



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

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Commission for Regulation of Utilities

CRU Consultation on the PC5 Regulatory Framework

Consultation Paper

Consultation Paper

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CRU Draft Strategic Plan 2022-24

<h2>Our Mission</h2> <ul style="list-style-type: none">• Protecting the public interest in water, energy and energy safety.	<h2>Our Strategic Priorities</h2> <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
<h2>Our Vision</h2> <ul style="list-style-type: none">• Safe, secure and sustainable supplies of energy and water, for the benefit of customers now and in the future.	

Executive Summary

Price Control 5 (PC5) will set the revenues that GNI can collect from its customers from October 2022 to September 2027. To set those revenues, the CRU conducts a thorough review of Gas Networks Ireland's (GNI's) proposals for the period and only allows GNI to recover efficient costs. It is important that this process considers the key opportunities and challenges that GNI will face in delivering safe, secure sustainable and reliable low-carbon solutions that efficiently meet the gas customers' needs and Ireland's energy needs. The key challenges and opportunities identified for PC5 were presented in a strategy paper (CRU/21/067) published in 2021. They include:

- meeting the changing needs of the gas network while maintaining a safe and resilient gas network underpinning the security of supply of the energy system, and;
- efficiently and safely facilitating the decarbonisation of the gas network and the economy generally.

These challenges and opportunities have become even more evident since the outbreak of war in Ukraine and the drive to reduce energy demand and dependence on Russian gas. This, in conjunction with Ireland's aim to halve its emissions by 2030 and reach net zero no later than 2050, has seen significant changes in energy policy - with more to come. For example, significant work is ongoing by government on reviewing the long-term security supply of the gas network and a H₂ strategy has just been recently published (12th July), which sets a useful framework for the development of a H₂ market to decarbonise our economy, enhance our energy security and create industrial and export market opportunities. In addition, a new Climate action Plan (CAP 2023) has been published, which includes a new, higher, biomethane target and introduced for the first time legally binding sectoral emission ceilings. The CAP also places a requirement on the CRU to develop a demand side strategy, with input from key stakeholders. This strategy will develop an overarching framework to help co-ordinate the actions necessary to reduce the carbon intensity of energy demand in Ireland. With this pace and level of development, it is clear that GNI will have to adapt quickly during PC5 to meet the challenges and opportunities that it will face. To facilitate GNI to adapt effectively and in time, the CRU has reviewed the regulatory framework for PC5 to ensure that it provides the right incentives and revenues. The review identified that the core elements of the regulatory framework remain fit for purpose. However, it identified areas where changes may be warranted. These were:

- Delivery of new connections;
- Facilitating the future role of gas; and
- Providing a greater focus on outputs and outcomes for the gas customer.

High level proposals for changes in these areas were presented in a consultation on the regulatory framework (CRU/21/133) published in December 2021. Those proposals have now been further developed, considering feedback to the consultation and the significant market and policy developments discussed earlier, as well as a detailed review of GNI's proposed business plans for PC5 (what activities they are proposing to undertake and at what cost).

In developing the proposals, the CRU has identified 3 core pillars, around which the proposals are structured. They are as follows:

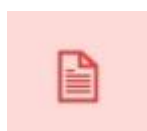
Figure 1 – CRU Core Pillars

Pillar 1: Planning and governance



Enhancements to GNI's planning requirements and associated governance. These require GNI to display planning and strategy for future uncertainties and provide assurance that they will deliver a gas network flexible to change, that meets the needs of customer while being in compliance with carbon emission ceilings and decarbonisation policies

Pillar 2: Periodic reporting



Clearer reporting, both within and between price controls, with consistent categories for both costs and Key Performance Indicators (KPI's). We consider this should be annual with the objective to improve transparency and accountability of GNI's performance across different areas of its business and display the value been delivered by it to the gas customer.

Pillar 3: Uncertainty mechanisms and incentives

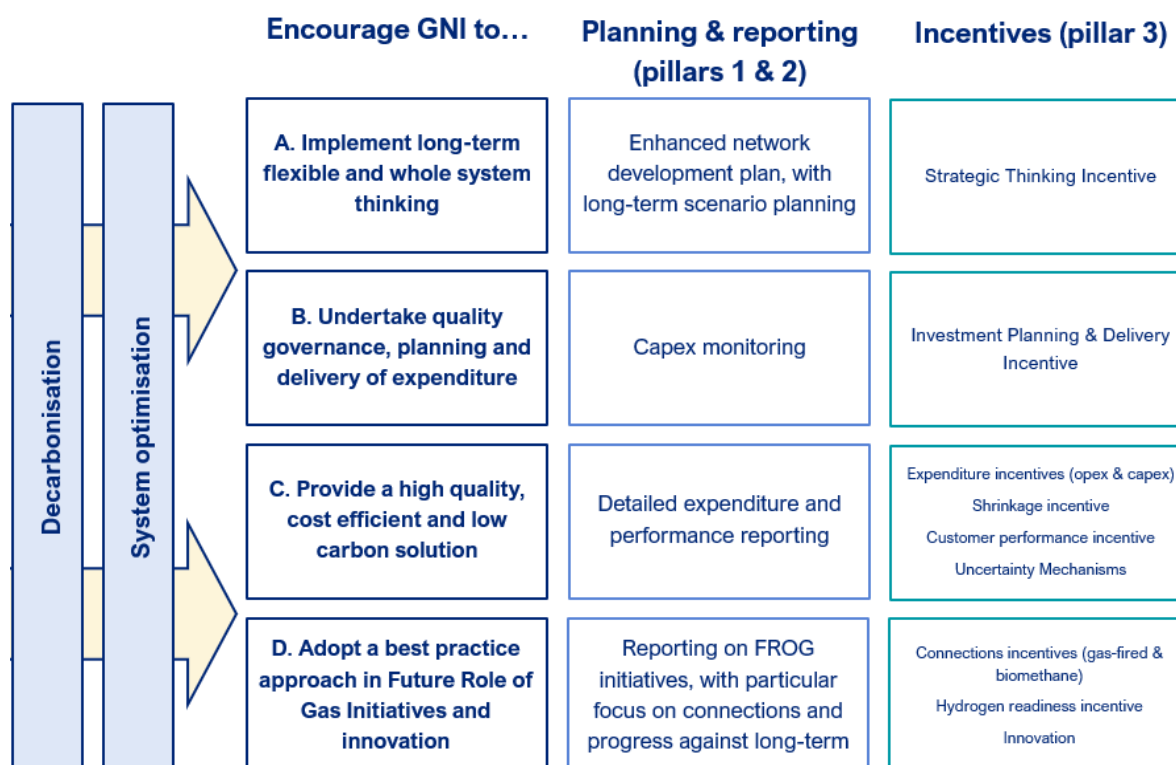


Uncertainty mechanisms (UMs) and incentive mechanisms to manage future uncertainty by providing flexible funding streams and financial (or reputational) incentives to drive positive or new behaviours while keeping pace with the evolution of market and policy needs.

Source: CEPA

These pillars have been mapped to the desired behaviours that are being sought from GNI to meet the challenges and opportunities they are likely to face in PC5. This is presented in the following figure, along with a summary of the proposed changes to the regulatory framework. The proposal will require more detailed and frequent reporting by GNI and evaluation by GNI. They will require a significant level of work to be put in place. This has been considered in the proposals and transition periods are recommended, where necessary, to provide time to put the required processes in place. The significant experience gained through the evolution of the regulatory framework for electricity, where there has been similar increases in reporting and evaluation activities over the years, will be leveraged upon to keep the transition periods to a minimum.

Figure 2 - Proposed PC5 Regulatory Framework Overview



The CRU is now seeking comments on the proposals set out in this paper. This paper is published in tandem with the CRU202368 CRU Consultation on PC5 Transmission Revenue for Gas Networks Ireland and CRU202370 CRU Consultation on PC5 Distribution Revenue for Gas Networks Ireland. Comments will be considered in full and a decision paper containing the CRU's finalised position on the regulatory framework for PC5 will be published in Q4 2023. This paper should be read in parallel with CRU202379 CEPA Future Role of Gas (FROG) Paper and CRU202378 CEPA Flexibility Paper.

Public/Customer Impact Statement

The CRU is in the process of setting GNI's allowed revenues for the PC5 period (1 October 2022 to 31 September 2027). To do this, the CRU has conducted a detailed review of GNI's business plan and financial proposals for the PC5 period. The findings of this review have informed the proposals set out in this paper and the accompanying CRU202368 CRU Consultation on PC5 Transmission Revenue for Gas Networks Ireland and CRU202370 CRU Consultation on PC5 Distribution Revenue for Gas Networks Ireland papers. The finalised allowed revenues will deliver value for the customer and ensure that GNI can safely and securely operate, maintain, and invest in the gas Transmission and Distribution networks.

The CRU will continue to monitor GNI's performance and will challenge GNI to become more efficient over PC5. The benefits to gas customers will be:

- A safe, high-quality service for all gas customers;
- A continued focus on efficient spend;
- The efficient facilitation of the energy transition; and
- A safe and resilient gas network.

The regulatory framework seeks to incentivise GNI by encouraging desired behaviours which are in the interest of the customer. This paper sets out the CRU's proposals for changes to the regulatory framework for PC5. The changes are seen as an evolution of the framework currently in place and takes into account the key challenges that GNI is likely to face in PC5, including:

- adapting to the changing use of the natural gas network while maintaining a safe and resilient gas network, and;
- efficiently and safely facilitating the decarbonisation of the gas network and the economy generally.

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Glossary of Terms and Abbreviations

Abbreviation or Term	Definition or Meaning
BAU	Business as usual
Capex	Capital expenditure
CAP	Climate Action Plan
CBA	Cost Benefit Analysis
CCGT	Combined Cycle Gas Turbine
CEPA	Cambridge Economic Policy Associates
CGI	Central Grid Injection
CNG	Compressed natural gas
CO₂	Carbon dioxide
CPI	Customer Performance Indicators
CRU	Commission for Regulation of Utilities
DECC	Department of the Environment, Climate and Communications
DSM	Demand Side Management
EU	European Union
EC	European Commission
EED	Energy Efficiency Directive
ESRI	Economic and Social Research Institute
FROG	Future Role of Gas
FROGI	Future Role of Gas Initiatives
GNI	Gas Networks Ireland
H₂	Hydrogen
IPD	Investment Planning and Delivery
KPI	Key Performance Indicator
NBIF	Network Based Innovation Fund

NDP	Network Development Plan
OCGT	Open Cycle Gas Turbine
OGMP	Oil and Gas Methane Partnership 2.0
Opex	Operational expenditure
OUG	Own Use Gas
PAYG	Pay as you go
PC1	Price Control 1 – the price control to apply to Gas Networks Ireland
PC2	Price Control 2 – the price control to apply to Gas Networks Ireland
PC3	Price Control 3 – the price control to apply to Gas Networks Ireland
PC4	Price Control 4 – the price control to apply to Gas Networks Ireland
PC5	Price Control 5 – the price control to apply to Gas Networks Ireland
PC6	Price Control 6 – the price control to apply to Gas Networks Ireland
PR4	Price Review 4 – the price control to apply to the electricity networks
PR5	Price Review 5 – the price control to apply to the electricity networks
RAB	Regulatory Asset Base
RED II	Renewable Energy Directive
SEAI	Sustainable Energy Authority of Ireland
SFI	Science Foundation Ireland
SIF	Strategic Innovation Fund
STEM	Science, Technology, Engineering, Maths
TJP	Technical Justification Paper
Totex	Total expenditure
TSO	Transmission System Operator
UAG	Unaccounted for Gas
UM	Uncertainty Mechanism

1. Introduction

This chapter outlines the role of the CRU and the policy context for PC5. Finally, it sets out the ways in which people can respond to this consultation.

Commission for Regulation of Utilities

The Commission for Regulation of Utilities (CRU) is Ireland's independent energy and water regulator. The CRU has a wide range of economic, customer protection and safety responsibilities in energy and water. The work of the CRU impacts every Irish home and business by ensuring safe, secure and sustainable energy and water supplies at a reasonable cost.

Gas Networks Ireland (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. It is important that these are set at the right level to ensure a safe, secure and sustainable supply of energy for the benefit of customers now and in the future. To set these revenues, the CRU reviews, in detail, cost proposals submitted by GNI. These revenues are set every five years, in a process called a 'price control.' Further information on the CRU's role and relevant legislation can be found on the CRU's website at <https://www.cru.ie/>.

1.1 Context for PC5

The Irish energy system is entering a crucial period in its development, tasked with achieving world-leading decarbonisation targets and bolstering security of supply, whilst facilitating significant new energy demands. The Climate Action Plan 2023 (CAP23) outlines Ireland's plan to fulfil the EU's Renewable Energy Directive (RED II) and Energy Efficiency Directive (EED), setting ambitions for achieving carbon neutrality by 2050, and a 51% reduction of emissions (against 2018) by 2030. This includes a 75% reduction in the power sector by 2030 (also against 2018 levels) and is in addition to the significant reductions already made.

The gas network currently powers approximately 50% of Ireland's electricity generation on average (or up to 85% at peak times), with a short-to-medium term role for gas of supporting more intermittent renewables and replacing coal or peat-fired power plants with high efficiency

gas power plants to reduce emissions. For the gas network to contribute to longer term climate and sustainability goals, GNI may need to invest in the support of more nascent technologies, with associated policy mechanisms that are yet to be proven at scale. CAP23 identifies green hydrogen as a 'horizontal development' for the future with uses across multiple sectors of the economy. CAP23 also targets expansion of the indigenous biomethane industry to reach 5.7 TWh of annual production by 2030. Achievement of either of these ambitions will require effective and flexible network planning from GNI that, within the context of its overall capital plan, ensures appropriate investment decisions are made at the right time for consumers.

Alongside these sustainability pledges, Ireland's energy system also faces demand pressures with forecasts that predict an increase in overall demand in both the electricity and gas sectors in 2030 and beyond. This is largely caused by new connections from data centres with significant energy demands. It is predicted that by 2030, they could account for 30% of Ireland's electricity consumption. Based on this demand, nine gas-fired power plants are due to be built in Ireland by next year (1,167MW of capacity) following the 2022 capacity auction.

