An Coimisiún um Rialáil Fóntas
Commission for Regulation of Utilities

Price Review Six

Regulatory Framework

Draft Determination

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CRU Strategic Plan 2025-2027

Vision, Purpose, and Values

OUR VISION:

Resilient, efficient, sustainable, and safe energy and water services for Ireland.

OUR PURPOSE:

We actively serve the public interest by regulating the provision of energy and water to Irish homes and businesses, while supporting the transformation to net zero.

OUR VALUES:

- Integrity
- Professionalism
- Openness
- Accountability

Executive Summary

Purpose of This Document

The Commission for Regulation of Utilities (CRU) is responsible for the economic regulation of the electricity network companies in Ireland. To do this, the CRU sets Price Reviews which limit the revenues that the electricity network companies can recover from electricity customers. Price Reviews are set every 5 years and the upcoming Price Review Six (PR6) will cover the period 1st January 2026 to 31st December 2030.

In addition to the allowed revenues, each Price Review outlines the set of arrangements ("regulatory framework") that apply to how the network companies will be incentivised, how unexpected expenditure will be treated, and how under and over expenditure will be addressed.

There have been major policy developments at both national and European level in recent years, including Ireland's housing, decarbonisation and renewable energy targets, that are creating drivers for significant transformation and investment in the electricity networks and placing new requirements on network companies going into PR6. There will need to be a significant step up in investment in the country's electricity networks over the coming years.

The CRU has set the following outcomes that it expects electricity network companies to deliver:

- Decarbonised electricity;
- Secure and resilient networks and supplies; and
- Empowered customers.

To ensure delivery of the three key outcomes, the CRU has set the following objectives for all network companies for PR6:

- Deliver infrastructure at pace;
- Enhance system efficiency;
- Ensure compliance with security of supply standards;
- Drive smarter, flexible, more digitally enabled networks; and
- Customers at the heart of business planning and decision making.

In the PR6 Strategy Paper (CRU202427), the CRU committed to carrying out a review of the PR5 regulatory framework ahead of PR6, with a focus on building on progress made through PR5.

The CRU is now providing interested parties with the opportunity to comment on the CRU's proposed regulatory framework for PR6, covering the CRU's proposed approach to cost recovery, managing uncertainty, incentivising delivery and service performance, and associated reporting and monitoring arrangements.

The scope of this consultation is the regulatory framework for "onshore" transmission and distribution grids and system operation. The CRU's proposed decision on the regulatory framework for EirGrid's new offshore role in PR6 is set out in the Price Review Six Offshore Draft Determination (CRU202589).

Alongside this Paper, the CRU has published its Draft Determinations (CRU202588) and (CRU202587) for the PR6 period for EirGrid as TSO, and for ESBN as TAO and DSO.

The CRU will take responses to this draft determination into consideration when preparing its PR6 Final Determination, which is scheduled for publication in Q4 2025. A summary of responses to this draft determination will be published alongside the Final Determination.

Since the submission of the network companies' business plans in Q4 2024, extensive engagement has taken place on the regulatory framework with the network companies. The CRU recognises and welcomes their positive engagement on this important aspect of the PR6 arrangements. A significant level of further engagement is expected in the coming months to finalise the details of the regulatory framework before implementation at the beginning of the PR6 period.

The key points of the proposed regulatory framework and the consultation are summarised below.

Assessment of the PR5 Regulatory Framework

The CRU considers that, overall, the PR5 framework has had positive, but mixed, results for Irish electricity consumers. This is supported by the conclusions from the PR5 *ex-post* cost review which has been carried out in parallel and published alongside this Paper.

In terms of the original guiding principles and objectives for the price control:

- There is clear evidence that, through the substantial investment enabled by and delivered during PR5, the network companies have helped facilitate a more secure and low carbon future for consumers and the system.
- The performance incentive regime, alongside flexing of cost allowances achieved via the annual revenue setting process, has helped facilitate the objectives of PR5.

- However, the ease (and agility) of implementation of the regulatory framework, across a number of components of the regime, has not been as intended.

There are also a number of areas where it might be questioned if a fair balance of risk and reward and 'best in class' performance has in practice been achieved, particularly in certain key reliability (ESBN) and decarbonisation (EirGrid) outcome areas where PR5 enabled significant expenditure but the actual outcomes for customers have in some cases fallen short of what had been expected.[1] The process through which PR5 cost allowances have been reopened, has also perhaps weakened companies' responsibility for some of the expenditure decisions taken during PR5.

Overall, based on its assessment of the regulatory framework in operation during PR5, the CRU considers that:

- The regulatory approach to setting the PR6 design should continue the output-based approach established in PR5, where outcomes are aligned with defined objectives to deliver against the strategic priorities identified for the price review period.
- However, as PR6 aims to build upon the lessons learned from PR5, it is imperative the performance incentive framework is designed to drive behaviour of companies in key areas where desired outcomes were successfully delivered and effectively target areas where outturn performance fell short.
- In particular, consideration needs to be given to the balanced scorecards as designed in PR5 and whether firmer 'delivery obligations' or more mechanistic incentives, are ultimately preferable to the "interim-outputs" that these scorecards can reward.
- Greater emphasis is needed in PR6 on the aggregate 'anchoring' of the monetary value of the incentive package to ensure the package is balanced. The monetary value of the incentives in PR5 was driven by a desire by the CRU to avoid windfall gains and losses under a relatively new framework of incentives, with greater data to now available to inform target setting. The CRU considers there is now scope going forward to better anchor the value of incentives to the PR6 strategic objectives and potentially increase the power of key incentives.
- The Agile Investment Framework (AIF) in PR6 needs to be underpinned by clear documented processes and procedures, understood by all parties, and these need to be in place from the start of the price control. The CRU considers that there are increasing

[1] The CRU notes that both licensees argue that where there has been underperformance of the PR5 targets this has generally been a result of factors that are beyond their control to manage; for example, as a result of storm events and Ireland being at the forefront of managing the challenges of system operation with high levels of renewable penetration.

risks from relying on the annual revenue and *ex-post* review processes to manage uncertainty given the scope of investment needed in PR6.

- The PR6 baseline of what is included in the *ex-ante* revenues (and what is not) also needs to be more clearly defined at PR6 in order to mitigate the use of the annual revenue process being used as a general reopener with limited controls and scope.

The Overall Regulatory Framework for PR6

For PR6, the CRU wants to continue to build on the successes of the PR5 approach, enabling necessary investment, but further holding the network companies accountable for delivering what customers need while incentivising innovation and efficient costs. The regulatory framework in PR6 also needs to continue to be 'agile' and allow the electricity network companies to drive forward the investment programme with certainty and adapt to changing circumstances so that they can deliver value to customers more quickly.

The CRU proposes to do this through an enhanced regulatory framework, compared to PR5. This will place more emphasis on setting the required outputs and deliverables up front and tracking their delivery through the PR6 period. It also includes a suite of proposed mechanisms to deal with the inevitable changes in priorities and circumstances (and hence costs) that will arise over the period.

As in PR5, the proposed building blocks of the PR6 Regulatory Framework can be considered in several broad categories. In PR6 this will be referred to as the Agile Investment and Monitoring Framework (AIMF) and will consist of the following components:

- *Ex-ante* setting of allowances, outputs/ outcomes and deliverables – including regulatory commitment by the CRU to a high case as well as a baseline envelope of allowed revenues[2];
- Incentivised delivery against those outputs/ outcomes using performance incentive mechanisms;
- Mechanisms to adjust allowances, outputs/ outcomes and deliverables where appropriate and justified during the PR6 period, including reopeners and volume drivers.
- The *ex-post* review at the end of the PR6 period; and

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2 For the avoidance of doubt, neither the "baseline" or "high case" allowances are caps on or budgets for expenditure. The intent of the framework is that companies have the opportunity to recover their full efficient costs, which could turn out to be higher or lower than *ex-ante* baseline or high case allowances for several reasons, including cost inflation, changes in or additional requirements or solutions, etc.

- An enhanced reporting and monitoring framework.

Each of these building blocks will be supported through an evolved focus on delivery of specified outputs and outcomes given the significant step up in investment.

The intent of the framework is to be permissive in nature and to give the network companies confidence that the revenues will be made available for them to deliver during the period (including that they will be flexed upwards above *ex-ante* baselines towards, or even beyond, their full business plan asks as the companies build confidence in their readiness and the deliverability of their investment plans), and that they will be able to recover their full efficient costs for doing so. The framework will also give confidence to customers that outputs and deliverables promised by companies will be delivered with discipline and efficiency as projects and programmes progress.

For the avoidance of doubt, investment and operational decisions relating to projects and programmes are for the network companies, not the CRU. The role of the CRU is to hold the companies to account on behalf of consumers and other stakeholders.

Taking account of the learnings from PR5 and the challenges and risks of PR6, the AIMF will be streamlined, rapid and light touch. The CRU intends to work with the network companies to fully specify the processes and procedures for the operation of the framework in advance of the PR6 Final Determination, so that all stakeholders have clarity going into this important period for investment and delivery.

The CRU notes that the TSO/TAO and TSO/DSO co-ordination and governance arrangements, alongside the PR6 regulatory framework, are critical enablers that underpin the efficient and timely delivery of the network companies' investment programmes and operations over the coming period. The TSO/TAO Infrastructure Agreement, which governs aspects of this co-ordination, particularly in relation to the delivery of the transmission network, is currently being reviewed by the parties. The CRU looks forward to engaging with the network companies on this in the context of PR6 and its regulatory framework.

Ex-ante Allowances and Deliverables

In order to support the network companies to deliver against the ambitious targets for PR6, the CRU is proposing to set an enabling regulatory "contract" which provides significant *ex-ante* allowances in tandem with flexible access to additional funds as required. The CRU is striving to implement a supportive and permissive regulatory regime that prioritises delivery and transparency and balances these against risks to consumers. The *ex-ante* allowances will be divided into two high level categories: baseline allowances and high case allowances. The

baseline allowances will include a number of "delivery obligations" which, although new to PR6, are common practice in other regulatory regimes. They are explained in further detail below. The high case allowances will be managed by a series of adjustment mechanisms in the AIMF such as reopeners and volume drivers.

For PR6, the CRU proposes to improve the transparency of the linkages between inputs, outputs and deliverables at the *ex-ante* stage, and to require enhanced reporting of each of these inputs, outputs and deliverables throughout the PR6 period.

In terms of the inputs, there is no change from the current PR5 framework. These are being set on an opex and capex basis respectively and are being used to determine the network companies' allowed revenues, against which an efficiency challenge is being set. However, the *ex-ante* process has been enhanced for PR6 to further increase the focus on the outputs and outcomes that network companies are expected to deliver for the allowances that are being set.

The CRU proposes that all *ex-ante* ("baseline") expenditure allowances at PR6 are explicitly linked to an output or deliverable. For the most critical outputs/ deliverables the *ex-ante* allowances will be ring-fenced for delivery of the associated outputs/ deliverables, and the requirements will be specified in a formal "delivery obligation".

The Delivery Obligations are intended to provide:

- Clear, unambiguous, regulatory commitment to funding of strategic schemes with the expectation that the costs of these programmes will also need to evolve within period as delivery progresses;
- Consumer protections and transparency by ring-fencing allowances that controls reprioritisation / reallocation of funding to other areas of the portfolio without discussion; and
- Clarity of outputs that are needed to deliver on network requirements and a clear basis for ongoing monitoring of delivery.

Some delivery obligations will be for discrete projects (for example each of the 29 highest priority transmission projects being delivered by the TAO), whereas others will be for a "bundle" of projects or activities within a wider programme (for example the development work being undertaken by the TSO in PR6 to progress the high priority transmission projects). The delivery obligations proposed for each licensee are listed in Figure 1 below.

Figure 1: PR6 Delivery Obligations

DSO	HV Reinforcement	Baseline: €832.8m
	Renewal Programme - MV lines: PIAM	Baseline: €125.4m
	IT and Digital projects	Baseline: €177.4m
TSO	Group 1 - Priority projects	Baseline: €116.2m
	Physical Control Centres	Baseline: €23.4m
TAO	Group 1 - Priority projects (29 separate DOs)	Baseline: €2,942.5m (aggregate)
	Group 2 - Remaining Ultra projects	Baseline: €428.1m
	Group 4 - Remaining category 3 projects	Baseline: €133.6m

In summary, the proposed delivery obligations cover c.22% of baseline capex allowances for the DSO, c.21% for the TSO and c.87% for the TAO (over 80% of which is the DOs for the 29 most critical TAO delivery projects in the PR6 period).

The framework will be inherently flexible – via the reopener and other adjustment mechanisms described below – allowing companies to vary delivery obligations and change the use of cost allowances, for example flexing expenditure or outputs up or down according to network requirements or changes in priorities for investment within the programme. There will be clear tracking of deliverables and costs with respect to each delivery obligation through the price control period.

The network companies will also have freedom to reallocate priorities and revenues (a) within "bundled" delivery obligations where needed (subject to ongoing reporting requirements and to remaining within the overall allowance provided or any material revision being agreed through the period as part of the reopener process), and (b) across outputs and deliverables at the portfolio level for the remainder of their activities (subject to ongoing reporting requirements).

Adjustments during the PR6 Period

The AIMF will include mechanisms to allow the network companies to access additional revenues in response to the changing needs of the system and to facilitate a flexible approach to network investments, including where there are material uncertainties or where delivery timing,

specifications or costs change. These mechanisms will ensure customers are protected against poor delivery (for example, expected outputs funded by consumers not being delivered) or unnecessary costs, while providing the network companies with the revenues needed to deliver (including additional revenues above the *ex-ante* baseline) as investments are firmed up or priorities or costs change.

For PR6 it is proposed to retain the **Flexibility Mechanism** (to be renamed the "**Opex/Capex Reallocation Mechanism**" to distinguish it from the new flexibility services cost recovery mechanism proposed by ESBN) and **Innovation and R&D Mechanism**. The CRU proposes to extend these to cover both network companies so that there are clearly specified mechanisms available for both network companies to adjust between capex and opex allowances within period where it is efficient to do so, and to seek approval from the CRU for additional innovation/ R&D projects that are demonstrably to the benefit of consumers and the system.

The CRU intends to introduce a new **Legal/Regulatory Change Mechanism** that will apply to both network companies. This builds on the DSO's proposal for an uncertainty mechanism to deal with uncertainty in relation to changing roles and responsibilities as a direct result of changes in legal or regulatory requirements, and the associated impact on PR6 costs. The CRU proposes that this new Legal/Regulatory Change Mechanism be triggered by either the CRU or network company and can lead to either an upwards or downwards adjustment in allowances depending on whether the legal or regulatory change leads to the addition or removal of functions, activities and costs for the company. The party triggering the mechanism will need to demonstrate that there have been new legislative or regulatory requirements, which have directly led to a material impact on the network company's costs or scope of activity.

The **Force Majeure Mechanism** will apply to both network companies. The principles of the mechanism will be unchanged from PR5. The company will be able to make a submission to the CRU for the recovery of efficiently incurred costs that directly relate to a force majeure event. The DSO has suggested that there should be two force majeure mechanisms, one relating to **"Severe Weather Events"** only and one relating to all other causes of force majeure. Given the increased focus on storms and storm impacts, the CRU is interested in stakeholder views on whether it is necessary or proportionate to have such separate mechanisms (for example because the nature of evidence or burden of proof might be different for severe weather events).

The CRU proposes to retire the TAO/TSO **Capex Adjustment Mechanism** (and not to accept the TAO and TSO's proposals for portfolio-wide reopeners of the aggregate allowances for their

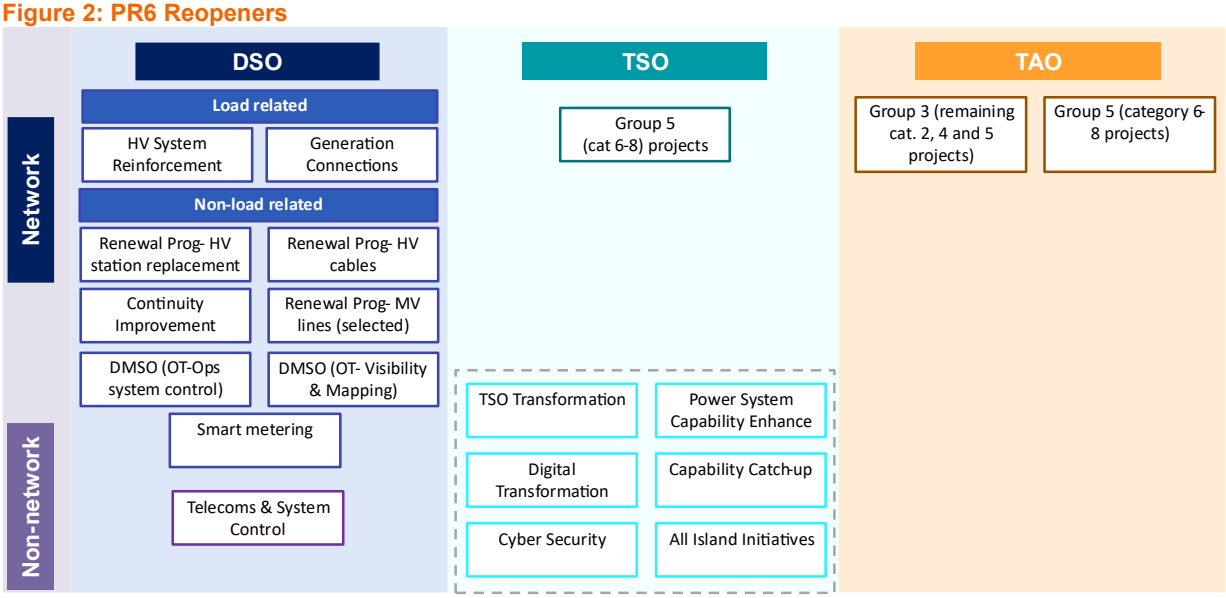
transmission programmes[3]). This is because a general capex reopener at the aggregate allowance level is no longer consistent with the more targeted and ring-fenced set of allowances and delivery obligations that are proposed to be introduced at PR6.

In its place, the CRU is proposing for PR6 to extend from the DSO to the TAO and TSO the PR5 concept of targeted Uncertainty Mechanisms (or "**reopeners**"). These reopeners can be used by the individual licensees to request timely adjustments in deliverables or allowances during the period, whether capex or opex or both[4]. They will cover all delivery obligations and an additional set of specified schemes/ activities outside delivery obligations where costs and/or requirements are particularly uncertain at this stage. This will allow companies to more closely match revenues to expenditure during the period while also allowing the CRU to have increased transparency during the PR6 period of delivery and expenditure. The CRU expects that the majority of reopener requests will be for upward adjustments but also envisages that, where there has been significant delay or re-prioritisation of spend in an area, a company may bring forward a request to reduce the allowance (and associated deliverables) in that area. There could be an accompanying or subsequent reopener request to reallocate the funds that have been released to another area where additional expenditure is expected. As is already available to the DSO, the network companies will be able to bring forward reopener submissions on an annual basis to feed into the revenue-setting process. Reopener requests can be for single or multiple years. This is a key area of the framework where the CRU will work with stakeholders in advance of Final Determinations to put in place streamlined and rapid processes that are permissive in nature, avoiding regulatory blockers to investment or progressing delivery.

In addition to the new reopeners for the TAO and TSO, the CRU is proposing to amend and add to the existing set of targeted reopeners for the DSO. The scheme-specific capex reopeners proposed by the CRU for each licensee (in addition to delivery obligation reopeners) are shown in Figure 2 below.

[3] ESBN has proposed separate reopeners for the aggregate allowances on transmission "priority projects" and transmission "non-priority" projects.
[4] Where there is opex directly associated with a capex project, the CRU expects the opex allowance to flex up in-period in proportion to any change in capex allowed through the reopener process (subject to confirmation at the *ex-post* review).

Figure 2: PR6 Reopeners



In summary, the proposed scheme-specific reopeners apply to c.22% of DSO baseline capex allowances, c.56% for the TSO and c.13% for the TAO.

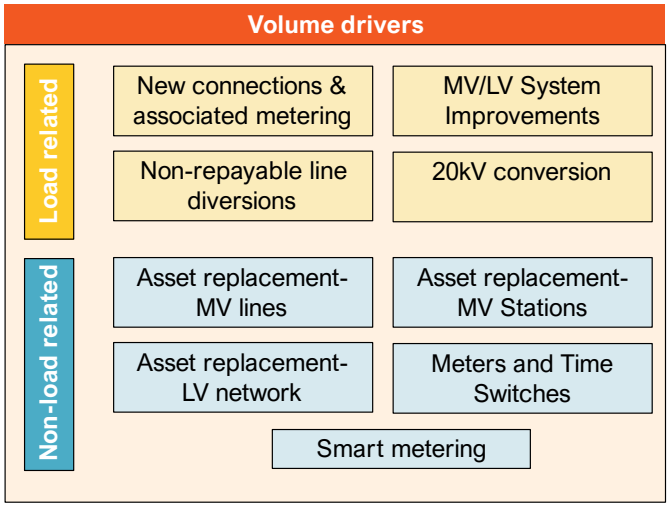
The CRU also proposes the following targeted reopeners will apply to opex:

- EirGrid TSO – a reopener for staff costs / contractors / professional services opex subject to additionality, deliverability and cost confidence criteria being met.
- ESB Networks DSO – a reopener on planned maintenance, which the CRU intends to be as mechanistic as possible, i.e., formulated as close as possible to a volume driver (see below).

The CRU is consulting on materiality thresholds and triggers for all of the adjustment mechanisms and reopeners proposed for PR6.

Volume Drivers: There are a number of network company activities where the unit costs of the activity can be determined *ex-ante* with reasonable certainty but the volume that will be undertaken over the period is uncertain. These primarily relate to DSO activities: the DSO has proposed 6 **volume drivers** for specific activities in PR6, building on the volume drivers that were in place at PR5. The CRU is proposing an amended set of 9 volume drivers (including to provide for storm resilience), covering c.37% of baseline capex allowances for the DSO, as shown in Figure 3 below.

Figure 3: PR6 Volume Drivers



The CRU is proposing that, as was the case in PR5, several **non-controllable opex** cost categories will be allowed on a full passthrough basis, i.e. where network companies do not have control over the quantum of the costs and cannot reasonably mitigate their exposure to such costs. These cost categories vary by price control, but include, for example, network rates and CRU levies. The DSO has proposed that any **"flexibility payment" costs** that it incurs in PR6 period should also be treated on a passthrough basis. The CRU is consulting on whether this is an appropriate regulatory treatment for this category of costs.

Cost Incentives and *Ex-Post* Cost Recovery

An *ex-post* review will be carried out at the end of PR6, in a similar manner as previous Price Reviews. The CRU is proposing to retain from PR5 the guiding principles by which it undertakes the *ex-post* assessment and determinations of adjusted allowances.

The *ex-post* review will assess whether the network companies have achieved their deliverables and incurred their expenditure efficiently. As at PR5, any expenditure not demonstrated to have been efficiently incurred will be disallowed and expenditure demonstrated to have been efficiently incurred (even where greater than baseline allowances as adjusted by AIMF processes) will be allowed.

The CRU is proposing to retain the same cost incentive level (100%) as at PR5, i.e. the network company bears 100% of any inefficient overspend and retains 100% of any underspend, so long as the delivery obligation or other specified outputs have been delivered.

The principal change to PR5 is the level at which the CRU proposes that cost incentives are assessed. At PR5, capex and opex were reviewed at a granular level, where possible, summed up for the purposes of the cost incentive. Cost incentives were then applied at the level of total

opex and total capex, i.e. applied to the difference between (a) total allowed opex and total outturn opex, and (b) total allowed capex and total outturn capex. For PR6, the CRU proposes that the *ex-post* assessment and cost incentives are determined individually for each delivery obligation (with the onus on the network companies to justify the efficiency of any proposed reallocations across delivery obligations)[5]; for other outputs, the cost incentive will be assessed bottom-up at the output level but aggregated to derive the overall change from the *ex-ante* allowance (as per PR5). For the capex cost incentive, the CRU will retain a five-year rolling retention mechanism.

