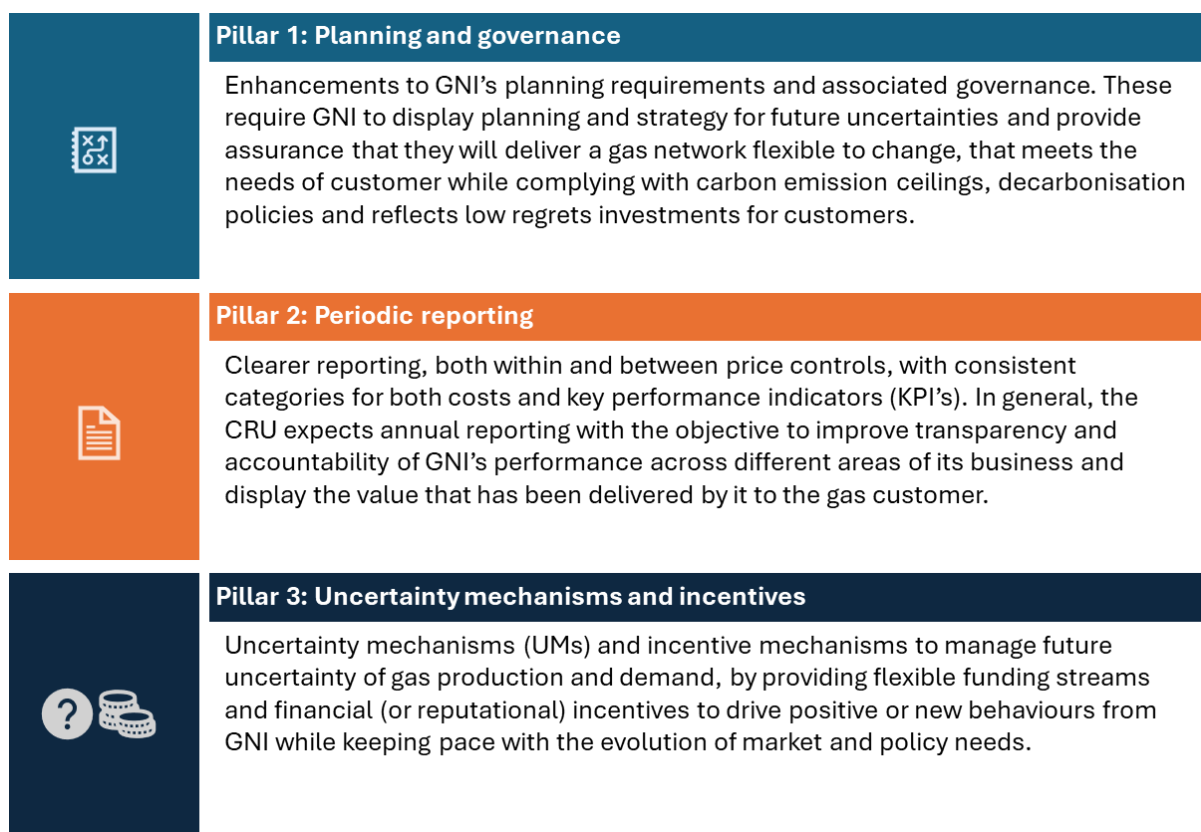


Figure 1: Pillars of the PC5 regulatory framework

The PC5 Decision set out that implementation of these changes to the framework will take time and that a transition period will be necessary before the full incentive and reporting regime will take effect. The transition period allowed for further engagement between the CRU and GNI on the practicalities of delivering on the new framework.

¹ The PC5 period runs from October 2022 to September 2027.

As part of this engagement, the CRU consulted on proposals for each area of the framework (consultation paper [CRU2024122](#)). Following the consultation, the CRU published its final decision document (CRU2024162), setting out the responses to the consultation and the changes that were made to the framework as a result of the feedback.

This document, the PC5 Regulatory Framework User Guide (CRU2024163), supports the PC5 Decision Document. It presents the finalised information needed to understand the PC5 regulatory framework, and the information needed by GNI to respond to the PC5 regulatory framework.

Structure of the PC5 regulatory framework

The finalised PC5 regulatory framework, as set out in this document, includes ten incentives, a package of three Uncertainty Mechanisms, and ten associated reports.

These are organised into three areas: innovation, incentives, and framework. The innovation area includes the Innovation Report with no associated mechanisms. The incentive area includes eight reports which are used to support ten incentives; the Future Role of Gas Initiatives (FROGI) and Decarbonisation Report supports three incentives (Shrinkage, Decarbonisation Policy Alignment, and Hydrogen Readiness) while the remaining reports support one incentive each. The framework area includes one report and the package of Uncertainty Mechanisms.

The incentive framework includes a combination of within-period assessments and end-of-period assessments. Given the timing of the PC5 Decision, and the PC5 transition period, the CRU will only assess GNI's submissions for the last three years of the PC5 period (2024/2025 to 2026/2027). This is the case for both the within-period assessment and the end-of-period assessments.²

All reports submitted by GNI will be published, unless stated otherwise in this document. For some incentives, GNI may be required to provide confidential information. In such cases, the report, or parts of it, may be submitted only for the CRU to review.

The PC5 regulatory framework reporting and mechanism structure is represented in Figure 2 below.

² This does not include the ex-post capex assessment and flexibility pot, which applies to expenditure across the whole of the PC5 period.

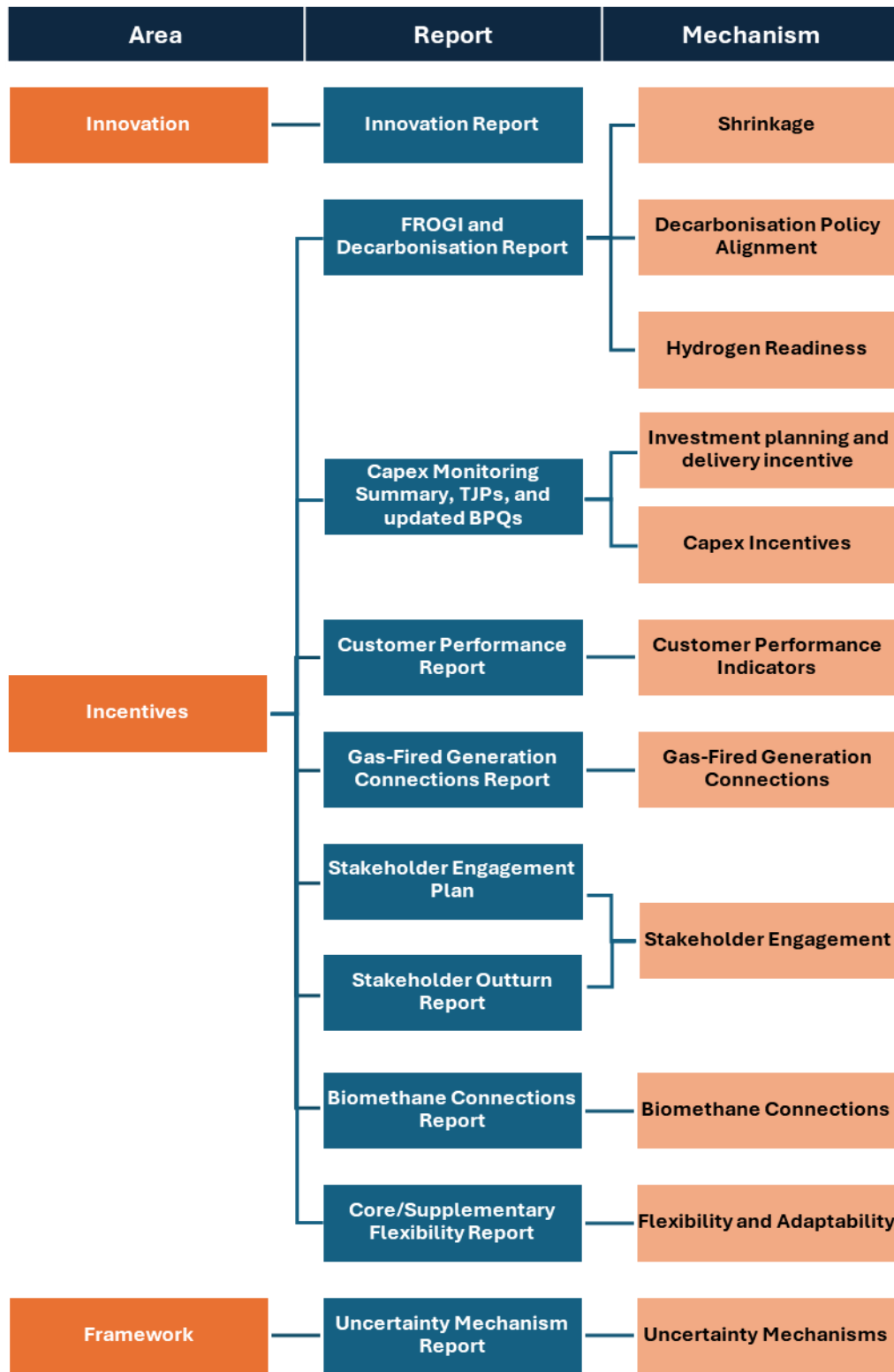


Figure 2: Summary of the incentives and corresponding reporting introduced for PC5

The purpose of the User Guide

This User Guide compiles all the information needed by readers to understand the PC5 regulatory framework, as well as the information GNI needs to respond to the PC5 regulatory framework. This includes:

- How the regulatory framework is intended to work;
- The application of the tools and mechanisms (i.e. the Uncertainty Mechanisms, the Innovation Fund, the Cost and Performance incentives) defined in the PC5 Decision; and
- The regulatory reporting requirements and timescales the licensee needs to meet.

To achieve this aim, the User Guide provides the following information for each incentive, mechanism, and funding pot:

- Context
- The aim of the incentive, mechanism, or funding pot
- The required reporting format
- How the CRU will determine the incentive reward or penalty/ or assess the allowance allocation
- The balanced scorecard (if applicable)

The User Guide also provides overarching guidance for issues that cut across multiple areas of the framework.

Public / Customer Impact Statement

Gas Networks Ireland (GNI) owns and operates Ireland's gas network. A portion of money from gas customers' bills funds GNI to ensure that it can safely operate and maintain the gas network. One of the CRU's roles is to protect gas customers by ensuring that GNI spends customers' money appropriately and efficiently. To do this, the CRU conducts a detailed review of GNI's business plan and financial proposals every five years. This process is called a price control. The decision for the most recent price control (Price Control 5 or PC5) was published in December 2023 and covers the period from October 2022 to September 2027. As part of that decision, the CRU updated the regulatory framework underlying the price control. The regulatory framework seeks to ensure that GNI has sufficient flexibility to adapt to the challenges of PC5 and to incentivise behaviours which are in the interest of the customer.

The PC5 Regulatory Framework Decision ([CRU2023140](#)) set out a range of incentives, reporting requirements and mechanisms that would apply over the PC5 period. The PC5 Decision stated that before the decision would be fully implemented, a transitional period would be necessary to allow further engagement with GNI on the practical delivery of the decision. As part of the transitional period, the CRU published the Proposed Decision & Consultation on Price Control 5 Implementation ([CRU2024122](#)), which sought feedback from the public on how to implement various aspects of the PC5 Decision. The feedback received, along with the CRU's response to it, is set out in the Decision on PC5 Regulatory Framework Implementation ([CRU2024162](#)) published alongside this paper. Greater detail on the implementation of the PC5 regulatory framework, including the reporting GNI needs to provide to respond to the framework, are provided in this document ([CRU2024163](#)).

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Glossary of Terms and Abbreviations

Abbreviation or Term	Definition or Meaning
AACE	Association for the Advancement of Cost Engineering
AGI	Above Ground Installation
BAU	Business as usual
BPQ	Business Plan Questionnaire
CAP	Climate Action Plan
Capex	Capital expenditure
CFR	Core Flexibility Report
CGI	Central Grid Injection
CNG	Compressed Natural Gas
CPIs	Customer Performance Indicators
CRM	Capacity Remuneration Mechanism
CRU	Commission for Regulation of Utilities
DAFM	Department of Agriculture, Food and Marine
DECC	Department of Energy, Climate, and Communications
DPA	Decarbonisation Policy Alignment
EC	European Commission
EU	European Union
FROGI	Future Role of Gas Initiatives
GB	Great Britain
GFGC	Gas-Fired Generation Connections
GNI	Gas Networks Ireland
GNSEE Panel	Gas Network Stakeholder Engagement Evaluation Panel
KPI	Key Performance Indicator

LDAR	Leakage Detection and Repair
LEU	Large Energy Users
LNCA	Large Network Connection Agreement
NBIF	Network Based Innovation Fund
NEDS	National Energy Demand Strategy
OGMP 2.0	The Oil and Gas Methane Partnership 2.0
Opex	Operating expenditure
OUG	Own-Use Gas
PC5	Price Control 5 ³
PR5	Price Review 5 ⁴
PREs	Publicly Reported Escapes
RAB	Regulated Asset Base
RHO	Renewable Heat Obligation
SECs	Sectoral Emission Ceilings
SEM	Single Electricity Market
SFR	Supplementary Flexibility Report
SIF	Strategic Innovation Fund
TJP	Technical Justification Paper
UAG	Unaccounted-For Gas
UNEP	United Nations Environment Programme

³ Price Control 5 (PC5) covers the period from October 2022 to September 2027.

⁴ Price Review 5 (PR5) covers the period from January 2021 to December 2025.

1. Introduction

1.1 The Commission for Regulation of Utilities

The Commission for Regulation of Utilities (CRU) is Ireland's independent energy and water regulator. The CRU was established in 1999 and has a wide range of economic, customer protection and safety responsibilities in energy and water. Our mission is to protect the public interest in water, energy and energy safety.

Further information on the CRU's role and relevant legislation can be found on the CRU's website at <https://www.cru.ie>.

1.2 Background

GNI is licensed by the CRU as the owner and operator of the Irish gas distribution and transmission networks. As part of its legislative duties under the Gas (Interim) Regulation Act, 2002, as amended, the CRU approves the revenues that GNI can collect from its customers. These revenues are set every five years in a process called a 'price control'. In December 2023 the CRU published a paper ([CRU2023140](#)) setting out its decision regarding the regulatory framework for the Price Control 5 (PC5) period. The PC5 Decision covers the period from October 2022 to September 2027.

Taking account of the rapidly evolving policy landscape with regard to decarbonisation and security of supply, the PC5 regulatory framework decision aimed to facilitate flexibility within GNI's decision-making. This framework aims to encourage behaviours that will both ensure that GNI responds appropriately to policy and bring value to gas customers. For example, it introduced new incentives for aligning with decarbonisation policy, engaging with stakeholders, and reducing shrinkage.

The PC5 Decision set out that implementation of the changes to the framework would take time and that a transition period would be necessary before the full incentive and reporting regime takes effect. The transition period would allow further engagement between the CRU and GNI on the practicalities of delivering on the new framework.

As part of the transition period, the CRU sought public feedback on proposals for how to implement the PC5 regulatory framework. This included four areas where delivery was deemed a priority, and eight remaining areas of the framework. The priority areas were:

- The Decarbonisation Policy Alignment Incentive,

- Shrinkage Incentive,
- Gas-Fired Generation Connections Incentive, and
- Stakeholder Engagement Incentive.

The remaining areas were:

- Capex Incentives and Reporting
- Biomethane Connections Incentive
- Hydrogen Readiness Incentive and Reporting:
- Investment Planning and Delivery Incentive:
- Customer Performance Indicators:
- Flexibility and Adaptability Incentive:
- Flexibility Pot and Uncertainty Mechanisms
- Innovation

The areas, and the associated regulatory mechanisms and reporting, apply to both GNI's Distribution and Transmission operations, unless stated otherwise. The CRU's proposals were set out in a consultation paper ([CRU2024122](#)).

1.3 Purpose of this report

This User Guide compiles all the information needed by readers to understand the PC5 regulatory framework, as well as the information GNI needs to respond to the PC5 regulatory framework. This includes:

- How the regulatory framework is intended to work;
- The application of the tools and mechanisms (i.e. the Uncertainty Mechanisms, the Innovation Fund, the Cost and Performance incentives) defined in the PC5 Decision; and
- The regulatory reporting requirements and timescales the licensee needs to meet.

The User Guide will guide GNI's regulatory framework submissions to the end of PC5. In practice, this means it should be accounted for in the 2024 submissions due for submission to the CRU in 2025.

1.4 Incentive and reporting structure

The PC5 regulatory framework includes ten incentives, a package of three Uncertainty Mechanisms,⁵ and ten associated reports.⁶

These are organised into three areas: innovation, incentives, and framework. The innovation area includes the Innovation Report with no associated mechanisms. The incentive area includes eight reports which are used to support ten incentives; the Future Role of Gas Initiatives (FROGI) and Decarbonisation Report supports three incentives (Shrinkage, Decarbonisation Policy Alignment, and Hydrogen Readiness) while the remaining reports support one incentive each. The framework area includes one report and the package of Uncertainty Mechanisms.

This PC5 regulatory framework reporting and mechanism structure is represented in Figure 2 earlier in the paper.

1.5 PC5 reporting and decision-making timeline and impact on tariff

The PC5 period runs from 2022 to 2027, with each gas year running from October to September. The incentive framework includes a combination of within-period assessments and end-of-period assessments.

All reports submitted by GNI will be published, unless stated otherwise in this document. For some incentives, GNI may be required to provide confidential information. In such cases, the report, or parts of it, may be submitted only for the CRU to review.

Given the timing of the PC5 Decision, and the PC5 transition period, the CRU will only assess GNI's submissions for the last three years of the PC5 period (2024/2025 to 2026/2027). This is the case for both the within-period assessment and the end-of-period assessments.⁷

Reports submitted in early 2025, relating to the gas year 2023/24, will not be used to assess GNI's performance against the PC5 incentive framework and will not lead to any financial rewards or penalties. However, the CRU intends to provide GNI with feedback on its 2025 submissions, in order to inform subsequent submissions which will be assessed. The CRU

⁵ The three uncertainty mechanisms are not named individually in Figure 2. They are the biomethane uncertainty mechanism, the CNG uncertainty mechanism, and the hydrogen uncertainty mechanism.

⁶ To support the Capex Incentives, GNI must also submit technical justification papers (TJPs), and updated business plan questionnaires (BPQs).

⁷ This does not include the ex-post capex assessment and flexibility pot, which applies to expenditure across the whole of the PC5 period.

intends to make feedback publicly available. It will provide an initial assessment of the structure of GNI’s reports, the metrics and information reported within them, and outline any changes which GNI should make in its future reports. This may also involve shadow scores – i.e. the scores that the CRU would have awarded to GNI against each incentive if the reports had been assessed.

For incentives which the CRU will score annually, the assessment will happen ahead of the tariff setting process in Q2 of each year, such that any financial rewards or penalties will feed into the determination of tariffs for the following gas year. The reporting timeline set out below reflects this: all reports linked to incentives which the CRU will assess annually will be submitted in Q1 of each year. The only exception is the FROGI and Decarbonisation Policy Report, which GNI should submit by the end of April. The only incentive linked to this report which is assessed annually is the Hydrogen Readiness Incentive, which is a reputational incentive with no financial reward or penalty associated to it. As such, the CRU considers that an end of April submission deadline for the FROGI and Decarbonisation Policy Report is consistent with the timings set out below.

As the Innovation Report has no associated incentive, it can also be submitted in Q2 of each year. GNI should submit the report by the end of April, which will allow for more time preparing and assessing reports on the higher priority incentives.

For incentives which are assessed at the end of the PC5 period, the CRU will still provide GNI with feedback on its yearly submissions as guidance to inform submissions in subsequent years. This feedback may also be published, although it will not contain shadow scores to avoid prejudicing the end-of-period assessment. The financial rewards or penalties associated with incentives assessed at the end of the PC5 period will be implemented as revenue adjustments in the PC6 price control (i.e., the price control beginning in October 2027).

Table 1 below summarises the timelines and frequency of reporting for PC5.

Table 1: Timelines and frequency for reporting for each incentive over PC5

Report name	Frequency of GNI reporting	Incentives linked to this report (timing of assessment)
Innovation Report	Annual, submitted by end-April – first report in 2025	Innovation, Strategic Innovation Fund and the Network-Based Innovation Fund

FROGI and Decarbonisation Policy Report	Annual, refers to previous gas year; submitted by end-April	Shrinkage Incentive (end of PC5), Decarbonisation Policy Alignment Incentive (end of PC5), Hydrogen Readiness Incentive (annual), Uncertainty Mechanisms
Capex Monitoring Summary	Quarterly, submitted by end of each subsequent quarter – first report in Q1 2026	Capex Incentives, Investment Planning and Delivery Incentive (end of PC5)
Updated Business Plan Questionnaire Outputs	Annual, submitted by end-January – first report in 2025	Capex Incentives, Investment Planning and Delivery Incentive (end of PC5)
Customer Performance Report	Annual, refers to previous calendar year; submitted by end-March	Customer Performance Indicators (annual)
Gas-Fired Generation Connections Report	Annual, refers to previous calendar year; submitted by end-February	Gas-Fired Generation Connections incentive (end of PC5)
Stakeholder Engagement Plan Report and Stakeholder Outturn Report	Annual, Stakeholder Outturn Report refers to previous calendar year; both submitted by end-March when Outturn Report is also published for consultation.	Stakeholder Engagement Incentive (annual)
Biomethane Connections Report	Annual, refers to previous gas year; submitted by end-February	Biomethane Connections Incentive (annual)

Core Flexibility Report	Biennial, first report submitted by end-September 2025, subsequent reports submitted by end-May of the relevant year	Flexibility and Adaptability Incentive, Flexibility Pot (end of PC5)
Supplemental Flexibility Report	Biennial, submitted by end-May – first report in 2026	Flexibility and adaptability Incentive, Flexibility Pot (end of PC5)
Uncertainty Mechanisms Report	Annual, submitted by end-March – first report in 2025	Uncertainty Mechanisms

1.6 Structure of this paper

The rest of this paper sets out the final guidance for the PC5 regulatory framework. Sections cover general guidance for the PC5 regulatory framework, and guidance for each individual incentive, mechanism, and funding pot included in the framework.

1.7 Related documents

Further background relevant to this paper can be found in the following documents:

- [CRU2023140 CRU Decision on the PC5 Regulatory Framework](#)
- [CRU202370 CRU Consultation on the PC5 Regulatory Framework](#)
- [CRU2024122 Proposed Decision and Consultation on Price Control 5 Implementation](#)
- [CRU2024123 Consultation on the Terms of Reference for the Gas Network Stakeholder Engagement Evaluation Panel](#)
- CRU2024162 Decision on Price Control 5 Regulatory Framework Implementation (published alongside this paper)

2. General guidance

The assessment process is different for each incentive, as described in the relevant section below. However, there are features, such as how the CRU assesses balanced scorecards, which are common across the assessment of the regulatory framework. Therefore, this section provides general guidance on the elements of the CRU's assessment of the PC5 regulatory framework that impact multiple incentives.