Furthermore, the recent conclusions of the 2023 Madrid Forum emphasised the importance of flexibility in how gas network assets are reinvested in, repurposed, and if necessary, potentially decommissioned in future, and the need for integrated network planning from gas TSOs to ensure:

- security of supply;
- system integration; and
- avoidance of stranded assets.

In this overarching context, the CRU has also published its Energy Demand Strategy, which seeks to reduce the carbon intensity of energy demand in Ireland. All this places a responsibility on the CRU to provide GNI with a set of allowances and a regulatory framework which is matched to these challenges, providing the requisite flexibility and incentives that allow GNI to respond to the dynamic and fast-moving energy landscape expected over the coming decades.

1.2 Process

The CRU planned to publish the PC5 Decision in summer of 2022. However, due to significant events occurring, this was paused. This subsection summarises the key steps from GNI's initial submission to the publication of the papers today.

At the outset of the PC5 process, in June 2021, the CRU published its letter of engagement (CRU/21/067a) to GNI, which set out four key objectives for GNI to fulfil over the PC5 period:

- Provide a safe, high-quality service for all gas customers;
- Retain a continued focus on efficient spend;
- Efficiently facilitate the energy transition; and
- Maintain a safe and resilient gas network.

Further to that, the CRU published the PC5 Strategy Paper (CRU/21/067), which set out the key challenges and opportunities that GNI was likely to face during the PC5 period in the context of the Irish energy system and European and national policy. The CRU sought feedback from stakeholders on the strategy proposals to ensure that PC5 provides the right incentives and revenues to facilitate GNI delivering safe, sustainable and reliable low-carbon solutions that efficiently meet the gas customers' needs and Ireland's energy needs.

In December 2021, the CRU published an initial consultation on the regulatory framework for PC5 (CRU/21/133) which set out a list of proposals for modifications to the regulatory framework in relation to the delivery of new connections, facilitating the future role of gas and providing a greater focus on outputs and outcomes for gas customers. In tandem the CRU engaged with GNI, supported by external expert advisors, to review GNI's detailed submissions with respect to past expenditure and future proposals. This process was abruptly paused after the invasion of Ukraine by Russia and the associated geopolitical uncertainty in order to assess the potential changes in the energy market.

The invasion has placed additional pressures on Ireland's energy system, highlighting the precarious nature of European economies' reliance on Russian gas, and the threat this poses to countries with low indigenous gas supplies such as Ireland. The short-term effect has been an increase in the volatility of wholesale gas prices (which reached historic highs across Europe in 2022) and pressures on the cost of living for energy consumers. For the longer term, the ongoing conflict in Ukraine, and the resultant wholesale price fluctuations, provides a stark reminder of the importance of security of supply and the key challenge it poses to modern energy systems, particularly with the key role of gas in Ireland's electricity supply.

In April 2022, the CRU wrote to GNI to set out the context for the pause and to seek a resubmission on its PC5 proposals in September 2022. The pause in the PC5 process allowed GNI to re-evaluate priority areas and resubmit its business plan for PC5. As a result, GNI's PC5 resubmission has a greater emphasis on the delivery of new, flexible gas-fired power generation to enable the retirement of more carbon intensive generators and support the roll out of more renewables. It also focuses on reinforcing strategically important areas of the network to improve security of supply.

The updated submission requested €2.6 billion in total allowed revenue over the PC5 period, split into €1.4 billion for the transmission network and €1.2 billion for the distribution network. The CRU has carried out a thorough review of GNI's requests to ensure that they will efficiently deliver value for the gas customer and that they will allow GNI to meet the challenges and opportunities that GNI expects to experience over PC5, such as future-proofing and decarbonising the network, facilitating rising gas demand, and replacing aging assets. The following sections set out the package of proposals in relation to revenue allowances. The CRU seeks comments from stakeholders across the package.

1.3 Opportunities and challenges in meeting the strategic objectives of PC5

In reviewing GNI's updated submission the CRU has considered the key challenges and opportunities that GNI will now likely face in meeting the strategic objectives for PC5. To identify these challenges and opportunities, the CRU has reviewed the wider policy and regulatory landscape relating to the gas network. Four key areas have been identified and considered in our review.

Decarbonisation: As Ireland's gas network owner and operator, GNI must play a significant role in decarbonising the gas network and contributing to Ireland's ambitious climate targets as Ireland transitions to a climate-neutral economy. Two key pieces of legislation are the Climate Action Plan 2023 (CAP23) and the Climate Action and Low Carbon Development (Amendment) Act 2021 (referred to as the 2021 Act). CAP23 sets out a number of actions relating to the development of biomethane, green hydrogen and compressed natural gas (CNG). The 2021 Act aims, among other goals, to provide for carbon budgets and a sectoral emissions ceiling to apply to different sectors of the economy. Other relevant policy developments include the Government Statement on the Role of Data Centres in Ireland's Enterprise Strategy and the SEAI's publication of conclusions from the National Heat Study. Recently the government has also published a H₂ strategy (12th July), which sets a useful framework for the development of a H₂ market to decarbonise our economy, enhance our energy security and create industrial and export market opportunities. GNI must operate, maintain and develop its network within the legally binding sectoral emission ceilings set out in the CAP23 and the 2021 Act, and adopt rapidly and efficiently to policy developments.

Evolving energy policy: Numerous aspects of Ireland's climate ambitions being progressed over the PC5 period, such as the introduction of a Renewable Heat Obligation and the publication of a hydrogen strategy for Ireland, are relevant to GNI.

Policy is also developing rapidly at a European level. In December 2021, the European Commission (EC) adopted the Hydrogen and Gas Market Decarbonisation Package, aiming to foster the development of renewable and low-carbon gas systems across the EU. Policy addressing security of energy supply has also been at the forefront of consideration since the Russian invasion of Ukraine. For example, in May 2022 the European Commission published the REPowerEU Plan, a suite of measures aiming to end the EU's dependence on Russian gas as soon as possible. GNI must be equipped to respond on an agile basis to national and EU policy developments over PC5 to ensure that key challenges such as security of supply and decarbonisation are appropriately addressed.

Security of supply: Security of energy supply has been a significant concern for Europe as a whole since the Russian invasion of Ukraine. Ireland is particularly vulnerable given that it is highly reliant on natural gas for electricity generation, it has no storage facilities or gas interconnection with mainland Europe, and its domestic supplies of gas are declining. The Department of the Environment, Climate and Communications (DECC) explored these matters in more detail in a 2022 consultation paper and a decision is expected shortly. As demand for natural gas is projected to increase over PC5, maintaining security of supply must be a key consideration. To meet these challenges GNI must carefully manage the operation of the network, invest where necessary and only if effective demand side measures cannot be adopted.

Price volatility and inflation: Along with security of supply concerns, the Russian invasion of Ukraine triggered significant levels of price volatility across global gas wholesale markets. As a result, Irish customers have experienced unprecedented increases in energy costs over the past year. Those increases have occurred alongside broader surges in Ireland's inflation rate and cost of living. The costs faced by GNI in operating the gas network, and in particular the costs of shrinkage gas, have also increased. In setting allowances for PC5, it is important to weigh the increased costs faced by GNI in operating the network against the significant financial burden that gas customers are currently experiencing.

As explored above, the landscape of the energy sector is expected to rapidly evolve in the coming years. While this will create opportunities for positive change, the CRU is mindful that GNI will also face challenges over PC5. With this challenging landscape in mind, there will be an onus on GNI to ensure that investments in the network are thoroughly cost-efficient and beneficial for gas customers. GNI will be required to continue to maintain the gas network to the highest safety and security of supply standards while simultaneously realising robust efficiency and decarbonisation targets.

1.4 Purpose of the Consultation Paper

This paper seeks feedback from customers and stakeholders on the proposals for the PC5 regulatory framework. This paper builds on the proposals presented in the CRU's initial consultation on the regulatory framework for PC5 (CRU/21/133) published in 2021. In doing such, it has considered all responses received (which have also been published today) and the findings of CRU's detailed review of GNI's PC5 submissions. To have a full view of the proposals, it is important that this paper be read in conjunction with the supporting papers from our consultants. The consultants' papers have also been published today and are referred to, as necessary, throughout this paper. Your feedback will be taken into account when finalising the proposals.

1.5 Legislative basis

The CRU is responsible for licensing and regulating the gas networks companies under the Gas (Interim) Regulation Act, 2002. The CRU is required under Section 14 of the Gas (Interim) Regulation, Act 2002 (as amended) to approve revenues for both the transmission and distribution gas systems, including costs directly or indirectly occurred by the operator in carrying out any necessary works and a reasonable rate of return on the capital represented by such costs. Further information on the CRU's role and relevant legislation can be found on the CRU's website at www.cru.ie

1.6 Consultation timelines

The consultation period will run from the 20th of July 2023 to the 20th of September 2023. A decision will be published in Q4 2023.

1.7 Related documents

A list of relevant papers that have been published throughout this process:

- CRU/21/067a CRU PC5 Letter of Engagement to GNI was sent on the 11th of June 2021 to initiate the PC5 process.
- CRU/21/067 CRU PC5 Strategy Information Paper was published on the 30th of June 2021. That paper set out the strategic orientation of PC5 as well as the challenges and opportunities identified for PC5.

- CRU/21/133 CRU PC5 Regulatory Framework Consultation Paper was published on the 14th of December 2021. That paper set out the CRU's initial thinking around the regulatory framework. Responses were received on 31st of January 2021. Responses from that consultation have been considered within this paper and all responses have been published today.
- CRU202368 CRU Consultation on PC5 Transmission Revenue for Gas Networks Ireland
- CRU202369 CRU Consultation on PC5 Distribution Revenue for Gas Networks Ireland
- CRU202379 CEPA Future Role of Gas (FROG) Paper
- CRU202378 CEPA Flexibility Paper

1.8 Structure of this paper

This paper is split into the following sections:

- **Section 2 Revenue Allowance Adjustments** - discusses revenue adjustments which focus on GNI being adequately compensated for efficiently responding to factors that are outside their control. Such revenue adjustments include opex-capex flexibility, general uncertainty mechanisms and the FROG uncertainty mechanisms.
- **Section 3 Performance Incentives** - outlines a list of desired behaviours from GNI before detailing a range of proposed incentives and how they can be implemented to incentivise such behaviours.
- **Section 4 Capex Incentives and Monitoring** - focuses on capex incentives, specifically the existing approach and potential for improvement.
- **Section 5 Innovation** - covers funding proposals for innovation.

1.9 Responding to this paper

The CRU invites responses to the consultation questions set out in this paper by the 20th of September 2023, preferably by email to gasnetworks@cru.ie. Alternatively, responses can be sent to:

Gas Networks Team,

Commission for Regulation of Utilities,

The Exchange,

Belgard Square North,

Tallaght,

Dublin 24, D24 PXW0.

2. Revenue Allowance Adjustments

This section discusses three topics: opex-capex flexibility, general uncertainty mechanisms and uncertainty mechanisms for future role of gas initiatives (such as biomethane and hydrogen). These topics focus on regulatory mechanisms that adjust ex-ante allowances during the price control.

GNI as the licenced owner and operator of the gas network is primarily responsible for the running of its business and the outcomes that it achieves. The price control and its regulatory framework is in place to further incentivise good outcomes. The regulatory framework should provide sufficient flexibility for GNI to avail of opportunities, when and where possible, to achieve better outcomes while keeping pace with market and policy development. The CRU has reviewed the regulatory framework to consider whether greater flexibility is required.

2.1 Opex – Capex Flexibility

Opex and capex are treated separately in the regulatory framework. Revenue allowances are set at the start of the price control period (referred to as ex-ante revenue setting). The allowances for opex and capex are separate. At the end of the price control the spend on opex and capex is reviewed (referred to as an ex-post review). The review is conducted to ensure that GNI delivers value for the customer. Ultimately the expenditure for capex and opex will differ from what was set ex-ante. GNI must absorb any overspend in opex, but it may equally keep any savings it has made. The caveat here is that their spend is used to inform the opex allowance for the next price control. As such, if they underspent, the allowance will be lower reflecting any gains in efficiency. Unlike for opex, differences in the ex-ante capex allowances are adjusted for. Overspend, which was demonstrated as necessary and efficient, will be provided to GNI. There is also opportunity for GNI to keep efficient underspend.

It is possible that the different regulatory treatments of opex and capex, could see GNI favouring one allowance over the other (capex over opex or vice versa). Other jurisdictions have adopted 'totex' approaches. A 'totex' approach sees the removal of separate allowances for capex and opex. In their place, a single allowance is provided. The network company then chooses whether to spend that single allowance on opex or capex. This was discussed in our earlier consultation on the regulatory framework (CRU/21/133) published in December 2021. The CRU notes that moving to a 'totex' would be a material change to the regulatory framework and can create a risk of 'capex bias's i.e., a lot of monies shifting from opex to capex. The CRU does not consider a 'totex' approach at this time as warranted or indeed practical.

2.1.1 Proposals on PC5 opex-capex flexibility

Having reviewed responses to the initial regulatory framework consultation paper and GNI's detailed proposals for PC5, the CRU has identified two defined areas of expenditure where flexibility mechanisms between opex and capex may be more relevant.

- **IT Opex and Capex:** Under the current regulatory framework, GNI's expenditure on cloud computing services is reported entirely as capex except for costs associated with hosting cloud computing platforms, which is treated as opex. GNI highlighted the industry shift within the IT sector to a subscription-based cloud computing platform. It is expected that, during PC5, GNI will conduct a cost benefit analysis (CBA) to choose the option that provides the best value for money. We do not consider that a specific mechanism is required for IT expenditure which is consistent with GNI's position on the topic, and we do not envisage a material need to transfer costs between opex and capex on IT during PC5. **The CRU is not proposing any additional flexibility for IT.**
- **Demand Side Management (DSM):** DSM involves users of the energy system changing their usage from typical consumption patterns – e.g., reducing their demand if the system is tight. Here to fore, this has been a greater feature of the electricity market where there are defined market actors who can get paid for reducing their demand at specific times. In contrast, DSM is only in its infancy in gas and GNI is currently developing interruptible contracts to offer to customers. This could provide real benefits to customers by reducing the need for infrastructure investment and by increasing security of supply (by widening the margin between supply and demand at a given time). The CRU considered two options for a DSM-based flexibility mechanism which could provide GNI more flexibility to spend opex through DSM measures to reduce capex spend. The options were:
 - an annual approval mechanism: creating an annual process for approval of DSM spend, and;
 - a flexibility pot: establishing a pot of money that is ringfenced for DSM spend.