The CRU considers that these proposals demonstrate a high degree of regulatory stability across price review periods and give the network companies reasonable certainty as to cost recovery, in line with CRU precedent. The intent is that, so long as the network companies can demonstrate that their expenditure has been efficient, they can recover their incurred costs in full.

Performance Incentives

The proposed performance incentives for PR6 build upon the PR5 incentives. The CRU has placed increased emphasis on SMART principles in developing its proposals for performance incentives for PR6, namely that incentives should be Specific, Measurable, Achievable, Relevant, and Time-bound.

Many of the PR5 mechanisms are retained with updated targets and/or with amended definitions and performance assessment criteria. Some new mechanisms are proposed to be introduced to incentivise network companies in the delivery of the PR6 objectives, while other PR5 mechanisms are proposed to be retired where they are no longer aligned with PR6 objectives or adding significant value over other delivery or cost incentives in the framework.

The CRU is proposing to retain the overall strength of the performance incentive mechanism for the DSO and TSO, and to increase the size of the TAO package with the addition of new incentives, in terms of average annual percentage return on regulated equity (RoRE). It is proposing to re-anchor and adjust the strength of individual incentives to sharpen incentives in key areas across all the licensees' packages. All figures included in this document are in 2024 prices unless otherwise noted.

The CRU is also proposing to streamline the design of most incentives to make them more mechanistic in nature, with clearer outcome-based targets set at the beginning of PR6 for the full

[5] This approach recognises the ring-fenced nature of the allowances, and the criticality of delivery, of the schemes and activities within each delivery obligation. For bundled delivery obligations, the cost incentive will be assessed bottom-up at the individual output level within the delivery obligation but aggregated to the level of the delivery obligation.

PR6 period. This also involves retiring or re-designing some of the balanced scorecard incentives, particularly those requiring the periodic development of multi-year plans by network companies and their assessment and approval by the CRU.

An overview of the proposed individual elements of the performance incentive package, and the respective financial values, for each network company is provided in Table 1, Table 2 and Table 3 below.

Table 1: Summary of DSO Incentive Proposals

Outcome Category	Output	€/m Upside (annual)	€/m Downside (annual)
Reliability and Availability	Unplanned Outage Duration (CML)	14.71	-14.71
	Unplanned Outage Frequency (CI)	14.71	-14.71
	Worst-Served Customers (WSC)	2.78	-2.78
Customer Satisfaction	Customer Satisfaction (CSAT)	4.01	-4.01
	Care Centre Satisfaction (ESATRAT)	3.71	-11.13
	Stakeholder Engagement	1.48	-
	Vulnerable Customers (new)	2.78	-2.78
	Customer Complaints (new)	3.98	-3.98
System Management and Operational Capability	Generation Connections Offers	5.17	-3.18
	Time to Quote and Time to Connect (new)	3.18	-1.19
	Flexibility	3.98	-1.19
	Visibility and OTC	3.98	-1.19
	Smart Metering Plus	2.78	-2.78
	Joint DSO/TSO	4.45	-1.48
Total incentive package (€m, annual)			+71.69 / -65.11
Total incentive package (as percentage RoRE)			+1.80 / -1.63

Table 2: Summary of TAO Incentive Proposals

Outcome Category	Output	€/m Upside (annual)	€/m Downside (annual)
Infrastructure and Project Delivery	Project Delivery	13.22	-13.22
	TAO/TSO Joint	2.20	-2.20
	Outage Management	3.31	-3.31

Outage Planning and Management	TAO/TSO Outage Planning (new)	3.31	-3.31
Total incentive package (€m, annual)			+22.04 / 22.04
Total incentive package (as percentage RoRE)			+1.00 / -1.00

Table 3: Summary of TSO Incentive Proposals

Outcome Category	Output	€/m Upside (annual)	€/m Downside (annual)
Decarbonisation and Consumer Outcomes	Renewable Integration	5.90	-2.18
	System Minutes Lost (SML)	1.10	-1.83
	Connections	5.17	-3.18
	Stakeholder Engagement	1.48	-
Investment Planning and Infrastructure Delivery	TSO/TAO Joint	1.20	-0.82
	Investment Planning and Delivery	3.82	-2.18
	TSO/TAO Outage Planning (new)	1.20	-0.76
System Operation and Adequacy	TSO/DSO Joint	0.82	-0.41
	System Frequency	1.10	-1.83
	Imperfections & Constraints	6.56	-1.09
	Security of Supply (new)	3.71	-1.09
Total incentive package (€m, annual)			+32.06/ -16.97
Total incentive package (as percentage RoRE)			+26.80 / -13.40

Reporting, Monitoring and Governance

Regulatory oversight in the PR6 delivery period will be provided through an enhanced reporting and monitoring framework which the network companies will be required to adhere to. This will involve the continued publication of clear, concise, and accessible reports on the network companies' performance and network delivery. In addition, enhanced annual regulatory reporting to the CRU will provide a clear link between the *ex-ante* allowances and deliverables, spending decisions taken by the network companies during the PR6 period, and the holistic review of the network companies performance over the PR6 period in the *ex-post* review. The enhanced reporting framework will allow the CRU to conduct effective oversight of the network companies while also allowing for greater flexibility in response to innovation and changing circumstances.

While the CRU proposes to retain much of the PR5 reporting and monitoring arrangements there will be specific enhancements around reporting of outputs and allowances. These changes are to reflect learnings from PR5, the step up in transparency required alongside the increase in investment by the network companies, and the further transition to a more fully output- and outcome-based approach in PR6.

The proposed categories of reporting for PR6 are:

1. **Stakeholder Reporting:** accessible reports clearly setting out the network company's annual performance and infrastructure delivery. This includes the Annual Performance Reports for the TSO and DSO, and the Investment Planning and Delivery Report for the TSO and TAO, which are to be continued from PR5. Innovation and Stakeholder Engagement reporting requirements from PR5 will also be continued. Alongside these reports, the CRU intends to publish a PR6 'dashboard' that summarises key metrics and performance indicators.

2. **Regulatory Reporting Pack:** annual submissions made by the TSO, DSO and TAO for the TUoS and DUoS processes will be included in PR6. These include detail on performance against incentive targets, expenditure against allowances, and delivery of outputs against *ex-ante* expectations. There will be more emphasis on reporting and explanations of any deviations from expectations in costs, delivery against outputs, and performance targets. Supporting the PR6 ambition to accelerate delivery of infrastructure, the regulatory reporting packs will be supplemented in PR6 with new/updated annual capital expenditure and delivery reports for all licensees, along with quarterly expenditure and delivery reports for the licensees for certain specified priority projects. Additional reports, including cyber security, will also be continued from PR5, and extended to the DSO.

3. **Detailed Expenditure Reporting:** detailed reporting by the network companies in a similar format to the questionnaires used for the historic *ex-post* review, to be used for the five-year review process. Alongside this, the CRU is proposing to change the timing of the *ex-post* review so that the final assessment of allowances is more clearly undertaken following the final year of the PR6 period.

The CRU proposes to retain the **TSO Monitoring Committee** in PR6. In PR5, the Committee provided independent and on-going oversight of the TSO initiatives that were not fully defined at the start of PR5 but were required during PR5. The CRU considers that it has played a constructive role in providing independent assessment of new propositions before they are brought to the Commission for approval. The CRU is considering whether to extend the concept

to the TAO and DSO, such that potentially there could be three separately appointed Monitoring Committees in the PR6 period, each covering one licensee, and whether to extend the Monitoring Committee(s)' scope to assurance of changes to existing schemes as well as assessment of new propositions.

It is essential that the Regulatory Framework for PR6 provides the correct balance between enabling transformational investment in electricity infrastructure and innovative operational practices, whilst also protecting the interests of consumers. The CRU welcomes views from stakeholders on our proposed approach.

Public/Customer Impact Statement

Ireland's electricity networks deliver secure electricity supplies to homes and businesses in the country. The CRU allows ESB Networks and EirGrid ("the network companies") to charge money towards the cost of building, safely operating and maintaining the electricity system in Ireland. These charges are reflected in customers' electricity bills and make up the network companies' revenue allowances. The revenue allowances are collected from suppliers via the use of system charges and charges per unit of electricity that they buy, which is then passed on to customers in their electricity bills. Depending on other factors (for example the cost of wholesale electricity and fuel) the use of system charge typically accounts for about one third of an average residential customer's electricity bill.

The CRU's role is to protect electricity customers by ensuring that the network companies spend customers' money appropriately and efficiently to deliver necessary services and make necessary investments in infrastructure. The CRU does this through what is called a Price Review which is carried out every five years. The current Price Review (PR5) started in 2021 and will end in 2025. PR6 will follow PR5 and will determine the use of system charges for the period 2026 to 2030, and therefore, will have an impact on customers' electricity bills over that period.

PR6 will look to build on the success of PR5 and continue to support the transition to a low carbon system by 2030. Further acceleration in the roll-out of new grid infrastructure to support connection of renewable energy, network innovations, and advancements in smart technologies, in addition to new organisational structures and models will transform the electricity networks. Given this level of transformation, the CRU is consulting on some potential changes to the regulatory framework for PR6.

Contents

Glossary of Terms and Abbreviations

Abbreviation or Term	Definition/Meaning
(A)RRP	(Annual) Regulatory Reporting Packs
AIF	Agile Investment Framework (under PR5)
AIMF	Agile Investment & Monitoring Framework (under PR6)
BP/BPQ	Business Plan/Business Plan Questionnaire
CAM	Capital Adjustment Mechanism
CAP	Climate Action Plan
CI	Customer Interruptions - the average number of interruptions per customer connected in the year – Distribution System
CML	Customer Minutes Lost - the average number of minutes without supply per customer connected in the year – Distribution System
CSAT	Customer Satisfaction
DD	Draft Determination
DMSO	Distribution Markets and System Operation
DO	Delivery Obligation
DSO	Distribution System Operator – ESB Networks
DUoS	Distribution Use of System
ECP	Enduring Connection Policy
EI	Energisation
ESATRAT	Care Centre Satisfaction
FASS	Future Arrangements for System Services
FD	Final Determination
IA	Infrastructure Agreement
IPD	Investment Planning and Delivery
JOTP	Joint Outage Transformation Programme
KPI	Key Performance Indicator
LCT	Low Carbon Technology

LSoS	Local Security of Supply
LV/MV/HV	Low/medium/high voltage
MYP	Multiyear Plan
NEDS	National Energy Demand Strategy
NMF	Neutral market facilitator
NSMP	National Smart Metering Programme
OAO	Offshore Asset Owner – EirGrid
ODI	Output Delivery Incentive
OTC	Operational Technology Capability
PA	Project Agreement
PI	Performance Incentive
PIAM	Power Intelligence and Asset Monitoring
PR	Price Review
RAB	Regulatory Asset Base
RDD	Renewable Dispatch Down
RES-E	Renewable Energy Sources-Based Electricity
RPEs	Real Price Effects
SCADA	Supervisory Control and Data Acquisition
SEMO	Single Electricity Market Operator
SMART	Specific, Measurable, Achievable, Relevant, and Time-bound
SML	System Minutes Lost
SNOAM	Short Notice Outage Adjustment Mechanism
SNSP	System Non-Synchronous Penetration
TAO	Transmission Asset Owner – ESB Networks
TOP	Transmission Outage Programme
TSO	Transmission System Operator – EirGrid
TUoS	Transmission Use of System
UIOLO	Use it or lose it
UM	Uncertainty Mechanism
VD	Volume Driver
WSC	Worst-Served Customers

1 Introduction

The CRU is responsible for the economic regulation of the system operators and asset owners for electricity transmission and distribution (the "network companies"). This includes undertaking "price reviews", which limit the revenues that the network companies can recover from electricity customers. Price Reviews are undertaken every five years and include regulatory arrangements, including incentives, which are intended to align the interests of the network companies with those of their customers. The upcoming Price Review ("PR6") will cover the period 2026-2030.

In the PR6 Strategy Paper (CRU202427), the CRU committed to carrying out a review of the regulatory framework ahead of PR6, with a focus on building on progress made through PR5. The CRU is grateful to all stakeholders who responded to the Strategy Paper. Since the submission of business plans in Q4 2024, further extensive engagement has taken place on the regulatory framework with the network companies. The CRU is grateful to them for their positive engagement on this important aspect of the PR6 arrangements.

This paper sets out the CRU's proposed approach to the regulatory framework that could apply to the electricity network licensees – EirGrid as the Transmission System Operation (TSO), and ESB Networks (ESBN) as the Distribution System Operator and asset owner (DSO) and Transmission Asset Owner (TAO) – in PR6.

The scope of this consultation is the regulatory framework for "onshore" transmission and distribution grids and system operation. The CRU's proposed decision on the regulatory framework for EirGrid's new offshore role is set out in the Price Review Six Offshore draft determination (CRU202589).

Alongside this Paper, the CRU has published its Draft Determinations (CRU202588 and CRU202587) for the PR6 period for EirGrid as TSO, and for ESBN as TAO and DSO.

1.1 PR6 Strategy

On 24 April 2024, the CRU published the PR6 Strategy Paper[6]. This paper sets out the CRU's objectives and preferred outcomes for PR6. A summary and review of the responses received to the Strategy Paper can be found in the Price Review Six Transmission and Distribution Draft Determinations, which are published alongside this paper.

In recent years, there have been major policy developments at national and European level that have and will continue to drive significant change in the energy sector. The publication of the

[6] Price Review Six, Strategy Paper (CRU202427)

CAP24[7] was the third annual update to the CAP19[8] and reaffirmed the challenge ahead for the electricity sector in Ireland. These developments are set out in greater detail in the PR6 Strategy Paper.

PR6 will be a critical price review for network companies to fulfil their role in the delivery of Ireland's decarbonisation and renewable electricity ambitions. It is also important that throughout PR6, network companies continue to provide resilient energy networks and supplies while also ensuring high-quality and secure services to customers and networks users. To achieve this, CRU has set three outcomes that it expects network companies to deliver:

- **Decarbonised electricity:** Network companies must facilitate realisation of Ireland's decarbonisation ambitions, enabling high levels of renewable electricity integration, driving an environmentally sustainable, low carbon energy system.
- **Secure and resilient networks and supplies:** Network companies must ensure safe, secure, resilient electricity networks and supplies which customers can rely on.
- **Empower customers:** Network companies must deliver high quality and reliable services to customers, ensuring their voice is heard and reflected in the work they do, and that the cost of the transition is minimised.

To ensure delivery of these key outcomes, the CRU set the following objectives for PR6:

- **Deliver infrastructure at pace** to support decarbonisation, the realisation of Ireland's renewable energy and climate change targets and reducing the cost of constraints to consumers.
- **Enhance system efficiency** while continuing to meet the needs of the network and protecting the long and short-term customer interest.
- **Ensure compliance with security of supply standards** by efficiently managing and developing the networks.
- **Drive smarter, flexible, more digitally enabled networks** and energy system to improve capabilities and ongoing efficiency.
- **Customers at the heart of business planning and decision making.**
- The EirGrid only objective to **Successfully establish Offshore Asset Owner (OAO)** is discussed in a separate Draft Determination published alongside this paper.

[7] Available here.
[8] Available here.

1.2 Regulatory Framework Building Blocks

Broadly, a regulatory framework can be defined as a set of principles, rules, methodologies or 'building blocks' that define the regulatory obligations on the regulated company and which set and adjust the allowed revenues that the company is then permitted to recover to discharge those obligations.

This draft determination focuses on a subset of the key building blocks within the overall set of PR6 arrangements, specifically:

- The overall investment and cost recovery framework by which the costs incurred by the licensee would be reflected in charges to consumers, including delivery and cost incentives;
- Uncertainty mechanisms which are intended to protect licensees (while limiting the exposure of customers) from events that may be outside their control;
- How the licensees' performance ('outputs') would be measured, and how any financial rewards for outperformance or penalties for underperformance would be reflected in charges ('incentives'); and
- The associated arrangements for monitoring, reporting and governance of the above elements of the framework.

Collectively these elements are often referred to as the "PR6 regulatory framework", and they are referred to as such in this consultation.

A number of issues that interact with the PR6 regulatory framework are outside the scope of this consultation. This includes: the CRU's approach to the PR5 close-out / *ex-post* review process; the approach and techniques used for assessing the licensees' costs proposals for PR6; the cost of capital; asset lives and depreciation; and indexation of revenues and of the Regulatory Asset Base (RAB). The CRU has published consultant reports which examine approaches to cost assessment, approaches to financing and the setting of fair returns for licensees alongside this consultation and the consultation on the Draft Determination[9].

The CRU notes that the TSO/TAO and TSO/DSO co-ordination and governance arrangements, alongside the PR6 regulatory framework, are critical enablers that underpin the efficient and timely delivery of the network companies' investment programmes and operations over the coming period. The CRU also notes that the Infrastructure Agreement that governs aspects of this co-ordination is currently being reviewed by the parties and looks forward to the network

[9] See CRU202596, CRU202599a, CRU202599b, CRU202599c, CRU202599d, CRU202599e and CRU202599f, published alongside this paper.

companies bringing forward the conclusions of that exercise for the CRU's review in the context of PR6 and its regulatory framework.

Definitions of some of the terms used in this paper are provided below:

- **Output** refers to a quantitative or qualitative measure against which a licensee would report. Ideally, an output would capture the impact on customers. Where that is not possible, an intermediate measure could be used, as long as it is informative about the ultimate customer impact.
- **Uncertainty mechanism** refers to any mechanism or process that limits a licensee's exposure to cost, volume or price risk. An uncertainty mechanism typically applies during the regulatory period. It can be automatic (e.g. an adjustment driven by outturn volumes in a year) or evaluative (i.e. requiring an assessment and determination by the CRU).
- **Delivery obligations (DOs)** are used to ensure that allowances are allocated to the delivery of specific activities or projects, and they allow for the return of allowances to customers where projects are no longer required, are delivered to materially different specifications, or are delayed.
- **Use-it-or-lose-it (UIOLI) tools** provide defined allowances for a specific activity which is returned to consumers if not undertaken.
- **Volume drivers (VDs)** adjust allowed revenues by providing necessary funding for companies to deliver against required outputs, specifically when the volume of a particular activity is uncertain, but the unit cost is stable and known.
- **Incentive** refers to a quantitative output or outcome for which a target is set and the licensee is given a financial reward / penalty based on how its performance compares to the target, or alternatively following an assessment process of its performance (e.g. using a balanced scorecard).

1.3 CRU's Role

The CRU has several roles within the context of the regulatory framework. These include:

- Setting the principles and requirements of regulatory framework, including for cost recovery, uncertainty mechanisms, performance incentives and reporting and monitoring;
- Monitoring of the companies' projects and other activities that have been funded through the price review process to track their progress and milestones and alignment with planned deliverables. For the avoidance of doubt, investment and operational decisions relating to projects and their other activities are for the licensees, not the CRU;
- Ensuring companies adhere to the PR6 requirements, for example through audits and oversight activities as required;

- Authority for specific critical decisions during the price control period, including approving additional allowances to address unforeseen needs or changes in scope or costs in line with the processes and mechanisms set out in the regulatory framework (for example following a submission from a company or as a result of the CRU triggering an uncertainty mechanism);
- Making adjustments to the companies' annual revenues through the annual tariff-setting process;
- Determining companies' incentive payments (rewards or penalties) under the performance incentive scheme; and
- Undertaking the *ex-post* review to determine companies' final allowed revenues for the price control period.

1.4 Structure of the Draft Determination

The remainder of this document is structured as follows:

- Section 2 sets out the key lessons from the CRU's review of the PR5 regulatory framework;
- Section 3 sets out the key challenges and risks for PR6 and their implications for the regulatory framework,
- Section 4 summarises the companies' business plan proposals for the regulatory framework;
- Section 5 provides a description of the key elements of the CRU's proposals for the PR6 regulatory framework, with a focus on cost recovery and managing uncertainty;
- Sections 6 to 10 provide detail on the CRU's proposals on distribution, transmission (TAO and TSO), and joint (multi-licensee) performance incentives respectively;
- Section 11 provides detail on the CRU's proposals on reporting, monitoring and governance; and
- Section 12 sets out proposed next steps to final determination in order to finalise the regulatory framework.

There are several appendices to the paper:

- Appendix 1 summarises the assessment criteria used by the CRU in reviewing the network companies' proposals for the PR6 regulatory framework, and for determining uncertainty mechanisms and performance incentives;
- Appendices 2-4 provide an assessment of each of the DSO, TAO and TSO proposals on the PR6 regulatory framework;

- Appendix 5 sets out details of each proposed delivery obligation, scheme-specific reopener and volume driver for each licensee;
- Appendix 6 provides details of the individual network projects to be covered by each delivery obligation for each licensee;
- Appendix 7 sets out several illustrative examples of the form and content of delivery obligations;
- Appendix 8 sets out additional detail on proposed adjustment and cost recovery processes (which are to be further developed with network companies in advance of Final Determinations);
- Appendix 9 provides updated guidance on annual performance reporting;
- Appendix 10 provides updated guidance on innovation reporting; and
- Appendix 11 provides updated guidance on the stakeholder engagement incentive.

1.5 Next steps

The CRU is now providing interested parties with the opportunity to comment on the proposed regulatory framework for PR6.

The CRU will take responses to this consultation into consideration when preparing its PR6 Final Determination, which is scheduled for publication in Q4 2025. A summary of responses to this consultation will be published alongside the Final Determination.

1.6 Responding to this paper

Responses to this paper should be returned by email by 17:00 on 11 September 2025 and marked with the reference CRU202590.

Responses by e-mail should be sent to CRU at pricereview6@cru.ie.

Please note the CRU intends to publish all submissions received. Unless marked confidential, all responses may be published on the CRU's website. Respondents may request that their response is kept confidential. The CRU shall respect this request, subject to any obligations to disclose information. Respondents who wish to have their responses remain confidential should clearly mark the document to that effect and include the reasons for confidentiality. Responses from identifiable individuals will be anonymised prior to publication on the CRU website unless the respondent explicitly requests their personal details to be published. Our privacy notice sets out how we protect the privacy rights of individuals and can be found here.

Information on the CRU's role and relevant legislation can be found on the CRU's website at www.CRU.ie.

1.7 Related Documents

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

CRU	Prive Review Five Regulatory Framework Decision Paper	CRU20154
CRU	Price Review Six Strategy Paper	CRU202427
CRU	Price Review Six Summary Paper	CRU202586
CRU	Price Review Six Offshore Paper	CRU202589
CRU	Price Review Six Distribution Paper	CRU202587
CRU	Price Review Six Transmission Paper	CRU202588
CEPA	Price Review Six Impact Analysis Note	CRU202591
CRU	Price Review Six Infographic	CRU202592
CEPA	Price Review Six Inflation Trends and Ongoing Efficiency	CRU202593
CEPA	Price Review Six Onshore Cost of Capital	CRU202594
CEPA	Price Review Six Financeability Assessment	CRU202596
GHD	Network Needs Assessment	CRU202597
CEPA	Review of the Financial Regulatory Framework of the TSO for PR6	CRU202598
CEPA	PR5 and PR6 TSO Opex Cost Assessment	CRU202599a
CEPA	PR5 and PR6 TAO Opex Cost Assessment	CRU202599b
CEPA	PR5 and PR6 DSO Opex Cost Assessment	CRU202599c
GHD	PR5 and PR6 TSO and TAO Capex Cost Assessment	CRU202599d
GHD	PR5 and PR6 DSO Capex Cost Assessment	CRU202599e

2 Review of the PR5 Regulatory Framework

In order to inform the development of the PR6 regulatory framework, the CRU has undertaken a backward-looking review of the PR5 regulatory framework alongside a forward-looking assessment of the risks and opportunities for PR6 and beyond (see Section 3). This provides the strategic context for our proposed approach to the regulatory framework for PR6.