Balanced scorecards

For each incentive that is assessed using a balanced scorecard, the scorecards are presented as published in the PC5 Decision (in the relevant section below). In some cases, new detail or clarifications, which were not included in the original document, have been added as footnotes to the scorecards. The CRU does not consider that these additions represent changes to the PC5 Decision;⁸ rather they provide additional clarity in expectations around reporting and how the evaluation process will work.

Balanced scorecards – application of weights

Where an incentive is assessed with a balanced scorecard the CRU will carry out a qualitative assessment on each sub-component of the incentive, assigning a score of 'Good', 'Acceptable', or 'Sub-par'. The overall reward or penalty will be a weighted average of the scores from these sub-assessments. The weight for each sub-assessment is stated in each incentive's respective balanced scorecard.

For example, the Gas-Fired Generation Connections Incentive has three sub-components: planning (40%), delivery (40%), and overarching processes (20%). The incentive is symmetric +/- €0.5m p.a., where 'Good' corresponds to the full reward, 'Acceptable' no reward, and 'Sub-par' the full penalty. If GNI receives Good for planning, Acceptable for delivery, and Sub-par for overarching processes, then GNI will receive:

$$(40\% * €0.5m) + (40\% * €0) + (20\% * -€0.5m) = €0.1m$$

Balanced scorecards – treatment of asymmetric incentive values (rewards and penalties)

An incentive may have an asymmetric possible incentive value, where the maximum upside (reward) is not equal to the maximum downside (penalty). In some, there is no possible penalty for specific incentives; these are called up-side only incentives.

⁸ For the avoidance of doubt, the 'PC5 Decision Document' refers to the document setting out the PC5 regulatory framework ([CRU2023140](#)); whereas the 'PC5 Decision' refers to the policy and requirements set out in that paper.

As with incentives with symmetric rewards, the CRU will carry out a qualitative assessment of each sub-component. GNI will receive an overall reward or penalty, as a weighted average of the scores from the sub-assessments. The value associated with a 'Good', 'Acceptable', or 'Sub-par' score will be determined based on the individual specification of each incentive.

For example, for the asymmetric Shrinkage Incentive, the overall incentive value is +€0.25m / - €0.50m p.a, and there are two sub-components, 'Information gathering and reporting' (weighted 60%) and 'Demonstrated actions' (weighted 40%). A score of 'Good' across the board would lead to the max reward, a score of 'Acceptable' across the board would lead to no reward or penalty, and a score of 'Sub-par' across the board would lead to the max penalty.

Therefore, if GNI received a 'Good' score on 'Information gathering and reporting' and an 'Acceptable' score on 'Demonstrated actions', its reward will be calculated as follows:

$$(60\% * €0.25m) + (40\% * €0.0m) = €0.15m$$

If GNI received a 'Sub-par' score on 'Information gathering and reporting' and a 'Good' score on 'Demonstrated actions', its reward will be calculated as:

$$(60\% * -€0.50m) + (40\% * €0.25m) = -€0.2m$$

For upside-only incentives, GNI will receive the full reward available if it receives a 'Good' score for each sub-component of the incentive, and no reward if it receives an 'Acceptable' or 'Sub-par' score for each sub-component of the incentive.

Table 2 below provides a summary of how sub-component scores lead to different rewards for the three different types of incentive.

Table 2: Summary of scoring for incentive sub-components under different incentive types

Score	Symmetric incentive	Asymmetric incentive	Upside-only incentive
Good	Full reward for the incentive sub-component.	Full reward for the incentive sub-component.	Full reward for the incentive sub-component.
Acceptable	No reward or penalty.	No reward or penalty.	No reward or penalty.
Sub-par	Full penalty for the incentive sub-component. Equal absolute value to the full reward.	Full penalty for the incentive sub-component. Smaller absolute value than the full reward.	No reward or penalty.

Application of annual vs overall assessments

The CRU may assess an incentive either: i) annually, or ii) at the end of at the price control period.⁹

Annually

If the CRU assesses an incentive annually, then GNI will receive the incentive reward or incur the penalty in the following year's allowed revenue. The reward or penalty will reflect GNI's assessment against the per annum value stated in the balanced scorecard.

At the end of the price control period

For incentives assessed at the end of the price control, the financial rewards or penalties will be applied as adjustments to GNI's PC6 allowed revenues. Unless stated otherwise, the incentive value will reflect the CRU's assessment against the per annum value stated in the balanced scorecard for each relevant year. I.e., the CRU will assess GNI's submission for each of the last three years, and provide an annual reward or penalty for each year, which will be summed to get a total value for PC5.

⁹ As stated above, the CRU will only assess GNI's submissions for the last three years of the PC5 period (2024/2025 to 2026/2027). This is the case for both the within-period assessment and the end-of-period assessments. This does not include the ex-post capex assessment and flexibility pot, which applies to expenditure across the whole of the PC5 period.

3. Shrinkage Incentive (qualitative component)

Table 3: Summary of the Shrinkage Incentive

Shrinkage Incentive (qualitative component)	
Purpose	Improve the quality and granularity of information GNI collects and reports on shrinkage gas
Assessment process	Qualitative balanced scorecard
Value	+ €0.25m / - €0.5m, p.a.
Frequency of CRU assessment	End of price control
Relevant reporting	FROGI and Decarbonisation Report
Frequency of GNI submission	Annual

3.1 Context

Shrinkage gas is natural gas transported through the network which is not delivered to final consumers. It is composed of two high-level categories: Own-Use Gas (OUG), which is gas consumed by gas network equipment such as compressors, and Unaccounted-for Gas (UAG), which is gas lost from the network due to leakage, metering errors, or theft.

Shrinkage gas is important for two reasons. The first is its costs: a proportion of allowed revenue, which GNI ultimately recovers from gas consumers, pays for the costs of purchasing shrinkage gas. The second is its environmental impact: shrinkage is the primary source of direct emissions from the network. UAG is of particular concern as gas leakage is particularly harmful due to the direct emission of methane into the atmosphere.

The quantitative Shrinkage Incentive applies to GNI's distribution UAG volumes only and is applied to GNI's allowed revenue associated with the purchase of natural gas for shrinkage. GNI only receives allowed revenue to cover distribution UAG up to a 'shrinkage factor' set at the target percentage for distribution UAG (as a proportion of total distribution throughput) in each year in the price control. GNI's shrinkage factor in 2022/23 was 0.70%. In its PC5 Decision, the

CRU decided to reduce the shrinkage factor by 0.05% each year over the course of PC5, therefore reaching a factor of 0.50% in 2026/27.

3.2 Incentive aim

In PC5, the CRU introduced a qualitative Shrinkage Incentive to complement the existing quantitative incentive. A quantitative incentive for distribution was already applied in PC4 and was retained in PC5. The qualitative incentive aims to improve the quality and granularity of information GNI collects and reports on shrinkage gas. This includes information on the actions taken to reduce shrinkage volumes and the identification and quantification of the underlying causes of UAG. This improved information base should enable the introduction of a quantitative incentive on shrinkage volumes in the transmission network for PC6.

3.3 Reporting format

The information reported under this qualitative incentive will be included in the FROGI and Decarbonisation Policy Report. The reports will be published annually starting from the gas year 2024/25 and evaluated at the end of the price control period.

The shrinkage parts of the FROGI and The Decarbonisation Policy reports should be split into three sections:

- Quantitative data and information on shrinkage volumes;
- Qualitative information on existing projects and initiatives aimed at reducing shrinkage;
- Qualitative information on planned projects and initiatives aimed at reducing shrinkage.

GNI should provide the calculations used to derive any estimates of shrinkage volumes. Ideally, these calculations should be provided in a spreadsheet format, contained as appendices to the main report.

Across the FROGI and Decarbonisation Policy Reports GNI will have to submit information under two sub-components: i) information gathering & reporting, and ii) demonstrated actions. These are discussed below.

Information gathering and reporting

GNI will submit quantitative reporting on shrinkage volumes. The accuracy and granularity of the quantitative reporting on shrinkage volumes will be assessed for this sub-component. This is independent of the level of shrinkage volumes.

As a minimum, the CRU expects GNI to report shrinkage volumes from both its transmission and distribution network broken down into OUG and UAG, as it already does in existing monitoring and reporting. UAG should be further broken down into GNI's best estimates of:

- Metering errors;
- Theft (gas illegally taken by third parties); and
- Leakage from its network, broken down as granularly as possible.

Given the environmental repercussions and safety hazard posed by leakage, the CRU expects GNI to focus significant efforts on producing high-quality information on gas leakage from its network to the highest level of granularity possible. As an example, in Great Britain (GB) the Gas Distribution Networks routinely report OUG, theft, and leakage volumes separately, with the latter broken down by:

- Leakage from low-pressure mains;
- Leakage from medium-pressure mains;
- Leakage from services;
- Leakage from Above Ground Installations (AGIs); and
- Interference.¹⁰

The CRU expects GNI to improve granularity of this breakdown over the course of PC5, with explanations of how this will be achieved and any limitations provided in the report. The new EU Regulation on methane emissions may also impose requirements on GNI.¹¹ The CRU recognises that GNI's current monitoring capabilities will not immediately allow for accurate estimation at a high level of granularity.

Quality of information is particularly relevant to shrinkage volumes in GNI's transmission network. The CRU expects GNI to improve its estimates of the causes of shrinkage from the transmission network, split by OUG and UAG, with additional work to investigate the causes of the latter.¹² GNI has signalled that this will include improving the granularity of its data collection and moving

¹⁰ See for example [Cadent's 2023 Annual Environmental Report](#) or [NGN's 2023 Annual Environmental Report](#).

¹¹ [European Commission: Methane Emissions](#).

¹² For example, in GB, National Gas Transmission report on UAG and OUG separately and provide annual updates on activities aimed at investigating the causes for UAG: [National Gas Transmission UAGCVS Report May 2024](#)

away from generic emissions factors to specific ones based on direct measurement of leakage from its assets.

These improvements will be overseen by the Competent Authority appointed to oversee the implementation of the new EU Regulation on methane emissions. The Competent Authority will be ultimately responsible for assessing GNI's compliance with the regulation. As such, GNI should report on any relevant determinations on the part of the Competent Authority in this section of the FROGI and Decarbonisation Policy Report. Where GNI is reporting the same information to the CRU and the Competent Authority, the CRU will work with GNI to facilitate synergies and minimise unnecessary duplication between reporting regimes.

Generally, the CRU expects GNI to support its quantitative reporting with detailed justifications for any methodological choices, explanations for missing information, and useful comparisons against past data on shrinkage volumes. Where there have been significant changes, GNI should provide adequate commentary and/or analysis to explain the cause of the changes.

GNI's shrinkage reporting should be in line with an accepted international standard, such as the Oil and Gas Methane Partnership (OGMP) 2.0. The balanced scorecard provides GNI the flexibility to use a different measurement-based reporting framework, aiming for equivalent reporting granularity. However, the new European Commission (EC) Regulation on methane emissions points to the OGMP 2.0 framework as the primary template for reporting on methane leaks. If GNI chooses an alternative reporting framework, this should be compliant with all reporting requirements and at a comparable or better degree of reporting granularity.

The Oil and Gas Methane Partnership was set up in 2014 as a partnership amongst industry, government and civil society as part of a United Nations Environment Programme (UNEP) initiative. A launch followed a year later, as a voluntary initiative for companies to reduce methane emissions in the oil and gas sector. There is an associated reporting framework:

- **Level 1** of the framework corresponds to emissions reporting at a single, aggregate level for an entire organisation, with very limited information available.
- **Level 2** of the framework is achieved when leak emissions are reported in aggregated, simplified source categories, using a variety of different quantification methodologies.
- **Level 3** corresponds to emissions being detailed by specific source type, still using generic (but source-specific) emissions factors.
- **Level 4** is achieved when emissions are reported by detailed source type using specific emission and activity factors. Where possible, these are based on direct measurement, or otherwise on other robust methodologies.

- **Level 5** is achieved when Level 4 reporting is integrated with site-level direct measurements from representative sites and facilities.

The CRU understands that GNI is still in the process of carrying out a detailed assessment of the OGMP 2.0 reporting level that it believes to be currently able to achieve. Based on its overall understanding of GNI's shrinkage reporting, the CRU considers that GNI should currently be able to achieve at least Reporting Level 2 on the five-point OGMP 2.0 scale. Under the incentive, if GNI chooses to join the OGMP 2.0 framework, GNI should aim to achieve at least Reporting Level 3 before the end of the price control, with a longer-term plan to achieve higher levels in the future.

If GNI chooses not to join OGMP 2.0, it will still be expected to achieve a similar level of reporting granularity. Specific monitoring obligations introduced by the new EC regulation may also require GNI to accelerate progress towards improved reporting levels.

The CRU would expect GNI to provide evidence on the frequency of surveys in respect of methane escapes on its network and why this was appropriate, drawing on best practice in other jurisdictions and any internal risk management documentation where appropriate, and in line with new requirements under the EU Regulation.

Demonstrated actions

The second sub-component of the Shrinkage Incentive scorecard is focused on assessing the actions that GNI is undertaking to reduce shrinkage volumes, and in particular UAG and leakage. GNI has proposed to submit a review of both its existing projects and its pipeline of future projects where reduced shrinkage is a stated benefit. This should include a list of existing and planned investments, with associated costs.

For example, if a project involves GNI improving its leakage detection capabilities on its medium-pressure mains, GNI should provide information about any equipment which has been purchased or will be purchased to achieve greater capabilities. This may include upgrades to internal metering infrastructure, software solutions, or equipment.

GNI is required to demonstrate the business case and efficiency of any investment in its regular capex reporting and in governance processes around innovation expenditure. Such information would continue to be required, with evidence submitted to the CRU and a high-level description contained in the FROGI and Decarbonisation Policy Report.

GNI should also include references to projects associated with reducing emissions from venting and flaring gas, in relation to OUG. In order to reduce the damage associated with direct

methane emissions, these projects may be both aimed at reducing overall volumes of gas lost and at flaring rather than venting the volumes that need to be lost in that way, subject to appropriate safety risk assessment.

GNI should provide a summary of known leak or escape events which occurred on its network over the reporting period, including publicly reported escapes (PREs) from the distribution network. These should be based on incident reports for these leaks and contain, to a proportionate extent, information about the location of the escape, relevant assets involved, the estimated volume of gas escaped, and the time it took GNI to detect and to repair the escape.

GNI should reference pilot projects, best practice, and innovation initiatives from other countries (or at the EU level) in its review of existing and future projects. For example, the International Energy Agency's 2020 Methane Tracker contains resources on several measures which can help reduce methane emissions from oil and gas sectors, including gas transport.¹³ International comparators could come from the EU, where the EC's new methane regulation included a mandate for significant additional investment Leakage Detection and Repair (LDAR) equipment for all oil and gas facilities, or from case studies outside the EU, such as recent reductions in leakage due to new LDAR programmes in California.^{14, 15}

To the extent that GNI is able to secure external funding – including from the EU – towards these projects, the CRU would expect this to be reported on as part of its review of the pipeline of future projects. Where such funding opportunities are not available or GNI has been unsuccessful in securing them, GNI should provide evidence that it has attempted to secure external funding where possible and explain the reasons for why it was not successful, where applicable.

GNI should provide evidence of taking steps towards membership of an appropriate industry body, such as OGMP 2.0, before the end of the price control. This is separate to using the OGMP 2.0 reporting framework or equivalent, which was described above.

3.4 Incentive determination

The CRU will conduct a qualitative review of the information provided by GNI in its yearly reporting on shrinkage volumes and actions aimed at reducing them. The full assessment will be carried out at the end of the price control on the basis of information in the second, third, and

¹³ [International Energy Agency: Methane Abatement Options.](#)

¹⁴ [Regulation \(EU\) 2024/1787 of the European Parliament and of the Council of 13 June 2024 on the reduction of methane emissions in the energy sector and amending Regulation \(EU\) 2019/942.](#)

¹⁵ [Leak detection and repair data from California's oil and gas methane regulation show decrease in leaks over two years.](#)

fourth FROGI and Decarbonisation Policy Reports which GNI plans to submit, covering gas years 2024-2027¹⁶.

The CRU will carry out the final assessment at the end of the price control period, however, it expects to review GNI’s annual FROGI and Decarbonisation Policy Report submissions and provide informal views and feedback to GNI. While this informal feedback will not prejudice the final assessment, it will help GNI to make any adjustments or concentrate efforts on areas where it would be most useful to do so.

The assessment of GNI’s performance with regards to this incentive will be carried out in the round, considering the progress made by GNI over the course of the three years being assessed. The CRU will only issue one score for each of the two sub-components of the scorecard, across the three years which are assessed, and calculate the associated reward or penalty as three times the relevant yearly amount.

3.5 Balanced scorecard

While GNI is expected to report information on both OUG and UAG, the qualitative assessment will be primarily focused on UAG, both in terms of progress towards greater granularity in reporting and in terms of demonstrated actions to reduce its volumes.

Table 4: Balanced scorecard for the Shrinkage Incentive

Title	Description
Incentive name	Shrinkage Incentive (qualitative)
Components (weight) and scoring guidance	
Information Gathering and Reporting (60%) <i>GNI should take actions to improve its understanding of shrinkage on the gas</i>	Qualitatively assessed. Good: GNI collects shrinkage throughput information at a sufficiently granular level to enable breakdown both by OUG / UAG and their sub-components. This includes but is not limited to compressor fuel gas, AGI heating fuel gas, leakages, and metering errors. Where information on a sub-component is not provided, it is justified and a plan is put in place to describe how to rectify this in future shrinkage reports, if possible.

¹⁶ Gas Year 2024 refers to the period 1 October 2024 to 30 September 2025.

<p><i>network, including improved data gathering.</i></p>	<p>Improvement in granularity of reporting demonstrated through achieving higher levels of the OGMP 2.0 framework or a similar measurement-based methane reporting framework.</p> <p>Sufficient information on transmission shrinkage is collected to enable implementation of a quantitative incentive mechanism on transmission shrinkage at a later date e.g., PC6.</p> <p>GNI carries out surveys of methane leaks on infrastructure at the appropriate intervals.</p> <p>Acceptable: GNI provides a greater breakdown of shrinkage throughput by component than provided during PC4, although not all components may be provided. Where information on sub-components is not provided, sufficient justification is provided.</p> <p>Improvement in granularity of reporting demonstrated through achieving, or exhibiting steps towards, higher levels of the OGMP 2.0 framework or a similar measurement-based methane reporting framework. More information on transmission shrinkage is collected, and GNI has identified a clear pathway to introducing a transmission shrinkage incentive at a later date, e.g., PC6.</p> <p>GNI carries out surveys of methane leaks on infrastructure at the appropriate intervals.</p> <p>Sub-par: GNI does not provide a greater breakdown of shrinkage throughput by component than the information provided during the PC4 period.</p> <p>GNI does not demonstrate steps towards achieving higher levels of the OGMP 2.0 framework or a similar measurement-based methane reporting framework.</p> <p>Little to no extra information on transmission shrinkage is provided by GNI. GNI fails to carry out surveys of methane leaks on infrastructure at the appropriate intervals</p>
<p>Demonstrated actions (40%)</p>	<p>Qualitatively assessed.</p>

<p><i>GNI should demonstrate how the improved information and data has been utilised to reduce shrinkage and leakages on the network and other actions taken such as access to innovation funding and a joined-up reporting framework.</i></p>	<p>Good: All gas leaks identified are repaired immediately after detection, with all repairs complete within 30 days (information may be subject to audit).¹⁷</p> <p>All investments aimed at reducing shrinkage are prioritised using evidence from the split of shrinkage components. Such investments could be compressors that run on biomethane or improved metering, among other things. Where data on this is still unavailable (particularly in the earlier years of PC5) GNI shows a willingness to justify investments based on forecasts and its best understanding.</p> <p>GNI secures access to some form of funding, such as innovation funding or an EU grant.</p> <p>Appropriate steps are taken towards membership of an appropriate industry body, for example OGMP 2.0.</p> <p>GNI demonstrates thought about pilot projects from peers in other countries and how these could apply to the Irish context.</p> <p>Acceptable: The vast majority (e.g., 90%) of gas leaks identified are repaired immediately after detection, with repairs complete within 30 days.</p> <p>Investments aimed to reduce shrinkage are prioritised using evidence from the split of shrinkage components.</p> <p>GNI seeks access to some form of funding, such as innovation funding or an EU grant, with funding yet to be secured.</p> <p>Appropriate steps are also taken towards membership of an appropriate industry body, for example OGMP 2.0.</p>
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¹⁷ In assessing the timeliness with which GNI detected and repaired leaks under 'Demonstrated Actions', the CRU will need to be mindful of requirements in the new EU Regulation on methane emission reductions in the energy sector, which requires repairs to commence no later than 5 days after detection and be completed no later than 30 days after detection. The regulation will be implemented by a Competent Authority, yet to be designated.

The CRU will take account of any exceptions or future determinations by the Competent Authority on how these requirements should be applied when assessing GNI's performance. At the same time, it recognises that while there is some overlap between the reporting requirements to the Competent Authority and those introduced under the PC5 qualitative Shrinkage Incentive, the incentive covers requirements and activities that go beyond the immediate scope of the new EU regulation. Moreover, the CRU will assess GNI's overall performance on addressing shrinkage volumes, beyond simple compliance with existing regulation.

	<p>GNI demonstrates thought about pilot projects from peers in other countries, however thoughts on application to the Irish context could be expanded.</p> <p>Sub-par: Less than 90% of gas leaks identified are repaired immediately after detection, with repairs complete within 30 days.</p> <p>Investments aimed at reducing shrinkage are not sufficiently justified using the available information.</p>
Financial strength	
Symmetric or asymmetric	Asymmetric
Reward and / or penalty	+ €0.25m / - €0.50m, p.a.
Reward and / or penalty scoring guide	Good: plus €0.25m p.a.; Acceptable: €0.00m p.a.; Sub-par: minus €0.50m p.a.
Timings	
Frequency of GNI submission	Annual
Proposed frequency of CRU assessment	End of price control

4. Decarbonisation Policy Alignment Incentive

Table 5: Summary of the Decarbonisation Policy Alignment Incentive

Decarbonisation Policy Alignment Incentive	
Purpose	To incentivise GNI to take actions which are consistent with and enable the delivery of the rapidly evolving set of decarbonisation policy and legislation at both the Irish and the European level.
Assessment process	Qualitative balanced scorecard
Value	+€0.25m p.a. (upside only)
Frequency of CRU assessment	End of PC5
Relevant reporting	FROGI and Decarbonisation Policy Report
Frequency of GNI submission	Annual: refers to previous gas year. Submitted by end-April.

4.1 Context

GNI plays an important role in delivering or enabling policies which are essential for Ireland to reach its decarbonisation objectives. Some of these policies and some of the relevant legislation introduced actions or requirements which GNI needs to comply with – such as the national Climate Action Plan (CAP, updated by the Department for Energy, Climate, and Communications (DECC) on an annual basis) or the EU Hydrogen and Decarbonised Gas Market Package. In some instances, GNI has an opportunity to go beyond the compliance with immediate requirements under these policies and laws and take on an active role in facilitating the delivery of decarbonisation policy.