Having reviewed these two options, **the CRU is proposing a flexibility pot for DSM as a proportionate and simple solution, with annual approvals considered unnecessary.** The flexibility pot would include a baseline level of expenditure that is assessed ex-post for efficiency. This funding may be spent on opex or capex. All expenditure deemed to be efficient will be recoverable – either through an adjustment to allowed opex, or through regulatory asset base (RAB) additions, with any inefficient expenditure excluded. The idea is to encourage GNI to undertake expenditure that improves flexibility and cost efficiency from a holistic perspective. An

example of such a scenario could be the implementation of a DSM contract rather than construction of more pipes. The CRU proposes that GNI would report on the flexibility pot at the end of PC5. More details are available in the CRU202378 CEPA Flexibility Paper.

2.1.2 Request for Comment

1. Do you agree with the use of a flexibility pot for demand side management initiatives? Please provide detailed rationale to support your answer.
2. Do you agree that no other areas require additional flexibility mechanisms, beyond those set out in this paper? Please provide rationale to support your answer.

2.2 Uncertainty Mechanisms

The regulatory framework has proven to be sufficiently flexible to date to manage the level of uncertainty in the industry. The current flexibility relates to pass-through costs and extra over items. Each year GNI sends a tariff submission to the CRU. That submission includes requests for additional revenues, for pass-through costs and extra over items. Pass-throughs are items / costs that GNI has limited or no control over. The range of items / costs that are treated as pass through are limited, e.g., rates and the CRU levies. Extra-over items are generally new capex or opex work items that could not have been reasonably foreseen at the time the price control was set. The extra over items that are considered are generally relatively small in value. Where a large value item was to be considered, a question would arise as to whether it would require a further review of other decisions made within the price control. This would have to be considered as the scale of the request could have a material impact on other projects / allowances. Such a wider review would be considered a 'reopener' of the price control and in practice would require significant time and assessment to complete. Such a 'reopener' has not been necessary to date. Given the pace at which technology and energy policy is developing, the likelihood of additional items that were not foreseen or could not have been well scoped at the start of the price control period, has increased. There is a particular challenge in terms of keeping pace with the policy developments related to decarbonisation.

2.3 Future Role of Gas Initiative (FROGI) Uncertainty Mechanisms

GNI has proposed investment during PC5 in hydrogen, biomethane, compressed natural gas (CNG) and smart metering. These are referred to as the 'future role of gas initiatives' (FROGI).

The FROGI capture activities that have historically only been a small part, or not within the scope of GNI's transmission and distribution price controls. They are all relatively new areas of activities for GNI, and their development will depend on market and policy developments. Some of these areas are more mature than others (and to a degree more certain) but, nonetheless, the main objective is that GNI can adapt these activities and investments to keep pace, as appropriate, with policy and market developments. The CRU consulted on elements of the regulatory treatment of these activities as part of the earlier PC5 Regulatory Framework Consultation Paper (CRU/21/133). Responses included the need for uncertainty mechanisms around smart metering, biomethane, network reinforcement, hydrogen and CNG. The CRU's proposals are presented below. They should be read in conjunction with the CRU202379 CEPA Future Role of Gas (FROG) Paper.

2.3.1 Proposals FOR FROGI Uncertainty Mechanisms

The CRU proposes to introduce the following uncertainty mechanisms for FROGI:

- **Biomethane uncertainty mechanism** – Currently there is one facility injecting biomethane into the gas network. To build the number of injection facilities to meet the national targets of 5.7 TWh by 2030 will be challenging. It will depend not only GNI's ability to deliver connections to its network but also the right condition for businesses to invest in this area. It is important that GNI is provided the necessary revenues to support achievement of the national targets. However, it is difficult to forecast when biomethane injection points will come online. As such, an initial capex and opex allowance is proposed, which can be adjusted to take into account the actual number of biomethane connections being delivered. It is proposed that the adjustment to opex would be done through a specific uncertainty mechanism and the capex allowance would be adjusted through the existing ex-post review process. The base capex and opex allowances would be set to a level to support the delivery of 1.6 TWh of biomethane by 2030. This was the initial target set by the government, which has now been increased to 5.7 TWh. Work is underway by government as to the additional policy supports that are required to deliver this higher target (e.g., through the development of a biomethane strategy). To recap, **the CRU is proposing to initially allow opex and capex allowances in line with achieving the original 1.6 TWh biomethane support. This will then be adjusted to reflect actual delivery. To facilitate this, while any capex adjustment would be done through the already existing, ex-post review a new uncertainty mechanism is being proposed to carry out any opex adjustments.**
- **CNG uncertainty mechanism** – GNI is currently rolling out CNG filling stations through a European funded project called causeway. The role out is behind schedule and as such

the CRU is still awaiting a close out report to demonstrate the value of CNG to the gas customers. Without these insights and in the current absence of substantive CNG targets to support the decarbonisation of Ireland's energy systems, it would be premature to allocate a specific allowance to CNG at this time. However, recognising that policy may evolve, the case for further CNG investment might be evidenced through the successful completion of the causeway project. **The CRU is proposing a specific reopener for CNG, where GNI can submit a revenue ask during PC5.** The ask will have to provide clear evidence as to why the investment would meet the strategic goals of PC5 as set out in the strategy paper (CRU/21/067) and this must include the outcome report from the Causeway project.

- **H₂ (Hydrogen) uncertainty mechanism** – Given the early stage of hydrogen development in Ireland and consequent difficulty in assessing all the proposed activities and their timescales at this point, the **CRU is proposing an uncertainty mechanism to cover additional hydrogen readiness activities.** This uncertainty mechanism will complement base allowances for H₂ projects that are more certain and adjust to market developments and progression towards national policy outcomes as required. The base allowance covers activities primarily focusing on the need to prepare for hydrogen injection into the gas grid – especially from the safety and operational network integrity standpoints.
- **Smart metering uncertainty mechanism** - On the 31st of May 2023, the CRU wrote to GNI to inform them that the CRU had taken a decision to not proceed with gas smart metering at this time. However, the CRU instructed GNI to commence the planning and designing for a new pay as you go (PAYG) solution for gas customers. **The CRU has provided a tier 2 capex allowance for a modern PAYG gas solution.** This will be reviewed as part of the ex-post review at PC6.

2.3.2 Request for Comment

3. Do you consider that any additional uncertainty mechanisms (under FROGI) should be considered? Please provide detailed rationale to support your answer.
4. Do you consider the proposed uncertainty mechanisms are fair and reasonable? Please provide detailed rationale to support your answer.
5. Do you consider that uncertainty mechanisms can be considered on an ad hoc basis e.g., triggered by a policy change, or should there be a structural assessment process in place? Please provide detailed rationale to support your answer.
6. Do you agree that an uncertainty mechanism is required for biomethane? Do you agree that the basis for ex-ante opex and capex allowances are appropriate in their level of ambition and that these allowances can be adjusted accordingly to reflect actual delivery? Please provide detailed rationale to support your answer.
7. Do you agree that an uncertainty mechanism is suitable for investment in relation to hydrogen? If yes, do you agree that this uncertainty mechanism should account for activities beyond those included in a base allowance, which primarily focuses on the need to prepare hydrogen injection into the gas grid – especially from the safety and operational network integrity standpoints? Please provide detailed rationale to support your answer.
8. Do you agree that an uncertainty mechanism is suitable to account for the cost of delivery of a modern PAYG gas solution, which is still being scoped by GNI? Please provide rationale to support your answer.

2.4 An Uncertainty Mechanism for Connections

As highlighted in the PC5 regulatory framework consultation paper (CRU/21/133), a key area of ongoing uncertainty for GNI in PC5 relates to connections and associated deep reinforcement works. On the latter, GNI has highlighted uncertainty around additional deep reinforcement work identified through the network development planning (NDP) process that cannot be attributed to a single developer or connection. They highlight timing and output uncertainties that exist around those connections to the network. In recognition that the timing and type of connections is largely outside of the control of GNI and is driven by the parties seeking to connect to the network, **the CRU proposes to implement a volume-based uncertainty mechanism on connections.** This mechanism would seek to adjust opex spend. The mechanism would work through setting an allowed unit cost and assumed volume baseline for PC5. Where outturn volumes differ by more

than +/- 10% of the assumed baseline, the opex allowance would be adjusted by the allowed unit cost for each unit beyond the threshold. In addition, capex costs will be reviewed and adjusted, where necessary, under an ex-post review.

2.4.1 Request for Comment

9. Do you agree with the introduction of an uncertainty mechanism for the number of demand connections to the network? Do you agree that the uncertainty mechanism should adjust costs if outturn volumes differ by more than +/- 10% of the assumed baseline? Please provide detailed rationale to support your answer.

2.5 Biomethane Connections

This section focuses on the provision of biomethane connections by GNI; including the costs charged to the connecting party.

As previously discussed, Ireland has a significant ambition for biomethane. This will require a significant number of biomethane connections to be added to the network. The exact number of connections that will materialise is uncertain and we have proposed an uncertainty mechanism to ensure allowances are flexed to keep pace with market developments and the drive toward meeting the 2030 biomethane target.

So far, GNI has only connected one biomethane plant to the network. To further support the rapid roll out of biomethane, GNI is proposing to introduce new type of connection – a centralised grid injection. This will see two types of connections for biomethane being available:

- 1. Direct connections** – already offered and sees biomethane plants having their own dedicated connection to the distribution or transmission network.
- 2. Centralised grid injections (CGIs)** - a new type of connection to the transmission system where gas is trucked to it, via road from multiple biomethane plants.

GNI is proposing different treatments for these two connection types.

2.5.1 Direct connections

For direct connections, GNI has proposed a so-called maximum connection approach for biomethane connections. This is on foot of complexities that it has experienced in the delivery of connections to date. It would see GNI providing not only the connection but also additional equipment on the customer's side of the connection point – illustrative examples of the maximum connection model vs GNI's current approach (the so-called minimum connection model) are shown in the following figures.

Figure 3 - Minimum biomethane connection model showing equipment provided by the network operator and that provided by the customer.

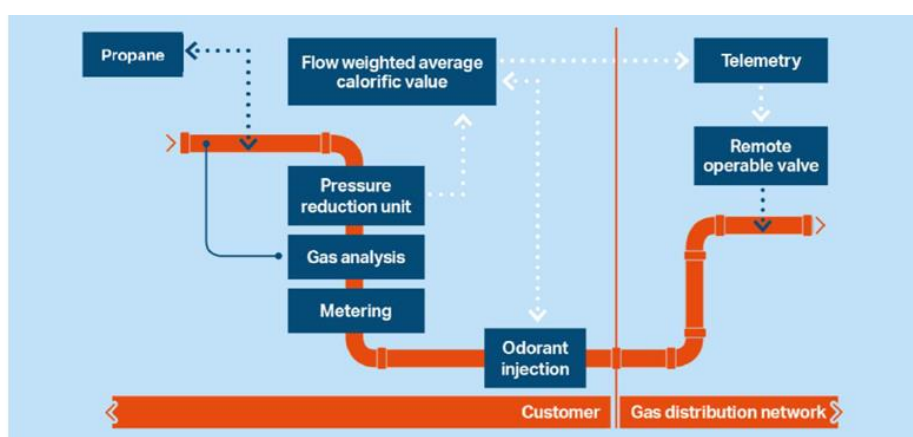
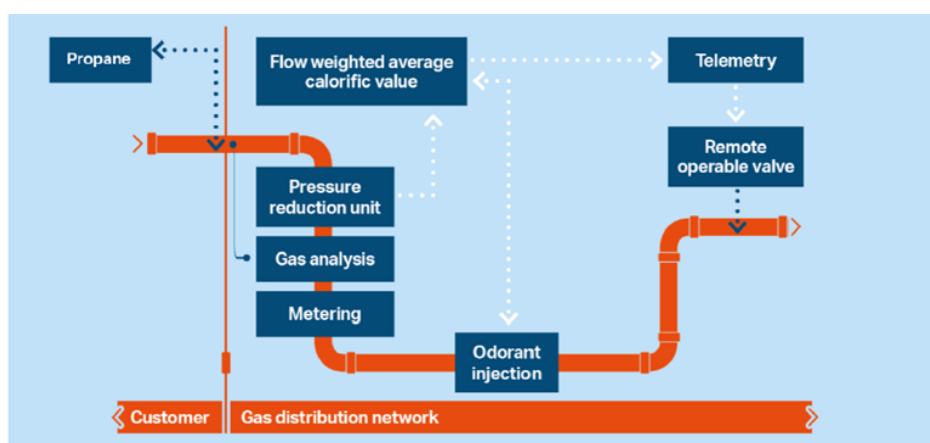


Figure 4 - Maximum biomethane connection model showing equipment provided by the network operator and that provided by the customer.



GNI has proposed that connecting parties would be charged 30% of the of the cost of the connection and be subject to an economic test to determine whether further contributions are required. GNI has indicated that compression may be required on the distribution system to accommodate biomethane injection volumes. They do not propose that such costs be allocated to the connecting biomethane project.

2.5.2 Proposals for Direct Connections

The maximum connection model brings more of the required equipment for gas to flow onto the network into the control of GNI. This may reduce some of the complexities in potentially dealing with multiple parties that could be otherwise involved. This may aid in speeding up the delivery of connections. The CRU considers that there is weight to this argument given the infancy of the biomethane market in Ireland. In time, competition in the provision of equipment on the customer's side of the meter would be beneficial.

Having considered the above, **the CRU proposes that biomethane connections to the gas grid be only provided through the maximum connection approach and that connecting parties should pay 30% of the connection costs (with additional costs possible dependent on an economic test).** It aligns with the current connection policy for all but large new offtakes (e.g., gas-fired power stations). **The CRU considers that compression costs should be included in this 30% contribution – as it is the biomethane connections that are driving this.** This level of contribution will be further consulted upon during PC5. GNI will be required to develop proposals, including how the level of contributions will increase over time to allow for competition in the installation of equipment on the customer's side of the meter.

More details on these proposals can be found in the CRU202379 CEPA FROG paper.