The review includes:

- a 'top-down' assessment of the regulatory model taking account of the challenges for the PR6 period and beyond and the CRU's objectives for the future regulatory arrangements, and
- a 'bottom-up' review of the PR5 regulatory framework 'building blocks' in order to assess how the framework has achieved the stated strategic objectives for the price control and the guiding principles the CRU set out for the regime at the time of its PR5 consultation and final determination (FD) process.

Together these aspects of the review inform which elements of the PR5 framework continue to be fit for purpose for PR6.

The CRU developed a set of assessment criteria / strategic questions to inform its review of the PR5 regulatory framework to identify risk, and to guide recommendations for the PR6 regulatory framework (see Figure 4 below).

Figure 4: Evaluation Criteria used for our Regulatory Framework

Delivery of outcomes and objectives: How did the approach taken at PR5, or regulatory mechanism support the delivery of the strategic objectives for PR5? Does the mechanism remain relevant for PR6 outcomes and objectives?

Balance of risk and reward: How was risk managed by the network companies? Did the potential penalty or reward create strong enough incentives for network companies? Was risk inadvertently passed onto consumers and their interests adequately protected?

Transparency and accountability: Were reporting requirements complied with? Were CRU able to measure performance and does this evidence that the mechanism delivered the intended outcomes? Was there sufficient transparency to understand and assess network companies' approach to delivery?

Regulatory burden: Is the mechanism material? Was there undue regulatory burden placed on the CRU and companies throughout the setting, delivery or evaluation phase? Is there evidence this has impacted pace of delivery in PR5 and could impact pace of delivery in PR6?

To provide advice and complete analysis, the CRU engaged the services of GHD and CEPA to review the outcomes of, and lessons learned from, the PR5 regulatory framework and to provide advice on the high-level options for the PR6 regulatory framework given the identified challenges and risks.

2.1 What did the PR5 regulatory framework aim to achieve?

The CRU set several core strategic objectives for PR5 (as illustrated in Figure 5), in the context of the government's ambitious targets for decarbonisation of the Irish economy, with the aim of putting the country on the path towards net zero emissions by 2050.

Figure 5: PR5 Objectives

In its decision on the PR5 regulatory framework, the CRU noted that delivering on PR5 "will ultimately lay the foundation to the transition to a sustainable, low carbon electricity system and will be a key factor in meeting Ireland's electricity targets." It also set out a set of guiding principles for the PR5 regulatory framework, namely:

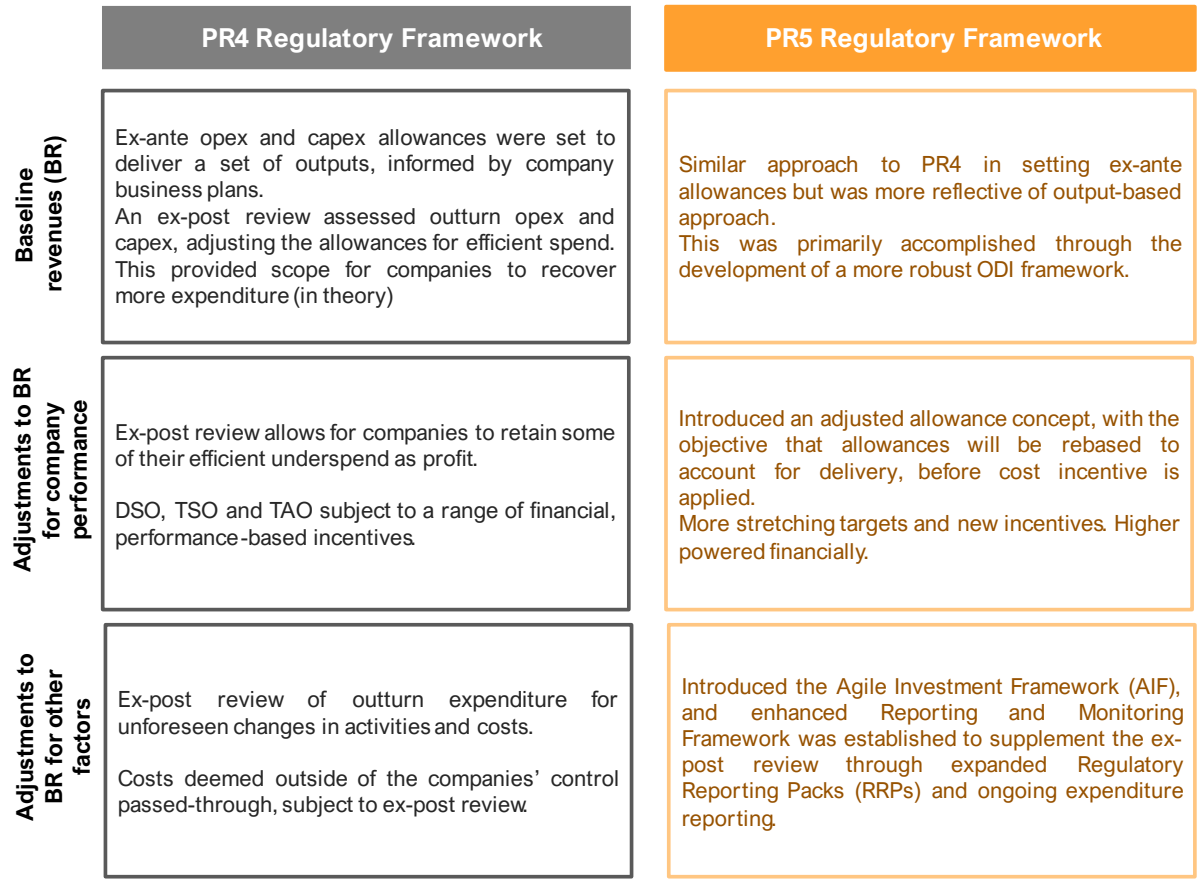
- **Network companies remaining solely responsible for their expenditure decisions.** The network companies are best placed to decide on how to embed innovation within investment decision-making and deliver on the strategic objectives within a changing operating environment. The regulatory framework must not, deliberately or unintentionally, transfer responsibility for the network companies' decisions to the CRU (or to any other party). Where cost allowances are updated during the regulatory period, for example; through an uncertainty mechanism – the onus would remain on the network company to demonstrate that the right outcomes were delivered efficiently as part of the *ex-post* review.
- **Ease of implementation.** PR5 occurred at a time in which the electricity system was transitioning, and likewise the regulatory framework in PR5 would represent a point in the evolution of regulation ahead of potentially more substantial changes in PR6.
- **Clarity of outcomes achieved.** The CRU wishes to place a greater focus on outcomes for customers. The selection of the most appropriate outcomes will be key to this. Therefore, any changes that would focus the framework more on the outcomes being delivered by the network companies must not expose customers to additional risk of poorly or mis-specified outputs.
- **Appropriate risk and reward.** The CRU is open to considering changes that would allow the network companies to retain a different share of the benefits or savings delivered than under the current regulatory framework.

- **Consistency between frameworks**. The CRU recognises the differences between the companies which might justify differences in regulatory approach, for example, between the DSO and TSO, particularly with the TSO being an asset-light company during PR5.
- **Appropriate level of oversight**. Monitoring and reporting give visibility to what each company is delivering and improves accountability. The regulatory framework must consider a practical level of monitoring and reporting requirements during the period. The reporting regime should be dynamic and allow the CRU to flexibly respond quickly where necessary. Such a regime would ensure that relevant information is easy to access and interpret and can adapt over time.
- **Facilitate target setting against 'best in class' KPIs.** The scale of the challenge of achieving the 2030 targets, and likely upward pressure on costs associated with them, meant incremental improvements to business-as-usual processes would not be sufficient to ensure an economically sustainable transition to secure a low-carbon future. The framework must ensure that there is an ambitious and systematic focus on increasing efficiency in terms of cost and quality of service delivery by demonstrating how companies compare to 'best in class' comparators.

2.2 Key changes in the regulatory framework from PR4 to PR5

In the context of these objectives and guiding principles, the CRU introduced a number of changes to the PR4 regulatory framework at PR5, as summarised in Figure 6.

Figure 6: Key changes from PR4 to PR5



The CRU sought a further shift / evolution from an "inputs" based approach at prior price reviews, to more of an "outputs" / "outcomes" based regulatory regime at PR5. The goal was also a regulatory framework that was more 'agile' in funding necessary investment and adapting to changes in requirements for investment within PR5.

In summary, the expectation was that:

- The performance incentives for PR5 would build upon the incentives the CRU introduced for PR4, by retaining most of the PR4 mechanisms with updated targets, and the introduction of some new mechanisms to incentivise network companies in the delivery of the PR5 objectives.
- The new 'Agile Investment Framework' (AIF) – comprising a series of mechanisms to allow access to additional revenues in response to the changing needs of the system – was intended to facilitate a more flexible approach to network investments.
- Supporting regulatory oversight of the PR5 delivery period would be provided through the enhanced reporting and monitoring framework, with the *ex-post* review process intended to provide the holistic review of the network companies' performance over the PR5.

It was envisaged that, in principle, the *ex-post* review process would also allow the companies to retain the difference between cost allowance and efficiently incurred expenditure, provided it was demonstrated by the companies that the underspend of allowances was not the result of under-delivery. The CRU set several core strategic objectives for PR5 (as illustrated in Figure 5), in the context of the government's ambitious targets for decarbonization of the Irish economy, with the aim of putting the country on the path towards net zero emissions by 2050.

2.3 Assessment of the PR5 Regulatory Framework

2.3.1 Overall Assessment

The CRU considers that, overall, the PR5 framework has had positive, but mixed, results for Irish electricity consumers. This is supported by the conclusions from the PR5 *ex-post* cost review which has been carried out in parallel (see the consultant reports on capex and opex cost assessment which have been published alongside this consultation[10]).

In terms of the original guiding principles and objectives for the price control:

- The performance incentive regime, alongside flexing of cost allowances achieved via the annual revenue setting process, has helped facilitate the objectives of PR5 (see Box 1).
- However, the ease (and agility) of implementation of the regulatory framework, across a number of components of the regime, has not been as intended.

There are also a number of areas where it might be questioned if a fair balance of risk and reward and 'best in class' performance has in practice been achieved, particularly in certain key reliability (ESBN) and decarbonisation (EirGrid) outcome areas, although the CRU notes that both network companies argue that where there has been underperformance of the PR5 targets this has generally been a result of factors that are beyond their control to manage; for example, as a result of storm events and Ireland being at the forefront of managing the challenges of system operation with high levels of renewable penetration.

The process through which PR5 cost allowances have been reopened has also perhaps weakened companies' responsibility for some of the expenditure decisions taken during PR5.

Box 1: High level summary of the framework's achievement of the PR5 objectives

Facilitating a secure and low carbon future. There is clear evidence that the network companies have helped facilitate a secure and low carbon future, but the actual outcomes for customers have in some cases fallen short of what had

[10] CRU202599a, CRU202599b, CRU202599c, CRU202599d, CRU202599e and CRU202599f

hoped to be achieved during PR5. This has likely been a result of many different factors some within and some outside of the companies' control to manage.

Key examples of this are performance on RES-E, imperfections and reducing security of supply constraints, and reliability (interruptions) incentives on the distribution network. The framework has encouraged companies to deliver actions to address these areas – indeed, they were provided a substantial step up in cost allowances to do so, and in some cases the PR5 framework has provided them with further remuneration (rewards) for this delivery (e.g., as part of balanced scorecard incentives). However, the delivery of 'interim outputs' by the companies has not always translated into the ambitious outcomes envisaged for PR5. Why that is the case (is it a regulatory framework 'failure' or the result of other factors?) is an open question but an important one looking forward to PR6. It is important to recognise during PR5 there was a major security of supply programme that EirGrid in particular had to deliver. This was delivered in challenging circumstances under high delivery and time pressures. However, it was something ultimately achieved by funding the programme as an external cost allowance, rather than the programme being facilitated by dedicated regulatory tools within the PR5 regulatory framework. Additionally, PR5 has been characterised by rising constraint costs on the network. This is a key focus for PR6, which includes a targeted Imperfections & Constraints incentive on the TSO and strengthened reporting requirements.

Transforming the role of the DSO. The DSO appears to have made good progress on this – as evidenced by its performance in the flexibility and visibility incentives – and its delivery of the smart meter rollout. However, it is unclear if that is a result of the regulatory framework (e.g., the incentives that CRU put in place) or because this 'objective' was defined more in terms of a programme of work that ESBN could control and deliver with confidence. If for example, CRU had defined the objective in terms of delivering flexibility and the connection of Distributed Energy Resource (DERs) – the outcome ultimately of value for customers – it could be argued that achievement of this objective was more mixed, because market uptake of flexibility tenders has, it is understood, been lower than hoped.

This is an important lesson for PR6 – how much emphasis should be placed in the framework on the companies "following good processes" and "putting the tools and programmes in place that can facilitate desired outcomes" vs. incentivising and measuring company performance on the ultimate outputs and outcomes that are sought? The latter will inevitably be driven by factors that are outside of companies' control to manage, but the same could ultimately be said of what drives performances of firms in more competitive parts of the economy.

Resolve local security of supply. There were a number of incentives and mechanisms in the PR5 framework to align the companies' interests with those of customers under local security of supply objective. As was observed in the assessment of outturn performance against other PR5 incentives, where several required actions against the milestones for delivery have been completed according to the TSO, the CRU has had limited visibility into actual constraint reduction and the relief of security supply issues, particularly in the Greater Dublin Region. Evidence suggests that in the Dublin area the constraint has arguably worsened in PR5. Despite this, the TSO has continued to request a full, or nearly full, award under the balanced scorecard incentive. Similarly on the Imperfections & Constraints balanced scorecard incentive, the prescriptive nature of the incentive – focused on the TSO's delivery of 'interim-outputs' – has resulted in it

receiving a small reward, rather than penalty, despite the outcomes sought for PR5 not always improving.

Overall, based on the assessment of the regulatory framework in force during PR5, the CRU considers that:

- The regulatory approach to setting the PR6 design should continue the output-based approach established in PR5, where outcomes are aligned with defined objectives to deliver against the strategic priorities identified for the price review period.
- However, as PR6 aims to build upon the lessons learned from PR5, it is imperative the performance incentive framework is designed to drive behaviour of companies in key areas where desired outcomes were successfully delivered and effectively target areas where outturn performance fell short.
- In particular, consideration needs to be given to the balanced scorecards as designed in PR5 and whether firmer 'delivery obligations' - with robust reporting and monitoring framework - is ultimately preferable to "interim-outputs" these scorecards reward.
- Greater emphasis is needed in PR6 on the aggregate 'anchoring' of the monetary value of the incentive package to ensure the package is balanced. The monetary value of the incentives in PR5 was driven by a desire by the CRU to avoid windfall gains and losses under a relatively new framework of incentives, with greater data to now available to inform target setting. The CRU considers there is now scope going forward to better anchor the value of incentives to the PR6 strategic objectives and potentially increase the power of key incentives.
- The Agile Investment Framework (AIF) in PR6 needs to be underpinned by clear documented processes and procedures, understood by all parties, and these need to be in place from the start of the price control. The CRU considers that there are increasing risks from relying on the annual revenue and *ex-post* review processes to manage uncertainty given the scope of investment needed in PR6.
- The PR6 baseline of what is included in the *ex-ante* revenues (and what is not) also needs to be more clearly defined at PR6 in order to mitigate the use of the annual revenue process being used as a general reopener with limited controls and scope.

More specifically, the subsections below take each element in turn.

2.3.2 Cost Recovery and Managing Uncertainty

As regards the framework for cost recovery and managing uncertainty, including the performance of the PR5 AIF:

- The PR5 framework struggled to deal with **the degree of change that actually materialised during PR5**, for a number of reasons. However, any regulatory framework

would have struggled with the changes that arose from CAP21 and the security of supply programme that needed to be introduced mid-period. Further, PR5 brought unforeseen challenges that required high, unexpected levels of investment, including major storms.

- It is **difficult to conclude the AIF has achieved its objective of being 'agile'** largely because the mechanisms that were included in the PR5 framework have often had limited use and other vehicles have been used to manage rising / uncertain spend. Therefore, the effectiveness of the mechanisms in practice has been difficult to observe. The PR5 regulatory framework has instead placed much greater emphasis / use on the annual revenue / tariffing process administered by the CRU as a means for managing changing requirements and additional spend in PR5.
- One of the factors that has, as a result, made PR5 implementation challenging within the period - and drawing definitive conclusions from the PR5 *ex-post* review challenging as well - is **what was in / outside of the baseline and what were the outputs / objectives the companies were expected to achieve from allowances in several key areas of the price control were not always well-defined *ex-ante***. This has made managing general reopeners difficult to administer quickly and effectively.

Looking forward to PR6, the learnings from PR5 indicate that:

- In a complex and rapidly changing energy system, **the *ex-post* review is likely to be an increasingly challenging tool for the CRU to execute effectively** where there are major (uncertain) changes in external conditions that can (indeed, are likely to) mean the companies need to adapt their plans and use of resources accordingly to meet with the changing needs of the electricity network.
- It is also clear that while, in principle, the *ex-post* review provides the flexibility for the companies to spend above their allocated cost allowances, helping them to manage uncertainty, the experience in PR5 is **companies do not appear willing to spend "at risk"** where expenditure is likely to exceed an agreed *ex-ante* envelope with the CRU. This behavioural trend appears to have also influenced the (lack of) use by the companies of many of the AIF mechanisms the CRU introduced at PR5.
- The Agile Investment Framework (AIF) in PR6 needs to be **underpinned by clear documented processes and procedures**, understood by all parties, and these need to be in place from the start of the price control, i.e. during 2025. The CRU considers that there are increasing risks from relying on the more discretionary (albeit flexible) annual revenue and *ex-post* review processes to manage uncertainty given the scope of planned investment in PR6, and will continue to work with the network companies in the coming months to ensure the framework enables – and does not impede – investment.

- Larger 'known' programmes require **dedicated mechanisms** to manage price, timing and volume uncertainty and govern delivery in order to encourage the licensees to deliver at pace and also mitigate the annual revenue process being used as a general "reopener" to the price controls with limited controls and scope.

2.3.3 Incentivising Better Outcomes

Specifically, as regards the **performance incentive framework in PR5**, the CRU's assessment indicates that:

- Looked at afresh, the areas of performance the framework targeted seem largely **aligned with what customers would/should value and these remain relevant for PR6**.
- However, across various parts of the incentive package, it does not appear that the framework has ultimately driven **all of the outcomes and objectives sought** (see Box 1 above).
- This could be **due to a number of different factors** including that: aspects of outturn performance were ultimately outside of the companies' control to manage; incentives were not sufficiently powerful to encourage the companies to go "the extra mile" to deliver the step change in performance improvement sought; targets were never achievable to start with – potentially because of external "headwinds" or because the companies were not able to deliver on the level of improvement envisaged; and/or the regime lent more towards measured performance outcomes (affected by the above issues) rather than more defined and controllable obligations / deliverables from the cost allowances funded.
- As with other parts of the PR5 framework, the performance incentive regime is viewed as a **relatively 'heavy piece of machinery' for all involved** – companies and the CRU.

2.3.4 Reporting, Monitoring and Governance

While the CRU considers that the **enhanced reporting and monitoring framework introduced in PR5 has been broadly fit for purpose**, it is considered that looking forward to PR6 there is scope for:

- More clearly defining the objectives of the regulatory reporting framework and the importance of the information that is provided to the CRU's ongoing work within the price control period;
- Creating stronger reputational or financial incentives on companies for late/incomplete submissions under the reporting framework;
- Considering how to make transmission infrastructure reporting more effective, and how to appropriately incentivise DSO capex reporting, including exploring ways for more

'dashboard style' reporting that is potentially less onerous for the companies but still provides the level of confidence and clarity of the companies' performance within period that the CRU ultimately requires;

- Increasing consistency of reporting requirements across the network companies where appropriate;
- Allow the CRU to respond in an agile manner to changes in performance. For example, where the CRU observes a decline in performance in areas of key importance to consumers, it should react in an agile way to this; and
- As part of any updates to the framework for managing the delivery of the transmission capital project portfolio in PR6, improving the effectiveness of the governance arrangements that currently exist between the TAO and TSO under the Infrastructure Agreement (IA).

As detailed in Section 11, several elements of the PR5 enhanced reporting and monitoring framework are being maintained to reflect the appropriate levels of visibility they provide the CRU into network company activities.

2.4 Review of PR5 Regulatory Framework: Consultation Questions

Questions:

1. Do you have any comments or views on the CRU's assessment of the outcomes of the PR5 regulatory framework?
2. Do you have any comments on the design or implementation of the PR5 regulatory framework that you think the CRU should take into account in developing the PR6 regulatory framework?

3 Issues and Challenges for PR6

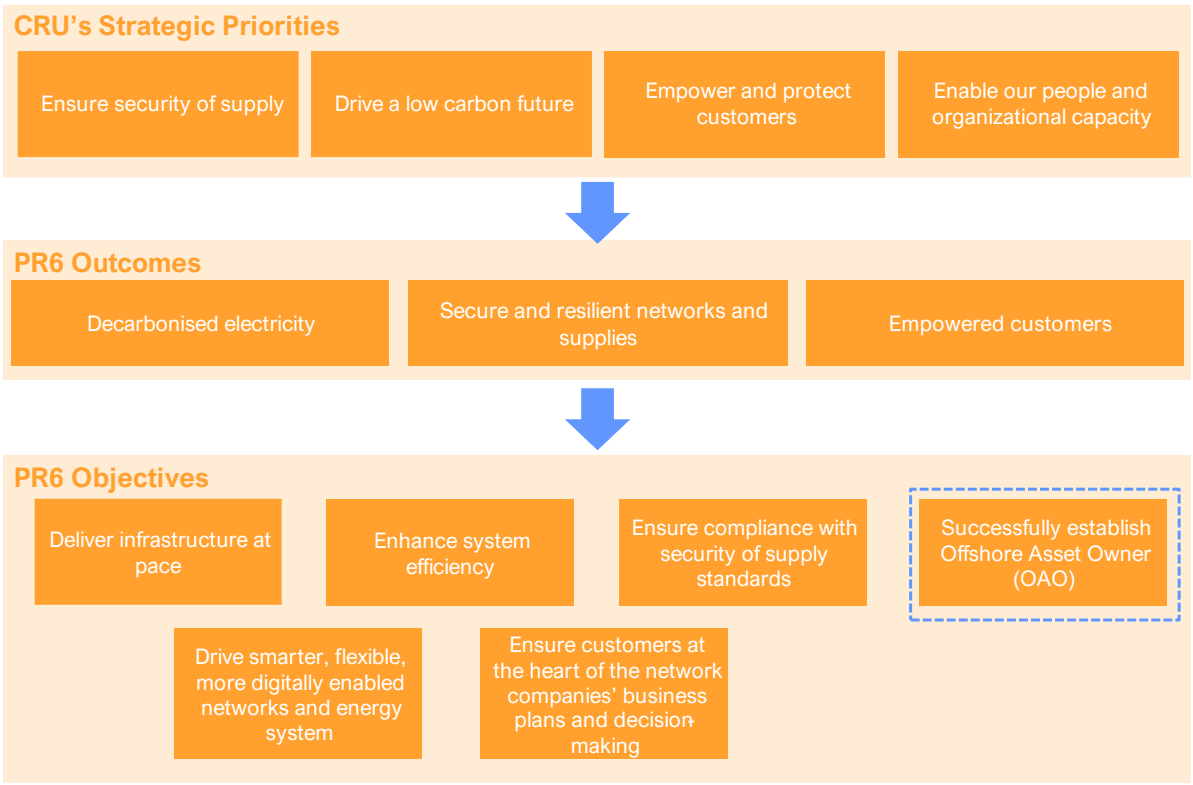
In this section the CRU summarises its view of the strategic context and challenges arising for PR6 and the issues they raise for the PR6 regulatory framework.