GNI will in part need to adapt its actions and investments to strategic documents which have not yet been published. For example, the CRU consulted on the Large Energy Users (LEU) Connection Policy earlier this year, with final decisions yet to be published.¹⁸ The National Energy Demand Strategy (NEDS) was published in July 2024, and sets out a range of measures

¹⁸ [CRU: Review of Large Energy Users Connection Policy Consultation.](#)

to ensure gas and electricity demand in Ireland are in line with carbon budgets and sectoral emission ceilings (SECs), as well as measures to deliver demand flexibility.¹⁹ A substantial update to the Strategy is expected towards the end of PC5, in 2026/27. Additionally, since the PC5 Decision was published, two important policies were introduced at the European level: the new EU Regulation on methane reduction in the energy sector, and the EU hydrogen and gas market decarbonisation package.

4.2 Incentive aim

The purpose of the Decarbonisation Policy Alignment (DPA) Incentive is for GNI to demonstrate its compliance and proactiveness around existing and future decarbonisation policy and legislation, both at the Irish and at the EU level. The DPA Incentive will provide greater transparency around the actions GNI has taken in this area.

Given the broad nature of this incentive and the rapidly evolving landscape of relevant decarbonisation policy and legislation, the activities covered by this incentive overlaps with activities covered by other incentives in PC5, particularly Shrinkage, Biomethane connections, and Hydrogen Readiness Incentives. The purpose of the DPA Incentive is to supplement these more targeted incentives to ensure that GNI maintains strategic alignment with Ireland's and the EU's decarbonisation goals. It also aims to incentivise actions or projects which would align GNI with changing decarbonisation policies or legislation related to shrinkage, biomethane, or hydrogen where these are not explicitly covered by the other incentives, due to the rapidly evolving policy landscape.

4.3 Reporting format

GNI's performance under the DPA Incentive will be assessed based on information reported in its annual FROGI and Decarbonisation Policy reports, covering the gas years 2024/25, 2025/26, and 2026/27. Each annual report will be assessed separately at the end of the price control period.

The DPA section of the FROGI and Decarbonisation Policy report represents an opportunity for GNI to demonstrate how it is bringing together the various actions and projects it is undertaking to lead the energy transition in Ireland, rather than simply complying with mandated requirements. GNI should also set out how it plans to evolve its role as a network operator as different decarbonisation initiatives scale up in size and importance – e.g. on compressed natural

¹⁹ [CRU: National Energy Demand Strategy Decision Paper.](#)

gas (CNG), biomethane, and hydrogen. Where more work is needed to develop and then deliver these plans, GNI should set out a clear pathway for how it will carry out this work in line with broader policy requirements. Finally, GNI should show how its actions and investments contribute to deliver decarbonisation policy, and in particular to meet carbon budgets, both in the short and in the long term.

The reporting should be structured using the following sub-sections:

- **Consideration and delivery of decarbonisation policy** – where GNI will present evidence from different completed PC5 workstreams, linking them to specific decarbonisation policy and legislation (from the above list). This will be intended as an introductory section, outlining what has changed in the policy landscape since the last annual report and outlining major milestones associated with GNI's role in facilitating and delivering decarbonisation policy;
- **Key performance metrics** – where GNI will present a series of indicators measuring its contribution to and compliance with key decarbonisation policy and legislation;
- **Compliant investment decisions** – where GNI will demonstrate that it has properly considered the alignment of its investment decisions with decarbonisation objectives, with due consideration of the full range of options available. This will include uses of Flexibility Pot funding, innovation funding, as well as core opex and capex allowances;
- **Stakeholder engagement** – where GNI will provide evidence of how it engaged with a suitable range of relevant stakeholders to inform its approach and decisions.

The remainder of this part of the User Guide provides specific guidance on the reporting format and content that should be included in each of these sub-sections.²⁰

Consideration and delivery of decarbonisation policy

GNI identified the following policies and legislation as directly relevant to its reporting under the DPA Incentive (with the relevant legislative or regulatory body in parentheses):

- Climate Action Plan (DECC);
- National Biomethane Strategy (Department of Agriculture, Food and Marine (DAFM) / DECC);
- Renewable Heat Obligation (DECC);
- National Hydrogen Strategy (DECC);

²⁰ Note that this User Guide refers to different parts of the FROGI and Decarbonisation Policy Report used to report against different incentives as “sections”, and to the further parts that they are broken down into as “sub-sections”.

- Energy Security Package (DECC);
- Hydrogen and Decarbonised Gas Market Package (EU);
- Methane Emissions Reduction Regulation (EU);
- Large Energy Users Connection Policy (CRU);
- National Energy Demand Strategy (CRU).

The first sub-section of the report, focused on compliance with and delivery of decarbonisation policy, should provide an update against each of these. GNI should also consider any new relevant policy or legislation issued over the course of PC5 in a second sub-section of the report. GNI should provide an overview of its understanding of its role in delivering (or complying with) each policy, and present evidence on the actions it took to do so. GNI may decide to combine these two sub-sections if it prefers.

For example, GNI has an important role to play in facilitating the connection of biomethane producers to its network, and more generally in the transition towards clean gases such as biomethane and hydrogen. While the delivery of specific targets for biomethane throughput and hydrogen are not under GNI's exclusive control, the CRU expects GNI to report on the actions and projects it is undertaking to deliver them. This will help the CRU assess GNI's specific contribution to delivering these targets. GNI should reference more detailed information reported in the Biomethane Connections Report where relevant.

GNI should also report on its progress towards delivering against any specific requirements in policy and legislation related to its role in driving and facilitating emissions reductions. This should include a comprehensive assessment of the impact of new policies and legislation on GNI's Code of Operations. Where Code modifications are anticipated to be required to comply with the requirements, GNI should set out its plans to carry out the modifications, including timelines and planned engagement with the Code Modification Forum.

One relevant example is with regards to compliance with the new EU regulation on methane emissions, which is discussed in more detail in Section 3. While GNI's compliance with requirements specific to monitoring and reducing shrinkage volumes are primarily assessed as part of the Shrinkage Incentive, GNI should refer any broader activities associated with the new regulation in this section of the FROGI and Decarbonisation Report.

As mentioned above, GNI should also report on the actions it is carrying out to comply with the new requirements introduced by the EU Hydrogen and Gas Decarbonisation Package.

The EU Hydrogen and Gas Decarbonisation Package updates the rules on the EU natural gas market with the aim to facilitate the uptake of renewable, low-carbon gases.²¹ The updated regulations include actions for gas Transmission System Operators (TSOs) which apply to GNI. For example, the updated regulations introduce requirements for TSOs to share data on the impact of any tariff discounts on the expected volumes of renewable and low-carbon gases transported. They also explicitly mention the development of procedures and arrangements to deliver reverse compression solutions, in order to mitigate any risk of curtailment of biomethane connections at the distribution level.²²

There is some overlap between actions which GNI should report on under the DPA Incentive, and those reported under the Biomethane Connections Incentive. For example, this includes actions associated with delivering biomethane targets, including the development of arrangements to enable reverse connections, updating connection policies and charging methodologies for Central Grid Injection (CGI) facilities. Where such overlap arises, the CRU expects GNI to appropriately cross-reference between this section of the FROGI and Decarbonisation Report and relevant sections of its Biomethane Connections Report, ensuring there is consistency in the information provided across both.

While the detailed information on facilitating biomethane connections should be reported in the Biomethane Connections Report, GNI should use this section of the FROGI and Decarbonisation Policy report to outline how its actions fit within broader strategic plans to transition its network away from natural gas and towards renewable gases.

With regards to the National Energy Demand Strategy, GNI is the responsible body for the following four actions:

- **Gas flexibility products and services:** Undertake assessment to identify flexibility products and services on the gas network which can contribute towards achieving targets and overall NEDS objectives (e.g. gas storage options).
- **Gas network emissions information:** Explore and implement potential enhancements to the information available on system emissions, drawing on international examples and engaging the CRU.

²¹ [European Commission: Hydrogen and decarbonised gas market.](#)

²² Reverse compression occurs when excess gas (usually biomethane) in a distribution system is compressed and redirected to the transmission network. This may happen in the future in certain areas if there are high concentrations of biomethane productions connected to the same distribution network. Where information about this is already contained in the Biomethane Connections Report, GNI may refer to the relevant sections of that report here.

- **Future role of the gas network:** Ensure a fit for purpose gas grid, that supports Ireland’s energy and climate ambition. Includes the development of scenarios to define the future role of the gas network.
- **Support planning for the future role of the gas network and pathway for implementation:** Develop a plan for transitioning the gas network over time, taking due consideration of various aspects including development of the hydrogen and biomethane sectors, energy security, costs, blending, amongst others.

Additionally, GNI is listed as a ‘supporting body’ for four additional actions, on:

- Developing the NEDS Communications strategy.
- The Biomethane lighthouse project.
- Exploring options for the certification of additionality for renewable gas (specifically, GNI will play an important role in developing a methodology for renewable gas guarantees of origin).
- Monitoring work to assess the role that integrated energy parks could play in our future energy system.

The CRU expects GNI to use this section of its report to provide an update on its delivery against these actions, particularly those that it is directly responsible for, but also those it is supporting. Some of these actions overlap with information assessed as part of other PC5 incentives (e.g. the action on gas network emissions information overlaps with information reported under the Shrinkage Incentive). In these cases, GNI should signpost to where information is already reported and explain how its work on delivering those specific actions fits into its broader role to support decarbonisation policy in Ireland.

With regards to the framework around renewable gas guarantees of origin, GNI should provide an update on any work it carried out to establish and deliver it. In particular, GNI should reference progress on developing the Renewable Gas Guarantees of Origin Registry, as well as what it is doing to comply with its role under relevant EU regulations.²³

²³ Statutory Instrument No. 350 of 2022 European Union (Renewable Energy) Regulations (2) 2022 (S.I. No. 350 of 2022) transposes Directive (EU) 2018/2001 (the 2018 Renewables Energy Directive, “RED II”). This S.I. No. 350 of 2022 requires the CRU to establish a Supervisory Framework for Guarantees of Origin for renewable gas, and GNI has been designated as the issuing body. Furthermore, GNI shall establish an electronic register and report annually to the Commission on the operation of system for the issuance, registration, transfer, and cancellation of guarantees of origin for gas. Accordingly, as part of the CRU’s PC5 decision, in anticipation of the establishment of the Supervisory Framework, GNI is developing a Renewable Gas Guarantees of Origin Registry and the associated arrangements to fulfil its obligations as the issuing body. The Registry is being developed with the appropriate scope and functionality to meet the requirements of the Supervisory Framework, including provision for online transactions. The CRU approved funding towards the necessary resources, which may include procurement and development of internal software solutions and equipment, that may be required by GNI. GNI is therefore required to provide the CRU with the necessary reporting on expenditure, outputs, and timings associated with this delivery.

Another important area of work for GNI is hydrogen readiness. Over the course of PC5, GNI is likely to play a role in the blending of small volumes of green hydrogen into the gas grid. While detailed information about actions and projects on hydrogen readiness will be assessed under the Hydrogen Readiness Incentive, GNI should signpost to the relevant information in this section of the FROGI and Decarbonisation Policy Report.

The CRU would also expect GNI to provide a comprehensive update on the delivery of the planning and research projects it is carrying out to deliver its overall decarbonisation agenda. This may include updates on the delivery of its 'Pathway to a Net Zero Carbon Network' strategy,²⁴ as well as anticipated further updates to this strategy and the development of multiple scenarios akin to EirGrid's Tomorrow Energy Scenarios.²⁵

More generally, GNI should include information about any future actions assigned to it in policy documents or legislation.

Actions taken by GNI today are needed to enable GNI's future phases of its pathway to net zero. GNI should provide information about longer-term projects and whether it is on track to meet longer-term objectives set out in policy and legislation, as well as targets for future phases of GNI's own decarbonisation plans. This should include any ongoing projects or research that GNI are undertaking to plan for potential decommissioning of parts of its network, or repurposing them to renewable gases, as fossil natural gas demand declines. This may link to the scenario development work reported on as part of the Flexibility and Adaptability Incentive – in which case the CRU encourages GNI to signpost to relevant sections and documents here. GNI may also choose to refer to any of its Corporate Sustainability Reporting, where relevant.²⁶

Key performance metrics

The full list of metrics relevant to this incentive will need to be adapted as the relevant policy landscape evolves. However, as a starting point, the CRU has identified the following metrics which GNI should report to evidence its performance against the DPA Incentive:

- The total volume of biomethane transported in GNI's network in GWh;
- Number and identity of new direct biomethane connections and associated biomethane volumes;
- Estimated emission savings from biomethane delivered by GNI in tCO₂e;

²⁴ [Gas Networks Ireland: Pathway to a Net Zero Carbon Network.](#)

²⁵ [EirGrid: Tomorrow's Energy Scenarios \(TES\)](#)

²⁶ The Corporate Sustainability Reporting Directive ([Directive \(EU\) 2022/2464](#)) requires companies to disclose how sustainability risks impact them and how their operations affect society and the environment. This directive supports the EU's Green Deal objectives by ensuring that corporate practices are aligned with resource efficiency and the transition to climate neutrality by 2050.

The CRU would reach a more positive assessment where GNI provides a broad range of relevant metrics at a granular level, together with any relevant benchmarks. Future metrics may also include any progress in hydrogen blending into the grid (e.g. any volumes of green hydrogen blending), a detailed Code of Operations impact assessment with firm timelines for Code modifications driven by decarbonisation policy, or metrics measuring progress on district heating, where GNI has a role in supporting this progress.

Compliant investment decisions

This sub-section will be focused on GNI's main investment decisions and the extent to which these are consistent with GNI's own broader decarbonisation goals, as well as requirements imposed by national and EU policy.

The CRU recognises that GNI is an important stakeholder when it comes to Ireland's objectives in terms of reducing natural gas demand and transitioning to cleaner fuels such as renewable gases and electricity. As such, it expects GNI to consider the climate impacts of its connections work and to report on it.

The CRU expects GNI to highlight where spending from Uncertainty Mechanisms or from the Flexibility Pot are being used to help deliver decarbonisation policy. This will overlap with other reporting, which can be referred to summarily here with the purpose of highlighting how specific spend is contributing to broader decarbonisation objectives.

Stakeholder engagement

GNI is required to consult with relevant stakeholders on its decarbonisation plans and progress towards them on an annual basis. GNI should provide a comprehensive summary of this engagement, signposting to other reporting where appropriate (for example, if it is covered by reporting for the Stakeholder Engagement Incentive, discussed in Section 6).

4.4 Incentive determination

At the end of the price control period, the CRU will carry out the assessment of GNI's final three FROGI and Decarbonisation Policy Reports for PC5. However, the CRU will review GNI's annual FROGI and Decarbonisation Policy Report submissions and provide informal views and feedback to GNI. The informal feedback will not prejudice the final assessment, but will help GNI to make adjustments or concentrate efforts on areas where it is most useful for them to do so.

The CRU recognises that decarbonisation policy and legislation will continue to evolve over the course of PC5. As such, it will score GNI's performance on the DPA Incentive on the basis of the

strategic objectives, conditions, and policy landscape within which it was operating in each gas year. Unlike for other incentives (e.g. the Shrinkage Incentive), the CRU will therefore issue three separate scores for each of the three relevant years.

Finally, the CRU also recognises that while GNI is an important stakeholder, the ultimate delivery of national and EU-level decarbonisation objectives depends on many factors that are outside GNI’s control. As set out in the scorecard, the purpose of this incentive is not simply to reward GNI if wider decarbonisation targets (e.g. the 1.6 TWh p.a. biomethane production target by the end of PC5) have been met. Instead, the aim is to look at the evidence provided by GNI to establish the extent to which it has taken all appropriate actions to facilitate wider decarbonisation policy, and increase the chances of these targets being met.

4.5 Balanced scorecard

Table 56: Balanced scorecard for the Decarbonisation Alignment Incentive

Title	Description
Incentive name	Decarbonisation Policy Alignment Incentive
Components (weight) and scoring guidance	
<p>Overall (100%)</p> <p><i>GNI will be assessed on the alignment of its actions with relevant decarbonisation policy and legislation and how it has acted to support and deliver on these policies. This will focus on the quality and justification in GNI’s decarbonisation report and GNI’s delivery during PC5 as captured in the lookback sections</i></p>	<p>Qualitatively assessed.</p> <p>Good: GNI presents clear information on understanding, complying with and suitably engaging with relevant decarbonisation policy and legislation. GNI provides evidence on how it has effectively managed the delivery of its plan during PC5 to comply with and support delivery of Climate Action Plan and other relevant policy and legislation.</p> <p>GNI is able to provide granular and transparent information on how it has contributed to / sought compliance with relevant key performance metrics e.g., sectoral emissions ceilings.</p> <p>GNI explains how its actions have had impacts on relevant metrics considered by policy and legislation, both in the short term and in the longer-term.</p> <p>GNI demonstrates that it has properly considered the options available to it in proceeding with investments, in a dynamic and</p>

<p><i>of its PC6 business plan.²⁷</i></p>	<p>adaptable fashion, and why they align / comply with decarbonisation policies and legislation. This includes use of the Flexibility Pot funding, capex governance and decision-making processes, delivery of FROG initiatives, use of innovation funding and core opex and capex allowances.</p> <p>GNI's approach has been informed by suitable engagement with relevant market stakeholders.</p> <p>GNI's reporting meets the deadline, is accessible and links quantitative and qualitative sections.</p> <p>Acceptable: GNI presents information on understanding, complying with and suitably engaging with relevant decarbonisation policy and legislation. GNI evidences how it has managed the delivery of its plan during PC5 to comply with and support delivery of Climate Action Plan and other relevant policy and legislation.</p> <p>GNI is able to provide relevant information on how it has contributed to / sought compliance with relevant performance metrics.</p> <p>GNI explains how its actions have had impacts on relevant metrics considered by policy and legislation.</p> <p>GNI demonstrates that it has looked at alternative approaches to investment delivery and why these more effectively (or less effectively) align / comply with decarbonisation policies and legislation.</p> <p>GNI has evidenced engagement with relevant market stakeholders, but aspects of its engagement and the resulting actions taken could have been clearer in its submissions and documentation.</p>
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²⁷ Note that specifically with regards to the CRU National Energy Demand Strategy and the upcoming LEU Connections Policy, the CRU will take into account GNI's specific role in connecting new users to the gas network, recognising that it is not directly responsible for the demand of potential new users. Instead, the CRU will recognise GNI's role as an important stakeholder in Ireland's pathway towards phasing out natural gas use, and will evaluate its actions in line with its role as set out in the upcoming policy.

	<p>GNI's reporting is on time, but the information may not always be clearly linked between different sections. Information may not be accessible to all relevant stakeholders.</p> <p>Sub-par: GNI does not show an understanding of, complying with and suitably engaging with relevant decarbonisation policy and legislation impacting on its business.</p> <p>GNI is only able to provide limited information on how it has contributed to / sought compliance with relevant performance metrics, and limited explanation of the impacts of its actions on those outcomes.</p> <p>GNI does not show that it has considered suitable alternatives that may better meet policy objectives and intent.</p> <p>GNI's has not evidenced engagement with relevant market stakeholders and / or there are concerns with the scope of the engagement undertaken.</p> <p>GNI may have taken actions that, based on information available at the time of it taking its decision, would run contrary to relevant policy and legislation.</p> <p>GNI's reporting is late, incomplete, or difficult to engage with.</p>
Financial strength	
Symmetric or asymmetric	Asymmetric: upside only
Reward and / or penalty	+ €0.25m p.a.
Reward and / or penalty scoring guide	<p>Good: plus €0.25m p.a.;</p> <p>Acceptable: €0.00m p.a.;</p> <p>Sub-par: €0.00m p.a.</p>
Timings	

Frequency of GNI submission	Annual
Proposed frequency of CRU assessment	End of price control

5. Gas-Fired Generation Connections Incentive

Table 7: Summary of the Gas-Fired Generation Connections Incentive

Gas-Fired Generation Connections Incentive	
Purpose	Encourage GNI to connect gas-fired power plants to the gas network in an efficient and timely fashion
Assessment process	Balanced scorecard
Value	+ / - €0.50m p.a.
Frequency of CRU assessment	End of period
Relevant reporting	Gas-Fired Generation Connections Report
Frequency of GNI submission	Annual

5.1 Context

Gas-fired generation will continue to have an important role in supporting an electricity system with a high share of variable renewable generation. During PC5 and beyond, GNI will need to proactively manage the connection process for gas-fired power plants to enable meeting the Irish Government's target of 2 GW of new flexible gas-fired power stations by 2030.²⁸

A new connection typically involves the construction of a new pipeline from the existing transmission network to the customer site and a new AGI, located at the customer premise. The requirements and risks for a connection project can vary widely, depending on the pipeline route and location of the AGI.

A connection project will typically have four phases: project initiation, design and planning, construction and commissioning. The timing of the project initiation depends on the project developer. Developers usually contact GNI in advance of the Single Electricity Market (SEM) Capacity Auctions, where capacity payments are allocated to new gas-fired generation.

²⁸ This target was set in the Climate Action Plan 2021 and has been retained in subsequent iterations of the CAP.

While connection projects can be very different from each other, there is scope for coordination in the delivery of gas-fired generation connections and engagement with the relevant stakeholders. This forms a central part of this incentive.

5.2 Incentive aim

The Gas-Fired Generation Connections (GFGC) Incentive is designed to encourage GNI to connect gas-fired power plants to the gas network in an efficient and timely fashion. The GFGC Incentive will cover the delivery of individual connections, including managing associated risks and providing accurate cost estimates, as well as GNI's planning to coordinate across multiple connections.

5.3 Reporting format

The Gas-Fired Generation Connections Report will consist of an overarching public facing document and a confidential appendix for CRU review only. Both documents will have forward-looking elements as well as an update on progress for the previous year. From the second annual report onwards, progress will be reported against the plan outlined in the previous year's report. Both reports will be submitted by GNI by the end of February each year.

The overarching public facing document will contain the following six sections:

- **Project planning** - will focus on the actions taken to plan and deliver connection projects and will present planned projects categorised based on their current phase in the project lifecycle and timelines in terms of major project milestones.
- **Portfolio enablement** - will set out the actions GNI has taken to accommodate a wider portfolio of GFGCs through coordinating across multiple projects, maintaining the supply chain and demonstrating innovation.
- **Stakeholder engagement** - will demonstrate GNI's effective dialogue with industry participants to facilitate timely delivery of GFGCs.
- **Network development** - will demonstrate that GNI has undertaken analysis and identified and progressed reinforcements and upgrades required to accommodate future GFGCs.
- **Project costs** - will set out GNI's approach to cost estimation for connection projects and network development.
- **Lessons learnt** – will outline GNI's approach to continuous improvement in its approaches and processes.

The overarching document will not provide detailed information on individual connection projects but will group projects into cohorts based on project phases such as ‘design and planning’, ‘material procurement’, ‘construction’ and ‘commissioning’. The public facing document should provide an accurate view of GNI’s performance in delivering GFGCs, and back this up with quantitative and qualitative evidence, to allow stakeholders to engage with the material.