2.5.3 Request for Comment

10. Do you agree with GNI offering solely a maximum connection model for biomethane? Do you agree with the level of proposed contribution towards project costs? Do you agree that this level of contribution should be further reviewed during PC5? Please provide detailed rationale to support your answer.

2.5.4 Centralised grid injections

This type of connection is new. GNI is proposing to build the first centralised grid injection point in Mitchelstown. GNI is proposing that parties using this connection point would not provide any upfront contribution to its cost.

2.5.5 Proposals for centralised grid injections

CRU considers that in the first instance parties using the centralised grid connection should be requested to provide an upfront contribution to its cost. **The CRU proposes that parties**

connecting to the network through a CGI should contribute to 30% of the CGI's costs. This would be in line with the level of contributions proposed earlier for direct connections. This approach would help ensure that biomethane producers are treated in a fair and non-discriminatory manner. The level of contributions will be consulted upon during PC5 and GNI will be required to submit proposals to CRU on changes to their levels. Unlike for direct connections, there is little if any opportunities for 3rd parties to be involved in installing equipment for centralised grid connections. Therefore, the review will likely have a greater focus on changes to policies and delivering value for the gas customer.

More details on these proposals can be found in the CRU202379 CEPA FROG paper.

2.5.6 Request for Comment

11. Do you agree with the proposals for contributions from parties connecting to the network through a CGI towards the costs of the CGI? Do you agree that this level of contribution should be further reviewed during PC5? Please provide detailed rationale to support your answer.

3. Performance Incentives

This chapter focuses on incentives and the desired behaviour GNI should strive to achieve. It discusses the implementation of the incentive regime and provides details of the proposed incentives.

The CRU would like to encourage desired behaviours through incentives. Incentives will be put in place to drive a greater focus on performance. The incentives proposed will relate to controllable aspects of performance. The CRU has identified the following behaviours that are key to GNI delivering for the gas customer during PC5:

- Implement long term flexible and whole system thinking, including co-ordination with Eirgrid to achieve CAP ambitions and security of supply requirements. This will require pre-planning, assessment of investment trigger points and developing a flexible and adaptive strategy to deliver the energy systems future needs.

- Undertake quality governance, planning and delivery of expenditure, to realise plans efficiently and effectively, in relation to time, cost, and quality, to deliver against Ireland's decarbonisation and security of supply requirements.
- Provide a high quality, cost efficient and socially beneficial service, to have transparent processes, performance obligations, and to be held accountable for the delivery of high-quality services, at the lowest possible cost, with customer experiences measured.
- Adopt a best practice approach in the FROGI, to implement a dynamic approach to incorporating new gas technologies. These will focus on connection processes, actions and assess progress against long term goals.

These behaviours will help GNI to overcome the challenges associated with PC5 and encourage them to make effective decisions to decarbonise the gas network, which are consistent with the strategic priorities of PC5. This will further assist in the delivery of CRU's vision of safe, secure and sustainable supplies of energy for the benefit of customer now and in the future.

Implementing the incentive regime

The next section presents the proposed new incentives to be placed on GNI, with supporting detail in the appendices. The proposals are a mix of reputational and financial incentives. Reputational incentives do not have any financial reward or penalty but simply report on GNI's performance. This makes a company's performance visible to the public and industry and in doing such exposes them to more scrutiny. This should incentivise the company to perform as well as they can so that their reputation is kept in high regard. Financial incentives, in contrast, see financial rewards and penalties being put in place. These have a direct impact on the company's revenues and should drive good performance so that they can maximise revenues. For any incentive, whether reputational or financial, it is important to have suitable targets in place. Targets do not necessarily need to be quantitative only; qualitative targets can be set alongside key guidance. It is also essential that the CRU is collecting the right information to measure GNI's performance against the targets. In seeking, such information, it is important that what is sought is necessary, has a purpose and provides the right level of detail (including supporting narrative) for the CRU to make an informed decision. This will ensure only necessary information is collected and will keep the administrative burden (on both the CRU and GNI) to a minimum. This has been carefully considered in the development of the proposal. In addition, consideration has been given as to whether the incentives should apply straight away or in later years. Firstly, and as discussed earlier, from a practical point of view the first year of the price control period has passed. A decision on the price control will be made early in the second year. Also, the proposed incentives require a step change in behaviour. With both these matters in mind it is proposed that a transition period would apply. This would run up to end of September

2024. Up to that point in time GNI would be expected to produce the relevant documentation of performance under each incentive but it would not be subject to any scoring or financial rewards or penalties. The full application of the incentive framework, including rewards and penalties, would then begin in 2024/25. From then, it is proposed that GNI would submit relevant information to the CRU annually for all proposed incentives. However, the frequency of the proposed CRU assessment varies between annual and end of price control depending on the incentive in question. The specific incentives being proposed are now discussed.

3.1 Strategic Thinking Incentive

Key challenges and opportunities identified for PC5 were presented in a strategy paper (CRU/21/067) published in 2021. They include:

- meeting the changing needs of the gas network while maintaining a safe and resilient gas network underpinning the security of supply of the energy system, and;
- efficiently and safely facilitating the decarbonisation of the gas network and the economy generally.

These challenges and opportunities have become even more evident since the outbreak of war in Ukraine and the drive to reduce energy demand and dependence on Russian gas. This, in conjunction with Ireland's aim to halve its emissions by 2030 and reach net zero no later than 2050, has seen significant changes in energy policy - with more to come. For example, significant work is ongoing by government on reviewing the long-term security supply of the gas network and a H₂ strategy has just been recently published (12th July), which sets a useful framework for the development of a H₂ market to decarbonise our economy, enhance our energy security and create industrial and export market opportunities. In addition, a new Climate action Plan (2023) has been published, which includes a new, higher, biomethane target and introduced for the first time legally binding sectoral emission ceilings, which GNI will have to work under. The Climate Action Plan also places a requirement on the CRU to develop a demand side strategy, with input from key stakeholders. This strategy will develop an overarching framework to help co-ordinate the actions necessary to reduce the carbon intensity of energy demand in Ireland.

In addition, natural gas is already playing an important role in meeting increasing electricity demand. The delivery of new, flexible natural gas generation is essential to enable the retirement of more carbon intensive generators in the coming years and natural gas will continue to play an important role in supporting the roll out of more renewable energy. Power stations, using natural gas, currently provide important back up generation at times when renewable generation is low

(e.g., when the wind is not blowing). This will continue and supplement other measures such as DSM and storage to meet electricity demand throughout the day. In the first instance, it is important that GNI considers these essential links between the electricity and gas network in its operation, maintenance, planning and development of the gas network.

By adapting to the opportunities and challenges faced by GNI while considering the wider cross system matters into its planning, operation and development of the network, GNI will be better placed to meet the ongoing challenges to decarbonise Ireland's economy and provide a safe, secure and sustainable supply of energy for the benefit of customers now and in the future.

3.1.1 Proposals for the Strategic Thinking Incentive

The CRU is proposing a new incentive that will measure how well GNI has considered the wider energy needs in its network planning, operation and development. This must be in accordance with all relevant national policy, including:

- The achievement of carbon budgets and 2050 objectives set out in the climate action and low carbon development (Amendment) Act 2021;
- The Climate Action Plan 2023;
- The conclusions of the national heat study – net – zero by 2050 published by the sustainable energy authority of Ireland in January 2023;
- The government statement on the role of data centres in Ireland's enterprise strategy; and
- The government's forthcoming security of supply package.

To reflect the current position, where the strongest relationship is between the gas and electricity systems, it is proposed that the incentive would focus on electricity and gas interactions. To demonstrate this, **an enhanced planning and strategy document is proposed.** This would be produced each year by GNI. GNI would also be required to provide evidence that they have actively engaged with stakeholders and Eirgrid to develop a carbon efficient solution with strong customer outcomes for e.g., adhering to the carbon ceilings and sectoral emission limits. GNI will not be penalised if stakeholders are non-responsive however, there must be evidence to prove that GNI has actively engaged.

The incentive would initially be fully qualitative with a quantitative assessment incorporated over time. This would require a largely discretionary judgement from the CRU through the use of an expert panel, which would decide whether performance is 'good,' 'acceptable,' or 'sub-par' under a weighted scorecard approach. It would consider the performance of GNI in terms of planning, delivery and its supporting processes it has in place. In

establishing GNI's overall performance, the following weightings would be applied - 60% for planning, 30% on delivery and 10% on its supporting processes. The greater weight on planning reflects that elements of investment implementation which will be covered by the investment planning and delivery (IPD) incentive (a more bottom-up, process style incentive) which is discussed in the next section.

It is proposed that there would be a financial reward of + €0.5m per annum upside only.

The financial reward will be calculated at the end of the price control. For more details on the proposed approach please see appendix A.1.

3.1.2 Request for Comment

12. Do you agree with the proposed Strategic Thinking Incentive, which will measure how well GNI has considered the wider energy needs in its network planning, operation and development? Do you agree that it should be supported by a new planning and strategy document? Do you agree that the incentive should be reward only, with a maximum potential reward of +€0.5 million per annum? Please provide detailed rationale to support your answer.

3.2 Investment planning and delivery (IPD) Incentive

The CRU is proposing to include a new incentive which will be called the 'Investment planning and delivery' (IPD) incentive. The IPD incentive is targeted at effective planning and delivery of investments and aims to encourage GNI to thoroughly appraise investment options and provide evidence on effective and ongoing cost and risk management throughout PC5. It is focused on the planning and delivery of projects included in PC5. It will complement the strategic thinking incentive, which has a focus on GNI adapting to the opportunities and challenges faced while considering the wider energy needs of Ireland and the interaction with other energy networks and systems.

3.2.1 Proposals for the Investment Planning and Delivery (IPD) Incentive

It is proposed that the IPD incentive for PC5 would follow the precedent set by the CRU on the PR5 price control. Under PR5, there is an IPD incentive on the transmission system operator (TSO) that utilises a balanced scorecard approach which includes a mix of qualitative and quantitative evidence. **A financial weighted scorecard is proposed. This would see GNI's performance being measured across the following areas: effectiveness of planning, efficient delivery and its supporting processes.** In establishing GNI's overall performance, the

following weightings would be applied - 40% for effectiveness of planning, 40% on efficient delivery and 20% on its supporting processes. As part of this evaluation, GNI will have to ensure that lessons are learnt from past experience – for example effective implementation of lessons learnt from projects that have overrun in costs so that future costs forecasts are better.

It is proposed that there would be a financial reward and/or penalty of +/- €0.5m per annum. The financial reward or penalty will be calculated at the end of the price control. Further details are provided in appendix A.2.

3.2.2 Request for Comment

13. Do you agree with the 'Investment planning and delivery' (IPD) incentive, which will measure how well GNI is carrying out planning and delivering investments? Do you agree that the incentive should have a penalty or reward of up to +/- €0.5 million per annum? Please provide detailed rationale to support your answer.

3.3 Shrinkage Incentive

GNI is required to purchase gas to cover the level of shrinkage on its networks, known as shrinkage gas. Shrinkage gas includes own use gas (OUG) and unaccounted for gas (UAG). OUG is gas that is consumed by GNI in operating its network (e.g., gas required to run compressors). UAG is gas whose use is not accounted for (leaks and gas theft). This gas has an environmental impact in terms of CO₂ emissions from its combustion and methane emissions from leaks. It is important that the level of shrinkage is minimised.

GNI must purchase gas to cover the level of shrinkage on its networks. Some of these factors are within GNI's control (to varying extents) but others are outside GNI's control. There is a quantitative incentive on distribution shrinkage within the current regulatory framework, using a distribution shrinkage factor. The factor started at 0.95% for gas year 2017/18 and decreased by 0.05% each year, reaching 0.75% by the end of PC4. However, GNI should be encouraged to take further steps towards reducing shrinkage on its network. Transmission shrinkage is the biggest element of shrinkage with €67.54m in 21/22 monies allocated to shrinkage in transmission and distribution. This is important and should be incentivised as, shrinkage is a large cost driver with additional environmental costs.

3.3.1 Proposals for the Shrinkage Incentive

We propose that a quantitative distribution incentive is retained for PC5. This incentive encourages GNI to reduce distribution shrinkage, helping to deliver on minimising costs passed

through to consumers and reduce methane emissions. **The CRU proposes that the distribution shrinkage factor should continue to reduce by 0.05% each year.** This would set the distribution shrinkage factor at 0.70% for 2022/23 and at 0.50% for 2026/27. There is currently no incentive on transmission shrinkage due to limited information at the time of the PC4 decision. However, in order to work towards incentivising transmission shrinkage, **we propose a financial weighted scorecard.** The scorecard will measure GNI's effectiveness at improving information on shrinkage and taking demonstrated actions where problems with shrinkage are identified (e.g., fixing leaks and conducting investments to reduce shrinkage). The CRU expects targets and improvements to be made by GNI on information gathering, this is in line with the proposal for a Regulation of the European Parliament and of the Council on methane emission reduction in the energy sector to incentivise data collection to gain a clearer picture on methane leakages. The data that GNI collects over PC5 should allow for the setting of an effective target with financial rewards and / or penalties for PC6. The CRU proposes that GNI's performance would be measured as 'good,' 'acceptable,' or 'sub-par.' This would be a part of the CRU's regulatory determination ahead of PC6. **It is proposed that there would be a financial reward of + / - €0.25m per annum.** For more details on the proposed approach please see appendix A.3.

3.3.2 Request for Comment

14. Do you agree with a continued reduction of the distribution shrinkage factor of 0.05% each year? Please provide detailed rationale to support your answer.

15. Do you agree with a new financial incentive for shrinkage, which would measure (through a scorecard) GNI's effectiveness at improving information on shrinkage and taking demonstrated actions where problems with shrinkage are identified (e.g., fixing leaks and conducting investments to reduce shrinkage)? Do you agree that the scorecard should have a penalty or reward or up to +/-€0.25 million per annum? Please provide detailed rationale to support your answer.