3.1 Strategic Context to PR6

There have been major policy developments at both national and European level in recent years, including Ireland's decarbonisation, climate change and renewable energy targets, that are creating drivers for significant transformation and investment in the electricity networks and placing new requirements on network companies going into PR6.

In light of this, the CRU set out, via the PR6 Strategy Paper (CRU202427), there is a requirement for network companies to have greater focus on the delivery of outcomes and objectives throughout the PR6 period (see Figure 7 below).

Figure 7: PR6 Outcomes and Objectives



For PR6 the CRU expects network companies to deliver the following outcomes:

- **Decarbonised electricity:** Network companies must facilitate realisation of Ireland's decarbonisation ambitions, enabling high levels of renewable electricity integration, driving an environmentally sustainable, low carbon energy system.

- **Secure and resilient networks and supplies:** Network companies must ensure safe, secure, resilient electricity networks and supplies. Manage risk and system adequacy appropriately while complying with relevant standards, to provide services which customers can rely on.
- **Empowered customers:** Network companies must deliver high quality and reliable services to customers, ensuring their voice is heard and reflected in the work they do, and that the cost of the transition is minimised.

To ensure delivery of the key outcomes, described above, the CRU considers the following objectives to be central to all network companies for PR6:

- **Deliver infrastructure at pace** to support decarbonisation, the realisation of Ireland's renewable energy and climate change targets and reducing the cost of constraints to consumers.
- **Enhance system efficiency** while continuing to meet the needs of the network and protecting the long and short-term customer interest.
- **Ensure compliance with security of supply standards** by efficiently managing and developing the networks.
- **Drive smarter, flexible, more digitally enabled networks** and energy system to improve capabilities and ongoing efficiency.
- **Customers at the heart of business planning** and decision making.

For EirGrid only, a further objective for PR6 includes **successfully establish the offshore asset owner function** and achieve integration of the offshore revenue recovery model.

The CRU's strategy paper also highlighted a series of challenges (and opportunities) in PR6, which many other jurisdictions are facing with the step up in investment in the electricity grid to unprecedented levels since the period following the Second World War. These included:

- Deliverability and supply chains.
- Pace of grid investment.
- Workforce resilience and capability.
- Uncertainty around decarbonisation pathways.
- Financeability.
- Managing price and inflation pressures.
- Step changes in investment from PR5.
- New system structures and operating models.

These challenges (and opportunities) are also central themes to electricity network price control reviews in other jurisdictions. For example, Ofgem has increasingly placed an emphasis on 'pace not perfection' in the design criteria of its regulatory framework for electricity networks in GB. Recently it has sought to put in place new mechanisms to overcome supply chain constraints and accelerate the pace of transmission grid investment in coming years, alongside its core ongoing RIIO-T3 price review.

To deliver on the PR6 ambition, the regulatory framework put in place will need to be flexible and able to manage a high degree of uncertainty and scope of system change, able to incentivise cost efficiency and performance improvement from companies and able to support delivery at pace.

Responses to the CRU's strategy paper have also signalled a desire for users / customers being at the heart of the regulatory framework design.

The CRU notes from the network companies' business plans that:

- There is strong alignment across both EirGrid and ESBN's plans with the CRU's strategic objectives for PR6, and a high level of ambition in terms of wider objectives. To meet these objectives, both companies propose a significant step up in expenditure.
- However, the companies' ambition is more limited in terms of commitment to stretching output/outcome targets.
- Deliverability is a key concern for PR6 highlighted by the companies, including how they will overcome challenges associated with workforce resilience and constrained supply chains, given the significant increases in the proposed volumes of work and assets forecast to be delivered.
- Both companies say they need certainty of cost recovery, clarity of what is their funding envelope to deliver against, and to 'get out the blocks' well to have a chance of meeting the deliverability challenges.
- Both companies propose new *ex-ante* and *ex-post* mechanisms to deal with uncertainty in the size and scope of the proposed investment, and the associated costs, including relating to deliverability concerns.

Taken together all these strands indicate that the investment "ask" for electricity networks in PR6 is materially increasing from PR5. The companies have sought to manage the risks they have identified by asking for a very high envelope of funding and a significant step up from PR5. The CRU recognises and supports these needs and the companies' ambition but also requires the companies to spend money wisely on behalf of consumers and the system. These issues need to be overcome in the calibration of the regulatory 'contract' between companies, regulator and customer. The regulatory framework, including the associated obligations, incentives and

reporting requirements, is one of the key tools by which the CRU can be confident that the companies' programmes will progress effectively from business plans and 'development' into delivery of the right projects on the ground at the right time at an acceptable price for consumers.

3.2 Identified PR6 Business Plan Risks

In the subsections below the CRU summarises a number of risks that have been identified from its review of the licensee's business plans and highlight the potential implications for the PR6 regulatory framework design. This is not intended to be exhaustive across all issues and licensees, but rather is indicative of the nature and range of issues that have been considered.

A. There is a risk consumers fund a significant step up in allowances but do not see the performance improvements and delivery promised.

Both network companies have requested a major step up in investment in their networks, capabilities and systems relative to PR5. While the stated ambition of what can/will be achieved from this investment is set out in the business plans, limited protections or commitments are proposed by either company that consumers will see improved outcomes and/or there will be significant implications for the companies if BP ambitions are not met.

The risk is further investment is allowed by the CRU in PR6, and fixed cost added to the system, but outcomes do not improve as promised (admittedly for reasons that could be within or outside of companies' control). Consumers would be left holding the 'outcomes' risk and/or needing to fund more investment in PR7.

While the existing performance incentive framework provides some consumer protection against these outcomes, the licensees have not proposed to significantly increase the stretch of the performance targets (despite poor performance in many key areas during PR5) and/or propose to delink the framework to issues that really matter to consumers, or where allowances are funded by the consumer to deliver specific outputs.

It is also noted that the plans from both companies at PR5 were positioned as 'putting the tools and capabilities' in place to deliver on the network upgrades and system requirements expected in PR6 and PR7. There is a similar theme to aspects of the PR6 plans, and for this reason the PR5 lookback (the *ex-post* review) has been important in identifying if the investment that has already been made by both network companies has achieved tangible benefits and whether the allowances already funded by the consumer have been used well by both companies.

B. The way that the transmission capital programme has been framed in the companies' PR6 business plans potentially exposes consumers to cost and delivery risks.

The PR6 transmission investment plan includes forecasted expenditure on 369 projects (231 in the initial baseline programme, and a further 138 under consideration and early pipeline projects) totalling of €5.9bn.

This comprises €262.6m TSO Stage 1 costs and €5.7bn of TAO costs associated with the full 369 projects that the TSO consider needs to be progressed in PR6. However, in setting the initial allowance, and revenues for recovery in tariffs, CRU approval for an initial allowance of €3.4bn has been requested by the TSO and TAO, with CRU agreement requested (in principle) to potentially unlock the requisite additional funding to the full €5.9bn mid-Price Control via an AIF 'reopener'.

ESBN note that the PR6 transmission delivery programme is complex and will involve a step change in the delivery of electricity transmission capacity in Ireland. Given the inherent risks associated with this capital programme, it states that the purpose of not including the full €5.9bn in the baseline is to "*shield customers from delivery uncertainty*" arguing that if the full transmission investment plan were included in the baseline "*this would not account for the uncertainty, complexity and risk associated with the 231 transmission projects*." It argues "[we are] *fully committed to delivering the full programme of investment put forward by EirGrid during PR6. Our approach does not signify a lack of ambition, but rather a commitment to protect customers from uncertain expenditure risks.*" The proposed strategy "*takes into account project maturity, outage availability, outage optimisation potential, land access and other factors that could disrupt delivery timeframes*".

Importantly, this is not a proposal to include 231 projects in the baseline and for 138 projects to have scope for approval under an AIF. Rather it appears to be a proposal for 369 projects to be approved by the CRU and then, depending on how these projects progress / incur spend during PR6, scope for a reopener of the capex allowances via the AIF within the price control period (e.g., a year 3 reopener).

This could potentially give rise to a range of scenarios that are detrimental to consumers:

- There is a risk it could be used to request a reopener if the programme costs across the 'approved' programme of 231 (or 369) projects start to escalate.
- Alternatively, there is also a risk that the request as framed is viewed as 369 projects approved for development, but by the close of PR6, whilst the baseline allowances (and

potentially more via the AIF) have been fully used by the licensees, actual progress with the transmission capital programme is far less than was expected, i.e., under delivery.

In both cases, the consumer is exposed to cost escalation or under-delivery risk from the way the programme is specified, and the reopener appears to be framed by the network companies.

It is also unclear to what degree ESBN and EirGrid have priced risk and contingency ('optimism bias') in their investment plans, nor the risk of real price effects (RPEs) affecting the programme over and above headline inflation. There is a significant risk that the transmission programme cost in PR6 will escalate and/or will be delayed.

A characterisation of the proposed transmission investment plan is the TSO and TAO are in effect asking for a capex allowance envelope – and the option to request the CRU reopen that envelope mid-period of PR6 – to move forward the portfolio of transmission projects EirGrid consider are needed to address the medium-term generation and demand pressures on the network.

The concern as already detailed above, is allowances are spent and the portfolio of projects not progressed as expected, or CRU commit to the portfolio of projects in the baseline ('funded projects'), the cost of the portfolio escalates, and both companies request a reopener of allowed spend under the AIF on the basis the portfolio are 'funded projects'. The mid-period reopener as appears proposed in the plans, may risk ESBN asking for the whole portfolio to be re-baselined: time of delivery, project progress, project scope, new projects, unit prices etc.

Specified as an envelope, there is also the risk it incentivises the companies to move forward the easy projects to secure funding / demonstrate progress, rather than necessarily moving forward the difficult but potentially more critical projects (e.g., the Dublin area reinforcement programme).

To be clear, over the course of PR6, if the companies deliver and they submit reopener cases, then the CRU is open to approving additional allowances for the full business plan programme. However, it is critical that PR6 sets a clear baseline of what will be delivered from the capital programme, for when and for what spend and that additional consumer protections are put in place to manage the risk over and above what the companies themselves appear to have proposed in their regulatory framework principles.

C. There is risk that the forecast growth in demand on both networks that drive the need for load related reinforcement does not materialise.

Both network companies have forecast significant system demand growth – alongside important trends in the structure of forecast demand (total system (kWh) vs. peak (kW) demand growth) in PR6.

The degree of uncertainty in demand during PR6 is likely to mean there is a greater need for uncertainty mechanisms, particularly on the distribution network, for example to manage scenarios of potential slower or faster uptake of electrification technologies. However, it is important to note that similar issues existed at the time of the PR5 review and for this reason the CRU introduced a dedicated uncertainty mechanism for additional reinforcement costs on the LV network. However, in practice this and other uncertainty mechanisms have not been utilised and so in the PR6 process the CRU has considered if additional or alternative mechanisms should be adopted.

3.3 Consultation Questions

Questions:

3. Do you have any comments or views on the CRU's assessment of the external challenges and risks in the forthcoming PR6 period which the regulatory framework will need to manage and mitigate?
4. Do you have any comments or views on the CRU's assessment of the implications for the PR6 regulatory framework?

4 Licensee proposals for the PR6 regulatory framework

Both EirGrid and ESBN have made submissions as part of their business plans (and in subsequent engagement and supplementary submissions) on the key issues that they consider the regulatory framework in PR6 will need to address and their proposals for specific aspects of the framework. This section briefly summarises these submissions and proposals. The CRU's assessment of the network companies' proposals is set out in Appendices A.1 to A.4.

4.1 ESB Networks

ESBN's regulatory framework proposals focus on managing uncertainty throughout PR6 relating to new demand for capacity, and the pace and cost of required infrastructure delivery. It highlights the following key issues and objectives for the regulatory framework in PR6:

- **Scale up allowances to €13.4bn for planned programme of work**. ESB Networks states that the regulatory framework should ensure that it can progress as anticipated critical projects and programmes of work, subject to need and deliverability. It anticipates that scaling mechanisms will be required to enable recovery of additional AIF costs totalling €0.9bn for DSO and €2.5bn for TAO.
- **Manage uncertainties for unforeseen exogenous factors**. ESB Networks states that the regulatory framework should ensure that ESBN has the flexibility to respond effectively to newly identified needs during PR6. It states that revisions to existing uncertainty mechanisms in the PR5 regulatory framework (for example force majeure) and introduction of new ones (for example relating to changing roles and responsibilities of the DSO) are required.
- **Manage cost uncertainty**. ESB Networks states that the regulatory framework must address the significant uncertainty surrounding forecasting of costs of delivering the required infrastructure. It suggests that the introduction of new uncertainty mechanisms will be required to manage this risk in PR6. These include new uncertainty mechanisms for managing possible upwards adjustments to the overall costs of transmission priority and non-priority projects. In addition, it proposes revisions and additions to specific in-period volume drivers and reopeners for DSO costs broadly aligned to its PR5 framework.
- **Flexibility between capex and opex solutions.** Despite the (opex/capex) flexibility mechanism not being used during PR5, ESB Networks states that the PR6 regulatory framework should allow for an "*agile transition between capex and opex to facilitate the delivery of outputs according to the most efficient solution".* ESB Networks proposes that the CRU retain the PR5 mechanism that allows DSO to reallocate capex and opex.

- **Flexibility services cost recovery.** ESBN proposes a new passthrough mechanism for recovery of outturn flexibility payment costs (i.e. costs ESBN incurs in relation to purchase of services in flexibility markets or under flexibility contracts). ESBN suggests that they are essentially a new category of costs and the amount of any payments in any new flexibility markets will be outside their control.
- **Ensure financeability**. It proposes that a mechanism embedded in the AIF that allows for financeability reassessments and related adjustments is required.
- **Innovation and R&D.** ESBN proposes to maintain the Innovation and R&D mechanism in PR6, with no modifications. This enables ESBN to request funding for new innovation projects that cannot be funded through the *ex-ante* allowances or other mechanisms in the AIF.

ESB Networks (as the TAO) proposes significant changes to the Capex Adjustment Mechanism (CAM). The CAM allows the TSO/TAO to request changes to the baseline transmission capex plan (and where relevant, any associated changes to the opex allowance) during the price review period if there has been a material change in circumstances[11]. The TAO proposes the following modifications to the CAM:

- **Introduce separate scaling mechanisms for Priority and Non-Priority projects** to reflect their distinct characteristics and risks. This is because the probability of higher expenditures on Priority projects will mainly be driven by the faster ramp-up of existing projects, which it suggests would affect the non-priority projects to a less extent (due to lower project costs, on average). Further, ESBN states that priority projects are lumpier and, therefore, small changes in the delivery pace of the priority projects can have a significant impact on overall capex spend. The structure of ESBN's proposed mechanism for Priority Projects includes clear deliverables associated with baseline funding, milestone reporting, and triggers for reopening of allowances (see Table 4 below).

Table 4: ESBN's proposed mechanism for Priority Project AIF funding by project stage

Phase of project	Baseline deliverables	Monitoring[12]	Stage-Gate Triggers for AIF Funding
Early Engagement	Set out number of projects that will be assessed and key deliverables	Reporting on key milestones	**Triggers**: ○ Early engagement milestone reached, requiring additional

[11] Defined as the capex allowance for the price review period being breached by more than 10% or likelihood of capex allowance being underspent by more than 20% by the end of the review period.
[12] Level of detail to be agreed in advance with the CRU.

	(scoping, feasibility studies, preliminary design, permitting etc)		AIF funding for project development ○ Higher baseline costs identified due to unforeseen cost changes ○ New projects ○ Early procurement of equipment
Development	Set out number of projects in development phase in baseline allowance and key milestones	Reporting on key milestones	**Triggers**: ○ Construction-ready milestone reached, requiring additional AIF funding for full project delivery ○ Higher baseline costs identified due to unforeseen cost changes
Delivery	Number of project energisations and indicative dates	Reporting on key milestones	**Triggers**: ○ Accelerated completion of baseline projects requiring AIF funding to bring forward timelines ○ Higher baseline costs identified due to unforeseen cost changes

- **Introduce an asymmetrical (upwards adjustments only) reopener for the priority projects** to allow cost allowances to scale up, above the baseline allowance. ESBN proposes that this mechanism should address additional spending on the existing 29 Priority Projects if their delivery pace is accelerated, forecast cost increases, or if new Priority projects arise. It proposes that downward adjustments should continue to be managed through the existing Capex Adjustment Mechanism.
- **Introduce enhanced monitoring mechanism for priority projects linked to AIF scaling mechanism.** ESBN proposes this due to the strategic importance and small number of multi-phase projects. As projects reach the agreed milestones and deliverables associated with the baseline allowance, ESBN proposes that there would be a corresponding scaling up of AIF allowances to support the next phase of work.

- **Retention of Capex Adjustment Mechanism for scaling up allowances for non-priority projects** and downward adjustment to allowances across Priority and Non-Priority Projects.
- **Scope of scaling mechanisms to capture both volume and cost uncertainty.** ESBN states that these proposed mechanisms are designed to adjust allowances upwards for the AIF allocation as deliverability challenges are addressed and the risk of delivery is mitigated, covering new projects as well as accelerated ramp-up of existing projects. They are also intended to address additional factors including revised cost forecasts and anticipatory investment.
- **Streamline regulatory review processes to expedite decision-making and enhance efficiency.** For Priority Projects, ESBN suggests that the milestone-based funding process will streamline the regulatory review by providing CRU with clear visibility on project progress. For non-priority projects, it proposes that regulatory scrutiny for adjustments to the baseline allowance should focus on ensuring alignment with strategic goals. Overall, ESB Networks envisions an evolving role for the CRU, focusing on ex-ante review and agreement, focused regulatory scrutiny, and confirmation of milestone achievement (for priority projects).

On the performance incentive framework, ESBN proposes:

- A framework consisting of 23 incentives, 18 for the DSO and 5 for the TAO. This includes 8 maintained incentives, 6 amended incentives and 9 new incentives.
- The PR5 incentive framework had a total cap/collar equal to +1.8% and -1.6% of regulated equity for the DSO and +/-0.51% for the TAO. ESBN proposes to maintain the same level of risk and reward for PR6.
- All PR5 mechanistic incentives are proposed to be retained, some with amendment, for PR6 – including in areas where outturn performance has declined throughout PR5 in the case of the DSO.
- The retained balanced scorecard incentives consist of generally detailed proposals and scorecard milestones (where possible) through to 2030.
- For the DSO, new incentives are proposed in areas related to flexibility, connections, and customer-focused areas such as customer complaints and vulnerable customers. For the TAO, there is a new joint outage planning metric proposed in coordination with the TSO and an incentive focused on the construction milestones phase of the project lifecycle.

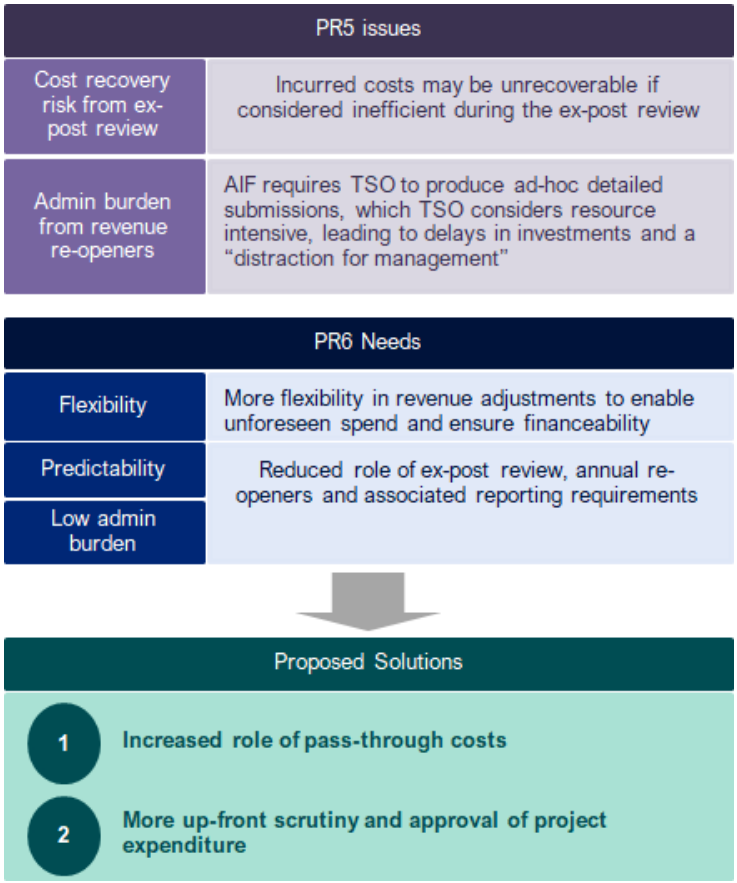
From the above, it is clear that ESBN is expecting a significant change in the CRU regulatory framework for PR6, particularly as regards the design of the AIF for Transmission. The proposals on the DSO AIF and on performance incentives are more evolutionary.

4.2 EirGrid

EirGrid is critical of how the PR5 regulatory framework has managed uncertainty for the TSO, emphasising the need for improved flexibility in PR6, and an increased role for cost pass-through (which allow costs to be automatically recovered through TUoS without being capped to allowances) and/or increased *ex-ante* project approval of costs.

A summary of its proposals for **managing uncertainty** in PR6 is illustrated below in Figure 8.

Figure 8: Summary of EirGrid's assessment of tools to manage uncertainty in PR6. Source: Analysis of EirGrid BPQ submission.



A cost pass-through arrangement would allow all (or a subset) of costs to be automatically passed through to consumers rather than being capped. As EirGrid itself notes in its business plan submission *"this type of approach would provide comprehensive protection against cost volatility but would shift the risk of unpredictable costs from EirGrid to consumers*"[13]. EirGrid

[13] TSO PR6 Look Forward Submission, p145

recognises that under this system there would need to be some hybrid between cost passthrough and *ex-post* review but proposes that any *ex-post* disallowances are limited to demonstrably inefficient and wasteful expenditure (DIWE), as assessed by the CRU, and capped at 2.5% of RAB.

Under an alternative, increased up-front scrutiny option, EirGrid proposes that projects would be approved by CRU before expenditure is incurred together with assurance that costs would not be disallowed. EirGrid proposes that *"as projects would only commence once regulatory pre-approval has been issued, this would significantly reduce or eliminate the prospect of ex-post disallowance on grounds of need. With appropriate ex-ante specification of eligible activities, the ex-post review element may be unnecessary, provided that both the cost and nature of the associated activity remain within the boundaries of the approval."* [14]

Under this system, EirGrid also proposes a "seed funding pot" which would comprise of a dedicated *ex-ante* allowance that EirGrid could rely on in the event that a need arose to stand-up an additional time-sensitive capital or operational programmes. EirGrid envisages that individual project pre-approval would not be required for drawdown, so long as the use of the funds was within the guidelines agreed with the CRU for the pot and that the TSO would be protected from *ex-post* cost disallowance.

EirGrid's proposals on managing uncertainty are relatively high level. They appear to be focused more on the TSO having higher predictability and certainty of cost recovery, rather than being aimed at managing inherent uncertainty within the PR6 period. It is important to note that pass-through mechanisms would transfer cost risks entirely to consumers and therefore would require careful consideration. Alternatively, greater *ex-ante* approval of spend (EirGrid's stated preferred option) while attractive in principle, would require careful calibration of the baseline spend and clear articulation of what is / is not being approved *ex-ante* in terms of need and how allowed expenditure can be used by the TSO.