The complementing confidential appendix will contain the following sections:

- A list of planned GFGCs with information on expected timelines and scale of each connection.
- An update on progress of these connections.
- More detail on costs for connection projects and network development.
- A detailed description of the actions taken across the portfolio to ensure the effective and efficient delivery of the connections in line with the assessment criteria provided.
- Information on lessons learnt.

The confidential appendix should be limited to providing strictly confidential information. Its focus will be on providing more information on the ‘Project planning’ and ‘Project costs’ sections of the overarching public facing document. For any information that is provided in the confidential appendix, GNI should also provide high-level aggregated information in the public-facing document.

Report content

This section provides guidance on the type of evidence GNI might include in its reports in order to enable the CRU to make its assessment against the criteria in the balanced scorecard. This is set out under the structure of the overarching document. The sections contain examples of the things the CRU would expect to see in GNI’s reporting, but ultimately, GNI is in the best place to determine what evidence is the most relevant and useful for the CRU’s assessment.

The report structure does not align with the structure of the balanced scorecard, which is used by the CRU to evaluate GNI’s performance (provided in Section 5.5). GNI will need to evidence its performance in planning, delivery and overarching processes (the three areas assessed by the balanced scorecard) in each section of the two-part report, as appropriate. For example, demonstrating that GNI’s planning is dynamic and updated to reflect market conditions might be evidenced for an individual connection but also for wider processes, e.g., in discussing GNI’s procurement strategy.

Project planning

In the section on project planning, GNI will cover planning for potential connections and evidence progress in delivering them. GNI should also demonstrate its overarching processes that link these phases together. To enable assessment against the scorecard, GNI should provide the following information, along with anything else that it deems relevant:

- Detailed workplans for new connections, with associated schedule and milestones (including with respect to any suppliers and sub-contractors) as well as responsibilities. The schedule should be provided with reference to a 'typical' schedule and milestones for a project of the same type/size if possible. GNI should also describe any factors, such as availability of resources or materials, that might have driven the proposed timings and include evidence of the extent these factors have influenced the schedule. Depending on the number of connections, it may be appropriate to provide representative workplans for different type of connections. GNI has informed us that it might be able to share the workplans it provides to customers, however, these will be confidential.
- An overview of the risk profile and approach to managing (schedule) risk arising from factors within and outside of GNI control. Factors outside of GNI's control may relate to obtaining planning and environmental consents for above ground installations and interconnecting pipelines and negotiating pipeline easements and wayleaves on private land. External delays might also be caused by obtaining consents for upstream reinforcement and supplier lead times on materials and equipment. For example, GNI might provide evidence of early engagement with relevant planning bodies and suppliers or explain its procurement strategy and associated risk management.
- Progress on delivering a connection should be set out against the initial schedule set for the connection. GNI should explain any changes to the timelines. In particular, GNI should set out clearly how and why schedule and estimated timelines have changed post-execution of the Large Network Connection Agreement (LNCA), compared to the initial schedule.
- GNI may wish to set out its approach to deciding the continuation of a connection project, e.g., a stage-gate approval process.

Portfolio enablement

In this section, GNI will need to evidence that it undertakes a holistic approach to coordinating multiple projects, that is, it considers linkages and interdependencies between projects and aims to take advantage of potential scale effects and efficiencies in delivering connections.

The CRU expects GNI to set out those cases where coordinating holistically across projects has been feasible and beneficial to the connections in questions. Coordinating across projects is likely to require extensive dialogue with stakeholders and project developers, which should be covered in the section on stakeholder engagement (detailed below).

The CRU is aware that GNI is somewhat limited in the extent it can coordinate across projects. GNI is required to not discriminate unfairly between customers. However, GNI must take account of the CRU direction [CRU202439](#) – i.e. GNI should deliver the connection of successful gas fired generator applicants from the 2024 and 2025 Capacity Remuneration Mechanism (CRM) auctions as a matter of urgency, and, in so far as is practicable, ahead of other types of connections, for example, non-CRM generators or demand customers, without impacting connection delivery on these other sectors. GNI should show that it has taken this into account in its planning.

This section should also set out how innovation and supply chain are best utilised to facilitate efficient delivery across projects.

At a minimum, the CRU expects GNI to provide information on the following aspects:

- GNI should set out where it has coordinated across projects to benefit from efficiencies and/or economies of scale. For example, GNI might show that it procured materials for multiple projects at the same time or considered co-located connections in pipeline route planning.
- GNI should provide information on how it has ensured that projects are progressed swiftly. At times GNI may be required to pause a project when there is a lack of engagement on the customer side to ensure others can be progressed. While the CRU is aware that GNI treats such cases carefully, due to its licence requirements to not discriminate between customers, GNI should explain its approach to them.
- If GNI has undertaken anticipatory actions to facilitate delivery, it should set this out. E.g., evidence of forecasting equipment need and providing early forecasts of materials and equipment requirements to suppliers.
- Evidence of innovation. GNI may discuss how it has improved its processes to make delivering connections faster or more seamless. GNI might also include examples of particular connection projects, where innovative solutions were used to address challenging ground conditions for construction of the pipeline or AGI. GNI may also discuss how innovation has been used in the company to benefit all areas, and how this is reflected in the delivery of GFGCs.

Stakeholder engagement

GNI should detail its approach to communicating with industry participants, those seeking a connection and other relevant stakeholders such as landowners and local authorities. GNI should aim to show that its approach to communicating with developers and other stakeholders has supported the connection process, and not hindered it.

The CRU would expect GNI to provide the following:

- GNI should evidence its engagement is effective. This can be done by providing examples of communication plans, which are tailored to suit different customer needs. These might set out the information that GNI provides to potential connections when first approached by them, including information on what the developer will need to do to progress the connection as well as how contact is maintained with the developer throughout the connection process. GNI should set out the information it has provided to the potential connection prior to the signing of an LNCA, and the requirements for the customer associated with the contract.
- GNI has signalled that it will seek to reduce the time it takes between the granting of a SEM capacity contract, and the signing of the LNCA – currently it often takes at least six months. While early timelines are often dependent on the developer (e.g., the developer is required to confirm design parameters), there may be scope for GNI to hasten the process on its part by engaging more effectively. The CRU expects GNI to show that it has worked towards achieving reductions in the timelines for signing the LNCA.
- Where progressing a connection depends on the developer informing GNI of a successful planning application or paying its contribution towards the connection costs, the CRU expects GNI to show that it has proactively requested these from the developer.
- Where multiple connections are delivered simultaneously, the CRU expects GNI to show how its communication with the developers improved coordination across connections, including by facilitating dialogue among the developers.
- GNI should provide information regarding indicative cost estimates. GNI should evidence that it has provided clear explanations to the developer, set out the level of granularity in its cost estimates and how it informs developers of uncertainty and any underlying assumptions in the estimate. As large customers are responsible for the full cost of the connection, they should also be kept well informed on how and why costs have evolved over the project lifecycle.
- GNI should also explain where stakeholder engagement has informed its decision-making and processes, and any cases where stakeholders have disagreed with its views.

- GNI should show that it has considered all relevant stakeholders and engaged with them, such as landowners and local authorities.

Network development

In this section GNI will demonstrate that it has identified required reinforcements and upgrades to accommodate future GFGCs. GNI should evidence that it has undertaken assessment of the wider network and adequacy needs and considered the role of potential new connections. In addition to GNI outlining its general approach to analysing the need for reinforcements and upgrades, GNI should show:

- How its approach considers how different projects impact the need for upstream/deep reinforcement and upgrades. It should detail its process and methodology for doing this, e.g., its approach to ‘scenario planning’ in coordination with the relevant power plant producers, and any other relevant stakeholders such as EirGrid, as well as how the likely extent of network reinforcement over a specified period of time is determined based on these scenarios.
- Evidence that its planning for reinforcements not only considers powerplants going through the connection process, but also anticipatory reinforcement required to meet future demand.
- Similarly to the section on project planning, GNI should detail its approach to managing risks and evidence any anticipatory actions it has taken to secure materials/equipment and engage with planning bodies.
- How it aligns its work on reinforcements and upgrades with progressing connections, that is, how it makes sure delivering a connection is not slowed down by the need for upstream reinforcement. Its project planning for individual connections should reflect its work on reinforcements and upgrades.
- GNI is also expected to demonstrate that its planning is effective in its ability to deliver gas-fired generation connections needed to meet national objectives. While GNI is planning to include forward-looking elements to its planning, these will mostly focus on the upcoming year. The CRU acknowledges that GNI’s planning is dependent on the SEM Capacity Auction results, however, to the extent that it is possible, GNI should evidence it is planning for the longer-term with respect to required reinforcements and upgrades. This should include consideration of the information provided by developers when they contact about a connection.
- GNI should also demonstrate that it takes into account any factors relevant to long-term planning such as decarbonisation requirements, future demand for gas and the risk of stranded assets.

Project costs

The section should outline the approach GNI has taken to determine cost estimates for the projects presented in the 'Project planning' section and the proposed reinforcements in the 'Network development' section of the overarching document. Much of the evidence related to costs may be confidential, though the processes should not be. The CRU expects to see the following:

- GNI's approach to cost estimation along with estimates for connection projects. Any changes in cost estimates over time should be explained.
- GNI's approach to estimating costs for reinforcements and upgrades and associated costs.
- GNI's approach to accounting for uncertainty in its estimates.

GNI should provide project costs with reference to the size/type of connection, in addition to grouping projects according to where they are in the project lifecycle. GNI should leverage evidence from previous projects in determining costs for both connection projects and deep reinforcement.²⁹

For example, the CRU understands that the cost of an AGI depends on its capacity/specification, while the cost of a new pipeline depends on the route (cross-country, rural, urban etc.) and length of the required pipeline. GNI should set out its use of this evidence, any external benchmarks and assumptions used to derive the estimates, e.g., relating to technical specifications or required materials and equipment.

Indicative cost estimates are likely to be subject to significant uncertainty. Material and equipment costs may increase over time and land acquisition costs and specialist contractor costs can be difficult to determine early on in the process. GNI should outline the biggest risks and uncertainties associated with connections, likely costs drivers and how these have been accounted for in the cost estimation process. For example, GNI might provide cost estimate ranges rather than point estimates, e.g., based on its use of the Association for the Advancement of Cost Engineering (AACE) classification system.

The CRU understands that cost escalation soon after the initial cost estimate has been an issue (before AACE classification 4/5 and Gate 3 decision), and as such, an area where GNI should pay particular attention to. Explaining any changes in the estimates after the execution of the LNCA (compared to initial estimates) is also of high importance to developers and stakeholders.

²⁹ GNI has informed the CRU that it has ample evidence from previous projects, particularly on AGI costs.

GNI should include a comparison of pre- and post-LNCA cost estimates for all projects along with explanation on the key reasons for changes.³⁰

GNI should evidence how it has mitigated cost escalation. Where cost escalation is expected to arise from costs associated with subcontractors or suppliers, GNI can provide evidence of any precautions it has undertaken, e.g., the terms of conditions between itself and a subcontractor/supplier or hedging against potential price increases.

GNI has informed us that at times customers prioritise timelines to costs. The CRU would expect GNI to set out such cases.

GNI should set out its approach to updating cost estimates as more information is received.

Lessons learnt

GNI should identify areas where progress is required, and in subsequent years, detail its achieved improvements. Lessons learnt should also touch on feedback from stakeholders received on gas-fired connections. Lessons learnt should be discussed in the overarching public facing document to the extent that is possible. GNI may provide additional information in the confidential appendix, when this information is commercially sensitive.

Metrics

GNI should report on two timeliness metrics – the time to quote and time to connect³¹ in its annual reporting on GFGCs. The former measures the average time from GNI receiving a complete application to issuing a quotation (connection offer), while the latter measures the average time from the customer accepting the quotation to the connection being completed. These metrics should be provided separately for all projects, as well as with a reference to a baseline, e.g., average times. For any projects that greatly deviate from the average, GNI should provide narrative explaining reasons for it. GNI should use the information revealed by these metrics to improve the time it takes to provide a connection offer and deliver connections.

The CRU encourages GNI to further consider whether it can usefully provide information in a metric format to support its and stakeholders' assessment of its performance. This could provide an opportunity for GNI to link its narrative with quantitative evidence and show how its actions, or factors outside of its control, have resulted in changes in the metric. For example, GNI could use metrics to highlight any improvements it has achieved over time.

³⁰ The post-LNCA cost estimate is likely to be post-detailed design. If changes to the cost estimates have resulted from other reasons post-LNCA execution, this should also be explained.

³¹ Time to connect should be reported for those connections that were delivered by the end of the regulatory period.

Any metric should be provided separately for individual projects (as opposed to an average metric), along with 'baselines' for each metric. For example, GNI might provide a baseline based on its previous experience or an external baseline (e.g., based on GB evidence). Where appropriate, GNI should also include information on projects that have been abandoned to avoid misrepresenting performance.³²

GNI currently reports to the CRU on the number of GFGCs in the connection queue (including at different stages of the connection process). GNI is required to continue providing this information, in addition to any other metrics that are currently provided.

Bi-monthly updates

In addition to the annual reporting on GFGCs described above, GNI should develop a dashboard on its progress on delivering gas-fired connections, updated on a bi-monthly basis. The dashboard should include information on each gas-fired power plant going through the connection process. It should include an update on timelines and costs (when new estimates have been determined), as well as reasons for any changes compared to the previous month. GNI might also wish to detail its focus of work and priorities during the period in question (or the upcoming period).

GNI is currently updating the CRU on its progress on GFGCs on a bi-monthly basis. Hence, the dashboard could be based on its current approach. The dashboard and the information contained within it will be confidential and submitted only for the CRU to review. Although not formally assessed, the dashboard will support the CRU's assessment of the annual reports, by providing more transparency on how GFGC projects have evolved over time.

5.4 Incentive determination

The CRU will assess GNI's performance against the GFGC Incentive at the end of the PC5 period and will informally review GNI's annual reports and the bi-monthly dashboards as they are submitted to ensure the direction of travel is appropriate. In the end of period assessment, performance will be assessed for each year, but the CRU will consider GNI's performance in the round, that is, with reference to overall performance over the final three years of PC5.

While the key focus in assessing every report will be on GNI's performance in delivering connections, the CRU might pay more attention to GNI's planning and whether GNI has identified

³² As discussed in the Consultation Document, the CRU is aware that any metrics would need to be interpreted with caution when assessing GNI's performance. It takes several years to deliver a connection, and the process is influenced by factors outside of GNI's control, which may not be reflected in a metric based on annual progress. The CRU would take this into account in its assessment.

areas of improvement in the first report, with focus gradually moving towards whether GNI has applied lessons learned. The impact of many of GNI's actions might only become clear later during the period, e.g., relating to any efficiencies derived from holistic planning or adopting innovative processes. Nevertheless, GNI should be able to set out its planned actions and expected impacts in the first report.

5.5 Balanced scorecard

The key focus in assessing each report will be on GNI's performance in delivering connections. However, for earlier reports, the CRU is likely to put more weight on GNI's planning and ability to identify areas of improvement. In later reports the CRU will put more weight on whether GNI has applied lessons learned.

The CRU will keep in mind that the impact of many of GNI's actions might only become clear later during the period but expect GNI to be able to set out its planned actions and expected impacts in the first report.

Table 8: Balanced scorecard for the Gas-Fired Generation Connections Incentive

Title	Description
Incentive name	Gas-Fired Generation Connections Incentive
Components (weight) and scoring guidance	
Planning (40%) <i>GNI should demonstrate that it has undertaken detailed design work to identify long lead time components and planning requirements, identified reinforcements and upgrades that benefit multiple connections and have</i>	Qualitatively assessed. Good: GNI has produced highly detailed plans (an initial report and subsequent updates) that provide clear and actionable plans for GNI to accommodate gas-fired generation for both individual connections and holistically in coordinating across multiple connections. GNI has undertaken effective dialogue with industry participants to position themselves to deliver on a timely and coordinated basis. GNI's planning is dynamic and regularly updated to take into account new potential connections and reflect market conditions.

<p><i>undertaken planning in a coordinated fashion.</i></p>	<p>GNI's plan includes innovative elements and the new techniques introduced were beneficial.</p> <p>GNI's plan is effective in its ability to deliver the number of gas-fired generation connections needed to meet national requirements/ objectives.</p> <p>GNI provides accurate cost estimates to parties wishing to connect to the network.</p> <p>GNI does not prevent gas-fired generation connections through cost estimates that sit above efficient cost.</p> <p>Acceptable: GNI produced suitably detailed plans with actions to accommodate gas-fired generation, with both top-down (strategic) and bottom-up (project by project level) planning.</p> <p>GNI has communicated with relevant parties to understand requirements and timings for delivery.</p> <p>GNI's plans are regularly updated and take into account new conditions.</p> <p>GNI's plans include current techniques or incremental improvements.</p> <p>GNI's plan is effective in delivering required gas-fired generation connections.</p> <p>GNI provides generally accurate cost estimates to parties wishing to connect to the network.</p> <p>GNI does not prevent gas-fired generation connections through cost estimates that sit above efficient cost.</p> <p>Sub-par: GNI's plan falls short of expectations in one or more areas e.g., GNI fails to properly engage with industry participants or show very limited scope for improvement.</p>
<p>Delivery (40%)</p>	<p>Qualitatively assessed.</p>

<p><i>GNI has taken actions to deliver accelerated gas-fired generation connections in a clear and supportive fashion.</i></p>	<p>Good: GNI has surpassed relevant milestones to at least the expected level of quality.</p> <p>GNI's actions have not precluded connections being delivered on a timely basis, and at times may have accelerated connections through improved coordination.</p> <p>GNI can demonstrate how its actions have been anticipatory and effective in facilitating connections e.g., procuring relevant materials for use across projects, or in taking coordinated actions across multiple projects.</p> <p>GNI can present evidence of how it has been dynamic and changed performance to change revised needs for the network, e.g., under new versions of the CAP.</p> <p>GNI demonstrates innovation in its approach.</p> <p>GNI demonstrates how its approach mitigates against cost escalation and reduces efficient cost of delivery.</p> <p>Acceptable: GNI's delivery meets relevant milestones to at least the expected level of quality.</p> <p>GNI's actions have not precluded connections being delivered on a timely basis and GNI has attempted to coordinate.</p> <p>GNI's actions are suitably anticipatory and effective in facilitating connections.</p> <p>GNI updates its delivery to reflect new plans and requirements.</p> <p>GNI shows elements of innovation in delivery.</p> <p>GNI demonstrates how its approach mitigates against cost escalation and can be considered to reflect efficient cost.</p> <p>Sub-par: GNI's plan falls short of expectations in one or more areas e.g., failing to meet relevant milestones or take appropriate anticipatory action.</p>
<p>Overarching processes</p>	<p>Qualitatively assessed.</p>

<p>(20%)</p> <p><i>GNI's gas-fired generation connection plans are delivered in a timely and transparent fashion, with clarity of information and linkage between planning and delivery phases. This may include demonstrating how its planning has led to more effective delivery and picked up lessons learnt from its experiences.</i></p>	<p>Good: GNI clearly demonstrates the linkage between their dynamic planning process and their delivery of gas-fired generation connections.</p> <p>GNI demonstrates that its actions have supported timely, and potentially accelerated, delivery.</p> <p>GNI has engaged frequently and effectively with relevant market participants</p> <p>GNI's reporting is very transparent and detailed, with inclusion of backwards and forwards looking evidence.</p> <p>Acceptable: GNI demonstrates the linkage between its dynamic planning process and delivery of connections.</p> <p>GNI demonstrates that its actions have supported timely delivery.</p> <p>GNI has suitably engaged with relevant market participants to add value to its process.</p> <p>GNI's reporting is suitably transparent and detailed, with inclusion of backwards and forwards looking evidence.</p> <p>Sub-par: GNI's plan falls short of expectations in one or more areas e.g., do not link general planning to delivering individual connections, or failing to suitably engage with market participants.</p>
<p>Financial strength</p>	
<p>Symmetric or asymmetric</p>	<p>Symmetric</p>
<p>Reward and / or penalty</p>	<p>+ / - €0.50m p.a.</p>
<p>Reward and / or penalty scoring guide</p>	<p>Good: plus €0.5m p.a.;</p> <p>Acceptable: €0m p.a.;</p> <p>Sub-par: minus €0.5m p.a.</p>

Timings	
Frequency of GNI submission	Annual
Proposed frequency of CRU assessment	End of period

6. Stakeholder Engagement Incentive

Table 9: Summary of the Stakeholder Engagement Incentive

Stakeholder Engagement Incentive	
Purpose	Ensure the benefits of stakeholder engagement are delivered
Assessment process	Assessment undertaken by a panel
Value	€0.25m p.a.
Frequency of CRU assessment	Annual
Relevant reporting	Stakeholder Engagement Plan and Stakeholder Engagement Outturn Report
Frequency of GNI submission	Annual

6.1 Context

The initial PC5 regulatory framework consultation paper in 2021 ([CRU/21133](#)) proposed to introduce a Stakeholder Engagement Incentive. That proposal built on the PR5 experience in electricity, where a stakeholder engagement evaluation panel was established to score and assess annual performance in relation to stakeholder engagement.

6.2 Incentive aim

The Stakeholder Engagement Incentive will encourage GNI to ensure that the benefits of stakeholder engagement are delivered in practice. The incentive will cover the quality, implementation and effectiveness of GNI's stakeholder engagement strategy, with these areas considered separately for large connections given the importance of stakeholder engagement for their delivery, as well as the lessons learned from GNI's stakeholder engagement.

Assessment against the incentive will be undertaken by a panel composed solely for this purpose, based on the panel structure used for PR5 network stakeholder's engagement evaluation.

6.3 Reporting format

GNI will submit two annual reports – a forward-looking Stakeholder Engagement Plan and a Stakeholder Engagement Outturn Report.

The Engagement Plan should describe the stakeholder engagement activities that GNI plans to conduct in the coming year and the Outturn Report should detail GNI's performance in the previous year against the plan for that year.

The first Stakeholder Engagement Plan will be prepared for the calendar year 2025, with first assessment taking place in 2026. GNI is expected to submit its Stakeholder Engagement Plan (and Stakeholder Engagement Outturn Report from 2026 onwards) to the CRU by 31 March. GNI should publish the Stakeholder Engagement Outturn Report for consultation by 31 March with the final Outturn Report adjusted to reflect consultation responses.

It is crucial that GNI circulates the Outturn Report according to the set timelines to allow for assessment by the panel, which will feed directly into the annual revenue decision for GNI. If GNI provides the final report to the panel members after the set timelines, it is at the discretion of the panel whether the delay should be reflected in the score it rewards to GNI. While providing a draft report should not be considered by GNI as an alternative to circulating the final report by the relevant deadline, in the case of a delay the CRU might consider whether there is a need to also provide the draft report to allow panel members to have more time to review the report.

The Stakeholder Engagement Plan and Stakeholder Engagement Outturn report should be concise, with the Engagement Plan being no more than 30 A4 pages and the Engagement Outturn Report no more than 15 A4 pages. This reflects the tight timelines for evaluating GNI's reports and performance (discussed further in section 6.4).

The following section sets out expectations for GNI's reporting organised by the assessment criteria.