3.4 Gas-Fired Generation Connections Incentive

The governments CAP 2021 sets the target that by 2030 circa 2 GW of new flexible gas-fired power stations will be delivered in support of a variable renewables electricity system and, one that will no longer include coal and peat-fired generation. To meet this requirement, GNI is expected to connect multiple new gas-fired power plants. GNI currently serves eleven power plants, and it has not connected a larger power plant since the Great Island combined cycle gas

turbine (CCGT) in 2014. Gas-fired generation is playing an increasingly important role in the electricity security of supply, and the natural gas network provides a crucial underpinning for the security of Ireland's energy supply. New flexible gas generation, including open cycle gas turbine (OCGT) generation as well as CCGT, will come on stream in the coming years, which will facilitate high renewable electricity penetration and provide backup generation at times of low solar or wind generation. GNI will need to ensure that it can connect this additional gas-fired generation in an efficient and safe manner. In the earlier PC5 regulatory framework consultation (CRU/21/133), the CRU set out its intent to introduce a gas-fired generation connection incentive, designed to encourage GNI to reach the CAP target of circa 2 GW of new flexible gas-fired power stations.

3.4.1 Proposals for the Gas-Fired Generation Connections Incentive

GNI has a key role in the delivery of connections for new gas-fired generation. However, their delivery is not entirely in GNI's control (e.g., it may depend on administrative planning approval processes and investment decisions made by individual project developers, not GNI). Nonetheless GNI should be incentivised to do as much as it can to deliver connections in a timely fashion. It has already implemented steps to further support the connection of new gas fired generators, including identifying and delivering deep reinforcement upgrades that benefit multiple connections and the early procurement of materials that could be used on multiple projects. The CRU proposed introducing a new incentive for the connection of gas-fired generators in its earlier regulatory framework consultation paper (CRU/21/133). Following careful consideration of the consultation responses, which supported the introduction of a financial incentive, we have concluded that it would be appropriate to introduce a financial incentive in this area for PC5.

As the timing of connections is not totally in GNI's control, we consider that it would be appropriate to assess GNI's performance on a qualitative basis. **We propose that GNI's performance of connecting new power stations would be assessed through a financial weighted scorecard approach.** The scorecard would consider the performance of GNI in terms of planning, delivery and its supporting processes to ensure the timely delivery of connections. In establishing GNI's overall performance, the following weightings would be applied - 60% for planning, 30% on delivery and 10% on its supporting processes.

Given the importance of this work, we would expect GNI to already have such plans in place, but we expect that some further work will be required to establish documentation suitable for the purpose of this new incentive. The CRU proposes that the qualitative weighted scorecard is assessed annually, requiring a decision at the end of the price control on whether GNI's performance was 'good,' 'acceptable,' or 'sub-par.' **It is proposed that there would be a**

financial reward of + / - €0.25m per annum. For more details on the proposed approach please see appendix A.4.

3.4.2 Request for Comment

16. Do you agree with a new financial incentive for connecting new power generation, which would be measured through a financially weighted scorecard? Do you agree that the scorecard should have a penalty or reward of up to +/-€0.25 million per annum? Please provide detailed rationale to support your answer.

3.5 Biomethane Connections Incentives

A new incentive which the CRU is proposing is the introduction of a biomethane connections incentive, which aims to incentivise the timely delivery of network connections to encourage biomethane projects. Incentivising this area is important given the 'maximum' only connection policy included in the proposed PC5 allowances. In the earlier PC5 regulatory framework consultation paper (CRU/21/133), the CRU set out specific questions in relation to the biomethane network entry infrastructure. The CRU asked for consultation input in this area, all responses have been considered in the proposal below.

3.5.1 Proposals for the Biomethane Connections Incentive

The CRU is proposing to score GNI's performance in connecting biomethane projects to the network through a financial unweighted scorecard. Generally, this type of incentive is used when a) there is less information available and b) there is less of a baseline to assess GNI against. Such a scorecard is seen as a good fit as the biomethane industry is in its infancy here and GNI has only connected one biomethane plant so far. This scorecard will be assessed at the end of PC5, with GNI providing annual reporting submitted over the PC5 period. The scorecard will measure the following:

- **Timeliness:** GNI will be assessed on the timeliness of connections against the delivery date agreed with connecting biomethane producers. GNI's agreed delivery date should be informed by an estimate of a 'normal' timeline for each of the four types of biomethane connections (direct distribution, no compression; direct distribution, with compression; direct transmission connections; and central grid injections), which should be established before the start of PC5. GNI should provide commentary if agreed delivery timelines differ significantly from the established 'normal' timelines.

- **Biomethane output:** GNI will be assessed on the volume of biomethane output at the end of PC5.
- **Compliance and market arrangements:** This will include assessment of the quality of GNI's annual biomethane reporting and GNI's progress in developing market arrangements for PC6. Reporting should be clear and consistent, and delivered in a timely manner. Biomethane is a new and emerging market, it is important that market rules are reviewed and developed in a timely manner, in pace with market and policy developments. This includes moving towards a 'developer choice' model, whereby customers are offered both maximum and minimum connection models. The CRU will also consider progress towards a customer contribution mechanism for CGI's.

It is proposed that there would be a financial reward of + / - €0.25m per annum. Further details are presented in appendix A.5.

3.5.2 Request for Comment

17. Do you agree with a new financial incentive for connecting biomethane projects, which would be measured through a financially weighted scorecard? Do you agree that it should measure timeliness, biomethane output as well as compliance and market arrangements? Do you agree that the scorecard should have a penalty or reward or up to +/-€0.25 million per annum? Please provide detailed rationale to support your answer.

3.6 Hydrogen Readiness Incentive

A comprehensive hydrogen strategy for Ireland was recently published (12th July), which sets a useful framework for the development of a H₂ market to decarbonise our economy, enhance our energy security and create industrial and export market opportunities. This will further support the steps already underway to prepare for a future in which hydrogen plays an increasing role in the low carbon transition. In the gas sector, there are a number of important issues relating to safety, operational system integrity and in-use performance which naturally fall to GNI. A number of GNI hydrogen readiness proposals have been assessed and can be found in the CRU202379 CEPA FROG paper. Hydrogen readiness is a new area of GNI activity. Therefore, the aim of this new hydrogen readiness incentive is to encourage GNI to complete work in a timely manner and achieve the deliverables set out for projects which were committed to at the beginning of the PC5 price control or the point of CRU approval under the uncertainty mechanism. Introducing this incentive will encourage GNI to undertake the desired behaviour of adopting a best practice approach for hydrogen, this proposal has been designed to encourage the desired behaviour. In

the PC5 regulatory framework consultation (CRU/21/133), the CRU set out that GNI would be required to define and track outputs and outcomes in order to become hydrogen ready. The proposal below includes a scorecard with six categories to help GNI with this objective.

3.6.1 Proposals for Hydrogen Readiness Incentive

The CRU is proposing a reputational unweighted scorecard for Hydrogen. This recognises that H₂ is in its infancy (GNI is still conducting lab scale assessments) and the course of H₂ development will evolve over PC5 in line with emerging national policy. Under this proposal GNI will provide information annually to the CRU. The CRU will review this evidence and publish commentary on GNI's performance each year. The evidence submitted should demonstrate the following:

- **Timely completion:** whether projects are completed in a timely manner, with reference to the schedule proposed by GNI.
- **Completion of key deliverables:** whether key deliverables proposed for projects, including an enumeration by GNI of the associated economic, safety and environmental benefits which result from the completed work, have been achieved.
- **Updated hydrogen deployment assessment:** the adaption of its H₂ plans to consider market and national policy developments – this should include updated information on volumes, timescales, locations and implications for GNI's gas network.
- **Stakeholder engagement:** the extent and quality of GNI's engagement with relevant external stakeholders.
- **More cost-effective ways of working:** the extent to which GNI has been able to find more cost-effective ways of working and thus deliver enhanced outcomes in relation to the PC5 budget provided.

In addition to the above, a review of GNI's effective adherence and adaption of its safety case to accommodate H₂ will be conducted. Details of the scorecard is provided in appendix A.6.

3.6.2 Request for Comment

18. Do you agree with a new reputational incentive for hydrogen? Do you agree that this should be a reputational incentive only with no financial penalty or reward? Do you agree with the areas that the incentive will measure effectiveness in? Please provide detailed rationale to support your answer.

3.7 Customer Performance Indicators

The customer performance indicators (CPIs) which are currently in place are intended to encourage GNI to provide a high quality and beneficial service to customers. They are designed to increase the transparency of GNI's customer performance and provide a reward / penalty if GNI does / does not deliver expected standards of performance to customers. An incentive was proposed for PC4 however, targets were not finalised. The CRU identified indicators within these three areas which are set out below:

Table 1 - PC4 Customer Performance Indicators

Customer performance indicators
A. Call centre
A.1. Calls abandoned (after 10s)
A.2. Call response
B. Complaints metric
B.1. Total number of complaints
B.2. Complaints resolved (10 days)
B.3. Complaints resolved (30 days)
C. Customer survey
C.1. Quotation turnaround (7 days)
C.2. Appointment granting (5 days)
C.3. Appointment keeping (1 day)
C.4. Reinstatement commitment (24 hrs)

Despite the intentions of implementing these CPIs, targets were not set and GNI did not receive an incentive during PC4.

3.7.1 Proposals for Customer Performance Indicators

The CRU considers that the CPIs from PC4 provided good coverage of key engagements between GNI and its customers. As such, **the CRU proposes to maintain the CPIs from PC5. There would be no reward for continued good performance but rather only a penalty where GNI underperformed.** In this regard, we looked at results from the CRU survey and found that GNI scored high on all areas captured by the indicators, this performance would be expected to continue and should not need further incentives for such. However, we consider it appropriate to include a penalty if performance was to drop below certain levels (see table 2). Table 2 provides the penalties for each of the indicators and the associated targets. GNI will be

assessed against each of the indicators on an annual basis. It is proposed that there would be a financial reward of - €0.2m per annum (%of GNI allowed revenue p.a).

In addition, we are proposing that one new incentive is introduced - the percentage of appointments that GNI reschedule. This new incentive would be reputational only for PC5.

Table 2 - PC5 Customer Performance Indicators

Indicator	Target	Award method	Range of incentive allowed revenue
A. Call centre			
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%.	
B. Complaints metric			
B.1. Total number of complaints	1,800	Equal penalty every 100 complaints over target, up to 400 complaints over.	- 0.075% to 0%
B.2. Complaints resolved (10 days)	96%	Equal penalty every 1.0% under target, up to 4%.	
B.3. Complaints resolved (30 days)	98%		
C. Customer survey			
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	

In addition to the above, we are also proposing that an additional indicator should be developed during PC5 and implemented in PC6. **We propose that a new indicator, to measure a customer's overall satisfaction with GNI, should be developed and measured by way of survey.** Two options for developing that overall satisfaction indicator are presented. The main difference between the two options are who will be conducting the survey; CRU or GNI. We welcome feedback on the best approach. We also propose that responses provided by vulnerable customers would be given a greater weighting in the calculation of the overall satisfaction score. This proposal will be applied regardless of the option pursued.

3.7.2 Request for Comment

19. Do you agree with maintaining the Customer Performance Indicators for PC5 but making them all penalty only for any underperformance? Do you agree with the proposed new indicator for the percentage of appointments that GNI had to reschedule and that it should be reputational only for PC5 (with no financial penalty or reward)? Please provide detailed rationale to support your answer.

20. Do you agree that a new indicator, to measure a customer's overall satisfaction with GNI, should be developed during PC5 and implemented in PC6? Do you agree that a survey is the best way to measure overall satisfaction? If so, should GNI or CRU undertake such a survey? Please provide detailed rationale to support your answer.

3.8 Stakeholder Engagement Incentive

The earlier PC5 regulatory framework consultation paper (CRU/21/133) proposed to introduce a stakeholder engagement incentive. This proposal covered all areas of engagement but had a particular focus on delivering new connections. The 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. The final score would be agreed by consensus by the panel and would be linked to a financial incentive that feeds into the annual allowed network revenues. We considered that this intervention is proportionate for gas given the importance of new connections and stakeholder engagement for PC5.

3.8.1 Proposals for the Stakeholder Engagement Incentive

In line with the proposals in the earlier consultation paper (CRU/21/133), **the CRU proposes to implement a stakeholder engagement incentive to encourage GNI to ensure the potential benefits of effective stakeholder engagement is delivered in practice. Specifically, it is**

proposed that GNI would be subject to a financial incentive on the scope, quality and outcomes/impacts of its stakeholder engagement activities.

Performance will be measured through an annual assessment of the GNI's strategy for stakeholder engagement, and the processes and activities undertaken by GNI pursuant to it over the preceding calendar year. The evidence to inform this assessment would take the form of an annual submission by GNI, consistent with guidance which will be set by the CRU. **The assessment would be undertaken by a panel constituted by the CRU for this purpose and chaired by a CRU Commissioner.** The final score would be agreed by consensus on a scale of 1 to 10 by the panel. The stakeholder engagement incentive would be reputational for the first year of implementation (2023/2024) with a financial reward associated with performance for the following years. The results of the CRU assessment may include insights from the stakeholder engagement panel, which may be published. GNI would be scored out of 10 and must achieve at least a score of 5 in order to receive any incentive payments. Marks may be deducted for late submissions in relation to reporting, consultation and presentations.

It is proposed that there would be a financial reward of + / - €0.25m per annum. Details of the assessment criteria that will be used to determine the level of performance is provided in appendix B.

3.8.2 Request for Comment

21. Do you agree with a new financial incentive for stakeholder engagement? Do you agree with the proposed criteria for that assessment and that the assessment would be undertaken by a panel chaired by a CRU Commissioner. Would you be interested in being part of such a panel? Do you agree that a penalty or reward of up to +/-€0.25 million per annum is appropriate? Please provide detailed rationale to support your answer.

4. Capex Incentives and Monitoring

This chapter provides a detailed description of our proposals for the incentive and monitoring framework that will apply to capex as part of the PC5 price control. We discuss where we consider that the existing approach can improve, our proposals for cost incentives and non-cost incentives, and why we consider that the changes would represent an improvement over the existing approach.

4.1 Capex Incentives and Monitoring

The existing framework for opex and capex cost incentives was developed in PC2 with the international best practice and experience from the review of performance under PC1. The cost incentives included the use of an ex-ante assessment on opex and an ex-ante / ex-post approach to capex, which included adjustments to the RAB for efficient expenditure. The treatment of capex costs under the ex-post review is set by so called expenditure categories, which are summarised in Table 3 below. The regime has evolved over time to ensure clear guidance on desired behaviours and outcomes. In considering the effectiveness of the existing framework to date, the main findings are that GNI has looked to deliver efficiencies on projects to reduce cost, defer projects - that do not have a strong business case and look to mitigate project overspends. These actions are in the customer's interest.