EirGrid also proposes to (i) retain the TSO Monitoring Committee but specify its role better, and (ii) not publish a PR6 User Guide but focus on having a more detailed Regulatory Framework Decision that codifies the PR6 regulatory framework.

EirGrid is also critical of the PR5 **performance incentive regime** in its business plan, highlighting the following issues with its outturn performance and the incentive design framework:

[14] TSO PR6 Look Forward Submission, p145

- **Mechanism design:**
  - **Level of controllability** - Poor performance against decarbonisation and constraint management incentives is due to factors outside TSO control, such as weather and interconnector flows. Financial exposure under the incentives should reflect TSO's level of control over outcome.
  - **Target setting and profiling** - Targets are not always technically achievable and target profiles do not always consider system realities.
  - **Conflicting incentives** - Tension between incentive aims relating to constraint management, outages and increased renewables penetration.
- **Incentive framework design:**
  - **Lack of clarity of guidance** - The objective of certain mechanisms has not been clear from outset (e.g. Local Security of Supply) and there has been ambiguity surrounding set milestones and expectations.
  - **Administrative burden** - Reporting requirements have increased in complexity and volume since start of PR5. Diverts resources away from efforts more materially beneficial to consumers.

A number of these issues were also identified by the CRU in its review of the PR5 performance incentive framework.

EirGrid's proposal on performance incentives includes:

- A performance incentive framework consisting of 4 quantitative incentives and 7 scorecard incentives – notably with one streamlined decarbonisation-focused incentive. These incentives have all been retained from PR5, some with amendment, with the exception of 1 new joint incentive with the TAO and a new security of supply incentive.
- The PR5 incentive framework had a total cap/collar equal to +13% and -5% of the controllable PR5 Opex. EirGrid proposes to maintain the same level of aggregate risk and reward for PR6, equating to approx. +€32.06m / -€16.97m annually (2024 prices).
- Application of a materiality principle to all reporting requirements for incentives.
- Revision of the Multi-Year Plan process with a greater focus on the following 2 years rather than the next 5 years and greater engagement with CRU from September to December of each year.
- Reduction in public consultation processes associated with incentives and reporting given low public response rates.

4.3 Consultation Questions

Questions:

5. Do you have any comments or views on the CRU's assessment of ESBN's proposals for the PR6 regulatory framework, as set out in this Section and in Appendix 2 (DSO) and Appendix 3 (TAO)?
6. Do you have any comments or views on the CRU's assessment of EirGrid's proposals for the PR6 regulatory framework, as set out in this Section and in Appendix 4 (TSO)?

5 The Proposed PR6 Regulatory Framework

5.1 Introduction

In this section the CRU sets out its proposed approach to the regulatory framework in PR6 focusing in particular on the approaches to managing expenditure on the electricity grid in PR6 given the significant step up in investment required and the consumer and licensee protections to address the issues and risks it has identified in previous sections of this Paper. This includes the important role of reporting by the companies and monitoring by the CRU. The CRU also summarises the main areas of focus for evolving the performance incentive framework in PR6.

Further detail on the CRU's proposals for performance incentives, reporting and monitoring are set out in Sections 6 through 11.

5.2 Overall framework and proposed changes from PR5 to PR6

For PR6, the CRU wants to continue to build on the successes of the PR5 approach, enabling necessary investment, but further holding the network companies accountable for delivering what customers need while incentivising innovation and efficient costs.

The regulatory framework in PR6 needs to continue to be 'agile' and allow the electricity network companies to drive forward the investment programme with certainty and adapt to changing circumstances so that they can deliver value to customers more quickly. The CRU proposes to do this through an enhanced regulatory framework, compared to PR5, that places more emphasis on setting the required outputs and deliverables up front and tracking their delivery through the PR6 period.

This includes a suite of proposed mechanisms that deal with the inevitable changes in priorities and circumstances (and hence costs) that will arise over the period.

As in PR5, the proposed building blocks of the PR6 Regulatory Framework can be considered in several broad categories. In PR6 this will be referred to as the Agile Investment and Monitoring Framework (AIMF) and will consist of the following components:

- *Ex-ante* setting of allowances, outputs/ outcomes and deliverables – including regulatory commitment by the CRU to a high case as well as a baseline envelope of allowed revenues;
- Incentivised delivery against those outputs/ outcomes using performance incentive mechanisms;

- Mechanisms to adjust allowances, outputs/ outcomes and deliverables where appropriate and justified during the PR6 period, including reopeners and volume drivers. Examples of drivers of change that might lead to adjustments include:
    - New projects not captured in the baseline allowance;
    - Accelerated or delayed ramp-up or re-prioritisation/ re-scoping of existing projects;
    - Revised cost forecasts of existing projects;
    - Costs associated with early construction works or advanced procurement of equipment not captured in baseline allowance;
    - Higher or lower volume of work/ activity than expected.
- The *ex-post* review at the end of the PR6 period; and
- An enhanced reporting and monitoring framework.

Each of these building blocks will be supported through an evolved focus on delivery of specified outputs and outcomes given the significant step up in investment.

This will give the network companies confidence that the revenues will be made available for them to deliver during the period (and that they will be flexed upwards above *ex-ante* baselines towards their full business plan asks as the companies build confidence in their readiness and the deliverability of their investment plans), and that they will be able to recover their full efficient costs for doing so. Taken together, the CRU considers that the *ex-ante* allowances proposed by the CRU in its Draft Determination, supported by the in-period adjustment mechanisms and approach to *ex-post* cost recovery, give the network companies the confidence to invest and deliver against the outputs, outcomes and deliverables that are important to customers and stakeholders during the PR6 period, while giving confidence to customers that outputs and deliverables promised by companies will be delivered with discipline and efficiency as projects and programmes progress.

The CRU is committed to these objectives both in terms of the framing of its draft determinations and *ex-ante* baselines at PR6 – see discussion below – and the approach it is taking to evolve the regulatory framework from PR5 to PR6.

Taking account of the learnings from PR5 and the challenges and risks of PR6, the AIMF will be:

- **Agile** – as volume drivers and reopeners will generally not be seeking to explore need or additionality but rather to confirm readiness and deliverability to spend effectively.
- **Light touch** – the requirements on companies will be defined upfront, form part of a defined reopener window and will focus on delivery and readiness criteria.
- **Practical** – through the development of clear processes and procedures for submissions and assessment, understood by all parties, in advance of the PR6 Final Determination.

5.3 *Ex-Ante* Allowance-Setting and Deliverables

In order to support the network companies to deliver against the ambitious targets and objectives for PR6, the CRU is proposing to set an enabling regulatory contract which provides significant *ex-ante* allowances in tandem with flexible access to additional funds as required. The CRU is striving to implement a supportive regulatory framework that prioritises delivery, transparency and balances the risk to consumers.

The following section sets out CRU's approach to setting the companies' *ex-ante* allowances for PR6. The *ex-ante* allowances are divided into two high level categories: baseline allowances and high case allowances. The baseline allowances include a number of delivery obligations, which although new to PR6, are increasingly common practice in other regulatory regimes.[15] These are explained in further detail below. The high case allowance will be managed by a series of mechanisms in the AIMF such as reopeners and volume drivers as described below.

5.3.1 Setting *ex-ante* allowances, outputs and deliverables

Underpinning the design of the proposed *ex-ante* approach for PR6 are the learnings from PR5, which highlighted the challenges of tracing outturn spend to the intended outputs, in the context of the significant increase in proposed investment throughout the period.

The move to a more output-focused approach was new to PR5 and so the CRU introduced a transitional approach. At the start of PR5, outputs were defined for the respective company allowances. However, three primary things were lacking that led to problems in-period and in the *ex-post* review:

- A baseline that did not define inputs and outputs and their timing to a sufficiently granular or precise level;
- An uncodified AIF – such that the network companies had complete flexibility to reallocate revenues among the inputs and outputs (while maintaining the distinction between operational and capital expenditure[16]); and
- Insufficient reporting accuracy and transparency to track these changes throughout PR5, and map them to intended baseline allowances set *ex-ante* to assess the *ex-post*.

In practice, because of changes during the period, it became progressively more challenging to track the linkages between inputs, outputs and deliverables over the PR5 period.

[15] Sometimes referred to as price control deliverables.
[16] Subject to the ability to reallocate allowances under the (opex/capex) Flexibility Mechanism (to be renamed Opex/Capex Reallocation Mechanism in PR6).

For PR6, the CRU proposes to improve the transparency of the linkages between inputs, outputs and deliverables at the *ex-ante* stage, and to require enhanced reporting of each of these inputs, outputs and deliverables throughout the PR6 period. In terms of the inputs, there is no change from the current PR5 framework. These are being set on an Opex and Capex basis respectively and are being used to determine the network company's allowed revenues, against which an efficiency challenge is being set. However, the *ex-ante* process has been enhanced for PR6 to further increase the focus on the outputs and outcomes that network companies are expected to deliver for the allowances that are being set.

The CRU proposes that all *ex-ante* ("baseline") expenditure allowances at PR6 are explicitly linked to an output or deliverable. For the most critical outputs/ deliverables the *ex-ante* allowances will be ring-fenced for delivery of the associated outputs/ deliverables, and the requirements will be specified in a formal "delivery obligation".

Building on learnings from PR5, the Delivery Obligations are intended to provide:

- Clear, unambiguous, regulatory commitment to funding of strategic schemes with the expectation the costs of these programmes may also need to evolve within period as delivery progresses;
- Consumer protections and transparency by ring-fencing allowances that controls reprioritisation / reallocation of funding to other areas of the portfolio without discussion; and
- Clarity of outputs that are needed to deliver on network requirements and a clear basis for ongoing monitoring of delivery.

Each delivery obligation will specify:

- The scope of the scheme(s) covered by the delivery obligation;
- The nature and timing of the scheme deliverable(s) in the PR6 period;
- The baseline allowances for the PR6 period allocated to the scheme deliverables;
- Any interim milestones and deliverables during the PR6 period;
- Any interdependencies with other deliverables or licensees' actions;
- Reporting requirements for the delivery obligation; and
- Adjustment mechanisms/ reopeners associated with the delivery obligation.

Illustrative examples of the format and content of a number of delivery obligations is provided in Appendix A.7 to aid stakeholder understanding. The final specification and terms of each delivery obligation will be developed by the CRU in consultation with the relevant licensee in advance of Final Determinations.

Some delivery obligations will be for discrete projects (for example each of the 29 highest priority transmission projects being delivered by the TAO), whereas others will be for a "bundle" of projects or activities within a wider programme (for example the development work being undertaken by the TSO in PR6 to progress the high priority transmission projects). The delivery obligations proposed for each licensee are listed in Figure 9 below and specified in more detail in Appendix A.5 and A.6.

Figure 9: PR6 Delivery Obligations

DSO	HV Reinforcement	Baseline: €832.8m
	Renewal Programme - MV lines: PIAM	Baseline: €125.4m
	IT and Digital projects	Baseline: €177.4m
TSO	Group 1 - Priority projects	Baseline: €116.2m
	Physical Control Centres	Baseline: €23.4m
TAO	Group 1 - Priority projects (29 separate DOs)	Baseline: €2,942.5m (aggregate)
	Group 2 - Remaining Ultra projects	Baseline: €428.1m
	Group 4 - Remaining category 3 projects	Baseline: €133.6m

In summary, the proposed delivery obligations cover c.22% of baseline capex allowances for the DSO, c.21% for the TSO and c.87% for the TAO (over 80% of which is the DOs for the 29 most critical TAO delivery projects in the PR6 period).

The framework will be inherently flexible – via the reopener and other adjustment mechanisms described below – to vary delivery obligations and change use of cost allowances. The network companies will continue to have flexibility to reallocate priorities and revenues within "bundled" delivery obligations where needed (subject to remaining with the overall allowance provided or any material revision being agreed through the period as part of the reopener process) and across outputs and deliverables at the portfolio level for the remainder of their activities.

Further, the AIMF will provide the licensee with the opportunity to seek approval to adjust the delivery obligations within period (for example, if the TSO were to adapt its network development plans and/or a reprioritisation process is required this could have a knock-on impact for TAO deliverables that would need to be reflected in its delivery obligations). Notwithstanding this, the onus will be on the company to provide compelling evidence to justify

reallocating revenues and outputs across delivery obligations specifically, given the criticality to customers and the network of delivery of each of the outputs covered by each delivery obligation. The CRU considers that this approach strikes the right balance between giving the network companies the flexibility to optimise and innovate across their portfolios of activities and investments while increasing the focus on delivering the most critical outputs that are most relevant for customers and market participants.

The box below summarises the key principles governing the *ex-ante* outputs and deliverables for PR6 and change management of deliverables under the regulatory framework.

Framework principles for delivery and output change management

- Wherever possible, *ex-ante* ("baseline") expenditure allowances at PR6 will be explicitly linked to envisaged output or deliverables.
- For the most critical/priority outputs/ deliverables, the *ex-ante* allowances will be ring-fenced for delivery of the associated outputs/ deliverables, and the requirements will be specified in a formal "delivery obligation".
- Network companies will not be able to reallocate funded cost allowances for delivery obligations without discussion and the approval of the CRU – that is, the allowances are ring-fenced for the agreed project of bundled delivery obligation.
- Companies will be able to vary delivery obligations and change use of *ex-ante* allowances following approval by the CRU.
- CRU's approval of reallocations will not be unreasonably withheld, but companies will need to provide compelling evidence for reallocating revenues and outputs among or from delivery obligations.
- Network companies will have full flexibility to reallocate *ex-ante* expenditure allowances not ring-fenced for delivery obligations.
- At the *ex-post* review (see section 5.7), network companies will be expected to demonstrate that customers received outputs consistent with the value of the outputs and deliverables that were expected from the *ex-ante* expenditure allowances.

5.3.2 *Ex-ante* network needs and the allowed expenditure envelope in PR6

The CRU's PR6 draft determinations propose baselines for allowed expenditure lower than the network companies have proposed in their PR6 business plans. In part, this is due to the CRU's draft cost assessment concluding that the forecast baseline expenditure in the companies' plans has not, based on the information submitted to date, been sufficiently justified in its entirety.

In some cases, the proposed reductions to the baseline funding requests reflect inherent uncertainties of need (e.g. volumes), deliverability and/or efficiency challenges.

In other cases, the reductions reflect that the projects and programmes proposed – in both opex and in capex – are still in early development. In these cases, there is less certainty of the scope and cost of the proposals, even where network companies have justified the high-level need, and currently less confidence in the full requested expenditure for PR6.

The CRU agrees there is a need for a substantial step-up in expenditure by network companies to support the transformation of Ireland's electricity system and deliver on PR6 objectives.

This is supported by the technical reports the CRU has commissioned from CEPA and GHD which provide an independent assessment of the needs of the electricity network in PR6, as well as a disaggregated assessment of the network companies' business plans.[17] The CRU also recognises that network companies' more uncertain, early-stage projects and programmes will over the course of PR6 gain greater certainty around their scope and cost as business cases and plans are confirmed through the networks companies own internal governance processes and procedures.

As a result, the CRU expects that the network companies' allowed revenues will need to be increased during PR6 to reflect the network need, with the AIMF expected to perform a fundamental role as an agile, light-touch, framework (or 'contract') to provide the pathway for network companies to flexibly access additional required revenues during PR6.

To give confidence to the network companies that additional revenues will be available when required, clear commitments are necessary, *ex-ante*, of the envelope of revenue allowances that may ultimately be required to deliver on the PR6 objectives and electricity network needs, whilst also balancing the level of risk consumers should carry.

For these draft determinations, the CRU has as a result set:

- *ex-ante* baseline opex and capex allowances – as discussed above, part of which are ring-fenced to particular programmes as part of delivery obligations; and
- envelope opex and capex allowances which the CRU confirms are accessible to companies by the AIMF (also referred to as 'high case' allowances).

The approved baseline allowances are forecast business and PR6 project / programme costs, for which the CRU currently has higher confidence in the need, additionality, scope and cost based on CEPA and GHD's draft determination cost assessment. The CRU will review these baseline allowances for final determinations in light of the responses and representations made

[17] These reports are published alongside this consultation.

to this consultation and expects there to be changes between draft and final determinations (for example because programmes of work have evolved in the interim since business plans were submitted and/or because the network companies are able to bring forward additional evidence in support of required allowances).

The approved envelope (high case) allowances are expenditure that the CRU confirms may be needed and is approving is accessible during PR6. Network companies are expected to seek approval through the AIMF's targeted (scheme / category specific) reopeners and volume driver mechanisms for additional allowances in the high case to be released into allowed revenues during PR6.

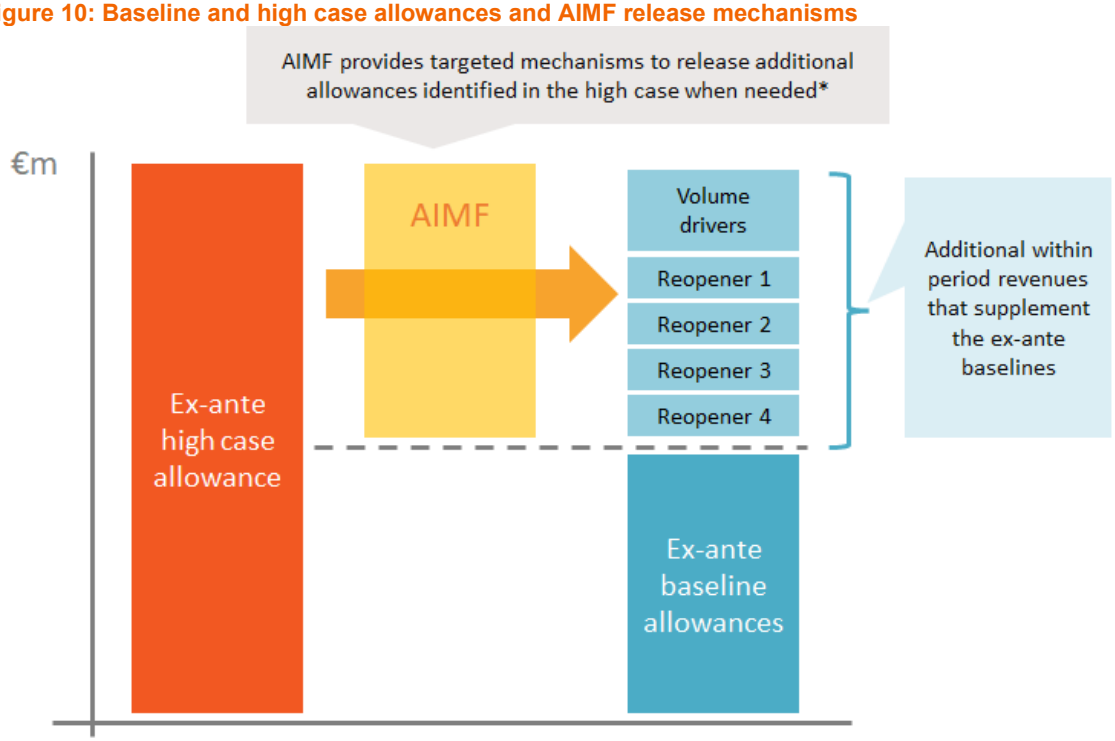
As discussed in Section 5.4 below, reopener approvals are subject to companies' submissions achieving completeness checks and addressing criteria for the CRU to assess and confirm the need, deliverability and readiness for additional allowed revenues to be released through the AIMF. The reopener requirements relate to proposed investment or change in allowances/ deliverables being underpinned by companies' own internal planning, approval and assurance processes, and so the CRU considers the release of the additional allowances is within the companies' control to manage. For the avoidance of doubt the CRU's assessment at this stage will not be a reassessment of efficiency of costs, which is more properly undertaken in the *ex-post* review at the end of the price control period.

In cases where changes in network company expenditure are required that do not fall under the scope of the defined reopener and volume driver mechanisms, the CRU's expectation is the network companies should expect to manage these changes within the aggregate baseline opex or capex allowances in-period, as the CRU would expect there to be areas where expenditure will increase and decrease across the portfolio of activities during PR6. The AIMF does not, however, preclude network companies from requesting additional revenue allowances which fall outside of the defined reopener and volume driver mechanisms via the CRU's proposed annual reopener window (see below). However, the companies will need to provide compelling evidence for the CRU to accept such requests.

The approved envelope (high case) allowances are also not intended to be a hard cap on the revenues that can ultimately be released via the AIMF. There is no cap on the allowed revenue that CRU may ultimately approve based on proposals brought forward by network companies under the AIMF. The high case is rather a statement of intent of the envelope of opex and capex allowances – based on current known information – that can be accessed via the AIMF, subject to network companies satisfactorily meeting the criteria that demonstrate the deliverability and readiness (and, in certain cases, additionality) for the additional allowed revenue to be released within PR6.

Figure 10 below illustrates how – conceptually – the CRU expects the AIMF to release additional allowances from the high case when needed by the companies. The subsections below and supporting appendices set out in further detail how the CRU expects this framework to operate in practice, in particular the adjustment process via reopeners.

Figure 10: Baseline and high case allowances and AIMF release mechanisms



* Subject to the CRU's assessment that completeness, deliverability and readiness / need criteria have been met in company submission.

Consistent with the status of the high case being an approved level of revenue and expenditure that may ultimately be required to deliver on the needs of the electricity network during PR6, the CRU has assessed the financeability of its price controls on both the baseline and high case allowances.

Where a company's expenditure is forecast to materially exceed the *ex-ante* high case allowances[18], the CRU is minded to provide the network company the opportunity to request a re-assessment of the financeability of its PR6 price controls[19].

There are, in principle, several ways in which this trigger mechanism could be applied. The CRU proposes this trigger would be if the level of forecast expenditure at a licensee level is expected to exceed the *ex-ante* high case allowances by 10%; reflecting a threshold outturn value at which other parameters of the price controls may need to be reassessed. For the avoidance of

[18] Supported by the release of additional allowances through the AIMF.
[19] The CRU's proposal is in preference to, but builds on, the TAO's proposal for a Financeability uncertainty mechanism.

doubt, any re-assessment of financeability would not trigger any mechanistic changes to PR6 price controls. The CRU would re-assess financeability using an in-the-round assessment consistent with the approach that it has undertaken to assess the financeability of its PR6 draft determinations. It would implement targeted interventions if and where it considers they are required considering the impacts on both consumers and the licensee.

The box below summarises key principles the CRU proposes will govern variation of allowed revenue in PR6 and accessing additional funding within period via the AIMF.

Framework principles for network need and variation of revenues

- The CRU accepts the high-level need for the network investment and system transformation plans that are set out in the network companies' PR6 business plans. The CRU's draft determinations also accept the need for a substantial step up in expenditure.
- For each price control, as well as baseline allowances, CRU has approved high case allowances which the CRU considers may be needed to deliver on the network need and are accessible via variations to allowed revenues under the agile, light touch, AIMF.
- These approved envelope (high case) allowances are not intended to be a hard cap on the revenues that can ultimately be released via the AIMF. There is no cap on the allowed revenue that CRU may ultimately approve based on proposals that are brought forward by network companies under the AIMF.
- The high case is rather a statement of intent of the envelope of Opex and Capex allowances – based on current known information – that can be accessed via the AIMF, subject to network companies satisfactorily meeting criteria that demonstrate deliverability and readiness for additional allowed revenue to be released.
- Consistent with the status of this high case being an approved level of revenue and expenditure that may ultimately be required to deliver on the needs of the electricity network during PR6, the CRU has assessed the financeability of its price controls on both the baseline and high case allowances.
- Should a company's outturn expenditure exceed the *ex-ante* high case allowances by 10% network companies will be able to request an in-the-round reassessment by the CRU of the financeability of its PR6 price controls; reflecting a threshold outturn value at which other parameters of the price controls may need to be reassessed.

The subsections which follow set out the CRU's proposals for how the key reopener and volume driver components of the AIMF will operate during PR6.