Assessment criteria and guidance on reporting

In the PC5 Decision on the regulatory framework, the CRU set out assessment criteria for the Stakeholder Engagement Incentive. The assessment criteria cover the following five areas:

- **Quality of the strategy** - Quality of stakeholder engagement strategy, management systems and processes within the business to enable its delivery.
- **Implementation of the strategy** - How well the strategy was implemented, quality of delivered set of channels and initiatives for engaging of strategy and consistency with the documented strategy.

- **Effectiveness of the strategy** - Quality of demonstrable positive impacts on stakeholders, stakeholder groups or GNI consequent to the delivered channels and initiatives.
- **Delivering Large Connections** - Stakeholder engagement to ensure delivery of large connections, strategy, implementation, and effectiveness.
- **Lessons learnt** - Change in approach based on engagement with stakeholders.³³

This section provides the assessment criteria (in bullet points) along with some guidance on what GNI may wish to set out in its reports to evidence its performance against the criteria. However, the CRU considers that the criteria are often self-descriptive and provide an indication to the GNI on what the CRU would expect to see.

GNI is experienced in engaging with stakeholders and is knowledgeable of the type of evidence it may be able to set out in its reporting. GNI's focus should be on actual outcomes for customers, that is, how GNI's engagement is designed to lead to positive outcomes, how it has impacted customer outcomes and how these have been measured.

Quality of the Strategy

Assessment criteria:

- Was there clear strategic objectives set out in the strategy? If so, were the objectives linked to activities and initiatives that GNI planned to undertake?
- Was there clear measures of success set out in the strategy?
- Was the strategy, comprehensive, up to date and in plain English?
- Were the needs of stakeholders and challenges facing GNI identified and linked to the strategies?
- Were there areas subject to improvement identified and tracked in the strategy?
- Did the strategy cover what mechanisms are used to keep stakeholders informed about issues, business activities and decision making?
- Did the strategy cover how the mechanisms to keep stakeholders informed are monitored and reported within the company?
- Did the strategy cover how GNI enables timely input and feedback from the stakeholders?
- Did the strategy cover how input and feedback from stakeholders feed into the work of GNI?

³³ Lessons learned will only be assessed from the second assessment onwards, that is, in 2027 covering activity in 2026, as effective lessons learned may not emerge in the first year. GNI may wish to still begin reporting on lessons learned in the first Outturn Report.

- Did the strategy put in place sufficient project management processes and resources? Did it include contact details for different initiatives planned?
- Was the strategy embedded into the overall business plan?

GNI should set out measures of success that reflect its strategic objectives, or its more practical objectives for stakeholder engagement within different areas. For example, measures of success could relate to the number of stakeholders GNI is aiming to engage with, or initiatives, campaigns or events it will hold. Ideally, the same metrics would be used in both years of assessment in PC5 to allow for comparison of performance.

In identifying the needs of stakeholders, GNI will need to account for the variety of stakeholders and how their needs may differ and show that this is reflected in its strategies. The CRU would expect GNI to show consideration of a range of methods to engage with customers, whether this is campaigns, workshops, working groups, newsletters or surveys.

In addition to having personnel responsible for stakeholder engagement, GNI should explain how it ensures that stakeholder engagement is embedded in the overall business planning and influences ways of working and culture within GNI more widely.

Implementation of the Strategy

Assessment criteria:

- Were all aspects of the strategy implemented? Was there sufficient evidence provided to demonstrate so?
- Were the engagement channels and initiatives undertaken linked to the strategic objectives of the strategy?
- Were the engagement channels used consistent with the strategy and appropriate for all relevant stakeholders?
- Were the initiatives undertaken by the company innovative?
- Were the channels and initiatives appropriately adapted for the range of stakeholders?
- Were the stakeholders' issues and needs fully addressed?
- Were there mechanisms to monitor and report the implementation of the strategy within GNI?
- Did the implementation adapt in response to experience and issues as they arose?
- Did the company demonstrate that the strategy implemented was cost-effective?

If stakeholders' needs are appropriately identified, the engagement channels and initiatives should reflect the range of stakeholders. Where appropriate, the CRU would expect GNI to show

innovation in its initiatives – this could be trying new methods (i.e., running pilots), adopting behavioural insights to make engagement more effective or demonstrating regard for external research, case studies and best practice.

Demonstrating the cost-effectiveness of the strategy could rely on comparing costs between initiatives (including historical), calculating the cost per stakeholder contacted, or utilising external benchmarks.

GNI might provide detailed information on the campaigns/initiatives it ran, events it held etc. in an appendix of its Outturn Report. However, this should be accompanied by a narrative in the main report that explains why the approach was chosen and how it was designed to contribute towards GNI's objectives.

Effectiveness of the Strategy

Assessment criteria:

- Did the initiatives undertaken lead to measured outcomes?
- Were positive impacts for consumers demonstrated to have been delivered? If so, how were these quantified?
- Did the quantified positive impacts show that GNI focused on engagements on areas / projects that would deliver value in terms of customer outcomes and / or system outcomes?
- Did the initiatives lead to action plans?
- Did the initiatives have impacts on GNI's processes, policies, or plans?
- Did the implementation of the strategy have an impact on GNI's culture, activities, or decision-making process? Was this clearly demonstrated?
- Did the outcomes feed into the strategy?
- Did the initiatives undertaken by GNI have demonstrable regard to industry's feedback?
- Did GNI demonstrate that stakeholder feedback to industry consultations and at workshops were taken into account and addressed?
- Did the initiatives address the needs of stakeholders and result in measurable benefits?
- Was performance benchmarked with best practice? Was this evidenced by GNI?

Approaches to measuring outcomes can include quantitative measures (e.g., similar to the metrics) as well as qualitative measures, for example, stakeholder feedback and survey responses. In general, impacts can be interpreted broadly to include descriptions of the

engagement activities and consequential impacts on customer, stakeholder or business outcomes or plans.

GNI might demonstrate its focus on engagement in areas that delivery value for customers (or GNI) by linking the positive impacts to the identified needs of customers or areas of improvement.

After stakeholder engagement, it is important that GNI sets out 'next steps' based on the outcomes of the engagement – these should take the form of action plans with specified timelines and responsibilities.

Delivering Large Connections

Assessment criteria:

- Were all the relevant stakeholders identified and the engagement approach for each clearly explained?
- Was the strategy appropriately adapted to the range of stakeholders?
- Were the needs of stakeholders and the challenges facing GNI identified and linked to the strategy?
- Did the strategy cover what mechanisms are used to keep stakeholders informed about connections, issues, business activities and decision-making?
- Was the strategy embedded into the overall business plan?
- Were the engagement channels used consistent with the strategy and appropriate for the relevant stakeholders?
- Were the initiatives undertaken by the company innovative?
- Did the initiatives undertaken lead to measured outcomes?

Given the importance of stakeholder engagement for the delivery of large connections, the CRU would expect GNI to have clear internal responsibilities as well as specific points of contacts for large connections and include information of this in its reporting. GNI should also show how its stakeholder engagement strategy reflects the specific needs of large connections in terms of approach, initiatives and engagement channels.

Lessons Learnt

Assessment criteria:

- Did the company demonstrate that the lessons learned have been captured and implemented?

- Were the areas where implementation did not go well identified in order to drive improvements in future years?

GNI should describe how it ensures that lessons learned are diffused within the company. Feedback and stakeholder views received within one area of GNI's remit, should be reflected in all of its operations where appropriate.

In addition to the assessment criteria set out above, GNI should consider the effectiveness of its engagement and lessons learned with respect to the complaints it has received from customers (including those shared with the CRU on GNI). Identifying lessons learned and areas of improvement should account for the engagement with customers undertaken when handling customer complaints. Customer complaints to the CRU about GNI's services are not included in the Customer Performance Indicators detailed in Section 11, making it more important that GNI addresses lessons learned based on them within its reporting on stakeholder engagement.

GNI should show consideration of any recommendations received from the panel as part of its assessment.

6.4 Incentive determination

GNI's strategy for stakeholder engagement and its activities in the preceding calendar year will be assessed annually. This will be undertaken by the panel composed specifically for this purpose. The panel will be chaired by the CRU. The composition of the panel, with panel members representing stakeholders across the industry, will be determined by the CRU.

The CRU will aim for the following categories to be reflected in the panel membership:

- Natural gas producers;
- Renewable gas producers;
- Suppliers/shippers;
- Generators;
- Large energy users;
- Academia;
- Communities/small customers;
- Trade bodies; and
- Other stakeholders where appropriate.

The Panel will meet at least twice a year, between April and June to assess GNI's stakeholder engagement performance during the previous year. The first meeting will be shortly after GNI has

published its Outturn Report for consultation. Panel members will review both the Engagement Plan and the Outturn Report and provide provisional scores in advance of the meeting. In the second meeting, GNI will present its revised Outturn Report (reflecting consultation responses), and the panel will score GNI's submission. A third meeting may be held if needed by the panel to arrive at a decision on the score awarded to GNI. The CRU will also publish a close out report on the panel's decision with recommendations for GNI.

Guidance on assessment

This section sets out further guidance on how the panel should evaluate GNI's submissions.

While GNI's performance will be subject to an annual assessment, the CRU expects the panel to undertake the assessment with reference to the assessment taken in the previous year, including whether GNI has taken on board the recommendations received from the panel.

The panel will score GNI's performance based on the assessment criteria provided in the previous section. The panel should in general pay attention to incremental improvement over the time period that will be assessed in PC5, that is, how well GNI has identified areas of improvement and reflected them in its strategy. The CRU expects that GNI demonstrates that stakeholder engagement adds value to the process.

For a high score, the GNI's reports should convey to the panel members that GNI has a good understanding of the needs of customers and has thought of the best way to reflect these in its engagement. GNI's strategy should be purposeful and relevant to the range of its stakeholders. GNI should show that it is committed to improving its stakeholder engagement, and willing to try new approaches and methods, and when successful, to scale them up. The panel members should be left with a good understanding of how GNI has evaluated the outcomes of its engagement and how the engagement has influenced its processes, decision-making and strategies.

The CRU expects the panel members to evaluate GNI's performance against the assessment criteria from the perspective of the category they have been selected to represent (e.g., renewable gas producers, academia). However, awarding the score to GNI will be based on a consensual decision between the panel members.

Incentive payment

This section details how the incentive payment will be calculated. The maximum annual available incentive payment is €0.25m.

In calculating the score awarded to GNI, the panel will use the following weighting in the first year of assessment:

- Quality of the strategy (25%)
- Implementation of the strategy (25%)
- Effectiveness of the strategy (30%)
- Delivering Large Connections (20%).

From the second year of assessment onwards, the following weighting will be applied:

- Quality of the strategy (25%)
- Implementation of the strategy (25%)
- Effectiveness of the strategy (25%)
- Delivering Large Connections (15%).
- Lessons learnt (10%)

The score awarded to GNI by the panel will be on a scale of one to ten, with a score of at least five required for a financial reward. The incentive payment for any score below five will be €0. For scores equal to or greater than five, the incentive payment will be calculated using the following formula:

$$\text{Incentive payment} = z + ((x - 5) \times \left(\frac{y - z}{5}\right))$$

Where:

x = the Panel's final score

y = maximum incentive payment

z = 10% of maximum payment

Based on the maximum annual incentive payment (€0.25m per annum), the incentive payment formula can be simplified to the following where x = the Panel's final score:

$$\text{Incentive payment} = 25,000 + ((x - 5) \times 45,000)$$

A worked example is given below, in which a final score of seven results in an incentive payment of €115,000.

$$\text{Incentive payment} = 25,000 + ((7 - 5) \times 45,000 = 115,000)$$

7. Capex Incentives

Table 10: Summary of Capex Incentives

Capex Incentives	
Purpose	Reward GNI for efficient decisions and penalise GNI for inefficient decision with regard to capital expenditure (capex).
Assessment process	Ex-post review of capex expenditure
Value	N.A.
Frequency of CRU assessment	End of price control
Relevant reporting	Capex Monitoring Summary, Updated Business Plan Questionnaire (BPQ) Outputs
Frequency of GNI submission	Quarterly (summary), Annual (updated BPQ)

7.1 Context

The PC5 Decision confirmed the intention of the CRU to continue with a Capex Incentive regime that is based on both ex-ante and ex-post reviews of GNI's capex for PC5.

In reaching a decision for PC5, the CRU noted that the efficacy of the PC4 capex regime could be improved in some cases such as where the certainty of a project is less clear and changes over the course of the price control. Accordingly, the PC5 Decision introduced several changes to the Capex Incentive regime. A key change was the use of different 'tiers' for capex projects that will receive different cost assessment and incentive treatments at the PC5 ex-post review. The CRU also set out changes to the strength of incentives applied to capex in certain scenarios and changes to its requirements for the ongoing monitoring and reporting of GNI's investment programme during the course of PC5.

7.2 Incentive aim

Capex Incentives aim to reward GNI for efficient decisions and penalise GNI for inefficient decisions with regard to capital expenditure. Where GNI completes a project for less than its

allowance, or alternatively does not carry out a project that would be inefficient to complete due to changing circumstances (relative to the PC5 Decision), it receives a financial reward.

Conversely, where GNI conducts expenditure that is not considered to be an economic and efficient cost that benefits consumers, it receives a financial penalty.

7.3 Reporting format

GNI will submit two forms of capex reports during the course of PC5 – annual updated BPQ outputs and quarterly capex monitoring summaries.

Both forms of report will be shared by GNI in confidential form to the CRU. A shortened summary for both distribution and transmission will be published, providing a more high-level overview of status regarding costs, outputs and schedule. This summary will not contain any commercially sensitive information.

GNI will also report in-period on material changes to its capex plan through the submission of technical justification paper (TJP) addendums.

Project categorisation

Capex projects will have differing levels of reporting based on their categorisation. The categories are:

- **Defined outputs:** projects with delivery of specific outputs, which are typically homogenous in nature e.g. gas turbine service exchanges at compressor stations.
- **Discrete project:** individual projects delivering a single initiative, often of higher value e.g. reinforcing the gas supply to the Southern Area.
- **Outputs less defined:** projects with the delivery of approximate quantities of different outputs, where the scope is less defined e.g. refurbishment of distribution and transmission pipeline cathodic protection assets.
- **Rolling programme:** projects where outputs will continue across multiple price controls on a consistent or variable basis e.g. age based replacement of domestic meters.

The key difference in reporting between categories is that GNI will report on cost, output and schedule post-PC5 for projects categorised as discrete projects. These outputs are likely to be an estimated percentage of a single output. Other projects will have costs reported and outputs where relevant, with schedules less applicable.

Annual reporting

As determined in the PC5 Decision on the regulatory framework, GNI is required to provide a quantitative summary of capex projects on an annual basis in Excel.

The dashboard will include:

- Clear programme names linked to allowances from the PC5 Decision.
- A data referencing structure and categorisation that enables alignment of the data.
- Quantitative outturn on costs (in nominal monies³⁴), outputs and schedule for all PC5 years to date.
- Contributions received for projects, allocated at the project level.³⁵
- Information on drivers in relation to costs, outputs and schedule.
- Information on scheduled gateways, starting from the 2023/24 gas year.
- Information on TJP addendums.
- A detailed narrative to support any raw data, where necessary e.g. to explain a variance compared to the previous dashboard submission or the ex-ante allowances.
- Identification of safety programmes with a Corrective Action Request number.

Quarterly reporting

In addition to annual reporting, GNI is required to submit a capex monitoring summary to the CRU on a quarterly basis. This will be provided on a less granular basis than the full capex dashboard (provided annually). GNI will provide information on its capex projects at a category level to be developed through engagement with the CRU over the course of 2025, rather than an individual allowance level on costs and in totality for given outputs. This reporting requirement will build upon the existing Regulated Asset Base (RAB) categories to ensure appropriate alignment of projects to categories. The quarterly report is required to be submitted at the end of each subsequent quarter, with the first report due in Q1 2026.

It is envisioned that the quarterly reporting will become more granular over time, with more disaggregation on costs and outputs provided where possible. There is an ambition for the annual dashboard to be provided by GNI on a quarterly basis for PC6 and beyond.

The CRU is open to interim measures as GNI moves towards quarterly reporting, such as supplementing its quarterly submission with screenshots of information from its internal systems.

³⁴ Reconciled to an allowance in a real price base in the PC5 Decision Document.

³⁵ Where contributions are not received at the reporting line level (e.g. distribution contributions), GNI will allocate such contributions using a methodology that is to be agreed with the CRU.

Where the quarterly submission is deemed insufficient by the CRU, or raises potential concerns that need to be addressed, the CRU reserves the right to request a live demonstration of GNI's systems at a GNI site.

TJP addendums

GNI will report material changes to the CRU through the use of TJPs addendums.

GNI will use a heatmapping process with a scoring mechanism to determine which variations necessitate updating a TJP. The heatmap for each project will contain three overarching categories for variance to the original plan: changes to schedule, scope and costs and have associated drivers:

- Schedule Change
 - Deliverability - Internal Resource Availability
 - Deliverability - External Resource Availability
 - Lack of access to the assets
 - Delays in Materials/other
- Scope change
 - Requirement Change
 - Rescope to Adapt to Cost Change
 - Rescope to adjust to Allowance Determination
 - Rescope to adjust to Deliverability Issue
- Cost Change
 - Cost Increase
 - Cost Decrease

The drivers will be graded using a colour coded RAG system, with additional comment provided for drivers that do not achieve a 'green' status.

Each TJP addendum will be scored against a set of three criteria to determine if the TJP addendum should be included as part of annual reporting to the CRU:

- Initiative scale
 - €1m - €5m: score of 1
 - €6m - €10m: score of 2
 - €10m+: score of 3
- % Deviation from the original TJP (within price control window)
 - 10%: score of 1
 - 11-20%: score of 2
 - 20%+: score of 3
- Weighting factor

- 1: no increase in score
- 2: increase in score of 20%
- 3: increase in score of 50%

The threshold for reporting a TJP addendum to the CRU is a score greater than 6. The weighting factor is used to increase the value of the score if there is material information within the TJP addendum that should be reported as part of the annual reporting cycle e.g. due to widespread variation across many of the components within the TJP.

7.4 Assessment process and allowance allocation

The assessment of capex will be conducted ex-post at the end of PC5. The CRU will assess efficiency of spend on a gross basis, as set out in the PC5 regulatory framework. The cost assessment approach for each project varies depending on whether the project is Tier 1 or Tier 2.

For both Tier 1 and 2 projects, the onus is on GNI to demonstrate why it has undertaken an investment, and to evidence to the CRU as part of the ex-post review that project / programme decisions taken were justified and the costs efficient.

GNI will need to justify its investment programme for both Tier 1 and Tier 2 projects with reference to, *inter alia*:

- TJPs
- cost benefit analyses
- analysis and findings from the network development plan (NDP) and new core flexibility report
- annual capex dashboard and the CRU's capex project workbook³⁶
- unit cost benchmarking and project costing
- evidence of the internal and external factors that impacted outturn cost performance
 - external items may include demonstrating external cost pressures, changing composition of work, scale of work varying or changes in scope
 - internal items may include robustness of scope design, risk allocation, procurement and project management
- reconciliation to GNI's original PC5 submissions and business cases for projects

³⁶ See appendices of the PC5 Transmission and Distribution Capex Lookback Spreadsheet Decisions: [CRU2023144](#) & [CRU2023146](#)

While the CRU has assessed the projects that are included in ex-ante allowances for PC5 have an ex-ante need / business case, with information available at the time of assessment, GNI must demonstrate at the ex-post review that there remains a need for the investment when it is undertaken by references to the principles and guidelines set out above.

The cost incentive will be applied by comparing outturn costs to allowances. In doing so, the CRU will have regard to the information that GNI had available, or should reasonably have had available, at the time of making expenditure decisions.

Projects will not be able to change tier during the course of PC5.

Tier 1

Tier 1 projects are those that have a CRU-set baseline, built up from an assessment against GNI's submission of unit costs and quantities. This baseline is summarised in [CRU2023138](#) & [CRU2023139](#).

The ex-post review will determine which of the following categories each capex item falls into for Tier 1 projects, and accordingly whether GNI should be subject to any financial rewards or penalties:

- **Efficient expenditure:** Expenditure that should be allowed to enter the RAB and recovered over the assumed life of the asset. Expenditure is considered necessary and technically justified.
- **Unjustified spend:** Expenditure that should be disallowed from the RAB. Expenditure is not considered to be economic and efficient cost that benefits consumers.
- **Financed overspend:** Expenditure that should be allowed to enter the RAB and recovered over the assumed life of the asset and GNI recompensed for financing the investment in PC5, despite GNI's outturn unit costs being higher than assumed at the previous decision. The additional cost is considered to be justified as economic and efficient.
- **Unfinanced overspend:** Incurs financial penalty. Expenditure where GNI should not be recompensed for financing the investment in PC5, but the investment should be included in the opening RAB for PC6. GNI's outturn unit costs are higher than assumed at the previous decision.
- **Efficient savings:** Generates financial reward. GNI retains the benefits of this saving for five years from the date of inclusion in the RAB, but actual rather than forecast capex incurred would be put in the RAB at the end of the five years. This is where GNI's outturn unit costs are lower than assumed at the previous decision due to improvements in efficiency.

- **Efficient deferral:** Generates financial reward. GNI retains the depreciation and return earned for the deferred work in PC5 for two and a half years, but no value for the work will be added to the starting RAB for PC6. The expenditure is considered to be appropriately delayed, given evolving business cases for completing the project / work programme

In some cases, the project-based allowances relate to a programme of work with less quantifiable outputs. In those cases, the challenge may be less suited to a mechanistic application of the incentive framework and the CRU will apply judgement, for example whether the envisaged output/quantity of work was in practice delivered by GNI.

Tier 2

Tier 2 projects are those that have a justified needs case/technical scope, and may have progressed through conceptual design phases, but may be new for PC5 and/or not have progressed through detailed design to have a firm scope of work or available cost benchmark projects where it is not clear a credible baseline can be established. Tier 2 projects have greater uncertainty around the nature of the proposed solution compared to Tier 1.

Tier 2 projects are not able to receive rewards from efficient savings or efficient deferrals and do not face penalties from unfinanced overspends. However, Tier 2 projects are still subject to an ex-post review of the efficiency of the incurred spend and GNI must still demonstrate that the outturn spend was efficient.

Tier 2 projects will be funded at outturn cost, provided that GNI demonstrates that this spend was efficient. All Tier 2 projects will be determined to either be efficient expenditure or unjustified spend by the CRU within the ex-post review.

Projects that GNI delivers but were not envisaged in the PC5 Decision will face the same treatment as Tier 2 projects.

Incentive strength

The financial strength applies to efficient savings and unfinanced overspends will be 5-years of return and depreciation on the under or overspend relative to the PC5 ex-ante allowance.

For efficient deferrals, the reward is based on 2.5 years of return and depreciation benefits.