Table 3 - Categories of expenditure under the current capex incentives

Expenditure category	Description
RAB additions	
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.
Revenue adjustments i.e., incentives	
Financed overspend No reward/penalty	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 PC4, despite GNI's outturn unit costs being higher than assumed at the previous determination. Additional cost is considered to be justified as economic and efficient.
Unfinanced overspend Financial penalty	Expenditure where GNI should not be recompensed for financing the investment in PC4, but the investment should be included in the opening RAB for PC5. GNI's outturn unit costs are higher than assumed at the previous determination.
Efficient savings Financial reward	GNI retain 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 determination.
Efficient deferral Financial reward	GNI will retain the depreciation and return earned for the deferred work in PC4, but no value for the work will be added to the starting RAB for PC5. The expenditure is considered to be appropriately delayed, given evolving business cases for completing the project/ work programme.

4.1.1 Assessment of Existing Approach

The CRU considers it best regulatory practice to re-evaluate its approach to regulation at each price control. We have set out information on the regulatory framework throughout this paper, however our discussion here is focused on capex and associated incentives / monitoring. We used five assessment criteria for structuring our assessment of the existing regime.

- **Incentives to deliver the right outputs at the right time:** Is GNI encouraged to take suitable behaviours to adjust its investment programme and demonstrate flexibility to address changing conditions as asset manager?
- **Incentives to deliver at lowest cost:** Is GNI encouraged to deliver projects at lowest cost, both on an individual project basis and at the overall programme level?
- **Suitable balance of risk and reward:** Does the overall package of incentives present a suitable balance of upside and downside exposure for GNI?
- **Resource burden:** Does the proposed regime create a proportionate burden on both GNI and the CRU itself?
- **Scope for gaming:** Does the regime create opportunities for gaming, either for reputational or financial gain?

We provide our assessment for each of these criteria in the below table:

Table 4 - Review of existing regime against assessment criteria

Assessment criteria	Assessment
Incentives to deliver the right outputs at the right time	The ex-post capex regime allows GNI to continuously reassess their investments and adjust them as needed. It gives them the flexibility to either defer or not proceed on projects that don't benefit them, and to expand or invest in new projects to increase their returns. Financial rewards and penalties are associated with these decisions to ensure these investments are taken as seriously as possible.
Incentives to deliver at lowest cost	GNI can receive rewards or incur penalties for assessing and optimising their investments. Incentives include rewards for efficient savings and penalties for overspending. The strength of these incentives change depending on the type of asset and timing of spend. The strongest cost incentive in place continues to be the risk that investment is not recognised in the RAB.
Suitable balance of risk and reward	GNI receives rewards or penalties based on their assessment and optimising of their investments. The magnitude of the potential penalties or rewards can differ (one being greater than the other). The approach also provides mitigation to GNI from external price increases that the baseline cost no longer reflects (changes in costs are considered within the ex-post review).

<p>Resource burden</p>	<p>GNI has the flexibility to change their capital scope and plan, but the ex-post review is resource intensive. Challenges arise when GNI don't provide sufficient information, or the cost and output baseline is unclear, which increases the burden on both them and the CRU. During the price control period, the resource burden is minimal given the focus on the ex-post review.</p>
<p>Scope for gaming</p>	<p>The CRU has not seen evidence of gaming for the current capex framework occurring during the PC4 price control but is conscious of potential routes through which GNI can seek to obtain favourable outcomes through regulatory engagement and action during the price control. Examples include:</p> <ul style="list-style-type: none"> • Using spares rather than new equipment to beat allowed cost baseline estimates (i.e., not a like-for-like output). • Presenting mixes of projects weighted towards higher unit cost volumes and delivering a mix more weighted towards lower unit cost volumes. • Including less mature projects in the ex-ante (forecast) business plan submission and claiming efficient deferrals where the case becomes less clear. <p>Allocating costs from projects with an underspend to projects that will overrun (given stronger incentives on efficient savings that unfinanced overspends).</p>

At a project level, we note that the existing capex framework may work better on some projects rather than others. In this regard, the incentive framework works best at a project level where there is a clear output and cost at the regulatory determination (i.e., a clear baseline allowance is established), with a delivery of a similar scope during the price control itself. The regime works less well where the initial scope is less clearly defined and changed over the course of the price control.

4.1.2 Proposals for Capex Incentives

The CRU proposes to continue to apply an ex-ante / ex-post capex framework for PC5 that builds on the existing regulatory treatment. It has worked well to date but based on the review conducted we have identified some changes to the framework, which will further strengthen it. They could be considered as representing an evolution rather than a step change in it.

Use of tiers for setting allowances

It is proposed that allowed projects in the ex-ante allowances would be allocated into two tiers. Tier 1 projects would be subject to a similar capex incentive regime in PC5 as in PC4. However, tier 2 projects would be funded at outturn cost (subject to ex-post review of the efficiency of the incurred spend), where a clear baseline has not been established ex-ante. The expectation is that tier 1 projects are likely to be further along GNI's project

investment gateway cycle therefore, these are less likely to be cancelled or significantly changed. If GNI is able to beat the allowance or defer part of the work, it is more likely that this is a result of efficiency savings or efficient deferral. It should be clearer to identify what is the source / cause of any project overspends that are incurred, as GNI's outturn expenditure can be reviewed against a relatively clear baseline / robust forecast. For tier 2 projects, the baseline is less clear, and it is expected that a greater proportion of the work may be fundamentally changed in scope, mix or may get reallocated to other priorities. The expectation is that the emphasis would be on GNI to demonstrate why it made those decisions, and that GNI would need to evidence to the CRU that the decisions taken were justified. We do not propose that projects would be able to transfer from tier 2 to tier 1 during the PC5 price control.

Incentive pots for tier 1 projects

We are proposing that the same expenditure categories exist for tier 1 projects, as under the PC4 lookback (see Table 3 earlier in this section). However, the CRU is proposing changes to the treatment under 2 of those expenditure categories:

- **Unfinanced overspend incentive strength: We are proposing to align the strength of the unfinanced overspend penalty with the efficient savings reward.** This means that the impact is retained for a rolling five-year period, rather than the end of the price control period and the unfinanced overspend penalty will include both the return and depreciation elements (for 5-years) of the overspend vs. the original ex-ante allowance for the tier 1 project.
- **Efficient savings: We are proposing that there is an assessment of whether an efficient savings claimed by GNI is driven by efficiency as opposed to a mechanistic adjustment.** This is a clarification of guidance, rather than a material change to the intent or associated incentive for efficient savings.

Incentive pots for tier 2 projects

Due to the lower confidence in setting an ex-ante baseline for tier 2 projects, the CRU proposes that the same expenditure categories should not exist for tier 2 projects. **The CRU is proposing that tier 2 projects would not be able to receive rewards from efficient savings or efficient deferrals. Tier 2 projects would also not face penalties from unfinanced overspends.** As with tier 1 projects, investment may be disallowed from the RAB where it is not demonstrated to be justified, necessary and efficient (i.e., 'unjustified spend'). Such an approach is consistent with the PR4 framework for electricity networks, where the assessment was limited to assessing the overall efficiency of spend, with disallowances where the CRU is considered that spending was

inefficient. This provides the CRU with comfort that the approach is tested and places suitable incentives on GNI for PC5.

It is important to note that under all these proposals, the onus would continue to rest with GNI to demonstrate the efficiency of spend and provide relevant information to support any ex-post assessment.

22. Do you agree with the use of tier 1 and tier 2 to determine the treatment of incentives for future capex projects? Do you agree with the proposed different incentives for these tiers? Please provide detailed rationale to support your answer.

4.2 Capex Monitoring and Performance Incentives

GNI currently provides a capex monitoring report on an annual basis to the CRU. The report is for monitoring purposes only and provides a high-level update on capital investment across both transmission and distribution businesses. This reporting and monitoring tool has limited use at present. We consider there is an opportunity to update capex reporting requirements to ensure that the report is effective for CRU's regulatory uses and objectives.

4.2.1 Proposals for Capex Monitoring

Building on learnings from other sectors and experience from gas prices controls, **the CRU proposes an enhanced annual capex monitoring**, which would see GNI continuing to produce an annual monitoring report on capex that includes qualitative discussion on progress of its capex programme. This report would expand to provide:

- Quantitative evidence on outputs / work delivered, cost estimates and timelines with a supporting excel document;
- A project gateway structure in presenting results (example provided in the appendix);
- Technical justification papers (TJPs) for projects that had not reached an investment decision when its PC5 proposals were submitted to the CRU; and
- A detailed narrative to support any raw data.

An example of illustrative outputs for capex monitoring can be found in appendix C.

4.2.2 Request for Comment

23. Do you agree with the proposals for capex monitoring? Please provide detailed rationale to support your answer.

5 Innovation

In the PC5 Strategy Paper (CRU/21/067), the CRU noted that innovation should become a more integral part of GNI's ordinary operations, rather than an activity enabled by a specific allowance only. Previous gas innovation funds have been used to carry out trials, pilots and build infrastructure to help address the energy transition. Previous gas innovation funds have also contributed to delivering an efficient spend and maintaining a safe and resilient gas network. GNI first received an innovation allowance during PC3. The PC3 gas innovation fund was used to support projects aimed at growing demand and starting the decarbonisation of the gas network. For PC4, GNI was allocated an innovation allowance of €20m for research, strategic projects, project management and the causeway project. The PC4 gas innovation fund had priorities of increasing throughput through the gas system, assisting in the transition to a low carbon economy, delivering significant carbon savings and providing measurable value to all gas customers.

The expectation of the gas innovation fund is for GNI to identify expenditure to be included under an innovation fund if it is something novel that could have a beneficial impact on the operation of the gas network in the future. Then, any positive outcomes delivered should be embedded into business as usual (BAU) for future price controls to deliver real benefits to the customer, without this the value is not realised. It is important to note that not all innovation will have positive results but even in such cases, learnings can be applied as to what should be avoided / changed etc.

The earlier PC5 regulatory framework consultation paper (CRU/21/133) included proposals on the gas innovation fund, they included:

- Splitting the Gas Innovation Fund into two separate funds. The first to be focused on network-based innovation and the other concerning strategic innovation.
- Contribute a portion of the costs to innovation projects using its own funds.
- Re-evaluating the gas innovation reporting framework.
- Designing a co-funding approach in which GNI can leverage funding from other organisations in addition to the allowed revenues allocated to innovation.

They CRU also proposed the following objectives for the fund:

- 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.

These proposals have been further refined based on response to the consultation.

5.1.1 Proposals for the Innovation Fund

The CRU is proposing that innovation funding for PC5 is split into two separate pots:

- Strategic Innovation Fund (SIF): A €1.2m pot to adopt a challenge funding approach to be co-funded with Science Foundation Ireland (SFI). A smaller funding amount of €0.3m to capitalise on co-funding with other reputable bodies such as SEAI and ESRI. This fund was previously proposed in the earlier PC5 regulatory framework proposal, responses from the consultation supported this decision and the need for co-funding. In GNI's PC5 submission, GNI proposed SFI as their preferred co-funding body.
- Network Based Innovation Fund (NBIF): A €3.3m pot to further best practice of running gas networks and continuing to work with peers, for instance the Oil and Gas Methane Partnership 2.0 (OGMP). This fund would include a €400k allowance (€80k per annum) for project management across the two pots. This is captured within the €3.3m allowance rather than additional to it. This fund was previously proposed in the earlier PC5 regulatory framework proposal, responses from the consultation supported this decision to split the funds into two separate pots.

Strategic Innovation Fund (SIF)

The CRU proposes a SIF pot of €1.5m over the duration of PC5. This fund would be used to research gas related topics which ensure that gas technologies are able to contribute to the transition to a carbon neutral economy. It will be co-funded with SFI or other reputable bodies who will provide a small amount of funding. The SIF should be predominantly focused on research and endorse a proposed collaboration between GNI and SFI (or any reputable body). SFI is the Irish government's largest competitive funder of scientific and engineering research, with the body investing in academics and research teams who are most likely to generate new

knowledge, leading edge technologies and competitive enterprises in the fields of science, technology, engineering and maths (STEM). The funding will support academic research aimed at tackling key challenges including:

- Decarbonisation and operation of the gas network;
- Creating valued services for gas customers and shippers; and
- Driving efficiency of the gas network through digitalisation, new technologies and new operational approaches.

Network Based Innovation (NBIF)

The CRU is proposing an additional €3.3m innovation pot to fund network innovation and project management. This fund will be focused on how the network operates and how it can become more efficient and sustainable. A total of €400k (€80k per annum) will be allocated for project management leaving €2.9m to fund network innovation over the duration of PC5. Funding to enhance GNI's innovation website will also come from this pot. **It is proposed that on projects which are funded from the network-based innovation pot, which are successfully co-funded, GNI will be allowed to keep 5% of savings,** this will need to be reported within the enhanced innovation report which will be discussed below.

We consider that no more than €1m should be related to projects linked to FROGI. This aims to ensure that the majority of expenditure is on projects with a business case tied to the existing gas network, rather than newer nature of FROG Initiatives.

Governance

Both of the proposed funding pots within the Gas Innovation Fund must be separately accounted for and cannot be used for any activity which has funding in other areas of the price control. This is to avoid the fund being used to address cost overruns in other areas of opex. It is mandatory that the governance board is resourced with independent members to fairly assess projects in the project pipeline. Additionally, **the CRU proposes that GNI will need to report on innovation projects, as part of the enhanced reporting framework recommended in the CRU202378 CEPA Flexibility paper.** The report will need to include:

- How GNI has achieved the objectives of the Gas Innovation Fund;
- How GNI has introduced innovation to BAU practices;
- Detail on all projects that have been co-funded;
- Details on how learnings from different jurisdictions have been implemented;
- Information regarding governance of the fund; and

- Implications for future costs incurred by GNI.

We anticipate that this reporting should be submitted annually as well as part of their PC6 Business Plan submission to fairly review and analyse the gas innovation fund for PC6. The funding is intended as a ‘use it or lose it’ allowance, which will not be carried forward beyond PC5.