5.4 Adjustments during the PR6 Period

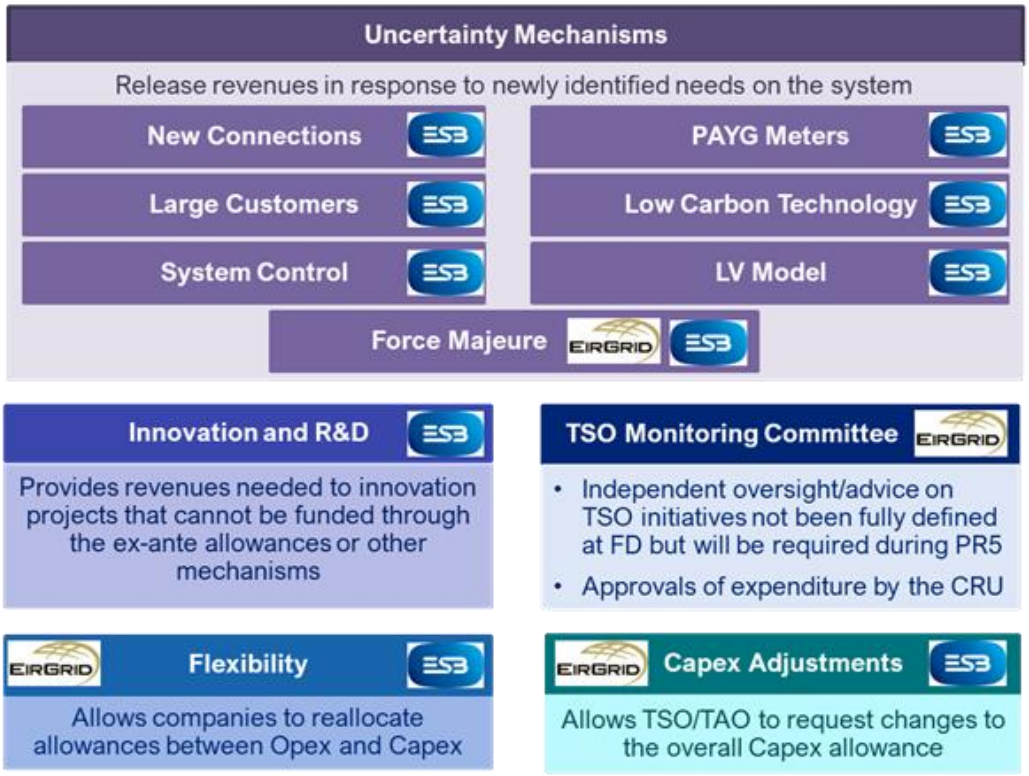
As discussed above, the AIMF includes mechanisms to allow the network companies to access additional revenues in response to the changing needs of the system and to facilitate a flexible

approach to network investments, including where there are material uncertainties or where delivery timing, specifications or costs change. These mechanisms will ensure customers are protected against poor delivery (for example, expected outputs funded by consumers not being delivered) or unnecessary costs, while providing the network companies with the revenues needed to deliver (including additional revenues above the *ex-ante* baseline up towards their full business plan asks) as investments are firmed up or priorities or costs change.

The PR5 Agile Investment Framework (illustrated in Figure 11 below) consisted of four principal adjustment mechanisms:

- **Uncertainty Mechanisms**, intended to release revenues in response to new identified needs on the system or in response to force majeure events;
- **Flexibility Mechanism**, which allows the DSO and TSO to reallocate allowances between Opex and Capex (bi-directional);
- **Capex Adjustment Mechanism**, which allows the TSO and TAO to request changes to the overall Capex programme allowance; and
- **Innovation and R&D Mechanism**, which is intended to provide revenues needed for innovation projects that could be funded through the PR5 *ex-ante* allowances or other mechanisms in the AIF.

Figure 11: PR5 Agile Investment Framework



For PR6 it is proposed to retain the **Flexibility Mechanism** (to be renamed the **"Opex/Capex Reallocation Mechanism"** to distinguish it from the new flexibility services cost recovery

mechanism proposed by ESBN) and **Innovation and R&D Mechanism**. The CRU proposes to extend these to cover both network companies so that there are clearly specified mechanisms available for both network companies to adjust between capex and opex allowances within period where it is efficient to do so, and to seek approval from the CRU for additional innovation/ R&D projects that are demonstrably to the benefit of consumers and the system.

The DSO has proposed that a materiality threshold is set for the Opex/Capex Reallocation Mechanism in advance of the PR6 period. The CRU proposes that, to trigger the mechanism, the forecast change in costs as a result of a change in solution is a minimum of 1% of the average annual *ex-ante* baseline total expenditure (totex) (i.e. capex plus opex) allowance of the licensee as set at final determinations, or €10m whichever is greater, over the duration of PR6 period for which the reallocation is implemented. Smaller reallocations will be assessed through the *ex-post* review.

The CRU intends to introduce a new **Legal/Regulatory Change Mechanism** that will apply to both network companies. This builds on the DSO's proposal for an uncertainty mechanism to deal with uncertainty in relation to changing roles and responsibilities as a direct result of changes in legal or regulatory requirements, and the associated impact on PR6 costs. EirGrid also noted in its business plan submission[20] *"…the framework should incorporate more ability to adjust in response to policy changes and other factors which may require EirGrid to make additional investments to achieve certain objectives"*.

The CRU proposes that this new Legal/Regulatory Change Mechanism be triggered by either the CRU or licensee and can lead to either an upwards or downwards adjustment in allowances depending on whether the legal or regulatory change leads to the addition or removal of functions, activities and costs for the licensee. The party triggering the mechanism will need to demonstrate that there have been new legislative or regulatory requirements, which have directly led to a material impact on the licensee's costs or scope of activity.

The CRU proposes that to trigger the Legal/Regulatory Change Mechanism the forecast increase in costs is a minimum of 1% of the average annual *ex-ante* baseline totex (i.e. capex plus opex) allowance of the licensee as set at final determinations, or €10m whichever is greater. Otherwise, any impact of a change in law or regulation will be assessed through the *ex-post* review.

The **Force Majeure Mechanism** will apply to both network companies. The principles of the mechanism will be unchanged from PR5. The company will be able to make a submission to the CRU for the recovery of efficiently incurred costs that directly relate to a force majeure event. It

[20] TSO PR6 Look Forward Submission, p.146

is the nature of such events that they cannot be clearly defined in advance, however the CRU will apply the following criteria in deciding whether an event has triggered the mechanism:

- The impact of the event is material in terms of cost;
- The event could not have reasonably been foreseen in advance;
- Reasonable mitigation measures and preparatory planning were carried out in advance; and
- The response to the event has been reviewed and an analysis of the effectiveness of the response carried out including any recommendations for preparing for or responding to similar events in the future.

The onus rests with the network company to demonstrate the exceptional nature of the event, its impact, and that all expenditure requested has been efficiently incurred.

At PR5 the DSO proposed that there should be two force majeure mechanisms, one relating to **"Severe Weather Events"** only and one relating to all other causes of Force Majeure. This proposal was rejected by the CRU (because the company's proposed criteria potentially would have triggered the mechanism multiple times during the price control period), but the network company has brought forward a similar proposal again in PR6. Given the increased focus on storms and storm impacts, the CRU is interested in stakeholder views on whether it is necessary or proportionate to have such separate mechanisms (for example because the nature of evidence or burden of proof might be different for severe weather events), what would be an appropriate definition of a severe weather event that would qualify for force majeure treatment (if different to the criteria above), and how the costs incurred by a licensee during a severe weather event (over and above those an efficient and effective operator should have reasonably planned for) should be defined and assessed.

The CRU proposes to retire the TAO/TSO **Capex Adjustment Mechanism** (and not to accept the TAO and TSOs' proposals for portfolio-wide reopeners of the aggregate allowances for their transmission programmes[21]). This is because a general capex reopener at the aggregate allowance level is no longer consistent with the more targeted and ring-fenced set of allowances and delivery obligations that are proposed to be introduced at PR6.

In its place, the CRU is proposing for PR6 to extend from the DSO to the TAO and TSO the PR5 concept of targeted Uncertainty Mechanisms (or "**reopeners**"). These reopeners can be used by the individual licensees to request timely adjustments in deliverables or allowances during the

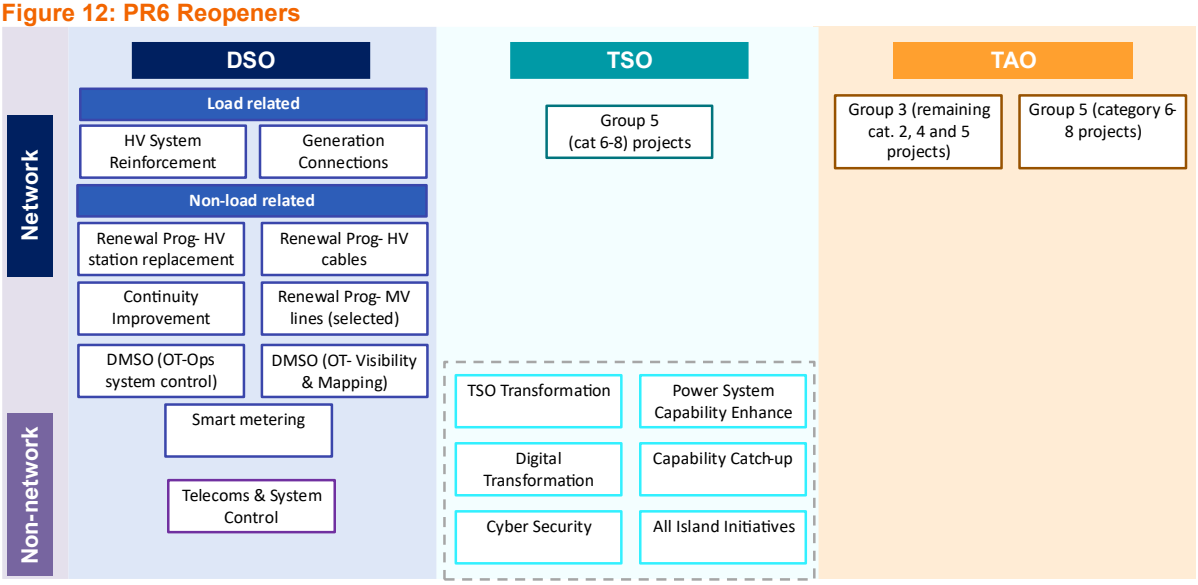
[21] ESBN has proposed separate reopeners for the aggregate allowances on transmission "priority projects" and transmission "non-priority" projects.

period, whether capex or opex or both[22]. They will cover all delivery obligations and an additional set of specified schemes/ activities outside delivery obligations where costs and/or requirements are particularly uncertain at this stage. This will allow companies to more closely match revenues to expenditure during the period while also allowing the CRU to have increased transparency during the PR6 period of delivery and expenditure. The CRU expects that the majority of reopener requests will be for upward adjustments (for example as a result of changes in forecast costs or scope, or where priorities change within the programmes) but also envisages that, where there has been significant delay or re-prioritisation of spend in an area, a company may bring forward a request to reduce the allowance (and associated deliverables) in that area. There could be an accompanying or subsequent reopener request to reallocate the funds that have been released to another area where additional expenditure is expected. As has been available to the DSO in PR5, the network companies will be able to bring forward reopener submissions on an annual basis to feed into the revenue-setting process. Reopener requests can be for single or multiple years. This is a key area of the framework where the CRU will work with stakeholders in advance of Final Determinations to put in place streamlined and rapid processes that are permissive in nature, avoiding regulatory blockers to investment or delivery.

In addition to the new reopeners for the TAO and TSO, the CRU is proposing to amend and add to the existing set of targeted reopeners for the DSO. The scheme-specific capex reopeners proposed by the CRU for each licensee (in addition to delivery obligation reopeners) are listed in Figure 12 below and specified in more detail in Appendix A.5.

[22] Where there is opex directly associated with a capex project, the CRU expects the opex allowance to flex up in-period in proportion to any change in capex allowed through the reopener process (subject to confirmation at the *ex-post* review).

Figure 12: PR6 Reopeners



In summary, the proposed scheme-specific reopeners apply to c.22% of DSO baseline capex allowances, c.56% for the TSO and c.13% for the TAO.

The CRU also proposes the following targeted reopeners will apply to opex:

- EirGrid TSO – a reopener for staff costs / contractors / professional services opex subject to additionality, deliverability and cost confidence criteria being met.
- ESB Networks DSO – a reopener on planned maintenance, which the CRU intends to be as mechanistic as possible, i.e., formulated as close as possible to a volume driver (see below).

In line with PR5 and the DSO's PR6 proposals, there will continue to be a materiality threshold of 10% of the total 5-year baseline allowance for the relevant scheme/ activity before a network company can bring forward a reopener request for an upward adjustment in an allowance[23].

It is not the CRU's intention or expectation that all changes in progress or costs of individual activities/ projects within a programme or thematic delivery obligation or other allowance will trigger the need for a reopener. The CRU expects the network companies will manage most changes flexibly within the individual delivery obligations (especially where these are bundled delivery obligations containing multiple schemes/ activities) or across their wider aggregate cost allowance (which will cover a broad portfolio of projects/ activities outside the scope of delivery

[23] The CRU notes that at PR5 the network company (or the CRU) can also bring forward a request for a downward adjustment of allowances under the Capex Adjustment Mechanism if there is a high likelihood that the total Capex allowance for the five-year PR5 period will be underspent by more than 20% against the baseline. The CRU proposes to retain this option for delivery obligations in order to manage in-period revenues coming through into tariffs in the event of major delays or other changes to these large schemes.

obligations or volume drivers). Any such changes to progress or costs should be captured as part of enhanced annual reporting, which will then form part of the material for the *ex-post* review.

As outlined above, the CRU has identified areas where it considers targeted reopeners are required based on an assessment of the network companies' business plans. Where additional allowances are required that do not fall under the scope of these defined mechanisms, the CRU proposes this would not preclude a network company from requesting additional revenue allowances through the annual reopener window (see discussion below). However, the company will need to provide compelling evidence to support such requests, given that the CRU considers that most changes can be managed flexibly across the aggregate cost allowance. The CRU would expect the company to be able to demonstrate need, additionality, cost confidence and efficiency of the request as well as deliverability. The materiality threshold of 10% of the activity for which the company is requesting an adjustment will also apply.

The CRU will work with network companies to develop the submission requirements and processes for reopeners in advance of Final Determinations so that there is clarity for all stakeholders as to how reopeners will operate before the price review period commences. The CRU will adopt a proportionate and agile submission and assessment process for reopeners.

The CRU's objective in the design of these processes is to give network companies confidence that all reasonable reopener requests that meet the submission requirements will be allowed. In this way, companies can have confidence that revenues (and associated deliverables, if appropriate) will be flexed above the *ex-ante* baseline in-period towards their full business plan requirements where there is demonstrated readiness to spend. It is the intention of the CRU that the reopener process will not impede the undertaking of necessary works by the companies, instilling confidence to undertake necessary expenditure.

Generally, the CRU's assessment of reopener requests will be based around the completeness and quality of the submission documentation, to enable granular tracking of the nature and reasons for changes from the *ex-ante* baseline (and the associated cost allowance impacts for the annual revenue adjustment process) and will not involve an assessment by CRU of high-level need or of efficiency. The CRU expects that it will generally be able approve any reopener request where the submission documentation is complete and of high quality.

This is consistent with the principle stated above that the CRU accepts the needs of the network may require revenue allowances to increase. The CRU recognises that additional/ new requirements and schemes may emerge during the PR6 period (outside any adjustments that will be accommodated through the new legal/regulatory change mechanism) and network companies may need to bring forward requests for new allowances on an ad hoc basis. The

specified reopeners will not preclude the companies from making ad hoc requests in these circumstances; however, in these cases, need and additionality may be assessed by the CRU as part of the approval process.

There will be a defined annual window for reopener submissions, with a deadline for CRU decision-making around 4 months prior to tariff / allowed revenue changes (around 6 months prior to the price control year starting). This will give network companies clear advance sight of step-ups in revenues to facilitate investment planning and implementation. The CRU will have authority for assessment and governance of decision-making required at each reopener window in line with the agreed processes and procedures and its general duties.

For the avoidance of doubt, the reopener process will not be an additional in-period efficiency assessment of outturn or proposed additional expenditure. This will be assessed through the *ex-post* review, as in previous price review periods. While the use of the reopener mechanisms will be of benefit to the network companies to better match revenues to planned expenditure in-period, the CRU notes that any changes in expenditure or delivery during the period that are not brought through the reopener process will still be assessed through the *ex-post* review process as has been the case in previous price review periods.

More detail on the timelines and processes for reopener submissions and decision-making, and the CRU's expectations for the content and quality of submissions by the network companies in support of requests for reopeners of allowances during the PR6 period, are set out in Appendix A.8. Final criteria, guidance and submission templates will be developed in consultation with network companies through a post-DD working group, in advance of FD, to enable this.

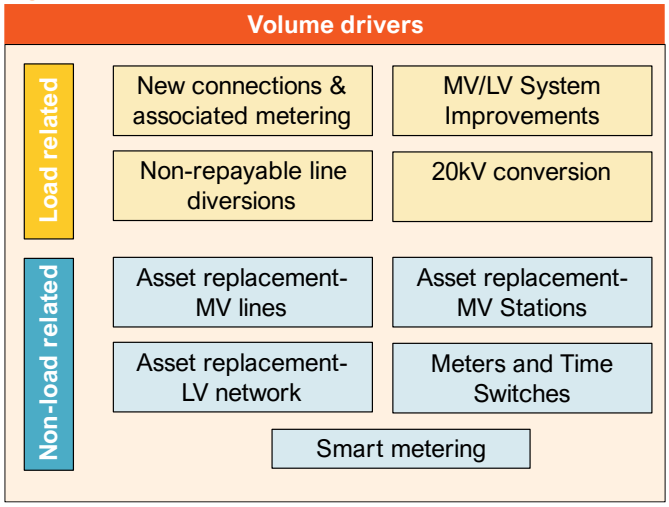
5.5 Volume Drivers

There are a number of network company activities where the unit costs of the activity can be determined *ex-ante* with reasonable certainty but the volume that will be undertaken over the period is uncertain. These primarily relate to DSO activities: the DSO has proposed 6 volume drivers for specific activities in PR6, building on the volume drivers that were in place at PR5.

The CRU is proposing an amended set of 9 volume drivers (including to provide for storm resilience), covering c.37% of baseline capex allowances for the DSO.

The volume drivers proposed by the CRU for the DSO are listed in Figure 13 below and specified in more detail in Appendix A.5.

Figure 13: PR6 Volume Drivers



The CRU is setting baseline *ex-ante* allowances for these categories of cost based on a reasonable estimate of volumes and an *ex-ante* unit cost. Revenues for these activities will be adjusted upwards or downwards (i.e. volume drivers are bi-directional) as part of the annual revenue-setting process based on outturn volumes and the *ex-ante* unit costs. It will be for the DSO to demonstrate to the CRU the volume undertaken as part of its annual regulatory submission.

As with other costs, the impact of any changes in unit costs within volume drivers beyond general inflation, for example as a result of input price inflation, will be assessed in the *ex-post* process at the end of the price review period in order to allow the DSO to recover its efficient justified costs.

5.6 Non-controllable Cost Allowances

The CRU is proposing that, as was the case in PR5, several non-controllable opex cost categories will be allowed on a full passthrough basis, i.e. where network companies do not have control over the quantum of the costs and cannot reasonably mitigate their exposure to such costs. These cost categories vary by price control, but include, for example, network rates and CRU levies. Full details of non-controllable cost allowances can be found in the accompanying Price Review Six Transmission and Distribution Draft Determinations.

The DSO has proposed that any **"flexibility payment" costs** that it incurs in the PR6 period should be treated on a passthrough basis. ESBN suggests that they are essentially a new category of costs (in practice flexibility markets have been slower to emerge than expected and there has been only limited experience with flexibility schemes during PR5) and the amount of any payments in any new flexibility markets will be outside their control. At the PR6 DD stage, no *ex-ante* baseline allowance has been included for flexibility payments as they are not included in the DSO's business plan forecasts. To the extent that the DSO can, in practice,

control some or all of the flexibility payment costs or can manage/ mitigate their size or timing, a full passthrough arrangement removes any incentive on the company to be efficient. In that case, alternative regulatory treatments of these costs may be more appropriate. At PR5, where flexibility scheme costs would have been recovered on an ad hoc basis under either the (opex/capex) Flexibility Mechanism or the Innovation/R&D Mechanism, such costs would be subject to an *ex-post* efficiency assessment. The CRU is considering two alternative options for Final Determinations alongside ESBN's proposal for full passthrough, namely:

- **Alternative Option 1:** "partial passthrough" where an element of flexibility payment costs (in line with the proportion that is considered to be controllable by the DSO) is given an *ex-ante* allowance at Final Determinations with an *ex-post* review adjustment of that element's outturn and the remainder is subject to passthrough; and
- **Alternative Option 2:** setting an *ex-ante* baseline allowance for flexibility payment costs (which could vary between zero and a reasonable *ex-ante* forecast of costs) with an annual reopener and *ex-post* review adjustment of outturn in line with the proposed treatment of other uncertain cost allowances in PR6.

The CRU recognises that the DSO will want a reasonable degree of certainty of cost recovery before setting up flexibility schemes and entering into flexibility contracts. It considers that this is no different conceptually to the degree of cost certainty that any licensee would wish to have before entering into other contracts, e.g. construction contracts for network investments, and therefore these costs do not appear on face value to warrant different treatment. As the flexibility markets/ contracts will be new schemes that are introduced during the PR6 period and are not yet fully developed the CRU will need to have the option to review any proposals before committing to allowing the DSO to recover its costs under any of the options set out above. For the avoidance of doubt, the CRU supports additional flexibility arrangements in the PR6 period and, in line with the general cost recovery principles, will enable ESBN to recover its justified and efficient costs.

The CRU is interested in stakeholder views on both the extent of controllability of DSO flexibility payment costs and on the various options put forward for their regulatory treatment.

5.7 Cost Incentives and *Ex-post* Cost Recovery

An *ex-post* review will be carried out at the end of PR6, in a similar manner as previous Price Reviews.

The CRU is proposing to retain from PR5 the guiding principles by which it undertakes the *ex-post* assessment and determinations of adjusted allowances. These are:

- **Accountability**: the network companies are accountable for their expenditure and expenditure decisions. The onus is on the network companies to demonstrate the efficiency of their expenditure. For the avoidance of doubt, expenditure cannot be assumed to be efficient in the absence of evidence.
- **Clear Justification**: material over and/or under expenditures, when compared to the PR6 *ex-ante* revenues, should be well justified and explicitly detailed. The onus is on the network companies to demonstrate this within its submissions and where appropriate, quantitative as well as qualitative information should be presented.
- **No "hindsight regulation":** in making its assessment on the efficiency of the companies' incurred expenditure the CRU will have regard to the information that the licensee had available, or should reasonably have had available, at the time of making their investment and expenditure decisions.
- **Reasonableness:** the companies will need to demonstrate that its decisions were reasonable including that (a) the expenditure and investment decision-making by the network company took into account all information that could reasonably have been expected to be available to the network company at the time of making the decision[24]; and (b) resulted in expenditure during PR6 that would reasonably, at the time of making the expenditure and investment decision, be expected to be required to meet the needs and requirements of the network company's regulated electricity business or the system.
- **Accounts for delivery:** The adjusted allowance will account for the cost impact of actual outputs delivered by the licensee.
- **No double-reward or double-penalty**: The cost incentive will be applied to the difference between outturn costs and adjusted allowances. The adjusted allowance may include adjustments for under-/over-delivery of outputs, but only so far as is required to reflect a corresponding under-/over-spend. Given the increased focus on delivery at PR6, the CRU has considered whether there should be any further penalties for under- or late delivery or rewards for over- or early delivery, particularly for those deliverables covered by delivery obligations[25]. However, it has provisionally decided to retain the PR5 position that any penalty for under-delivery of the outputs themselves will be captured in applicable performance incentives (for example, the TAO project delivery incentive), and there should not be further penalties for under-delivery as part of the cost incentive. The

[24] As part of this, the CRU expects the network company to assure it as to its overall governance processes and procedures, including executive level oversight, in addition to the reasonableness of its individual expenditure decisions.