8. Investment Planning and Delivery Incentive

Table 11: Summary of the Investment Planning and Delivery Incentive

Investment Planning and Delivery Incentive	
Purpose	Encourage GNI to thoroughly appraise investment options and conduct effective cost and risk management.
Assessment process	Qualitative and quantitative balanced scorecard.
Value	+ / - €0.5m p.a.
Frequency of CRU assessment	End of price control
Relevant reporting	Capex Monitoring Summary, Updated Business Plan Questionnaire (BPQ) Outputs
Frequency of GNI submission	Quarterly (summary), Annual (updated BPQ)

8.1 Context

The CRU decided to implement a new investment planning and delivery (IPD) Incentive for PC5 given the scale of investment GNI is making over the course of PC5 – with GNI having a total of €2.6bn in allowed revenue. The scale of investment is required to decarbonise the gas network, facilitate rising gas demand and replace aging assets.

To maintain the gas network, GNI undertakes investment planning to inform future maintenance programmes and to shape and drive refurbishment and renewal decisions. This process includes determining for each network asset its scope (i.e. technical detail on its primary parts/components), asset risk and asset lifecycle.

The IPD Incentive follows the precedent set by the CRU for the electricity transmission system operator in PR5, whereby licensees are subject to an IPD Incentive that utilises a balanced scorecard approach which includes a mix of qualitative and quantitative evidence.

8.2 Incentive aim

The IPD Incentive is targeted at the planning and delivery of investments included in PC5. The incentive aims to encourage GNI to thoroughly appraise investment options and provide evidence on effective and ongoing cost and risk management throughout the PC5 price control period.

8.3 Reporting format

There are three types of reporting GNI will provide in support of the IPD Incentive:

- TJPs
- Quarterly capex monitoring summaries
- Annual updated BPQ outputs (i.e. a dashboard of capex projects)

More information regarding the format of these reports is provided in Section 7 on Capex Incentives.

8.4 Incentive determination

The CRU will evaluate GNI's performance in relation to the IPD Incentive using the information provided in the relevant TJPs, quarterly capex summaries and annual capex BPQ updates against the criteria in the balanced scorecard (provided in Section 8.5).

The CRU will assess GNI's performance against the IPD Incentive balanced scorecard at the end of PC5. The information provided by GNI will cover all years within PC5 but the IPD incentive assessment will cover the final three years of PC5, as determined within the PC5 Decision.

8.5 Balanced scorecard

Table 12: Balanced scorecard for the Investment Planning and Delivery Incentive

Title	Description
Incentive name	Investment Planning and Delivery Incentive
Components (weight) and scoring guidance	

<p>Planning (40%)</p> <p><i>GNI should demonstrate a dynamically assessed needs case of projects, and have conducted relevant analysis (e.g., CBA, benchmarking) – as expected in TJPs.</i></p>	<p>Qualitative assessment.</p> <p>Good: GNI provides comprehensive planning documentation across the full range of projects it assesses – both ahead of the price control and within period documentation e.g., TJPs.³⁷</p> <p>GNI includes a holistic summary to support the more bottom-up project-based assessment.</p> <p>GNI uses consistent and effective indicators to highlight the status of projects e.g., project governance phases and gateways, together with how costs / outputs / timelines have evolved over time.</p> <p>GNI presents its plans in a form that is aligned with the regulatory determination process and relevant allowances.</p> <p>GNI includes detailed and robust CBAs on a consistent basis across projects.</p> <p>GNI demonstrates effective benchmarking of costs and accurate estimates early within projects.³⁸</p> <p>GNI submits comprehensive and updated TJPs at relevant decision points to the CRU.</p> <p>GNI indicates clear inclusion of strategic priorities, e.g., decarbonisation and security of supply and assurance that the capital programme is low regrets.</p> <p>Acceptable: GNI provides good planning documentation which covers the full range of projects they assess. A greater level of detail may be desirable in some areas.</p>
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³⁷ The planning documentation is expected to provide comprehensive detail on the various details in relation to capital projects. The information included in such planning documentation is expected to include (but not limited to): scope, asset risk and asset lifecycle.

³⁸ Benchmarks are likely to be drawn from GB companies. The CRU understands that unit cost benchmarking can be more challenging in nature for transmission which are likely to be more bespoke. However, GNI should still look to international comparators where possible, such as National Grid. The CRU would classify benchmarking as 'effective' where the estimates obtained through benchmarking are robust, subject to unforeseen factors outside of GNI's control.

	<p>GNI uses consistent and effective indicators to highlight the status of projects e.g., project governance phases and gateways. GNI could provide more detail over how costs / outputs / timelines have evolved over time.</p> <p>Plans reconcilable with regulatory determination processes and relevant allowances with minimal effort, although there may be some differences in form.</p> <p>GNI includes robust CBAs on a consistent basis across projects.³⁹</p> <p>Some effective benchmarking of costs or accurate estimates.</p> <p>GNI submits comprehensive and updated TJPs at relevant decision points to the CRU.</p> <p>GNI discusses strategic priorities, e.g., decarbonisation and security of supply, and provide assurance of a low regret's capital programme.</p> <p>Sub-par: Planning documentation provided, but of poor detail, with vague descriptions or areas missed.</p> <p>GNI rarely or inconsistently uses indicators to highlight the status of projects.</p> <p>Plans are difficult to reconcile with regulatory determination processes and relevant allowances.</p> <p>Poor quality or inconsistent use of CBAs across projects.</p> <p>Lack of benchmarking or cost estimates.</p> <p>TJPs are not updated.</p> <p>Lack of reference to strategic priorities and why the portfolio of capital investments is low regrets.</p>
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³⁹ The assumptions and methodology used should be in line with European Commission guidance e.g. regarding discount rates and inflation. Conducting CBAs should involve reducing a long-list of potential options to solve a given issue down to a short-list that is assessed in more detail based on well-defined criteria. This process will typically require a large number of inputs and detailed analysis. A well-defined, realistic counterfactual will be required that feasibly portrays the outcome without the proposed project(s) going ahead. The value of costs should be defined using opportunity cost (i.e. the benefit forgone from the next best option) while the benefits should not double-count the potential impacts.

<p>Delivery (40%)</p> <p><i>GNI should demonstrate clear evidence of effective cost and risk management over PC5, with ongoing decision making / review.</i></p>	<p>Qualitative assessment</p> <p>Good: GNI can demonstrate across its capital portfolio where it has effectively managed costs and limited cost increases / delivered cost savings, where they have the ability to do so.</p> <p>GNI has delivered innovation / market leading behaviours to deliver capex projects in the best fashion possible.⁴⁰</p> <p>GNI has utilised effective and detailed risk management tools to manage a range of risks facing the business.</p> <p>GNI has acted swiftly and effectively to manage / mitigate against risks with negative impacts on the business.</p> <p>GNI clearly demonstrates flexibility in its decision making that leads to optimal outcomes, which are aligned with any new plans and objectives.</p> <p>Acceptable: GNI can provide evidence of how it has effectively managed costs and limited cost increases and / or delivered cost savings. Clear and evidenced efforts have been made to reduce costs, although some areas may have been missed or are not substantiated.</p> <p>GNI displays good practice / examples of best practice in delivering its capex projects.</p> <p>GNI can evidence consideration of a range of business risks impacting on the delivery of its investment programme, and the actions it has taken linked to managing these risks.</p> <p>GNI has acted to manage / mitigate against risks that could have negative impacts on the business. The speed or effectiveness of its response has not seriously increased the magnitude of any</p>
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⁴⁰ Such innovation is likely to be similar to innovative measures currently being taken by DNOs and TOs in GB and Europe. For instance, the [Energy Networks Innovation Strategy 2022](#) outlines the principles of innovation that gas and electricity operators are following in GB which includes: positive carbon impact, increased collaboration and stakeholder engagement, consumer financial benefit, transparent and accessible data and knowledge sharing, and deploying innovation initiatives into business-as-usual. Using sustainable procurement to deliver capex projects would also demonstrate innovation.

	<p>negative impacts on the business (e.g., timeliness of delivery or degree of cost escalation).</p> <p>GNI can provide evidence of flexible decision making that leads to better outcomes, aligned with new plans or objectives.</p> <p>Sub-par: GNI cannot provide good evidence of how they have effectively managed costs and limited cost increase / delivered cost savings. Evidence may be incomplete or suggest that GNI has not made appropriate cost savings a high priority.</p> <p>GNI displays poor practice in some areas when delivering its capex projects.</p> <p>GNI cannot provide evidence of considering key business risks impacting the delivery of its investment programme, or proportional actions it has taken to manage these risks. GNI has not reacted quickly or effectively to the emergence of risks.</p> <p>GNI rarely displays flexible decision making that aligns with new plans or objectives.</p>
<p>Over-arching processes (20%)</p> <p><i>The PC5 plan is delivered in a timely and transparent fashion, with clarity of information and linkage between planning and delivery phases.</i></p>	<p>Qualitative assessment</p> <p>Good: GNI presents clear links between its planning processes and delivery.</p> <p>GNI’s information is presented in a transparent fashion, with clear evidence presented on both a backwards looking and forward-looking basis including information on project dates versus delays.</p> <p>GNI demonstrates it has taken into account lessons learned and can demonstrate continuous improvement over the control.⁴¹</p> <p>GNI delivers and reports on a timely basis, demonstrating action is taken when needed.</p> <p>Acceptable: GNI presents clear information across planning processes and delivery. Some issues with consistency or</p>

⁴¹ Lessons learned should include GNI explaining within its submission where an action or process previously taken by GNI was sub-optimal and has resulted in a changed approach for subsequent decisions.

	<p>transparency of information. These are not fundamental, but information could be presented in a more user-friendly manner, and any inconsistencies are relatively minor (e.g., between the backwards looking vs forward looking analysis).</p> <p>Lessons learned are documented and any issues with consistency or transparency are not fundamental, e.g., information could be presented in a more user-friendly manner, and any inconsistencies are relatively minor (e.g., between the backwards looking vs forward looking analysis). Lessons learned are documented and are evident in some areas of planning and delivery. Some minor delays in reporting or actions taken.</p> <p>Sub-par: Information is not presented clearly across documents. Fundamental issues with consistency or lack of evidence (either on a forward or backwards looking basis). Lessons learnt are not documented or are clearly ignored. Significant delays in submission or required actions.</p>
Financial strength	
Symmetric or asymmetric	Symmetric
Reward and / or penalty	+ / - €0.50m p.a.
Reward and / or penalty scoring guide	<p>Good: plus €0.5m p.a.;</p> <p>Acceptable: €0m p.a.;</p> <p>Sub-par: minus €0.5m p.a.⁴²</p>
Timings	
Frequency of GNI submission	Annual (and ad hoc)

⁴² These values assume that GNI is awarded the same score in each of planning, delivery and overarching processes. In practice, GNI may receive a mix of scores, with the final reward being between -€0.5m and +€0.5m p.a..

Proposed frequency of CRU assessment	End of period
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9. Biomethane Connections Incentive

Table 13: Summary of the Biomethane Connections Incentive

Biomethane Connections Incentive	
Purpose	To incentivise the timely and efficient delivery of biomethane connections to the gas network.
Assessment process	Qualitative balanced scorecard
Value	+/- €0.25m p.a.
Frequency of CRU assessment	Annual
Relevant reporting	Biomethane Connections Report
Frequency of GNI submission	Annual: refers to previous gas year. Submitted by end-February.

9.1 Context

Biomethane has an important role to play in decarbonising the Irish economy, and GNI is a key stakeholder in enabling the transition from fossil gas to biomethane.

Currently, GNI only offers connections to developers based on a 'maximum connection model' where GNI retains ownership of all equipment contained within the injection facility. GNI's role is therefore especially important in delivering biomethane targets, particularly in the earlier years of the industry and before alternative connection models are developed and offered.

The exact timing and volume of biomethane connections involved is uncertain, and in part depends on factors outside of GNI's control, such as broader policy support for biomethane production and the building of Anaerobic Digestion (AD) plants and other production facilities. The detailed design of the Renewable Heat Obligation (RHO) will introduce a new, important policy mechanism to scale up the biomethane market. It has not yet been published and is currently expected for the end of 2024.⁴³

⁴³ [Gov.ie: Renewable Heat Obligation.](#)

9.2 Incentive aim

The incentive aims to encourage GNI to deliver biomethane connections in a timely and efficient manner, whilst developing an enduring connections regime to enable the nascent Irish biomethane market to grow in line with the targets set out in the National Biomethane Strategy.⁴⁴

9.3 Reporting format

GNI will submit a standalone Biomethane Connections Report. The content will be focused exclusively on activities related to biomethane connections; however, it will be aligned with the broader content of the FROGI and Decarbonisation Report, covering the same gas year.

The Biomethane Connections Report should provide an in-depth overview of the progress made by GNI in delivering biomethane connections in the relevant gas year. This should include both quantitative metrics and qualitative information to support its assessment of progress.

Metrics

As a minimum, the report should contain qualitative and quantitative information on the following:

- The number of biomethane connections fully delivered and operational to date, with an indication of the associated volume of biomethane injected into the grid. This should also distinguish between connections to the transmission and distribution networks.
- The number of direct biomethane connections going through each step of the pipeline, e.g. the number of connections currently at:
 - Initial enquiry stage;
 - Formal application stage;
 - Gas Entry Point Agreement signed;
 - Detailed design stage; and
 - Construction stage.

This should include (both in aggregate; and split by connections to the distribution and transmission network):

- An indication of the expected volume of biomethane per annum for each connection;

⁴⁴ [The National Biomethane Strategy](#) sets an ambitious target of 5.7 TWh p.a. of biomethane production by 2030, with an intermediate target of 1 TWh p.a. by 2025. This reinforced the importance of GNI being able to deliver a large number of connections in the coming years, with the aim of achieving 1.6 TWh p.a. of biomethane throughout before the end of PC5 (subject to any further changes to government targets on biomethane).

- The time it takes to progress connections from one stage to the next (compared against target times), e.g. time to quote and time to connect;
- A granular breakdown of project costs incurred for each connection in the pipeline, as well as a summary of achieved costs for connections which have already been completed. In particular, GNI should set out:
 - Its approach to the original cost estimation for projects in the pipeline;
 - Its approach to accounting for uncertainty in its estimates; and
 - A comparison between achieved costs after a connection has been delivered and the original cost forecast, highlighting and explaining any variances as far as possible.
- A granular breakdown of connection charges paid by biomethane producers in line with the applicable charging methodology, split by connection and by whether they are standard or supplemental contributions.
- Information on the quality of the gas injected into the network, broken down by volume and location. Where possible, this should be complemented by a forward look of the impact of future biomethane injection on the quality of gas flowing through the network.

Qualitative information

These metrics should be complemented by extensive qualitative information on their main determinants, on any issues or blockers and on the work GNI is doing to resolve them. This should include:

- An overall narrative of progress made in the relevant gas year in delivering biomethane connections against the targets set out in the Biomethane Strategy. Any delays to delivery should be explained, including where they were determined by factors outside of GNI's control.
- Detailed explanations on the drivers of costs associated with biomethane connections, particularly where these are higher than originally forecast.
- A summary of actions undertaken by GNI to develop its market arrangements and internal policies to support the scale-up of biomethane connections. This should include updates on GNI's progress towards developing a 'developer choice' model for connections.
- An assessment of progress towards the targets set out in the Biomethane Strategy, based on the information from the points above. This should include the identification of any upcoming issues or risks which may not yet have fully materialised, with an indication of how GNI intends to mitigate them. It should also include GNI's assessment of ongoing developments in the biomethane market, including for

example any interest expressed by third parties to develop biomethane connections under a minimum connection model.

Curtailement and reverse compression

As the number of connections increases, the CRU also expects some new connections to potentially face a level of expected curtailment of biomethane injection volumes, in the absence of GNI investment in reverse compression infrastructure. Given this, GNI should report metrics on the current and expected available capacity for additional biomethane in different sections of its distribution network – once the connections currently in the pipeline become operational. Any expected level of curtailment from biomethane connections currently in the pipeline should also be reported. GNI should then refer to any associated analysis of needs cases for reverse compression to alleviate this problem. Where the detailed information on these needs cases and associated work is already available in other reports and documents, for example in parts of GNI's innovation reporting or in Flexibility Pot funding applications, GNI should signpost to the information available in these documents.

Dashboard

In addition to the annual reporting on biomethane connections in the Biomethane Connections Report, GNI should produce and share a dashboard on key biomethane connections metrics with the CRU, updated on a quarterly basis.

Similarly to the guidance set out in Section 5 for gas-fired generation connections (GFGCs), GNI should include in the dashboard a more concise summary of mostly quantitative information on the number of connections, the timeline and costs involved in delivering them, and include any reasons for changes compared to the previous period. GNI might also wish to detail its focus of work and priorities during the period in question (or the upcoming period). The exact list of metrics to be reported in the dashboard will be agreed bilaterally by the CRU and GNI and reviewed on an ongoing basis.

This dashboard will not be used directly to assess GNI's performance against the Biomethane Connections Incentive, which will still be based on information contained in the yearly Biomethane Connections Report. However, it will allow the CRU to have a more granular understanding of progress on delivering against biomethane targets and identify any issues or concerns early. It will also improve transparency and allow the CRU to provide GNI with earlier feedback on its actions to deliver connections, which GNI will then be able to reflect in its annual reports.

9.4 Incentive determination

The assessment of GNI's performance against the Biomethane Connections Incentive will be carried out in line with the balanced scorecard published as part of the PC5 Decision and reported in Section 9.5 below.

The weighted scorecard consists of three separate criteria: timeliness, biomethane output, and market arrangements. There is no mechanical weight associated with each criterion; instead, the CRU will carry out an assessment of GNI's performance in the round, taking all three into account. In doing so, it will consider which factors determining any delays or issues were within GNIs control, and will not penalise GNI for potential delays, cost overruns, or other issues which it had no responsibility in causing.

9.5 Balanced scorecard

Table 14: Balanced scorecard for the Biomethane Connections Incentive

Title	Description
Incentive name	Biomethane Connections Incentive
Components and scoring guidance	
Timeliness <i>GNI should demonstrate that it has delivered timely connections for biomethane producers</i>	<p>Qualitatively assessed.</p> <p>Good: GNI's actions contribute to connections for each of the four connection categories being provided materially quicker than the timeline agreed with the developer.</p> <p>Acceptable: GNI's actions help connect each of the four connection categories broadly within the timeline agreed with the developer.</p> <p>Sub-par: GNI's actions contribute to connections for any of the four connection categories being materially slower than the timeline agreed with the developer.</p>

<p>Biomethane output</p> <p><i>Assessment of the volume of biomethane delivered relative to the baseline</i></p>	<p>Good: If GNI contributes to delivery above the target of 1.6 TWh/a + 0.4 TWh/a (deadband upper limit) by 2026/27. If the Government changes the biomethane target and policy framework during PC5, then the volume targets for the incentive may be changed.</p> <p>Acceptable: If GNI contributes to delivery of the 1.6 TWh/a (+/- 0.4 TWh/a) target by 2026/27. If the Government changes the biomethane target and policy framework during PC5, then the volume targets for the incentive may be changed.</p> <p>Sub-par: If GNI contributes to delivering below the target of 1.6 TWh/a - 0.4 TWh/a (deadband lower limit) by 2026/27. If the Government changes the biomethane target and policy framework during PC5, then volume targets may be changed.</p>
<p>Market arrangements</p> <p><i>GNI should demonstrate best practice reporting standards and progress its connections arrangements for PC6.</i></p>	<p>Good: GNI presents information across biomethane reporting submission, which is clear, consistent (including across years) and transparent. Evidence is provided in a timely manner, GNI uses high quality data to undertake analysis, which is presented using consistent best-practice principles, and consistently across submissions.</p> <p>A 'developer choice' model to offer customers both minimum and maximum connection models and customer contributions mechanism for CGIs is either finalised or significantly progressed by the start of PC6.</p> <p>Acceptable: On the whole GNI presents clear information in its submissions. Issues with consistency or transparency are not fundamental, i.e., sources or rationale are provided, but could be presented in a more user-friendly manner, and any inconsistencies are minor.</p> <p>GNI has made significant progress progressing the 'developer' choice model and customer contributions mechanism for CGIs. Some minor developments are required to deliver during PC6.</p> <p>Sub-par: Information is not presented clearly. Fundamental issues with consistency (whether within documents or across years). The</p>

	<p>presentation is not user friendly, data quality is poor, or provision of information is delayed.</p> <p>GNI has made poor progress with the ‘developer’ choice model and customer contributions mechanism for CGIs. It is unlikely that one or the other will be ready during PC6.</p>
Financial strength	
Symmetric or asymmetric	Symmetric
Reward and / or penalty	+/- €0.25m p.a.
Reward and / or penalty scoring guide	<p>Good: plus €0.25m p.a.;</p> <p>Acceptable: €0m p.a.;</p> <p>Sub-par: minus €0.25m p.a.</p>
Timings	
Frequency of GNI submission	Annual
Proposed frequency of CRU assessment	Annual

10. Hydrogen Readiness Incentive

Table 15: Summary of the Hydrogen Readiness Incentive

Hydrogen Readiness Incentive	
Purpose	Encourage GNI to adopt a best practice approach to hydrogen readiness, including the timely completion of its PC5 commitments and its actions under the National Hydrogen Strategy.
Assessment process	Qualitative balanced scorecard
Value	N/A (reputational incentive)
Frequency of CRU assessment	Annual
Relevant reporting	FROGI and Decarbonisation Policy Report
Frequency of GNI submission	Annual: refers to previous gas year. Submitted by mid-April.

10.1 Context

Hydrogen is likely to play an increasingly important role in decarbonising the Irish economy. The existing gas network can be used to transport hydrogen in the form of low-volume blends with natural gas. In time, parts of the existing network may be repurposed to transport 100% low-carbon hydrogen. Hydrogen readiness is therefore an important area of work for GNI, who will play a crucial role in enabling and facilitating the transition from natural gas to hydrogen.

At PC5, the CRU established a Hydrogen Uncertainty Mechanism to cover activities related to hydrogen readiness, beyond those set out in base allowances. These additional activities will need to be approved by the CRU for the funding to be made available via the uncertainty mechanism.

The [National Hydrogen Strategy](#) sets out ambitious plans to scale up the production and transportation of low-carbon hydrogen in Ireland. Of the 21 actions listed in the strategy, GNI will play a crucial role in delivering five (listed in full in Section 10.3).

While the timing for delivery of these actions varies, all of them are due to be delivered by 2028 at the latest, with most needing to be delivered by 2025 or 2026. That means that the vast majority of the work associated with delivering them will take place during PC5. While these are the actions of most immediate relevance to it, GNI is likely to play a role in facilitating the delivery of other actions under the strategy.

Moreover, the recent EU hydrogen and gas decarbonisation package also introduced requirements for GNI to facilitate the potential transportation of low-carbon hydrogen via the existing gas network.⁴⁵ First and foremost, the requirement is for GNI to explore the feasibility of blending up to 2% of hydrogen into the network, in part to facilitate interoperability between different European systems. Recent decisions on hydrogen blends in the UK – to which the Irish gas network is interconnected – also point to the same priority.

10.2 Incentive aim

The Hydrogen Readiness Incentive aims to encourage GNI to complete hydrogen-related activities in a timely manner and to deliver the actions it is partly or fully responsible for under the National Hydrogen Strategy. Since hydrogen readiness is a relatively new area of activity for GNI, and significant uncertainty on the role of hydrogen in decarbonising the Irish economy remains, the incentive does not entail a financial penalty or reward.