In general terms, the CRU recognises that not all innovation work will lead to benefits being brought to BAU activities however, it is important that innovation work is structured in a way that strikes the right balance between risk and reward and allows any benefits to be incorporated effectively and efficiently into BAU activities. We note that the overall innovation allowance across the two funds of €4.8m is significantly less than the GNI innovation funding request of €13m. GNI’s request comprised of €2m for research, which is similar to CRU’s proposal above, but it also included €11m for network innovation and project management. Our justification for such a large disallowance is that, in the CRU’s view, several projects suggested by GNI to be included in the innovation fund should be under their capex delivery, or through ‘extra-overs’ on opex as BAU. In instances where investments result in a new project, GNI should fund such expenditure through capex, while projects that are a natural evolution on GNI’s current operations should be funded through opex. For example, investing in safety and emergency should always be a priority for GNI and such expenditure should not be dependent on innovation funding. Additionally, getting the best quality information possible on factors such as methane emissions and shrinkage gas is best practice. Stipulations on this are included in the proposal for a Regulation of the European Parliament and of the Council on methane emissions reduction in the energy sector. Therefore, introducing measures to measure, monitor and reduce methane emissions from the gas network is an activity GNI should be considering as a BAU activity and not funded through innovation funding. The CRU, at its own discretion, may request an audit on GNI to ensure that the Gas Innovation Fund is being used as prescribed.

5.1.2 Request for Comment

24. Do you agree with the structure of the innovation fund? Do you agree with the €3.3m Network Based Innovation Fund and the €1.5m Strategic Innovation Fund allowances? Do you agree that GNI could maintain 5% of savings through co-funding within the innovation fund? Please provide detailed rationale to support your answer.

6 Summary

For PC5, the CRU will retain core features of its predictable regulatory framework for setting network price controls, including use of a revenue cap, Regulatory Asset Base (RAB)-based framework to remunerate investment and the use of ex-post assessment for capex and ex-ante assessment for opex. However, the CRU is proposing changes to the regulatory framework which are intended as an evolution of the existing regime in response to the changing energy environment faced at PC5. With the need for decarbonisation and system optimisation, the CRU is seeking to set a regulatory framework that encourages and incentivises GNI to demonstrate well planned, strategic, low carbon best practice behaviours through a range of enhanced reporting and financial and reputational incentives. A summary of these incentives is discussed further below, and it is integral that this paper is read in parallel with the CRU202379 CEPA Future Role of Gas (FROG) Paper and CRU202378 CEPA Flexibility Paper to understand the full depth of the proposals discussed throughout this paper:

Flexibility:

- Demand Side Management (DSM) involves users of the energy system changing their usage from typical consumption patterns – e.g., reducing their demand if the system is tight. The CRU is proposing a flexibility pot for DSM. The flexibility pot would include a baseline level of expenditure that is assessed ex-post for efficiency and may be spent on opex or capex. All expenditure deemed to be efficient will be recoverable – either through an adjustment to allowed opex, or through regulatory asset base (RAB) additions, with any inefficient expenditure excluded. The intention is to encourage GNI to undertake expenditure that improves flexibility and cost efficiency from a holistic perspective. The CRU proposes that GNI would report on the flexibility pot at the end of PC5.

Uncertainty Mechanisms:

- Given the pace at which technology and energy policy is developing, the likelihood of additional items that were not foreseen or could not have been well scoped at the start of the price control period, has increased. There is a particular challenge in terms of keeping pace with the policy developments related to decarbonisation. Therefore, the CRU is proposing to introduce a number of uncertainty mechanisms to cater for additional revenue requirements within the PC5 period.
 - Future Role of Gas Initiatives - The CRU proposes to introduce the following uncertainty mechanisms for the following FROGI investments (i) Biomethane (ii) CNG, (iii) Hydrogen and (iv) Smart Metering. For all except CNG a base capex and opex allowance will be adjusted through an uncertainty mechanism. Adjustments to CNG would be through a reopener only.

- Connections - CRU proposes to implement a volume-based uncertainty mechanism on connections. This mechanism would seek to adjust opex spend. The mechanism would work through setting an allowed unit cost and assumed volume baseline for PC5. Where outturn volumes differ by more than +/- 10% of the assumed baseline, the opex allowance would be adjusted by the allowed unit cost for each unit beyond the threshold. In addition, capex costs will be reviewed and adjusted, where necessary, under an ex-post review.
- Biomethane Connections - The CRU proposes that direct biomethane connections to the gas grid be only provided through the maximum connection approach. The CRU also considers an approach where connecting parties should pay 30% of the connection costs. For centralised grid injections, the CRU proposes that in the first instance parties using the centralised grid connection should be requested to provide an upfront contribution to its cost. CRU proposes that this should be set at 30%.

Incentives:

- The CRU is proposing to expand the current incentive framework and introduce some new incentives which are both financial and reputational in nature. A financial incentive is one which has an explicit bonus or penalty associated with the qualitative and/or quantitative target. In striving to reach the target, GNI has the opportunity to earn additional revenues and/or avoid a penalty for poor performance. A reputational only incentive is one where there is no additional revenue at risk, but the CRU will publish the details of GNIs performance through a transparent reporting framework.
 - Strategic Thinking: A strategic thinking incentive is proposed to measure how well GNI has considered the wider energy needs in its network planning, operation and development focussing on electricity and gas interactions. The incentive would initially be fully qualitative with a quantitative assessment incorporated over time. It is proposed that there would be a financial reward of + €0.5m per annum upside only.
 - Investment Planning and Delivery: An investment planning and delivery incentive is proposed to encourage GNI to thoroughly appraise investment options and provide evidence on effective and ongoing cost and risk management throughout PC5. A balanced scorecard is proposed that includes a mix of qualitative and quantitative evidence and is financially weighted. This would see GNI's performance being measured across the following areas: effectiveness of planning, efficient delivery and its supporting processes. This new incentive provides the opportunity to capture learnings in relation to cost overruns and

implement them effectively. It is proposed that there would be a financial reward and/or penalty of +/- €0.5m per annum.

- Shrinkage: A enhanced shrinkage incentive is proposed to encourage GNI to reduce shrinkage on its network improving information on shrinkage and taking demonstrated actions where problems with shrinkage are identified (e.g., fixing leaks and conducting investments to reduce shrinkage). A financial weighted scorecard approach to sit alongside the financial quantitative incentive for distribution. It is proposed that there would be a financial reward of + / - €0.25m per annum.
- Gas-Fired Connections: A gas-fired connections incentive is proposed to encourage GNI to deliver connections in a timely fashion in support of a variable renewables electricity system and, one that will no longer include coal and peat-fired generation. A financial weighted scorecard to be assessed on a qualitative basis with a financial reward of + / - €0.25m per annum.
- Biomethane Connections: A biomethane connections incentive is proposed which aims to incentivise the timely delivery of network connections to encourage biomethane projects. A financial unweighted scorecard is proposed given that there is less information available on biomethane and less of a baseline to assess GNI against. This scorecard would be assessed at the end of PC5 on (i) timeliness, (ii) biomethane output and (iii) compliance and market arrangements. with GNI providing annual reporting submitted over the PC5 period. It is proposed that there would be a financial reward of + / - €0.25m per annum.
- Hydrogen Readiness: A hydrogen readiness incentive is proposed to encourage GNI to complete necessary work in a timely manner and achieve the deliverables set out for Hydrogen related projects committed to at PC5 or via the uncertainty mechanism. The CRU is proposing a reputational unweighted scorecard for Hydrogen to be assessed against (i) timely completion (ii) completion of key deliverables, (iii) updated hydrogen deployment assessment, (iv) stakeholder engagement and (v) more cost-effective ways of working. In addition to the above, a review of GNI's effective adherence and adaption of its safety case to accommodate H₂ will be conducted.
- Customer Performance Indicators: The CRU is proposing to enhance the customer performance indicator framework from PC4 to encourage GNI to provide a high quality and beneficial service to customers. One new (non-financial) indicator would be added to them - the percentage of appointments that GNI reschedule. A new indicator on the customer's overall satisfaction with GNI is also proposed.

- Stakeholder Engagement: A new stakeholder engagement incentive to encourage GNI to ensure the potential benefits of effective stakeholder engagement is delivered in practice is proposed. Annual assessment of the GNI's strategy for stakeholder engagement, and the processes and activities undertaken by GNI pursuant to it over the preceding calendar year would be done via an annual submission by GNI, consistent with guidance which will be set by the CRU. The assessment would be undertaken by a panel constituted by the CRU for this purpose and chaired by a CRU Commissioner. It is proposed that there would be a financial reward of + / - €0.25m per annum.

Capex Monitoring & Reporting:

- The CRU is proposing some changes to the existing ex-ante / ex-post capex framework for PC5 that builds on the existing regulatory treatment but incorporates some changes to strengthen it. It is proposed that allowed projects in the ex-ante allowances would be allocated into two tiers. Tier 1 projects would be subject to a similar capex incentive regime in PC5 as in PC4. However, tier 2 projects would be funded at outturn cost (subject to ex-post review of the efficiency of the incurred spend), where a clear baseline has not been established ex-ante.
 - Tier 1 Incentive: It is proposed that tier 1 projects would have the same expenditure categories as for the PC4 lookback but with some changes to the treatment under two of those categories (i) unfinanced overspend incentive strength and (ii) efficient savings.
 - Tier 2 Incentive: Due to the lower confidence in setting an ex-ante baseline for tier 2 projects, tier 2 projects would not be able to receive rewards from efficient savings or efficient deferrals. Tier 2 projects will also not face penalties from unfinanced overspends. As with tier 1 projects, investment may be disallowed from the RAB where it is not demonstrated to be justified, necessary and efficient (i.e., 'unjustified spend').

Innovation:

- The CRU is proposing that innovation funding for PC5 is split into two separate pots; a Strategic Innovation Fund (SIF) and a Network Based Innovation Fund (NBIF). The CRU is of the view that the Innovation fund can deliver real value for the consumer but that is contingent on good dissemination of all research and innovation outcomes.
 - A Strategic Innovation Fund of €1.2m is proposed to adopt a challenge funding approach to be co-funded with Science Foundation Ireland (SFI). A smaller funding

amount of €0.3m to capitalise on co-funding with other reputable bodies such as SEAI and ESRI.

- A Network Based Innovation Fund of €3.3m is proposed to further best practice of running gas networks and continuing to work with peers, for instance the Oil and Gas Methane Partnership 2.0 (OGMP). This fund would include a €400k allowance (€80k per annum) for project management across the two pots. This is captured within the €3.3m allowance rather than additional to it.

7 Next Steps

This consultation paper sets out the CRU’s proposals for changes to the PC5 regulatory framework. The consultation is open until the 20th of September 2023. All responses will be reviewed and considered fully in coming to a decision on PC5 in Q4 of this year.

Appendix A: Scorecards

A.1 Strategic Thinking Incentive

Title	Description
Incentive Name	Strategic Thinking incentive <i>a.k.a. TSO-style strategic planning and coordination</i>
Components (weight) and scoring guidance ¹	
Planning (60%) <i>GNI will be assessed on the comprehensiveness and coherence of their long-term planning. This will focus on GNI’s Network Development Plan (NDP) and their investment strategy.</i>	Qualitative assessment Good: GNI presents a comprehensive NDP and investment plan on a periodic basis. There is evidence that proposals have been considered holistically and are tied to a clear and unified underlying strategy, which is evident through each stage of the plan. GNI present a central plan of action, which is underpinned by a clear list of assumptions (e.g., around energy policy and industry developments), with key assumptions outlined in detail. The list of assumptions could take the form of an excel spreadsheet detailing how assumptions are linked to different scenarios. The rationale behind actions in the central plan is well-evidenced and linked to the assumptions. GNI display that they have considered different options, articulating why the chosen action is the most appropriate with reference to evidence such as cost benefit analysis (CBA), multi-criteria analysis, or stakeholder

¹ We include three categories of scoring: “good”, “acceptable” and “sub-par”.

Title	Description
	<p>engagement. GNI outline how they have considered the whole system implications, with evidence of meaningful engagement with EirGrid. Examples could include demand side management or reduced outages through coordinated action, after considering outcomes holistically.</p> <p>A comprehensive list of policy uncertainties is provided detailing the associated magnitude, likelihood, and any 'trigger' point which will lead to a change in GNI's plan. Uncertainties and triggers will be reflected in the plan – with evidence of pre-planning actions for uncertainties that are of higher likelihood. When changes are required to the central plan, they are described in the look-back section of the NDP, with GNI explaining why the specific course of action was undertaken. This should consider sectoral emission limits and security of supply.</p> <p>Milestones and metrics used in the assessment of the 'delivery' component of the incentive are both stretching and targeted, clearly linked to actions which are required for the successful delivery of the plan. This should include milestones dedicated to the achievement of whole system thinking principles.</p> <p>Acceptable: GNI present a justified NDP and investment plan. It is clear that GNI has used long-term thinking to inform their strategy, although there may be a lack of clarity on how consistently this has been applied throughout.</p> <p>GNI presents a central plan of actions, which are underpinned by assumptions (e.g., around energy policy or industry developments). Actions are clearly linked to assumptions, but GNI may not evidence an exhaustive assessment of different likely states of the world.</p> <p>GNI provides evidence-based rationale behind their central plan, for example referencing CBAs or stakeholder engagement. This should provide confidence in the decision-making process behind the decision but falls short of assuring that the action is the best available.</p> <p>GNI discuss policy uncertainties which are linked to their scenario assumptions. Little credible discussion of the magnitude or likelihood of the uncertainty. GNI provide a discussion of associated triggers high-level discussion of how this will affect actions in their plans and the types of pre-planning that is being undertaken. This should consider sectoral emission limits and security of supply.</p> <p>GNI provide milestones and metrics linked to their central plan. Some evidence that these are stretching and targeted and link to whole system thinking.</p> <p>Sub-par: It is not clear that there is long-term strategic thinking (at least 10 years) underlying GNI's NDP and investment plan. Parts of the plan are incoherent, internally inconsistent, or inconsistent with GNI's stated aims.</p> <p>Assumptions underlying GNI's central plan are not clearly articulated or are not clearly linked to the central plan.</p>