[25] There is recent precedent from other regulators for this. For example, in its most recent price review (PR24) Ofwat has introduced "time incentives" with penalties for late delivery and (smaller) rewards for early delivery of selected "price control deliverables" (equivalent to delivery obligations).

same applies to over-delivery and over-spend. The CRU would be interested in stakeholder views on this issue.

- **Neutral in net present value (NPV) terms:** Adjustments to a network company's revenues at PR7 that result from application of the PR6 cost incentive will be done on an NPV-neutral basis. This will ensure that the network company is indifferent between efficiency savings that are incurred early or later during PR6.

The *ex-post* review will assess whether the network companies have achieved their deliverables and incurred their expenditure efficiently. As at PR5, any expenditure not demonstrated to have been efficiently incurred will be disallowed and expenditure demonstrated to have been efficiently incurred (even where greater than baseline allowances as adjusted by AIMF processes) will be allowed.

Cost incentives allow the network company to keep some or all of the difference between the *ex-ante* allowance (as adjusted through reopeners, volume drivers or other AIMF processes during the price control period) and efficiently incurred expenditure. The CRU is proposing to retain the same cost incentive level (100%) as at PR5, i.e. the network company bears 100% of any inefficient overspend and retains 100% of any underspend, so long as the delivery obligation or other specified outputs have been delivered. Cost incentive scenarios are described in more detail in Appendix A.8.

The principal change to PR5 is the level at which the CRU proposes that cost incentives are assessed. At PR5, capex and opex were reviewed at a granular level, where possible, summed up for the purposes of the cost incentive. Cost incentives were then applied at the level of total opex and total capex, i.e. applied to the difference between (a) total allowed opex and total outturn opex, and (b) total allowed capex and total outturn capex. For PR6, the CRU proposes that the *ex-post* assessment and cost incentives are determined individually for each delivery obligation (with the onus on the network companies to provide compelling evidence to justify the efficiency of any proposed reallocations across delivery obligations)[26]; for other outputs, the cost incentive will be assessed bottom-up at the output level but aggregated to derive the overall change from the *ex-ante* allowance (as per PR5). For the capex cost incentive, the CRU will retain a five-year rolling retention mechanism.

The CRU considers that these proposals demonstrate a high degree of regulatory stability across price review periods and give the network companies reasonable certainty as to cost recovery, in line with CRU precedent. The intent is that, so long as the network companies can

[26] This approach recognises the ring-fenced nature of the allowances, and the criticality of delivery, of the schemes and activities within each delivery obligation. For bundled delivery obligations, the cost incentive will be assessed bottom-up at the individual output level within the delivery obligation but aggregated to the level of the delivery obligation.

demonstrate that their expenditure has been efficient, they can recover their incurred costs in full. For the avoidance of doubt the obligation rests with the network companies to demonstrate that their expenditure has been efficient. The network companies will be expected to make submissions under the cost incentive demonstrating this in order to recover their outturn costs or retain any efficiency savings.

Finally, as discussed in Section 5.3 above, baseline *ex-ante* allowances are not a constraint on what the CRU will consider are efficient costs at the PR6 *ex-post* review. The CRU's *ex-ante* approval of high case allowances accessible via the AIMF provides a clear regulatory statement of intent that efficient costs may exceed the *ex-ante* baseline allowances. The approved envelope (high case) allowances are also not intended to be a hard cap on the revenues that can ultimately be released via the AIMF. As discussed in Section 5.3, there is no cap on the allowed revenue and efficient costs that CRU may ultimately approve based on proposals that are brought forward by network companies under the AIMF and submissions for the PR6 *ex-post* review.

5.8 Performance Incentives

The proposed performance incentives for PR6 build upon the PR5 incentives. The CRU has placed increased emphasis on SMART principles in developing its proposals for performance incentives for PR6, namely that incentives should be Specific, Measurable, Achievable, Relevant, and Time-bound.

Many of the PR5 mechanisms are retained with updated targets and/or with amended definitions and performance assessment criteria. Some new mechanisms are proposed to be introduced to incentivise network companies in the delivery of the PR6 objectives, while other PR5 mechanisms are proposed to be retired where they are no longer aligned with PR6 objectives or adding significant value over other delivery or cost incentives in the framework.

The CRU is proposing to retain the overall strength of the performance incentive mechanism for the DSO and TSO, and to increase the size of the TAO package with the addition of new incentives. It is proposing to re-anchor and adjust the strength of individual incentives to sharpen incentives in key areas across all the licensees' packages.

The CRU is also proposing to streamline the design of most incentives to make them more mechanistic in nature, with clearer outcome-based targets set at the beginning of PR6 for the full PR6 period. This also involves retiring or re-designing some of the balanced scorecard incentives, particularly those requiring the periodic development of multi-year plans by network companies and their assessment and approval by the CRU.

Where the CRU is proposing to retain the multi-year plan submission process for particular incentives, this is noted in the subsections below.

The CRU's detailed proposals on performance incentives are set out in Section 6 (for DSO), Sections 7 to 9 (for TSO and TAO), and Section 10 (Joint Incentives) supported by Appendices A.2 to A.4.

5.9 Reporting, Monitoring and Governance

In its PR5 Final Determinations[27], the CRU stated that "The use of outputs in PR5 will ultimately provide the necessary certainty for the CRU to consider a fully output-based approach for PR6. In PR6 the CRU intends to build on the PR5 framework to further expand the focus on outcomes. Reporting and monitoring will be a key enabler of this".

Regulatory oversight in the PR6 delivery period will be provided through an enhanced reporting and monitoring framework which the network companies will be required to adhere to. This will involve the continued publication of clear, concise, and accessible reports on the network companies' performance and network delivery. In addition, enhanced annual regulatory reporting to the CRU will provide a clear link between the *ex-ante* allowances and deliverables, spending decisions taken by the network companies during the PR6 period, and the holistic review of the network companies performance over the PR6 period in the *ex-post* review. The enhanced reporting framework will allow the CRU to conduct effective oversight of the network companies while also allowing for greater flexibility in response to innovation and changing circumstances.

While the CRU proposes to retain much of the PR5 reporting and monitoring arrangements there will be specific enhancements around reporting of outputs and allowances. These changes are to reflect learnings from PR5, the step up in transparency required alongside the increase in investment by the network companies, and the further transition to a more fully output- and outcome-based approach in PR6.

The proposed categories of reporting for PR6 are:

1. **Stakeholder Reporting:** accessible reports clearly setting out the network company's annual performance and infrastructure delivery. This includes the Annual Performance Reports for the TSO and DSO, and the Investment Planning and Delivery Report for the TSO and TAO, which are to be continued from PR5. Innovation and Stakeholder Engagement reporting requirements from PR5 are also to be continued. Alongside these

[27] CRU/20/154, p.5

reports, the CRU intends to publish a 'dashboard' that summarises key metrics and performance indicators.

2. **Regulatory Reporting Pack:** annual submissions made by the TSO, DSO and TAO for the TUoS and DUoS processes will be included in PR6. These include detail on performance against incentive targets, expenditure against allowances, and delivery of outputs against *ex-ante* expectations. There will be more emphasis on reporting and explanations of any deviations from expectations in costs, delivery against outputs and performance targets. Supporting the PR6 ambition to accelerate delivery of infrastructure, the regulatory reporting packs will be supplemented in PR6 with new/updated annual capital expenditure and delivery reports for all licensees, along with quarterly expenditure and delivery reports for the TAO and DSO for certain specified priority projects. Additional reports, including cyber security, will also be continued from PR5, and extended to the DSO. The CRU is also considering aligning the tariff and revenue years for PR7. This would impact the timing of when the regulatory reporting pack would be submitted in those years.

3. **Detailed Expenditure Reporting:** detailed reporting by the network companies in a similar format to the questionnaires used for the historic *ex-post* review, is to be used for the five-year review process. Alongside this, the CRU is proposing to change the timing of the *ex-post* review so that the final assessment of allowances is more clearly undertaken following the final year of the PR6 period.

The CRU is interested in stakeholder views on aligning tariff years (currently October-September) with price control revenue years (January-December), as has been proposed by one of the network companies.

The CRU proposes to retain the TSO Monitoring Committee in PR6. In PR5, the committee provided independent and on-going oversight of the TSO initiatives that were not fully defined at the start of PR5 but were required during PR5. The CRU was not a member of the committee, and the approvals of expenditure were made by the CRU, not the committee. The CRU considers that it has played a constructive role in providing independent assessment of new propositions before they are brought to the Commission for approval. The CRU is considering whether to extend the concept to the TAO and DSO, such that potentially there could be three separately appointed Monitoring Committees in the PR6 period, each covering one licensee, and whether to extend the Monitoring Committee(s)' scope to assurance of changes to existing schemes as well as assessment of new propositions. Further details of the consultation issues and questions are set out in Section 11 of this Paper. Responsibility for approval of expenditure would remain with the CRU under any of the possible changes.

In deciding on the right reporting framework an important consideration is the balance between the volume of data and the accessibility of the information that the data provides. The CRU and stakeholders must have sufficiently detailed information to make informed decisions on relatively complex issues and must ensure that information on the areas that matter most to stakeholders is readily available and accessible to a wide audience. The CRU's proposals aim to achieve that balance through differentiating between reporting intended to inform a wide audience, technical information intended for industry participants, reporting that will be an input into annual review processes by the CRU and lastly, detailed regulatory information collected contemporaneously for review in the next five-year Price Review. The CRU will work closely with the network companies in advance of Final Determinations to develop the reporting package, ensuring that it meets the needs of stakeholders, the network companies and the CRU.

The CRU's detailed proposals on reporting, monitoring and governance are set out in Section 11, supported by Appendices A.9 and A.10.

5.10 Consultation Questions

Questions:

7. Do you have any comments or views on the proposals set out in this Section (and the accompanying Appendices A.1, A.5, A.6 and A.7), including but not limited to the following aspects:
    - **a.** The overall regulatory framework, including the principles set out in the proposals;
    - **b.** The proposals for *ex-ante* allowance-setting and deliverables, including but not limited to the proposals for delivery obligations;
    - **c.** The overall proposals for adjustments during the PR6 period, including reopeners, volume drivers and passthroughs;
    - **d.** The proposals for extending the Opex/Capex Reallocation Mechanism and the Innovation and R&D Mechanism to both licensees and the proposed materiality thresholds;
    - **e.** The proposal for a new Legal/Regulatory Change Mechanism;
    - **f.** The proposals for the Force Majeure Mechanism, including but not limited to the DSO's proposal for a separate Severe Weather Events Mechanism;
    - **g.** The proposals for scheme-specific reopeners (including for delivery obligations) in place of the PR5 Capex Adjustment Mechanism;
    - **h.** The DSO's proposals for the flexibility payments passthrough mechanism and the CRU's proposed alternative options;
    - **i.** The proposals for cost incentives and *ex-post* cost recovery, including but not limited to the CRU's position on penalties for under-/ late delivery and rewards for over-/early delivery;
    - **j.** The overall framework for performance incentives. (Detailed consultation questions on performance incentives are set out in Sections 6-10);
    - **k.** The overall framework for reporting, monitoring and governance. (Detailed consultation questions on these topics are set out in Section 11).

6 Performance Incentives: Distribution

In this section the CRU sets out and invites views on its proposals for incentive mechanisms applying to the DSO, for the period 2026 to 2030. In developing these proposals, the CRU is also seeking to put in place arrangements that can endure, subject to review, refinement and updating, as part of the PR7 process.

As described in Section 5 above, central to the CRU's PR6 incentive package proposal is to streamline the design of most incentives to make them more mechanistic in nature, with clearer outcome-based targets set at the beginning of PR6 for the full PR6 period.

The proposed incentives are targeted on the DSO behaviours that matter most to network users and customers.

The remainder of this section deals with DSO-specific incentives. Joint incentives are discussed in detail in Section 10 of this Paper.

6.1 Overview of DSO Incentive Proposals

The DSO proposed a list of 18 total incentives for PR6, classified as follows:

- 7 incentives which have been carried over from PR5;
- 4 incentives from PR5 which have been revised for PR6; and
- 7 new incentive proposals for PR6.

The CRU welcomed the DSO's proposals, which were generally clear and detailed, and the subsequent engagement that facilitated a productive and ongoing dialogue. The DSO's proposals and the CRU's assessment of them are set out in Appendix A.2. Where relevant, these are also detailed in the subsections below.

6.2 Overview of CRU Proposals

In summary, the CRU is proposing a performance incentive framework for the DSO that supports three key outcomes:

1. Reliability and Availability;
2. Customer Satisfaction; and
3. System Management and Operational Capability.

Combined, the proposals are designed to build on the PR5 Reporting and Incentive Framework and specifically target key outcome areas.

The CRU is proposing to retain, with amendment and update, 11 incentives from PR5 broadly in line with the DSO proposal. The CRU is also proposing to introduce 3 new incentives, similar to new incentives proposed by the DSO. In line with the DSO proposal, the CRU is proposing to retire one incentive. The remaining incentives proposed by the DSO have been rejected by the CRU. The CRU's proposed DSO incentives are summarised in Table 5 below and additional information can be found in Appendix A.2.

Table 5: Overview of PR6 DSO Performance Incentives

Outcome Category	Output	€/m Upside (annual)	€/m Downside (annual)
Reliability and Availability	**Unplanned Outage Duration (CML)**	14.71	-14.71
	Unplanned Outage Frequency (CI)	14.71	-14.71
	Worst-Served Customers (WSC)	2.78	-2.78
Customer Satisfaction	**Customer Satisfaction (CSAT)**	4.01	-4.01
	Care Centre Satisfaction (ESATRAT)	3.71	-11.13
	Stakeholder Engagement	1.48	-
	Vulnerable Customers (new)	2.78	-2.78
	Customer Complaints (new)	3.98	-3.98
System Management and Operational Capability	**Generation Connections Offers**	5.17	-3.18
	Time to Quote and Time to Connect (new)	3.18	-1.19
	Flexibility	3.98	-1.19

	Visibility and OTC	3.98	-1.19
	Smart Metering Plus	2.78	-2.78
	Joint DSO/TSO	4.45	-1.48
Total incentive package (€m, annual)			+71.69 / -65.11
Total incentive package (as percentage RoRE)			+1.80 / -1.63

The CRU proposes to retain the same aggregate size of the DSO performance incentive package in terms of the percentage return on regulated equity (i.e. +1.80/-1.63). Retaining the same level of aggregate risk of the incentive package aligns with the DSO proposal. For PR6, this is approximately equal to an annual available upside of €71.69m and a potential penalty of -€65.11m.

6.3 Unplanned Outages

Objective

As with PR5, the CRU's objective in putting in place an incentive mechanism for unplanned outages is to give the DSO an appropriate financial stake in maintaining high standards of supply reliability. It reflects the high value of supply reliability to customers, and that behaviours of the DSO can be a significant influencing factor on reliability outcomes.

The unplanned outages incentive comprises two targets – a customer minutes lost (CML) target and a customer interruptions (CI) target for each year of the price control.

Proposal

The CRU remains concerned at the declining outturn performance against these incentives throughout the last two price review periods, illustrated by Figure 14 and Figure 15 below which depict DSO PR5 outturn performance against set targets. Both the CML and CI metrics are measures of core consumer outcomes and it should be a central aim of the DSO to meet the targets set.

CIs represent the number of interruptions of greater than 3 minutes that an electricity customer has on average each year. CMLs represent the duration that customers on average spend without supply each year. These metrics, which encompass all customers (domestic and non-domestic) exclude storm days.

Figure 14: Actual and target CML figures throughout the PR5 period

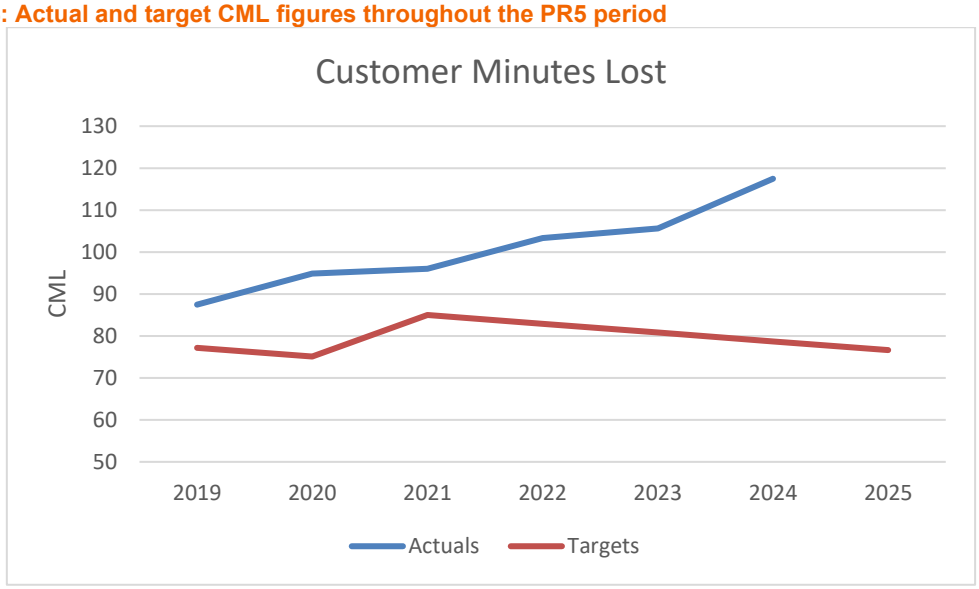
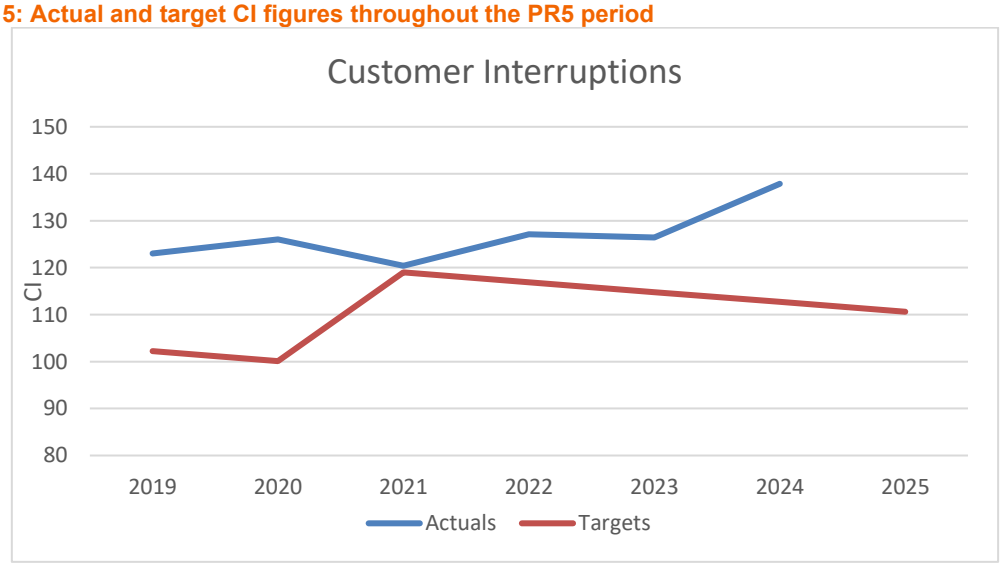


Figure 15: Actual and target CI figures throughout the PR5 period



The CRU considers that outturn performance against these targets is largely within the control of the DSO. It is also noted that not only is the DSO consistently missing the set targets, but that the magnitude of underperformance is trending upward – that is, outturn performance has generally continued to deteriorate throughout the PR4 and PR5 periods year-on-year.

The DSO's consistent underperformance against targets has been occurring despite increasing allowances in key related areas throughout PR5 that should directly result in reliability improvements, such as planned maintenance and asset management.

The CRU notes that DSOs in other jurisdictions are significantly and consistently outperforming ESBN in these areas and considers that a relatively more efficient company should be improving its outturn performance as a result of increased allowances.

The CRU proposes to retain the core mechanisms for CI and CML that have been in place during PR5. The CRU is proposing to allow a significant step-up in allowances in key related areas in PR6.

The DSO has proposed performance targets for the end-of-period (i.e. 2030) that represent improvements on PR5 targets and material improvements on PR5 outturn performance. The CRU proposes to accept these proposals, given these should align with the company's allowance requests for related activities in its business plan and are considered achievable on the basis that the full requested allowance will be accessible through the AIMF and associated mechanisms.

However, the CRU is concerned about the DSO's proposed PR6 start-of-period targets and glidepath towards the 2030 targets and considers these to be lacking ambition. On the other hand, while the CRU would ideally be strengthening targets on a continuous trajectory from PR5 end-of-period targets, it is also necessary to recognise the operational realities and set targets and incentives at levels that are stretching and can drive performance improvements over the PR6 period but are also realistic.

The CRU has therefore identified two possible options for the starting points and trajectories of CI/CML targets in PR6. Both options have 2030 targets consistent with the DSO proposals but with different glidepaths towards them. These target options are set out in Table 6, alongside the DSO target proposal, and explained further below:

Table 6: Unplanned Outages target proposals

		PR5 Target vs Outturn Performance			PR6 Proposed Performance Targets				
Customer Minutes Lost (CML)		2023	2024	2025	2026	2027	2028	2029	2030
	PR5 Target	80.8	78.7	76.6	-	-	-	-	-
	PR5 Outturn Performance	105.59	117.59	TBC	-	-	-	-	-
	CRU Target Option 1	-	-	-	85.00	82.50	80.00	77.50	75.00

	CRU Target Option 2	-	-	-	95.00	90.00	85.00	80.00	75.00
	DSO Target	-	-	-	102.00	95.25	88.50	81.75	75.00
Customer Interruptions (CI)	**PR5 Target**	114.8	112.7	110.6	-	-	-	-	-
	PR5 Outturn Performance	126.38	137.9	TBC	-	-	-	-	-
	CRU Target Option 1	-	-	-	110.00	105.00	100.00	95.00	90.00
	CRU Target Option 2	-	-	-	120.00	112.50	105.00	97.50	90.00
	DSO Target	-	-	-	120.00	112.50	105.00	97.50	90.00

Option 1

The CRU considers that the targets under Option 1 are more closely aligned with the level of investment consumers have been funding throughout the PR5 period, and which consumers are expected to increasingly fund throughout PR6, in the key areas that drive reliability performance.

For CML targets under Option 1, the CRU considered that setting targets on a continuing trajectory from PR5 targets was overly ambitious. While ultimately the DSO is responsible for its own outturn performance, and thus any resulting penalties, setting a target level that is practically unachievable will not be effective in driving performance improvements. On the other hand, the CRU does not consider it appropriate, nor fair to consumers, to weight outturn performance too heavily when setting targets.

In this option the CRU proposes 85.00 CML as the PR6 starting target, decreasing at an annual rate of 2.5 CML. This aligns with the PR5 starting target.

For CI under Option 1, the CRU proposes that CI targets for 2026 should be 110.0, decreasing at a rate of 5.0 per annum. This starting target aligns with the PR5 end-of-period target and represents a consistent and even trajectory toward the 2030 target.

As end-of-period targets are consistent across all CRU and DSO proposals, the higher starting targets proposed by the CRU (as compared to the DSO proposals and outturns) also result in a steeper glidepath requiring higher levels of year-on-year improvement to reach targets.