10.3 Reporting format

The Hydrogen Readiness Incentive will be assessed based on the relevant information included in the yearly FROGI and Decarbonisation Policy Report. This should set out what GNI has done and is planning to do to deliver the relevant actions in the National Hydrogen Strategy.

This should include both activities aimed at facilitating a low-level blend of hydrogen into the existing natural gas network, and longer-term plans for potential conversion of part of the network to 100% hydrogen. This section of the report should include both an update on GNI's feasibility studies and research activities, as well as information on the development of any pilot projects. As a minimum, the CRU would expect this section of GNI's report to include:

- For each new hydrogen-related work package agreed with the CRU under the hydrogen uncertainty mechanism, a summary of the aims and deliverables of the

⁴⁵ [European Commission: Hydrogen and decarbonised gas market.](#)

project, the agreed costs and timelines, and a detailed progress update on all of these;

- A list of all projects it is carrying out related to hydrogen readiness, including both research projects and practical demonstrations, if the latter are planned;
- A summary of GNI's delivery against hydrogen-related actions which it is partly or wholly responsible for delivering under the National Hydrogen Strategy (see above), the Climate Action Plan, and other current or future policy documents; and
- An update on GNI's stakeholder engagement activities related to hydrogen readiness.
- For any project involving the actual blending of hydrogen into the grid, if available and where it is feasible to include it, information about: the volume of hydrogen injected, the level of blend achieved, the location of the injection, the source and production method of the hydrogen, and the price of the hydrogen at the point of purchase.
- A forecast of any volumes of hydrogen blended into the network in coming years, with information about volumes, location, the level of blend, the source of the hydrogen, and any impacts on gas quality metrics (such as calorific value).

GNI's primary focus for the work packages should be on projects aimed at preparations for the potential injection of hydrogen at low levels of blend into the existing gas network, with a secondary focus on longer-term planning for transitioning of parts of the network to hydrogen. In line with what is set out in the [National Hydrogen Strategy](#) (Action 12), these plans should take due consideration of:

- Plans to develop a biomethane sector in Ireland, which should form part of an integrated plan to transition the gas network away from fossil fuels to renewable gases;
- The prioritisation of end uses for 100% hydrogen as set out in the National Hydrogen Strategy, and their likely location where known;
- Energy security needs during the transition;
- How existing end users can transition from natural gas to hydrogen, or to alternative solutions, e.g. electrification;
- The role of lower levels of hydrogen blends during the transition, including associated costs and practicalities of moving from low-level blends to 100% hydrogen (or biomethane).

The CRU expects GNI to report on its progress towards the development of these plans. More generally, the CRU expects that GNI provides updates in this section of the report on its work to help deliver all actions it is responsible for under the National Hydrogen Strategy. In particular, GNI should provide information on the following actions:

Action #	Action on GNI	Reporting requirement
3	<p>Adopt EU standards for renewable and low carbon hydrogen and develop a national certification scheme to provide clarity on the end users as to the origin and sustainability of their hydrogen.</p>	<p>The work GNI is carrying out to develop a national certification scheme for hydrogen blended at low volumes into the existing gas network, in line with EU standards on renewable and low-carbon hydrogen.</p>
11	<p>Continue work to prove the technical capabilities of the gas network to transport hydrogen through the network and closely work the network operators in neighbouring jurisdictions in respect to interoperability between the networks.</p>	<p>Any research and related work that GNI is carrying out to prove the technical capabilities of the network to transport hydrogen, both at low-volume and 100% blends. This should include an overview of GNI's engagement with network operators in other European countries in relation to the interoperability between future hydrogen networks.</p>
12	<p>Develop a plan for transitioning the gas network to hydrogen over time, taking due consideration of:</p> <ul style="list-style-type: none"> ● Plans to develop a biomethane sector in Ireland; ● The prioritisation of end users set out in the National Hydrogen Strategy and their likely locations where known; ● The need to maintain energy security throughout the transition; ● How existing end users can transition from natural gas to hydrogen or to alternative energy solutions such as electric heating; and 	<p>GNI's main focus should be an update on progress towards long-term plans to transition the network from natural gas to hydrogen (and renewable gases more generally where appropriate). Where relevant, this may signpost to work already reported on under the DPA Incentive in the same report, or to information reported on under the Flexibility and Adaptability Incentive in the Core and Supplementary Flexibility Reports.</p>

	<ul style="list-style-type: none"> • The potential use of hydrogen blends during a transition phase, the costs associated and how the transition from blending can occur. <p>The plan should look to identify where the network can be repurposed, or where new pipelines may be required and provide detailed costings and a programme of works.</p>	
13	Progress work to identify and support the development of strategic hydrogen clusters.	Updates on how GNI is contributing to the work to identify and support the development of 100% blend hydrogen clusters.
14	Commence a review of current approaches to energy systems planning and make recommendations to support a more integrated long-term approach to planning across the network operators including electricity, natural gas, hydrogen, and water.	A summary of GNI's role in developing long-term energy systems planning fit for the future energy system in Ireland, signposting to information reported elsewhere where appropriate (as with Action 12).

In addition to the above, GNI should provide an update on any further work it is doing to comply with hydrogen-related requirements under the EU hydrogen and gas decarbonisation packet, where this is not already covered as part of the updates on actions and project mentioned above.

Generally, where the activities undertaken under this workstream have direct links to broader plans or activities reported on under different incentives, GNI should signpost to other relevant reports and set out how its progress on hydrogen readiness has been accounted for in its broader strategic plans. For example, GNI may want to highlight any links to information reported under the Decarbonisation Policy Alignment Incentive, where its delivery of hydrogen-related research of pilot projects has contributed to its broader delivery or facilitation of Irish decarbonisation policy.

10.4 Incentive determination

As the Hydrogen Readiness Incentive is a reputational incentive only, there are no financial rewards or penalties associated with it. The five components in the scorecard do not have explicit weights assigned to them. As such, every year the CRU will carry out a qualitative assessment of GNI's performance on this incentive in the round, looking across all five components to reach one overall assessment.

As with other incentives, the CRU recognises that there may be circumstances in which specific deliverables or work packages are delayed or do not meet their objectives due to factors outside of GNI's control. In such cases, the CRU will consider GNI's specific role and the actions it took to deliver the work to the best of its ability, without issuing a lower score for issues that it would not have been in GNI's power to avoid.

10.5 Balanced scorecard

Table 16: *Balanced scorecard for the Hydrogen Readiness Incentive*

Title	Description
Incentive name	Hydrogen Readiness Incentive
Components and scoring guidance	
Timely completion <i>Whether the work package is completed according to the schedule proposed by GNI and approved by the CRU</i>	<p>Qualitatively assessed.</p> <p>Good: The work package is fully completed according to the schedule agreed with the CRU in an original price control document that is subsequently updated.</p> <p>Acceptable: The work package is not completed according to the schedule agreed with the CRU, however sufficient justification is provided by GNI explaining why this was the case.</p> <p>Sub-par: The work package is not completed according to the schedule agreed with the CRU and no or limited justification is provided.</p>

<p>Completion of key deliverables</p> <p><i>GNI should complete all key deliverables of the work package to a satisfactory standard</i></p>	<p>Qualitatively assessed.</p> <p>Good: Satisfactory completion of all key deliverables proposed for that work package, including an enumeration by GNI of the associated economic, safety and environmental benefits which result from the completed work. These may focus on the interests of Irish energy consumers, those of other stakeholders and the expected contribution of hydrogen to climate policy goals.</p> <p>Acceptable: Satisfactory completion of most key deliverables proposed for that work package, including an enumeration by GNI of the associated economic, safety and environmental benefits which result from the completed work.</p> <p>Sub-par: GNI fails to complete most of the key deliverables proposed for that work package, or all key deliverables are not provided to a satisfactory standard.</p>
<p>Updated hydrogen deployment assessment</p> <p><i>As of completing the work package, GNI should update its assessment of the way hydrogen is likely to be deployed in Ireland</i></p>	<p>Qualitatively assessed.</p> <p>Good: As of completing the work package, an updated GNI assessment of the way hydrogen is likely to be deployed in Ireland, including volumes, timescales, locations, and the implications for the gas network is provided.</p> <p>Acceptable: The updated GNI assessment of the way hydrogen is likely to be deployed in Ireland, including volumes, timescales, locations, and the implications for the gas network is provided but at a slight delay due with reasonable justification.</p> <p>Sub-par: No update to GNI's assessment of the way hydrogen is likely to be deployed in Ireland is provided. Or the assessment fails to include all key metrics including volumes, timescales, locations, and the implications for the gas network.</p>
<p>Stakeholder engagement</p> <p><i>The extent and quality of GNI's external</i></p>	<p>Qualitatively assessed.</p> <p>Good: GNI is shown to have undertaken extensive, high-quality stakeholder engagement throughout the duration of the work</p>

<p><i>stakeholder engagement during the course of the work package</i></p>	<p>package (through own submissions and separate feedback from industry stakeholders to the CRU).</p> <p>All relevant stakeholders, including industry participants, consumer bodies, government agencies and others, as appropriate, are consulted.</p> <p>Interim progress reports have been shared with the CRU and the wider stakeholder community.</p> <p>Where appropriate, relevant external stakeholders are involved in the project sufficiently at all stages.</p> <p>Acceptable: Evidence provided by GNI and CRU feedback received from external stakeholders shows that GNI only undertook high-quality and extensive stakeholder engagement throughout certain stages of the work package, or stakeholder engagement was present throughout all stages but could have been more extensive or high-quality.</p> <p>All relevant stakeholders, including industry participants, consumer bodies, government agencies and others, as appropriate, are consulted.</p> <p>Where appropriate, relevant external stakeholders are involved in the project sufficiently at most or all stages.</p> <p>Sub-par: Evidence provided by GNI and CRU feedback received from external stakeholders shows that GNI failed to undertake extensive and high-quality stakeholder engagement at most or all stages of the work package.</p> <p>GNI does not consult all relevant stakeholders, including industry participants, consumer bodies, government agencies and others as appropriate.</p> <p>Where appropriate, relevant external stakeholders are not involved in the project sufficiently at all stages.</p>
<p>More cost-effective ways of working</p>	<p>Qualitatively assessed.</p>

<p><i>The extent GNI has been able to find more cost-effective ways of working</i></p>	<p>Good: GNI has been able to deliver enhanced outcomes in relation to the PC5 budget provided through finding more cost-effective ways of working and this is well-evidenced.</p> <p>Acceptable: GNI has found few or no more cost-effective ways of working, however evidence they provide shows GNI took all the necessary steps to investigate whether a more cost-effective way of working was possible.</p> <p>Sub-par: GNI does not find any more cost-effective ways of working and fails to provide sufficient evidence outlining how it attempted to find more cost-effective ways of working.</p>
<p>Financial strength</p>	
<p>Symmetric or asymmetric</p>	<p>N/A (reputational only)</p>
<p>Reward and / or penalty</p>	<p>N/A (reputational only)</p>
<p>Reward and / or penalty scoring guide</p>	<p>N/A (reputational only)</p>
<p>Timings</p>	
<p>Frequency of GNI submission</p>	<p>Annual</p>
<p>Proposed frequency of CRU assessment</p>	<p>Annual</p>

11. Customer Performance Indicators

Table 17: Summary of Customer Performance Indicators

Customer Performance Indicators	
Purpose	Encourage GNI to provide high quality service to its customers
Assessment process	Key Performance Indicators (KPIs) with associated financial or reputational incentive
Value	-€0.2m p.a. (penalty only)
Frequency of CRU assessment	Annual
Relevant reporting	Customer Performance Report
Frequency of GNI submission	Annual

11.1 Context

The Customer Performance Indicators (CPIs), maintained from PC4, are intended to encourage GNI to provide high quality service to customers. The indicators measure various aspects of GNI's customer service, including interaction with customers through its call centre and appointments as well as any complaints received from customers. The CRU also introduced two new performance indicators;

- appointment cancelling (% of appointments cancelled)
- overall customer satisfaction (based on a customer survey)

The overall customer satisfaction indicator, and the survey used for measuring it, will be based on GNI's existing survey processes, which are developed and operated by a third-party. GNI will begin reporting on the appointment cancelling metric in 2026, covering activity in 2025, and the customer satisfaction metric in 2025, covering activity in 2024.

11.2 Incentive aim

The CPIs aim to incentivise GNI to maintain current levels of service and improve its customer interactions where performance falls short of the targets.

11.3 Reporting format

GNI will submit an annual Customer Performance Report, reporting performance against the CPIs for the previous calendar year. The report should also continue to provide wider reporting on engagement with customers and related processes, as included in Customer Performance Reports during PC4. The report should be submitted by the end of March each year.

The report should contain a summary table setting out its performance for each indicator for the reporting year and two previous years. GNI should provide a narrative explaining its performance, and if relevant, why it has not met targets and how it is working to improve its performance.

GNI should substantiate its performance with evidence where possible. To be able to do this, GNI should keep good records of its interactions with customers. For example, the CRU has previously found it difficult to obtain information on GNI's interactions with customers regarding the resolution of customer complaints. The CRU considers it reasonable to require GNI to record and provide, when requested, evidence of its performance. Even when this information is confidential, it should be provided to the CRU when requested.

Once the new indicators (appointment cancelling and overall customer satisfaction) are operational, GNI might provide commentary on how well they have worked, and whether the implementation has been successful. For example, whether the survey used to measure overall satisfaction reflects all relevant aspects of the customer experience.

To aid stakeholders in interpreting GNI's performance, GNI must provide sufficient information on how the CPIs are defined and measured. For example, GNI should set out how it defines a complaint and the implications on counting customer contacts towards the metric. If GNI changes its methodology for defining or measuring a CPI, this change should be clearly stated with the reason behind the change explained. GNI should seek approval from the CRU before any methodological changes.

11.4 Incentive determination

The CRU will assess GNI's performance on an annual basis. The assessment will largely rely on GNI's measured performance against the targets but will also consider the narrative and evidence provided, to give a better understanding of GNI's performance.

The table below sets out how potential penalties will be determined. There are eleven metrics in three categories. The two new incentives (appointment cancelling and overall customer satisfaction) are reputational whereas the other nine have an associated financial penalty. The maximum annual financial penalty is €0.2m and the three metric categories (call centre, complaints and customer survey) will be equally weighted, i.e. for each category the maximum penalty will be €0.067m.

If GNI is not able to substantiate its performance, the CRU may decide to impose a penalty despite GNI's reported performance of meeting targets. The CRU might consider GNI's performance with reference to the previous year to assess improvements in performance. The CRU is more likely to do this for reputational incentives which do not have associated targets.

In the case that GNI's performance would fall to a level in which it would receive a penalty, it will have an opportunity to provide written evidence to the CRU to demonstrate that the performance was due to factors outside of its control. GNI's performance will not be penalised if GNI is able to justify such cases with the support of clear evidence. GNI should submit any evidence to the CRU alongside its reporting on CPIs (i.e., by the end of March each year).

Table 18: Targets and award ranges for the Customer Performance Indicators

Indicator	Target	Award method	Range of incentive allowed revenue
<i>Call Centre</i>			
A.1. Calls abandoned (after 10s)	1.5%	Equal penalty every 0.5% point above target, up to 1.0%.	- 0.075% to 0%
A.2. Call Response	92% answered within 20 seconds	Equal penalty every 1.0% point below target, up to 2.0%.	
<i>Complaints Metric</i>			
B.1. Total Number of Complaints	1,800	Equal penalty every 100 complaints over target,	- 0.075% to 0%

		up to 400 complaints over.	
B.2. Complaints Resolved (10 days)	96%	Equal penalty every 1.0% under target, up to 4%.	
B.3. Complaints Resolved (30 days)	98%		
<i>Customer Survey</i>			
C.1. Quotation turnaround (7 days)	97%	Equal penalty per 1.0% under target, up to 4.0%.	- 0.075% to 0%
C.2. Appointment granting (5 days)	97%		
C.3. Appointment keeping (1 day)	96%		
C.4. Reinstatement commitment (24 hrs.)	94%		
C.5. Appointment Cancelling	n/a	Reputational only	
C.6. Customer's Overall Satisfaction Survey	n/a	Reputational only	

12. Flexibility and Adaptability Incentive

Table 19: Summary of the Flexibility and Adaptability Incentive

Flexibility and Adaptability Incentive	
Purpose	Encourage GNI to adopt a flexible and adaptive planning approach to system operation and network planning in delivering its PC5 investment plans, to best deliver on long-term energy system needs in the context of the uncertainty of supply and demand and other factors impacting the gas network.
Assessment process	Qualitative balanced scorecard
Value	+€0.5m p.a. (upside only)
Frequency of CRU assessment	End of PC5
Relevant reporting	Core Flexibility Report (CFR), Supplementary Flexibility Report (SFR)
Frequency of GNI submission	Annual (CFR and SFR in alternating years)

12.1 Context

Natural gas has an important enabling role to help meet increasing energy demand. As the share of electricity from intermittent, renewable generation sources increases, flexible natural gas generation is likely to play an increasingly central role in supporting the transition in the short to medium term.

At the same time, future natural gas demand is uncertain, and so is the exact role that natural gas will continue to play over time to enable the transition. Future system needs will depend on the speed of electrification, the future generation mix, the availability of other forms of flexibility, and the role of nascent technologies such as low-carbon hydrogen – among others.

In order to meet the needs of a rapidly evolving energy system in the best way possible, GNI's plans to develop and operate the network therefore need to be as flexible as possible, and adapt to changing system needs.

12.2 Incentive aim

The Flexibility and Adaptability Incentive aims to encourage GNI to develop an increasingly flexible and adaptive approach to network planning and system operation. In the medium to long term, this should be reflected in GNI's Network Development Plan (NDP) and in its PC6 Business Plan. More generally, this adaptive planning approach should be integrated in GNI's investment and planning decisions over the course of PC5.

12.3 Reporting format

GNI's performance under the Flexibility and Adaptability Incentive will be based on the information it reports in the Core Flexibility Report (CFR) and in the higher-level Supplementary Flexibility Report (SFR), submitted in alternating years.

The CFR will be submitted in years in which GNI is not submitting its expected biennial Network Development Plan (NDP), i.e. 2025 (though the first CFR may be submitted after the end of 2025) and 2027 in PC5. CFRs and SFRs can then also be used to update the CRU on the way that these adaptive approaches have been implemented in GNI's overall network planning and system operation processes.

Contents of the CFR

GNI should use the CFR to illustrate the work it has done and is continuing to do to develop its adaptive planning approach. This should include detailed updates on the following areas of work, as a minimum:

- GNI's work on developing holistic energy system scenarios, in collaboration with other stakeholders, and how these scenarios are used to inform network planning and investment decisions;⁴⁶
- Lessons learned from past investments, particularly over the previous two years, and how GNI is integrating learnings to inform its future strategy and planning;
- How GNI is using – or planning to use – the Flexibility Pot and innovation funding to deliver long-term outcomes that are aligned with its strategic priorities and system needs under a range of different future scenarios;

⁴⁶ This is expected to include a wide range of scenarios given the uncertainty involved. Scenarios are expected to cover the natural gas and electricity systems as they develop in the coming years and decades, as well as developments in the biomethane and hydrogen markets. This is also expected to include scenarios with network decommissioning requirements.

- GNI's analysis of trigger points and the external factors influencing them (including the identification of any trigger points that have happened and what actions followed); and
- GNI's work to identify no- or low-regrets investment pathways, and how this is being integrated in the existing network planning process.

In providing these updates, GNI may find it useful to refer to information already reported in other documents that it will submit to the CRU. For example, referring to some Tier 2 capex projects – which will be reported on in more detail in the relevant capex reporting documents – may help to illustrate how GNI is applying its adaptive planning approach in current investment decisions (see Section 7.3 for more detail on capex reporting requirements). There may also be a partial overlap with information reported on in the FROGI and Decarbonisation Policy Report, e.g. relating to the development of holistic energy system scenarios.

When referring to information reported in other documents, GNI should provide clear signposting to where the information is already reported on and which elements are relevant to the Flexibility and Adaptability Incentive.

GNI should provide a summary of any relevant stakeholder engagement activities it has undertaken to develop its approach. This should include, for example, engagement with EirGrid and other stakeholders in developing holistic future energy system scenarios or in testing its core and alternative pathways.

GNI should also propose a series of metrics which it will establish in order to monitor – and subsequently evaluate – its application of adaptive planning approaches in practice. The list of metrics should be developed by GNI in collaboration with the CRU, engaging other stakeholders where relevant. The first CFR submitted in PC5 – expected in early 2026 – should contain an initial list of metrics, agreed with the CRU, that will be tracked in subsequent SFRs and CFRs and used to assess GNI's performance.

The proposed metrics should aim to cover the full range of activities covered by the Flexibility and Adaptability Incentive. This could include metrics to measure progress over long-term planning and scenario developments, an assessment of the impact of adaptive planning on investment decisions, or targets associated with investments that will enable flexibility in the future gas system.

Contents of the SFR

Since the first CFR will be submitted by GNI in January 2026, there will only be one SFR submitted over the course of PC5 – in mid-2026. In the final year of the price control, 2027, GNI will submit the second and final CFR during PC5.

As such, the purpose of the SFR will be twofold:

- The SFR should provide a higher-level update of progress against all activities, projects, and areas of work identified in the CFR. In particular, it should provide updated information on all metrics identified in the CFR.
- The SFR should provide an update on how the approaches developed in the previous year's CFR are being applied in the development of the NDP for the current year.

The CRU expects the SFR to be lighter-touch, and to provide updates on existing projects and approaches rather than developing or proposing new ones. Similarly, GNI is not expected to propose new metrics in the SFR, unless it deems it necessary. However, existing metrics should be used to measure progress against the objectives set in the CFR.

Submission timelines and approach

GNI has indicated that the development of the first CFR will take longer than originally considered by the CRU, envisaging that the first CFR would be submitted at the start of 2026.⁴⁷ Given the efforts required from GNI to adapt its planning approach for the future energy system, the CRU has agreed to a later submission for the first CFR. However, there should be continuous engagement between GNI and the CRU throughout 2025 relating to the development of the CFR, and the targets and metrics within it should reflect feedback from the CRU.

This should include, as a minimum:

- Monthly updates to the CRU, in written form and potentially followed up by a meeting, covering the progress made by GNI in developing the report;
- A series of at least two workshops between GNI and the CRU, with the inclusion of other relevant stakeholders if appropriate, aimed at discussing the core metrics and targets for the CFR; and
- GNI giving the CRU sight of early drafts of the CFR as it is developed, to allow the CRU to provide early feedback on the structure and content of the document. The CRU expects GNI to share a first full draft no later than September 2025.

⁴⁷ Given that the first CFR may be submitted after the end of 2025, GNI should consider how it will meet legislative requirements regarding the NDP and Gas Capacity Statement in 2025.

The exact nature and timelines of this engagement should be agreed between GNI and the CRU after the publication of this implementation guide.

In subsequent years, the approach for the first CFR will have already been developed, and an earlier submission of SFRs and future CFRs should be possible. The type and level of engagement between GNI and the CRU before the submission of these subsequent documents may be reviewed by the two parties after the submission of the first CFR in early 2026.