Title	Description
	<p>GNI do not provide convincing evidence to justify their central plan, e.g., very little evidence of stakeholder engagement or CBAs, which makes it difficult to assess the appropriateness or relative merits of proposed actions.</p> <p>Little discussion of policy uncertainties, triggers, or how the central plan will adapt to them.</p> <p>GNI provide milestones and metrics linked to their central plan. Uncertainty over how stretching or targeted they are.</p>
<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 and decisions. Metrics should focus on processes as opposed to investment planning and delivery. It is likely these will be quantitative, at least at the outset.</i></p>	<p>Qualitative assessment</p> <p>Good: GNI deliver the metrics and milestones as proposed in their plan. For example, timely achievement of stakeholder engagement programmes, well documented engagement with Eirgrid on whole system issues, 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 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-deliver 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 processes (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>Qualitative assessment</p> <p>Good: GNI present information across their NDP, investment plan, and delivery action plan in a clear, consistent, and transparent way. 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. 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 present clear information across their NPD, investment plan, and delivery action plan. 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. 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</p>

Title	Description
	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.
Financial strength	
Symmetric or asymmetric	Asymmetric upside only
Reward and / or penalty	+ €0.5m p.a.
Timings	
Frequency of GNI submission	Biannual
Frequency of CRU assessment	End of period

A.2 Investment Planning and Delivery Incentive

Title	Description
Incentive Name	Investment planning and delivery incentive <i>a.k.a. capex governance incentive for investing in infrastructure</i>
Components (weight) and scoring guidance ²	
Planning (40%) <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>Qualitative assessment</p> <p>Good: GNI provide comprehensive planning documentation across the full range of projects they assess – both ahead of the price control and within period documentation e.g., TJPs.</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 present their 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 demonstrate effective benchmarking of costs and accurate estimates early within projects.</p> <p>GNI submit comprehensive and updated TJPs at relevant decision points to the CRU.</p> <p>Acceptable: GNI provide good planning documentation which covers the full range of projects they assess. A greater level of detail may be desirable in some areas.</p> <p>GNI uses consistent and effective indicators to highlight the status of projects e.g., project governance phases and gateways. GNI</p>

² We include three categories of scoring: “good”, “acceptable” and “sub-par”.

Title	Description
	<p>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 include robust CBAs on a consistent basis across projects.</p> <p>Some effective benchmarking of costs or accurate estimates.</p> <p>GNI submit comprehensive and updated TJPs at relevant decision points to the CRU.</p> <p>Sub-par: Planning documentation provided, but of poor detail, with vague descriptions or areas missed.</p> <p>GNI rarely or inconsistently use 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>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 the board where they have 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.</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 the realisation of risky events that could have negative impacts on the business.</p> <p>GNI clearly demonstrate a flexibility in their 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 they have effectively managed costs and limited cost increases / delivered cost savings. Obvious efforts have been made to reduce costs, although some areas may have been missed.</p> <p>GNI displays good practice / some examples of best practice in delivering their capex projects.</p> <p>GNI can evidence consideration of a range of risks facing the business, and actions which are linked to managing these risks.</p> <p>GNI has acted to manage the realisation of risk events that could have negative impacts on the business. The speed or effectiveness of their response has not seriously increased the magnitude of any negative impacts on the business.</p> <p>GNI can provide some evidence of flexible decision making that leads to better outcomes, aligned with new plans or objectives.</p>

Title	Description
	<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 cost savings a high priority.</p> <p>GNI displays poor practice in some areas when delivering their capex projects.</p> <p>GNI cannot provide evidence on effect consideration of risks or proportional actions to manage these risks.</p> <p>GNI has not reacted quickly or effectively to the emergence of risks.</p> <p>GNI rarely displays flexible 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 present clear links between their 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.</p> <p>GNI, demonstrate they have taken into account lessons learned and can demonstrate continuous improvement over the control.</p> <p>GNI deliver and report on a timely basis, demonstrating action is taken when needed.</p> <p>Acceptable: GNI present clear information across planning processes and delivery. 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 (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	+ / - €0.5m p.a.
Timings	
Frequency of GNI submission	Biannual
Frequency of CRU assessment	End of period

A.3 Shrinkage Incentive

Title	Description
Incentive Name	Shrinkage balanced scorecard incentive
Components (weight) and scoring guidance ³	
<p>Information Gathering and Reporting (60%)</p> <p><i>GNI should take actions to improve their understanding of shrinkage on the gas network, including improved data gathering.</i></p>	<p>Qualitatively assessed.</p> <p>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.</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, but not all components are 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, although there may still be insufficient data to introduce a transmission shrinkage incentive for PC6.</p> <p>GNI carries out surveys of methane leaks on infrastructure at the appropriate intervals.</p> <p>Sub-par: GNI do not provide a greater breakdown of shrinkage throughput by component than the information provided during the PC4 period.</p> <p>GNI do 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.</p> <p>GNI fail to carry out surveys of methane leaks on infrastructure at the appropriate intervals.</p>
Demonstrated Actions (40%)	Qualitatively assessed.

³ We include three categories of scoring: “good”, “acceptable” and “sub-par”.

Title	Description
<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 joining a 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).</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 show a willingness to justify investments based on forecasts and their 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 demonstrate 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 seek 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> <p>GNI demonstrate 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> <p>GNI does not seek any access to innovation funding, EU grants, or explore potential industry group memberships such as the Oil and Gas Methane Partnership 2.0 (OGMP).</p> <p>GNI do not demonstrate thought about pilot projects from peers in other countries and how these could apply to the Irish context.</p>
Financial strength	
Symmetric or asymmetric	Symmetric
Reward and / or penalty	+ / - €0.25m
Timings	
Frequency of GNI submission	Annual
Frequency of CRU assessment	End of control

A.4 Gas-Fired Generation Connections Incentive

Title	Description
Incentive Name	Gas fired generation connections incentive
Components (weight) and scoring guidance ⁴	
<p>Planning (40%)</p> <p><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 undertaken planning in a coordinated fashion.</i></p>	<p>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 at both a top-down level and also for bottom-up projects.</p> <p>GNI has undertaken effective dialogue with industry participants to position themselves to deliver on a timely basis.</p> <p>GNI's planning is dynamic and regularly updated to take into account new potential connections and reflect market conditions.</p> <p>GNI's plan includes innovative elements and new techniques were beneficial.</p> <p>GNI's plan is effective in its ability to deliver the number of gas-fired generation connection incentives needed to meet national requirements/ objectives.</p> <p>Acceptable: GNI produced suitably detailed plans with actions to accommodate gas-fired generation, with top-down and bottom-up 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 only partially effective in delivering the required gas-fired generation connections.</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 improvements.</p>
<p>Delivery (40%)</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.</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>

⁴ We include three categories of scoring: “good”, “acceptable” and “sub-par”.

Title	Description
	<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 demonstrate innovation in their approach.</p> <p>No issues are experienced around safety.</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.</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>No issues are experienced around safety.</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 (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 their experiences.</i></p>	<p>Good: GNI clearly demonstrate the linkage between their dynamic planning process and their delivery of connections.</p> <p>GNI demonstrate that their 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 demonstrate the linkage between their dynamic planning process and their delivery of connections.</p> <p>GNI demonstrate that their actions have supported timely delivery.</p> <p>GNI has suitably engaged with relevant market participants to add value to their 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>
Financial strength	
Symmetric or asymmetric	Symmetric
Reward and / or penalty, % of revenues	+ / - €0.25m p.a.
Timings	
Frequency of GNI submission	Annual

Title	Description
Frequency of CRU assessment	Annual

A.5 Biomethane Connections Incentive

Title	Description
Incentive Name	Biomethane connections incentive
Components and scoring guidance ⁵	
Timeliness <i>GNI should demonstrate that they have delivered timely connections for biomethane producers.</i>	Quantitatively assessed. Good: GNI, on average, provide connections for each of the four connection categories materially quicker than the timeline agreed with the developer. ⁶ Acceptable: GNI, on average, provides connections for each of the four connection categories broadly within the timeline agreed with the developer. Sub-par: GNI, on average, provide connections for each of the four connection categories materially slower than the timeline agreed with the developer.
Biomethane output <i>Assessment of the volume of biomethane delivered relative to the baseline.</i>	Quantitatively assessed. Good: If GNI deliver 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 this may be change. Acceptable: If GNI delivers the target of 1.6 TWh/a (+/- 0.4 TWh/a) by 2026/27. If the Government changes the biomethane target and policy framework during PC5, then this may be change. Sub-par: If GNI deliver 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 this may be change.
Compliance and market arrangements <i>GNI should demonstrate best practice reporting standards and progress their</i>	Qualitatively assessed. Good: GNI present 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

⁵ We include three categories of scoring: “good”, “acceptable” and “sub-par”.

⁶ GNI should provide commentary if a timeline agreed with a developer does not align with the ‘normal’ timeline submitted at the start of PC5.

Title	Description
<i>connections arrangements for PC6.</i>	<p>consistent best-practice principles, and consistently across submissions.</p> <p>GNI has finalised arrangements ready for the start of PC6, a ‘developer choice’ model to offer customers both minimum and maximum connection models.</p> <p>Acceptable: On the whole GNI present clear information in their 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 (with within documents or across years). The 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.
Timings	
Frequency of GNI submission	Annual
Frequency of CRU assessment	Annual

A.6 Hydrogen Readiness Incentive

Title	Description
Incentive Name	Hydrogen readiness incentive
Components and scoring guidance ⁷	
Timely completion <i>Whether the work package is completed according to the schedule proposed by GNI and approved by the CRU</i>	<p>Quantitatively assessed.</p> <p>Good: The work package is completed in its entirety according to the schedule agreed with the CRU in an original price control document that is subsequently updated.</p>

⁷ We include three categories of scoring: “good”, “acceptable” and “sub-par”.

Title	Description
	<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 fail 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>Independent review of the safety case</p> <p><i>The developing GNI safety case within the package should be independently reviewed by the safety regulation team within GNI</i></p>	<p>Qualitatively assessed.</p> <p>Good: The developing GNI safety case within the package is independently reviewed by the safety regulation team within the CRU.</p> <p>Acceptable: In exceptional circumstances, the developing GNI safety case within the package is not independently reviewed by the safety regulation team within CRU but sufficient justification is provided.</p> <p>Sub-par: The developing GNI safety case within the package is not independently reviewed by the safety regulation team within CRU, and no or insufficient justification is provided.</p>
<p>Updated hydrogen deployment assessment</p> <p><i>As of completing the work package, GNI should update their 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</p>

Title	Description
<p>Stakeholder engagement</p> <p><i>The extent and quality of GNI's external stakeholder engagement during the course of the work package</i></p>	<p>to include all key metrics including volumes, timescales, locations and the implications for the gas network.</p> <hr/> <p>Qualitatively assessed.</p> <p>Good: GNI is shown to have undertaken extensive, high-quality stakeholder engagement throughout the duration of the work 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 do 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><i>The extent GNI has been able to find more cost-effective ways of working</i></p>	<p>Qualitatively assessed.</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 do not find any more cost-effective ways of working and fail to provide sufficient evidence outlining how they attempted to find more cost-effective ways of working.</p>

Title	Description
Financial strength	
Symmetric or asymmetric	n/a - reputational
Reward and / or penalty	n/a - reputational
Timings	
Frequency of GNI submission	Annual
Frequency of CRU assessment	Annual

Appendix B: Stakeholder Engagement Incentive

The CRU has not set a prescriptive methodology for how the criteria for each category should be assessed to give a score for each category. It will be up to the members of the panel to decide on how much should be given to each criterion and what defines good performance against that criterion. The CRU considers that the members of the panel will have different views on which criteria are more important and will have different views on what constitutes good performance. The CRU considers that it is through these differing perspectives and discussions that the panel will provide the most value to the assessment of GNI's stakeholder engagement strategy. The panel must agree on a score for each criteria.

Categories:

- a) Quality of stakeholder engagement strategy, management systems and processes within the business to enable its delivery – 25%
- b) How well the strategy was implemented; quality of delivered set of channels and initiatives for engaging of strategy; consistent with the documented strategy – 25%
- c) Effectiveness of strategy, quality of demonstrable positive impacts on stakeholders, stakeholder groups or the business consequent to the delivered channels and initiatives – 25%
- d) Delivering Large Connections, stakeholder engagement to ensure delivery of large connections, strategy, implementation, and effectiveness – 25%

Criteria:

The following are the criteria that the members should consider when assessing and scoring each category, A, B, C & D.

a) Quality of the Strategy

- Was the strategy comprehensive and up to date?
- 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 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?
- Did the strategy put in place sufficient project management processes and resources?
- Was the strategy embedded into the overall business plan?

b) Implementation of the Strategy

- Were all aspects of the strategy implemented?
- Were the engagement channels used consistent with the strategy and appropriate for the 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?

c) Effectiveness of the Strategy

- Did the initiatives undertaken, lead to measured outcomes?
- Were positive impacts for consumers demonstrated to have been delivered?
- 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 has demonstrable regard to industry’s feedback?
- Did the company 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?
- Did the company demonstrate that the lessons learned have been captured and implemented?

d) Delivering Large Connections

- 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 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?

Appendix C: Illustrative outputs for Capex Reporting

Table 5 - Submission for outputs

	Quantitative			Qualitative		
Project reference	Determination – expected output	Previous capex monitor – expected output	Current view – expected output	Determination – expected output	Previous capex monitor – expected output	Current view – expected output

D001a	100 large widgets	[#]	[#]	Not required	Not required	Not required
D001b	50 small widgets	[#]	[#]	Not required	Not required	Not required

Table 6 - Submission for costs

Project reference	Determination – expected project cost (G5)	Previous capex monitor project cost (G5)	Current estimate project cost (G5)	Expected total cost G1	Expected total cost G2	Expected total cost G3	Expected total cost G4
D001	[€k]	[€k]	[€k]	[€k]	[€k]	[€k]	[€k]

Table 7 - Submission for timeliness

Project reference	Determination – expected project completion (G5)	Previous capex monitor project completion (G5)	Current estimate project completion (G5)	Expected/ closed G1	Expected/ closed G2	Expected/ closed G3	Expected/ closed G4
D001	[date]	[date]	[date]	[date]	[date]	[date]	[date]