12.4 Incentive determination

The CRU will assess GNI's performance against the Flexibility and Adaptability Incentive in the round at the end of PC5. The assessment will look holistically at the two CFRs and the SFR GNI will have produced over the price control. Therefore, as described in the above section, it is important that GNI draws out clear links between the three documents, ensuring that it sets out a coherent approach which is developed consistently over time.

The financial (upside only) reward associated with the incentive is of €0.5m p.a. Since the assessment of GNI's performance will be carried out holistically across the three years, this will result in a maximum overall reward of €1.5m at the end of PC5.

12.5 Balanced scorecard

Table 20: Balanced scorecard for the Flexibility and Adaptability Incentive

Title	Description
Incentive name	Flexibility and Adaptability Incentive
Components (weight) and scoring guidance	
Planning (60%) <i>GNI will be assessed on the comprehensiveness and coherence of its long-term planning. This will focus on GNI's production of a new Flexibility Report and the</i>	Qualitatively assessed. Good: GNI has developed a comprehensive Flexibility Report and investment plan on a biennial basis demonstrating flexible and adaptive network planning. There is evidence that proposals have been considered holistically and are tied to a clear and unified underlying gas network planning strategy, which is evident through each stage of the plan. The ongoing investment programme is demonstrated to be a set of low regrets investments that are

<p><i>Network Development Plan (NDP) and GNI's investment strategy.</i></p>	<p>justified and needed in a range of policy and supply and demand scenarios for the gas network.</p> <p>GNI has reflected the findings and conclusions from its Flexibility Reports and the NDP in its PC6 business plan - i.e., GNI's PC6 business plan reflects a set of investments as justified by GNI's adaptive planning and scenario analysis in the Flexibility Report and NDP.</p> <p>GNI presents a central plan of action, which is underpinned by a clear list of assumptions (e.g., around energy policy and industry developments) and a set of well justified scenarios that underpin GNI's analysis, with key assumptions outlined in detail. GNI has detailed how its key planning assumptions are linked to different planning scenarios.</p> <p>The rationale behind GNI's proposed actions and investments in the central plan is well-evidenced and linked to the assumptions in the adaptive planning analysis. GNI displays as part of its Flexibility Report that it has considered different options, articulating why the chosen action is the most appropriate and low regrets, with reference to evidence such as cost benefit analysis (CBA), multi-criteria analysis, or stakeholder engagement. GNI outlines how it has considered the whole system implications of the plan, with evidence of meaningful engagement with EirGrid and other relevant stakeholders.</p> <p>A comprehensive list of policy uncertainties is provided detailing the associated magnitude, likelihood, and any 'trigger' or 'decision' point which could lead to a change in GNI's central plan and what the proposed changes to the plan would be. Uncertainties and trigger points will be reflected in the plan – with evidence of pre-planning actions taken by GNI for uncertainties and trigger points that are of higher likelihood. This should consider sectoral emission limits and security of supply. When changes are required to the central plan, GNI has described these changes in the look-back section of the Flexibility Report, with GNI explaining why the specific course of action was undertaken.</p>
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Milestones and metrics proposed by GNI in the assessment of the 'delivery' component of the incentive (see below) are both stretching and targeted, clearly linked to actions which are required for the successful delivery of the plan. GNI should include milestones dedicated to achievement of whole system thinking principles.

Acceptable: GNI presents a well justified Flexibility Report and investment plan. GNI has demonstrated how long-term flexible thinking and adaptive planning has informed its strategy and is used to identify a set of low regrets investments for its investment programme. Aspects of the Flexibility Report are good, but some parts lack clarity on how consistently and effectively GNI has applied adaptive and scenario planning principles and processes throughout the report.

GNI has reflected the findings and conclusions from its Flexibility Reports and the NDP in its PC6 business plan - i.e., GNI's PC6 business plan reflects a set of investments as justified by GNI's adaptive planning and scenario analysis in the Flexibility Report and NDP.

GNI presents a central plan of actions and investments, which are underpinned by assumptions (e.g., around energy policy or industry developments) and a set of well justified scenarios that underpin GNI's adaptive planning analysis.

GNI provides evidence-based rationale behind its central plan, and why this is low regrets, for example referencing CBAs or stakeholder engagement. GNI demonstrates through its application of scenario-based adaptive planning that its proposed plan of investments is low regrets.

GNI discusses policy uncertainties which are linked to its scenario assumptions. Some discussion of the magnitude or likelihood of the uncertainty is provided in Flexibility Reports. GNI provide a discussion of associated trigger points and high-level discussion of how this will affect actions in their plans and the types of pre-planning activities that are being undertaken.

GNI provides milestones and metrics linked to their central plan. Evidence that these are stretching and targeted and link to whole system thinking.

Sub-par: GNI has not clearly demonstrated how long-term strategic thinking and adaptive planning (going out at least 10 years) underpins GNI's Flexibility Report and investment plan. Parts of the plan are incoherent, internally inconsistent, or inconsistent with GNI's stated aims. The plan does not clearly demonstrate why the proposed investment plan is low regrets and flexible to a range of future scenarios for the development and use of the gas network. GNI has not comprehensively reflected the findings and conclusions from its Flexibility Reports and NDP in its PC6 business plan.

Assumptions and the scenarios used for the adaptive planning analysis underlying GNI's central plan are not clearly articulated and / or are not clearly linked to the central plan.

GNI does not provide convincing evidence to justify their central plan, e.g., limited evidence of stakeholder engagement or CBAs, which makes it difficult to assess the appropriateness or relative merits of proposed actions and why the proposed plan is underpinned by a set of low regrets investments.

Little discussion of policy uncertainties, triggers, or how the central plan will adapt to them.

GNI provides milestones and metrics linked to their central plan. Uncertainty over how stretching or targeted these milestones and metrics are.

<p>Delivery (30%)</p> <p><i>GNI will be assessed against the metrics GNI proposed for the year ahead. There should be clear linkages between strategy, decisions, and delivery. Metrics should focus on processes and delivery of strategic planning objectives as opposed to investment planning and delivery.</i></p>	<p>Qualitatively assessed.</p> <p>Good: GNI delivers the metrics and milestones as proposed in their plan. For example, effective progress with delivery of the central plan, timely achievement of stakeholder engagement programmes, well documented engagement with EirGrid on whole system issues, use of Flexibility Pot funding or responding effectively to triggers outlined in their plan.</p> <p>If targets are not achieved, GNI should provide supporting commentary that convinces the CRU that this was outside of their control and that reasonable steps were taken by GNI to try and achieve targets despite any obstacles.</p> <p>Acceptable: GNI partially delivers the metrics and milestones proposed in their plan. For example, this could include partial achievement of stakeholder engagement programmes, use of Flexibility Pot funding or efficiency targets. If targets or timelines are missed, then some commentary is provided explaining causes and actions taken by GNI to minimise delays or under-delivery.</p> <p>Sub-par: GNI under-delivers on their plan, with significant delay in timelines or missing multiple targets. Supporting commentary does not provide evidence of causes that were outside of GNI’s control, or steps taken to minimise the impact.</p>
<p>Over-arching process (10%)</p> <p><i>Over-arching processes assess GNI against aspects that are important for presenting, articulating, and delivering across both the planning and delivery phases of the capital programme.</i></p>	<p>Qualitatively assessed.</p> <p>Good: GNI presents information evidencing application of adaptive planning and flexible decision making across their Flexibility Report, NDP, PC6 business plan and the delivery of its action plan in a clear, consistent, and transparent way. GNI uses high quality data to undertake analysis, which is presented using consistent best-practice principles, and consistently across submissions. This includes the categorisation and labelling of business areas, activities, and initiatives, which should be consistent between documents and business areas.</p>

	<p>Acceptable: GNI presents clear information across their Flexibility Report, NDP, PC6 business plan and the delivery of its action plan. Issues with consistency or transparency across its document are not fundamental, i.e., sources or rationale are provided, but could be presented in a more user-friendly manner, and any inconsistencies between documents are minor. Labelling between business areas, activities, and initiatives is sufficient to identify spending across areas.</p> <p>Sub-par: Information is not presented clearly across documents. Fundamental issues with consistency which present reconciliation between documents or business areas, either due to inconsistent labelling or classification. Presentation is not user friendly, data quality is poor, or provision of information is delayed.</p>
Financial strength	
Symmetric or asymmetric	Asymmetric upside only
Reward and / or penalty	+ €0.5m p.a.
Reward and / or penalty scoring guide	<p>Good: plus €0.5m p.a.;</p> <p>Acceptable: €0.0m p.a.;</p> <p>Sub-par: €0.0m p.a..</p>
Timings	
Frequency of GNI submission	Annual (Core Flexibility Report, or Supplemental Flexibility Report in alternating years)
Proposed frequency of CRU assessment	End of period

13. Flexibility pot and Uncertainty Mechanisms

Table 21: Summary of the Flexibility Pot and Uncertainty Mechanisms

Flexibility Pot and Uncertainty Mechanisms	
Purpose	Improve flexibility and cost efficiency
Assessment process	Ex post review
Value	€10m (Flexibility Pot)
Frequency of CRU assessment	Annual (Uncertainty Mechanisms) and End of price control (Flexibility Pot)
Relevant reporting	Core Flexibility Report, Supplemental Flexibility Report, Uncertainty Mechanisms Report
Frequency of GNI submission	Annual (Uncertainty Mechanisms) and Biennial (Flexibility)

13.1 Context

The Flexibility Pot was introduced for PC5 as a solution for demand side management (DSM), which involves users of the energy system changing their usage from typical consumption patterns when there is a need to do so. Funding from the pot can be spent on opex or capex and the total value of €10m applies in aggregate to distribution and transmission over PC5.

Three Uncertainty Mechanisms were introduced for PC5 that cover investment in relation to biomethane, CNG and hydrogen – i.e. the ‘future role of gas’ (FROG) initiatives – given the need for readiness activities in these areas to align with government policy.

13.2 Incentive aim

The objective of the Flexibility Pot is to encourage GNI to undertake expenditure that improves flexibility and cost efficiency from a holistic perspective. A key focus of the expenditure should be to reduce or remove the need for unnecessary network reinforcement or expansion. While GNI is

required to obtain CRU approval before drawing upon funds in the Flexibility Pot, this is intended to be a light-touch process.

The Uncertainty Mechanisms are designed to allow GNI to obtain additional funding for FROG initiatives – biomethane, CNG and hydrogen – within the price control period. At the time of submitting the PC5 business plan it was unclear what activities would take place in these areas as the need and timing of such activities was still to be determined, but it was clear that investment would be likely be required to achieve government aims. Therefore, PC5 includes three Uncertainty Mechanisms to enable GNI to obtain additional funding should it demonstrate that the need has arisen.

13.3 Reporting format

Flexibility Pot

Detail on the reporting format for the two flexibility reports – the Core Flexibility Report and the Supplementary Flexibility Report – is provided in section 12.3.

Uncertainty Mechanisms

The Uncertainty Mechanisms report is to be published annually along with tariff determinations and should include a progress update on the use of all uncertainty mechanisms available within PC5 (biomethane, CNG and hydrogen). The progress update should contain information regarding outputs delivered, additional funding received or requested and any revenue impacts.

A further section of the report should detail information regarding the potential future use of the three Uncertainty Mechanisms, to the extent that GNI has such information.

13.4 Assessment process and allowance allocation

Flexibility Pot

Regarding use of the Flexibility Pot funding mechanism, the onus is on GNI to set out why a particular use case would make effective use of the available funding. GNI should accompany proposals with TJPs or other appropriate submissions. The CRU's assessment will look at whether GNI has assessed a full range of solutions before proceeding with its investments, for example looking at DSM measures instead of network expansion or reinforcement, and explaining why the proposed approach has merit.

The CRU's assessment of the use of this funding mechanism will be ex-post and consistent with the approach that applies to Tier 2 capex projects, as outlined in section 7.4. The same ex-post assessment will apply irrespective of whether GNI's flexibility related expenditure is opex or capex.

The expenditure considered economic and efficient (following the ex-post assessment) will be treated as an 'extra-over' item on opex, or as a project on capex, for the purpose of revenue recovery.

Uncertainty Mechanisms

Detail on each of the three Uncertainty Mechanisms is outlined below.

Biomethane Uncertainty Mechanism – The basis for the CRU's core opex allowance for biomethane is for 1.6 TWh biomethane deployment per year by the end of PC5, aligned with GNI's business plan, with use of the maximum connection model. As discussed in the CRU's accompanying transmission and distribution allowed revenue decisions for PC5, this assumed trajectory aligns the core PC5 opex and capex allowances with achievement of the government's 1 TWh by 2025 and 5.7 TWh target by 2030 provided that the assumed growth rate in biomethane deployment achieved in the final year of PC5 continues for the remaining years to 2030.

The biomethane uncertainty mechanism applies to opex and is bi-directional i.e. opex allowances are reduced for lower delivery and increased in the event of higher delivery. The adjustments to opex will be based on the figures included in [CRU2023138](#) and [CRU2023139](#) and applied relative to the core allowances on biomethane. The parameters for the biomethane uncertainty mechanism are provided in the table below.

Type of connection	Opex (€k / per annum per connection)	Baseline plan (cumulative outputs by year of price control)
Direct Dx, no compression	10	1-5-9-12-15
Direct Dx, with compression	130	0-1-3-4-5
Direct Transmission	100	1-2-3-5-6
Central Grid injection	1,107	0-1-1-2-2

For example, if GNI delivered on its baseline plan for the first four years of PC5 on direct distribution connections without compression, but in the final year of PC5 had delivered 16 connections rather than the assumed 15, opex allowances would increase by €10k for one year (per connection – in this case, one). If over-delivery was in the penultimate year, the revenue adjustment would be 2 x €80k.⁴⁸ Changes would be reflected in subsequent tariff years in the same way as the ‘extra-over’ process.

CNG Uncertainty Mechanism – GNI are to submit a re-opener request for CNG PC5 revenue detailing a specific allowance for these activities following the publication of the Causeway study. A re-opener request from GNI would need to clearly articulate whether the request is in relation to one of the existing work packages of the Causeway Study, or a new work package, with clear justification.

The revenue ask will need to provide clear evidence as to why the investment would meet the strategic goals of PC5 as set out in the PC5 strategy paper ([CRU21067](#)) as well as the aims for decarbonising transport as set out by the government in the Climate Action Plan. In addition, GNI’s request will need to have consideration of its licence obligations, market rules and whether the proposed activity is a regulated activity or not. The CRU will assess this evidence and the outcome report from the Causeway project in determining whether the re-opener request should be granted. This will also consider reporting requirements in conjunction with any revenue request made under the CNG uncertainty mechanism.

Hydrogen Uncertainty Mechanism – GNI already has base allowances for hydrogen projects within PC5 that were more certain at the time of setting the price control, but is able to obtain funding for delivering on the National Hydrogen Strategy. To obtain such funding, GNI will need to submit a justified expenditure proposal for further activities beyond the baseline foundational activities (essential activities to prepare for hydrogen injection). CRU approval of this request would increase allowed revenues available.

⁴⁸ Comprising two-years of incremental opex relative to the core baseline opex allowance.

14. Innovation

Table 22: Summary of innovation funding and reporting

Innovation	
Purpose	Making innovation a more integral part of GNI's operations through the Innovation Fund
Assessment process	Governance Board overseeing allocation of funding. The CRU may also request an audit of the fund.
Value	€5.3m
Frequency of CRU assessment	N/A (Funding decisions overseen by the Innovation Steering Group. No formal assessment, but the CRU may request an audit to ensure allocation is as prescribed.)
Relevant reporting	Innovation Report
Frequency of GNI submission	Annual

14.1 Context

In the CRU's PC5 Decision Document on the regulatory framework, the CRU set out its decision on innovation funding in order to make innovation a more integral part of GNI's ordinary operations. The Innovation Fund will contain two separate pots – the Strategic Innovation Fund (SIF) and the Network-Based Innovation Fund (NBIF).

The CRU decided to allocate €1.5m to the SIF and €3.8m⁴⁹ to the NBIF for the PC5 period, with the latter also including €400k for project management across the two pots. While the NBIF will be fully administered by GNI, for the SIF GNI has partnered with Research Ireland for co-funding opportunities (formerly Science Foundation Ireland).⁵⁰ No more than €1.5m can be allocated to

⁴⁹ GNI will be allowed to keep 5% of savings on projects from the NBIF due to successfully securing any new co-funding, when the new projects are approved by the governance board. The value on which the total co-savings reward can be earned is limited to 50% of the size of the NBIF excluding project management costs (i.e., €1.70m). The 5% co-funding incentive limits the total reward to €85k over PC5.

⁵⁰ A small share of the funding allocated to the SIF (€0.3m) is intended to cover co-funded research with other research bodies such as SEAI and ESRI.

NBIF projects linked to FROG initiatives, as the Innovation Fund should have a focus on projects with a business case linked to the existing gas network.

Funding decisions for the Innovation Fund will be overseen by the Innovation Steering Group, a governance board for the fund. The group is comprised of members representing GNI and two independent members to ensure fair allocation of funds to projects. At the time of publication, the board has two interim independent members, and GNI is working to appoint independent members on an enduring basis.⁵¹ The approach to funding decisions for both pots is described in section 14.3.

14.2 Fund aim

The Innovation Fund is designed to fund projects that contribute to the following objectives:

- providing a safe high-quality service for all gas customers;
- a continued focus on efficient spend;
- efficiently facilitating the energy transition with a particular focus on decarbonisation;
- effectively identifying suitable projects for co-funding;
- enhancing the GNI innovation webpage in order to attract suitable applicants;
- maintaining a safe and resilient gas network; and
- effective dissemination of all research and innovation outcomes.

The SIF will fund research projects using a challenge approach, in collaboration with Research Ireland. The NBIF will fund trials of new technologies and software for the running of gas networks as well as develop GNI's work through its Network Innovation Centre.

The challenges for the SIF, determined by GNI and Research Ireland, for which funding can be applied for are (i) energy system integration (including two broad themes: the integration of renewable gases at local and regional levels; and the development of AI solutions for gas network performance diagnostics) and (ii) biomethane and biohydrogen production.

14.3 Reporting format

GNI will report on its use of the Innovation Fund in the annual Innovation Report, which will be submitted by the end of April in each year.

⁵¹ As outlined by the CRU, independent members of the board should: i) not have been employed by GNI and must be independent with no conflicts of interest in projects being considered; and ii) must have experience at a senior level with relevant expertise, i.e., minimum of 10 years' experience in the gas sector.

During PC4, GNI reported on the innovation fund in use at the time (the Gas Innovation Fund) in its Innovation Report. As such, the CRU is of the view that that it is not useful to provide overly detailed guidelines on how GNI should structure its reporting. GNI has informed the CRU of its intention to restructure the report to reflect the PC5 reporting requirements and a greater focus on benefits and case studies. This section aims to provide minimum requirements that GNI can build on. The CRU expects GNI to continue providing wider context on its innovation activities as it has been doing in previous reports.

The Innovation Report should contain descriptions for all projects and how the projects contribute to the objectives of the Innovation Fund. The report should also contain a summary of any on-going allocation decisions and an update on the total allocated funding for both pots, including the funding allocated for FROG initiatives.

NBIF

GNI uses a five-gate process for funding decisions for the NBIF. As part of this, a business case approach is used to evaluate potential benefits, including cost savings and benefits related to health and safety, compliance, operations, customers and the environment. In the Innovation Report, GNI should report the number of projects at different stages of the process:

- **Gate 1 – Idea Discovery:** Ideas sourced and screened for suitability with respect to the objectives set by the CRU and GNI Strategic Ambitions.
- **Gate 2 – Idea Evaluation and Approval:** High-level business case used to evaluate ideas, which are presented to the Steering Group for approval in principle. Project teams are assigned for approved projects.
- **Gate 3 – Innovation Project Initiation and Final Approval:** Delivery plans (with project plan, milestones, and project timelines) are developed, and stakeholders are engaged. Steering Group approves delivery plans.
- **Gate 4 – Delivery:** Projects are executed and submitted for review.
- **Gate 5 – BAU Implementation Planning:** Benefits are measured and projects are presented to the innovation Steering Group for Business-as-Usual (BAU) adoption. BAU project team is identified.

If projects are not taken forward following any of the gates, GNI should provide a short summary explaining why. The CRU expects this to include a consideration on whether GNI could have engaged with the project teams better in order to ensure that the projects fulfil all requirements and progress.

In addition, the Innovation Report should discuss the outcomes of the trials funded by the NBIF as well as how innovation has been introduced to BAU practices and any lasting impact that the NBIF funding might have consequently led to within GNI.

If GNI has obtained additional co-funding, the report should contain information on all the projects that were co-funded and the 5% savings GNI can retain.

In reporting outcomes, the CRU encourages GNI to look for best practice for measuring impacts. For example, using credible and robust indicators such as financial benefits or carbon savings.

SIF

Similarly to the reporting on the NBIF, the CRU would expect to see reporting on the type of research projects funded under the SIF and the outcomes achieved.

Funding allocations under the SIF will be determined in three competitive phases: i) concept, ii) seed and iii) prize. A panel established by Research Ireland will review applications against the challenges discussed in Section 14.2, with input from the Innovation Steering Group. While funding is awarded in each of the three phases, it is expected that not all projects will progress to the second and third phases. GNI expects one project to receive the final funding award in the last phase.

GNI should report on the projects at each phase, along with information on how the decision on progression was made for each project. GNI should also discuss how it ensures that the projects meet the intended objectives to progress to the next stage, and how it has coordinated with Research Ireland on this.

In addition, GNI should report the number of projects within each broad theme and sub-theme, i.e.:

- Energy system integration – the integration of renewable gases at local and regional levels.
- Energy system integration – the development of AI solutions for gas network performance diagnostics.
- Biomethane and biohydrogen production.

GNI may also wish to discuss the dissemination of insights from successful projects, e.g., together with the co-funding partners. The CRU also expects GNI to discuss the benefits from the co-funding approach. If GNI has obtained additional co-funding, the report should contain information on all the projects that were co-funded.

Overarching

The report should contain information on the governance of the fund and any implications on future costs incurred by GNI.

Given GNI's experience in evaluating potential innovation projects and introducing innovation into BAU practices, the CRU expects GNI to discuss the lessons it has learned and the implications to its approach, for example, in relation to the governance and administration of the Innovation Fund or engagement with the project teams to ensure progress.

The CRU encourages GNI to consider external precedent for ideas on how to improve its approach to innovation funding. For example, it might be of interest for GNI to look at how benefits are evaluated as part of Ofgem's Strategic Innovation Fund, which funds projects that could speed up the transition to net zero in GB. While Ofgem's innovation fund is at a larger scale (covering both electricity and gas networks), it might provide useful insight for measuring the impact of the innovation project. This includes potential cost savings and reductions in emissions.⁵²

14.4 Incentive determination

The innovation funding is a 'use it or lose it' allowance and will not be carried forward beyond PC5. There is no formal assessment of GNI's funding decisions. However, the CRU may request an audit of GNI to ensure the use of the Innovation Fund is as prescribed.

⁵² UKRI: Ofgem Strategic Innovation Fund (SIF) Annual Report 2023.