The CRU notes points made by ESBN that there is a risk that stretched targets may not be achievable in early years of the period, as the benefits of the DSO's planned ramp-up in expenditure and activity in planned maintenance and asset management from the beginning of the PR6 period onwards may take time to come through into improved CI/CML performance. However, the CRU does not consider it appropriate to set performance standards for a core performance metric, which has a direct impact on consumers, that it does not consider to be stretching.

Nevertheless, to mitigate any undue financial risk on ESBN that would be associated with Option 1, the CRU is considering several potential approaches to incentives for CI/CML:

- Option 1 with a symmetrical deadband. The CRU could apply a deadband for years 1 and 2 of PR6, where outturn performance that falls within the upper and lower threshold would not be financially rewarded nor penalised. The CRU considers that while this could be effective in terms of reducing financial risk on the DSO, it may also inadvertently incentivise lower levels of outturn performance by effectively increasing the downside target.
- Option 1 with a lower (scaled-down) incentive rate in years 1 and 2 of PR6. This would financially weight performance in later years more heavily, while still maintaining a penalty at the proposed downside target.

<u>Option 2</u>

As an alternative approach for both CML and CI under Option 2, the CRU considers that it could be appropriate to set starting PR6 targets (i.e. 2026) equal to the highest achieved level of outturn performance against each metric in PR5. This approach factors in operational and system realities, while setting targets that are feasibly achievable enough to drive performance improvements.

Under Option 2 for CML, the CRU proposes a starting target of 95.00 CML, decreasing at a rate of 5.00 CML per annum. This target glidepath represents a midpoint between the DSO proposal and the CRU Option 1 targets.

In the case of CI, the CRU proposes a starting target of 120.00 CI, decreasing at a rate of 7.50 CI per annum. The 2026 target, and thus the target glidepath, aligns with the DSO proposal.

Given the glidepaths under this option are not materially different from the targets proposed by the DSO, the CRU does not consider it necessary to propose any additional financial mitigation measures.

The CRU is seeking views on the two proposed options for targets set out above and the potential financial mitigations if Option 1 is adopted.

The CRU is proposing to introduce a new reputational reporting requirement in relation to storm outages for both metrics. This data is already reported on for customers falling into the Worst-Served Customer category and will be extended to reporting on all customers. The CRU is also proposing to extend the newly introduced quarterly outturn reports for the duration of PR6[28]. The structure of the quarterly report will be agreed between draft determination and final determination but will be broadly aligned with the quarterly format introduced in 2025.

The proposed financial value of these incentives is +/-€14.71m per annum (for CML and CI, respectively), maintaining the same level of risk exposure as in PR5.

Reasoning

Ensuring reliability of supply is a core function of a DSO. When this service is not provided at the level it should be, it has a significant impact on customers. Business customers, in particular, can be financially impacted by interruptions to supply.

Unplanned interruptions in supply can impose significant costs and inconvenience on customers, and it is appropriate for (a) high standards to be set for the DSO, and (b) the DSO to have a proportionate financial stake in outcomes, both positive and negative.

As noted above, the DSO's performance over PR4 and PR5 has consistently missed its targets in this area. The CRU intends to continue to incentivise the DSO to recover its performance and subsequently improve. While the PR6 end-of-period targets proposed by both the DSO and the CRU are aligned (and imply material improvement over current performance levels, which the CRU welcomes), the CRU has concerns regarding the DSO's proposed start point and glidepath towards the 2030 target, particularly given the PR5 end-of-period target.

Re-baselining the PR6 start-of-period targets entirely to reflect under-performance over PR5, as proposed by the DSO, would not be consistent with the PR6 objectives and the general ambition for 2030. It would also not be reflective of the importance and value of maintaining reliable service levels that consumers expect. It is noted that performance targets set at the start of PR5

[28] During PR5 CRU increased the frequency of outturn reporting on CML's and CI's to quarterly due to concerns regarding performance.

were also re-baselined to account for declining outturn performance, but did not translate into improved performance levels subsequently.

Therefore, the 2026 targets proposed by the CRU are more stretching under both options for CML and under Option 2 for CI than what was set out in the DSO proposals. Where appropriate, the CRU is considering financial mitigation options in the first part of the PR6 period to manage the financial risk associated with the timing issues around the ability of the DSO to meet these PR6 targets as it ramps up its planned maintenance and asset management activities.

With regard to the new reputational reporting requirement, it is necessary for the CRU to have visibility into the impact of storm outages on all customers, not just those in the WSC population, particularly in light of DSO performance against these incentives throughout the PR5 period. This data may be used to inform a new storm-related unplanned outages metric in PR7.

6.4 Worst-Served Customers

Objective

The purpose of the worst-served customer[29] (WSC) incentive is to improve outcomes for those households and businesses who would otherwise have a sustained and materially lower standard of supply reliability. It reflects a desire to introduce a greater degree of social fairness into the outcomes that would otherwise prevail if investments to improve supply reliability were chosen on the basis of narrow economic cost-benefit alone.

Proposal

The CRU proposes to retain this incentive in PR6 with some proposed changes to the incentive structure. The amount of revenue at risk is considered sufficient to improve the quality of service to at least 10,000 WSC. This target has been raised from 6,000 WSC in PR5, with the revenue at risk scaled accordingly. To achieve the full incentive, 13,000 customers must be removed from the WSC definition. The CRU proposes to stretch these targets to reflect DSO outturn performance in PR5.

The symmetrical nature of the incentive means that should ESBN successfully deliver reliability improvements to more than the target volume of customers, i.e. greater than 80% success rate, they will receive an incentive reward. The incentive rate per customer will be symmetrical for

[29] Typically, these customers are supplied on rural single-phase overhead networks and experience more than or equal to 5 interruptions in the previous 12-month period and more than or equal to 15 interruptions in the previous 3 years

under- and over-performance. This provides a strong incentive for ESBN to exceed the customer volume target and overachieve against the incentive.

In PR4 and PR5, there was a symmetrical deadband applied to this incentive set at 70-80% (which equated to 70-80% of the target volume of 6000 customers in PR5 assumed to receive a 20% improvement in reliability).

For PR6, the CRU is proposing to remove the deadband, again, to reflect outturn performance and recognise that the outcomes measured under this incentive are within the DSO's control. The financial value is proposed to increase in line with the increase in targets, to maintain the same unit rate per customer removed from the WSC definition. This equates to a symmetrical upside and downside available per annum of €2.78m. While an annual upside downside has been set out, the CRU proposes that similar to PR5, the DSO can claim the full upside during PR6, once the requisite target has been achieved.

Reasoning

In line with the DSO proposal, the CRU proposes for the WSC incentive to be retained for PR6. Work completed by the DSO under this incentive in PR5 was successful in exceeding the target for customers meeting the incentive success criteria. Given the DSO has demonstrated it is capable of not only meeting the PR5 target but exceeding it, the CRU proposes to stretch the WSC target in PR6 to reflect DSO outturn performance. Given that this is no longer a new incentive and the DSO has demonstrated its ability to meet the targets that are set, the CRU also proposes to remove the deadband for this incentive in PR6.

6.5 Customer Service

Objective

The purpose of an incentive mechanism for customer service is to give the DSO an appropriate financial stake in maintaining appropriately high standards of service. It reflects that customers and market participants rely on the quality of services provided by the DSO, and they do not have the option of choosing an alternative service provider in response to poor service quality.

Proposal

For PR6 the CRU proposes to retain the Customer Satisfaction (CSAT) and Care Centre Satisfaction (ESATRAT) metrics. Combined, these incentives provide a comprehensive assessment of ESB Networks customers' perceptions of services regarding planned and unplanned outages, connection and voltage complaints (through the overall customer satisfaction survey) and direct engagement with customers through the customer call centre. The CRU believes these incentives remain largely fit for purpose for PR6.

The DSO has proposed for targets against the Customer Satisfaction survey (CSAT) incentive to be re-baselined to account for outturn performance in PR5. The CRU recognises that outturn performance is an important consideration when setting performance targets for PR6 but is proposing to stretch targets beyond those proposed by the DSO in the interest of incentivising continued improvements in performance throughout the period.

Specifically, the CRU proposes to set the 2026 target with the highest achieved level of outturn performance against this metric in PR5 (i.e. 83%, achieved in 2021) and maintain the same 0.5% annual improvement factor, as shown in Table 7 below.

Table 7: Customer Satisfaction target proposals

Customer Satisfaction (CSAT)	PR5 Target vs Outturn Performance			PR6 CRU Proposed Performance Targets				
	2023	2024	2025	2026	2027	2028	2029	2030
PR5 Target	82.0%	82.5%	83.0%	-	-	-	-	-
PR5 Outturn Performance	80.09%	78.19%	TBC[30]	-	-	-	-	-
CRU Target Proposal	-	-	-	83.0%	83.5%	84.0%	84.5%	85.0%
DSO Target Proposal	-	-	-	80.0%	80.5%	81.25%	82.0%	83%

The Care Centre Satisfaction (ESATRAT) incentive will continue to be measured through operational KPIs and independent surveys across the same five metrics[31]. The DSO has proposed to maintain the current PR5 target level of 90%. As with the Customer Satisfaction incentive, the CRU proposes to stretch targets for this incentive beyond the current target level to reflect improvements in outturn performance in recent years of PR5.

While the CRU notes the DSO's argument that the expansion of the National Customer Care Centre (NCCC) is expanding under PR6 and that there are therefore challenges associated with maintaining the same service levels, it is also important to set stretching targets to incentivise

[30] The DSO proposal for this incentive suggests current scores are 77%.
[31] Speed of telephone response, abandonment rate, mystery caller, callback survey, call referral rate.

continued performance improvements against key metrics that directly impact consumers. Therefore, the CRU is proposing to raise targets against this incentive for PR6 but to maintain a static target level to acknowledge the challenges associated with the expanded NCCC scope. The proposed targets are illustrated in Table 8 below.

Table 8: Care Centre Satisfaction target proposals

Care Centre Satisfaction (ESATRAT)	PR5 Target vs Outturn Performance			PR6 CRU Proposed Performance Targets				
	2023	2024	2025	2026	2027	2028	2029	2030
PR5 Target	90%	90%	90%	-	-	-	-	-
PR5 Outturn Performance	91.7%	90.84%	TBC	-	-	-	-	-
CRU Target Proposal	-	-	-	92%	92%	92%	92%	92%
DSO Target Proposal	-	-	-	90%	90%	90%	90%	90%

The DSO has proposed changes to both the CSAT and ESATRAT survey measures, outlined in Table 9 below:

Table 9: DSO proposed amendments to Customer Service incentives

Incentive	DSO Proposed Change[32]
CSAT	For multi-site and multi-project customers, the DSO proposes to conduct 1-1 interviews (online / in person) for a sample of customers to facilitate broader group discussion if more than one person has been involved in a journey.
	Split the New Connections journey into a 'Quotation' journey and a 'Connection' journey and carry out the survey at the completion of each. This ensures that issues are identified and addressed early on and in a timely fashion. The overall connection score will be calculated on an equal weighting of those scores.

[32] The text in this table is extracted directly from the ESB Networks proposal.

	Make additional adjustments to the approach to weighting survey responses to create greater transparency and ensure consistency with best practice.
ESATRAT	The DSO are proposing changes to the customer call back survey for PR6 to address existing survey limitations which do not reflect best practice.
	The DSO are proposing to align the rating scales of CSAT and ESATRAT customer call back surveys to more readily connect the insights gained from conducting these surveys, while continuing to remove "no opinion" responses from any samples.

The CRU notes that additional information was provided by the DSO both in footnote references in its original proposal, and subsequent to proposal submission through a query process. On that basis, the CRU proposes to accept the aforementioned DSO proposed changes.

The CRU is proposing to retain the same financial value and weighting of both metrics in PR6. For CSAT, this equates to approximately +/-€4.01m symmetric upside/downside annually. For ESATRAT, there will be an available annual upside of €3.71m and a possible downside of -€11.13m.

The CRU also proposes to introduce annual reporting requirements against these incentives for PR6 to gain a better understanding of the related activities undertaken by the DSO. The annual reporting requirements will be included in the annual outturn performance reporting.

Reasoning

The customer service incentives are core elements of the DSO incentive package. The DSO has a central responsibility to its customers and should therefore take every effort to continue to improve customer services. To ensure improvement in performance over PR6, the incentive targets for PR6 are more stretching.

6.6 Stakeholder Engagement

Objective

The CRU's objective in maintaining the stakeholder engagement incentive mechanism is to maintain the benefits of effective stakeholder engagement. It reflects that innovation in how stakeholders are communicated with, and how their input is used to improve how network services meet the needs of stakeholders has significant potential value but is inherently difficult to quantify. Hence, without an incentive mechanism there is a risk of "under-investment" in stakeholder engagement.

Proposal

The CRU proposes that the DSO shall continue to be subject to a financial incentive on the scope, quality and outcomes/impacts of its stakeholder engagement activities.

Performance shall be measured through an annual assessment of the DSO's strategy for stakeholder engagement, and the processes and activities undertaken by the DSO pursuant to that strategy over the preceding calendar year. The evidence to inform this assessment shall take the form of an annual submission by the DSO, consistent with guidance set by the CRU.

As in PR5, the assessment shall be undertaken by a panel constituted by the CRU for this purpose and chaired by CRU (i.e. the Electricity Networks Stakeholder Engagement Evaluation Panel) and conclude with the award of a score on a scale of 1 to 10, consistent with guidance set by the CRU. The guidance on the submission and the assessment criteria is in Appendix A.11.

Aligned with the DSO proposal, the CRU proposes to retain the same penalty and reward mechanism as at PR5, i.e. upside-only. It is also proposing to retain the same relative overall financial value in terms of percentage RoRE. In monetary terms, this equates to a possible annual upside of €1.48m.

The CRU recognises that in other jurisdictions, similar financial incentives focusing on stakeholder engagement are also upside-only due to level of controllability over outcomes. The CRU welcomes views from stakeholders on whether a downside for this incentive should be considered.

The CRU will consult on the terms of reference of the Electricity Networks Stakeholder Engagement Evaluation Panel in 2026. The existing panel will continue in 2025 and 2026 under the existing PR5 framework and terms of reference.

The CRU is seeking views from stakeholders regarding the guidance for the TSO and DSO for stakeholder reporting (see A.11 for more details). Currently the TSO and DSO publish and consult on the companies 'look ahead' stakeholder engagement strategies (i.e. the stakeholder engagement plan for the year ahead). This allows stakeholders the opportunity to input into the development of that strategy. The TSO and DSO also publish and consult on the 'look-back' stakeholder engagement outturn report (i.e. the report summarising the stakeholder engagement activities that have taken place). The CRU is seeking views on the merits of retaining the requirement for consultation on the TSO and DSO report 'look back' stakeholder engagement.

Reasoning

The stakeholder incentive provides a clear framework for the CRU to assess the measures taken by the DSO to understand and address the needs of stakeholders – in an environment in which the energy sector, and hence what different stakeholders might need, is in a process of significant transformation.

The CRU guidance and the process of moderation through a panel convened by the CRU, based on evidence presented by the DSO, provides a workable objective framework for assessment in the first instance – and a basis from which greater rigour in evaluation can evolve. The CRU also sees an important role for stakeholder input to the process of moderation, e.g. through consultation on the materials submitted by the DSO prior to moderation.

6.7 Vulnerable Customers (new)

Purpose

This new incentive would reflect the need for ESB Networks to support vulnerable customers by providing enhanced and targeted support. Vulnerable customers are defined as those who are particularly vulnerable to disconnection for reasons of advanced age or physical, sensory, intellectual or mental health and are critically dependent on electrically powered equipment, including life protecting devices, assistive technologies and medical equipment.

Proposal

The CRU welcomes this proposal from the DSO to put in place an incentive that aims to ensure engagement with vulnerable customers is targeted and specific, leading to better outcomes.

As part of its proposal, the DSO put forward three mechanistic metrics:

- Metric 1: Contact newly registered vulnerable customers within 3 months of ESBN becoming aware of their vulnerable status
- Metric 2: Engagement with all vulnerable customers (to be assessed cumulatively)
- Metric 3: Vulnerable satisfaction score

The CRU accepts the inclusion of these three metrics proposed by the DSO (see A.2). The CRU welcomes views from stakeholders regarding the target proposed for Metric 1, and the approach for Metric 2.

For Metric 3, the CRU is proposing to align targets with the customer satisfaction targets proposed for the CSAT incentive to ensure consistent levels of engagement with all customers. The CRU accepts the DSO proposal to begin financial incentivisation against this metric in 2028 to allow for development and testing of the survey. A proportion of the annual reward/penalty for

this incentive will be withheld for the first two years during this development period and reserved for the period 2028-2030.

With regard to Metric 2, the DSO proposes to develop a Vulnerable Customers Engagement Plan in the first phase of PR6. The CRU accepts this proposal, however, the CRU does not consider that this phase meets the SMART criteria and therefore, a proportion of the annual reward/penalty for this element of the incentive will also be withheld for the first one to two years, to allow ESBN time to develop a plan. The incentive will focus on the effective implementation of that plan.

At the time of this publication, the CRU is separately consulting on Access to Near Real Time Metering Data (CRU202579), and has proposed that the DSO provide an accessible near real time metering data service to vulnerable customers (who request one) for a limited time. Subject to the outcome of that consultation, the CRU considers that this might be one of the measures that should be included in the Vulnerable Customer Engagement Plan.

In line with the principles of the overall performance incentives package and PR6 regulatory framework, the CRU will not be explicitly incentivising interim processes (e.g. “development of the Vulnerable Customer Engagement Plan”). Additional output-focused metrics would be considered if provided as part of the DSO’s response to this consultation, with views from all interested stakeholders welcomed.

The CRU proposes a symmetrical financial value for this new incentive of +/-€2.78m annually.

Reasoning

As outlined in its Vulnerable Customer Policy, it is essential that ESB Networks provides effective support to its vulnerable customers and an incentive measuring engagement with, and satisfaction of, vulnerable customers can help drive performance improvements in this area.

6.8 Customer Complaints (new)

Purpose

This new incentive aims to drive performance improvements in resolving customer complaints in a quick and effective manner.

Proposal

The CRU welcomes this new incentive proposal from the DSO and the subsequent information and further detail provided. As set out in its submission, the DSO has proposed a mechanistic incentive with performance measured against the proportion of customer complaints resolved

within two set timeframes (i.e. 5 working days or 30 working days, depending on site visits or planning requirements necessary for resolving each complaint).

Under this incentive, a complaint would be considered 'resolved' where:

- A determination has been made and, where applicable, there remains no outstanding action to be taken, or
- For complex actions, an action plan including timeframes has been communicated and agreed with the customer, in writing.

It is important that in both cases the customer receives clear and transparent communication in an auditable format. The CRU also welcomes views on the definition of 'resolved', and if written communication should be required in both cases.

The targets proposed by the DSO are set out in Table 10 below:

Table 10: DSO Customer Complaints incentive target proposals

	2026	2027	2028	2029	2030
% complaints resolved within 5 working days	80.0%	80.5%	81.0%	81.5%	82.0%
% complaints resolved within 30 working days	93.0%	93.5%	94.0%	94.5%	95.0%

The CRU notes that a similar incentive metric introduced in Price Control 5 for Gas Networks Ireland (GNI) had targets of 96% resolved in 10 working days and 98% resolved in 30 working days. The CRU is considering the merits of adopting more stretching targets, particularly for the 30 working days target, to match the 98% resolution target by the end of the PR6 period and welcomes responses from stakeholders on the same.

The CRU considers that this proposal requires a framework for categorising whether certain types of complaints would require alternative resolution requirements. Where applicable, the

CRU proposes that definitions for different actions should align with those set out in the Customer Charter or other existing policies and legislation.

The DSO has proposed for financial incentivisation against this incentive to begin in 2027. The CRU does not feel this is sufficiently justified as the complaints process is currently in place and the proposed targets are derived from existing DSO commitments (i.e. DSO commitment to respond to customers about complaints).

Finally, the CRU is considering the introduction of an independent audit requirement against this incentive to be conducted annually against a sample of complaints. The CRU considers that an introduction of a complaint's metric has the potential to introduce a perverse incentive whereby complaints cases are prematurely closed. An independent audit assessment could provide additional assurance.

The incentive will apply to both domestic and commercial customers. The CRU welcomes views on this new incentive as part of this consultation process.

A symmetrical financial value is proposed for this incentive, of +/-€3.98m per annum.

Reasoning

The level of customer complaints to the DSO have increased over the past ten years. Given its direct interface with consumers, it is imperative that the DSO maintain stretching targets to continue to drive improvements in the resolution of customer complaints, in order to maximise consumer value and satisfaction.

6.9 Generation Connections Offers

Objective

As with previous price reviews, the CRU is putting in place an incentive mechanism for the timely processing of connections applications under Enduring Connection Policy – Generation and System Services (ECP-GSS) because new connections are critical to well-functioning, competitive wholesale markets and to the process of decarbonising the energy sector. The DSO has a key, enabling role in meeting these objectives.

Proposal

The CRU proposes to retain this incentive in PR6 with amendments to align with the CRU's recently published decision on Electricity Connection Policy – Generation and System Services (ECP-GSS)[33], which will be introduced later this year.

The new ECP-GSS policy introduces bi-annual batch processing. Previously, under ECP-2, applications were processed under a single batch application window.

As in PR5, the CRU proposes that the overall payment or penalty for this incentive would be calculated based on the percentage of offers issued before each milestone, aligning with the ECP-GSS policy. The CRU also proposes for milestones to be set at fortnightly intervals, the first being directly one month before each batch deadline and the last being two months after each batch deadline, as follows:

- Milestone 1: 30 days before batch deadline
- Milestone 2: 15 days before batch deadline
- Milestone 3: batch deadline
- Milestone 4: 15 days after batch deadline
- Milestone 5: 30 days after batch deadline
- Milestone 6: 45 days after batch deadline
- Milestone 7: 60 days after batch deadline

The incentive payment will be scaled from 100% of the incentive reward for the percentage of offers issued before the first milestone to 100% of the penalty for the percentage of offers not issued by the final milestone.

On the basis that this is no longer a new incentive, the CRU proposes to remove the deadband that applied in PR5, where offers delivered within 15 days of the batch deadline (milestone 4) were not subject to a penalty. Any exemptions outlined under the ECP-GSS policy, as in PR5, will continue to apply. The CRU considers that any non-controllable factors that may impact the ability of the DSO to meet milestones will be covered under the existing exemptions. Therefore, a penalty would apply for any milestones beyond the batch deadline.

The CRU proposes to increase the financial value of this incentive to account for the additional batch application window. A possible €5.17m upside and -€3.18m downside would be available per year.

[33] CRU2024101 ECP-GSS Decision Paper

In PR6, it is also proposed that the CRU shall have the ability to request information on the quality of connections offers to ensure there is no perverse incentive placed on the DSO to send out low quality or incomplete connections offers to meet milestone timelines, however, no additional reporting requirement on this will be introduced.

Reasoning

Receipt of a connection offer is a key step in the process of new generators being able to participate in the market. The date of receipt is objectively measurable, and in large part under the control or influence of the DSO.

Given the key role of the DSO in enabling connections, which supports security of supply and accelerated delivery of Ireland's renewable electricity targets, the CRU considers it important for the DSO to have appropriate financial incentivisation to value the timeliness of these connections.

6.10 Time to Quote and Time to Connect (new)

Purpose

This incentive would reflect the important role of ESB Networks in facilitating smooth, timely and efficient connections for new housing. It would give the DSO an appropriate financial stake in maintaining consistent and good performance in delivering new demand connections in an efficient and timely manner.

Proposal

This new incentive was initially proposed by the DSO as a measure relating to connections quotations, and the CRU welcomes the inclusion of this incentive in PR6 given the broader strategic government focus on new housing developments and the DSO's key role in enabling timely connections.

The CRU also agrees with the structure proposed by the DSO, with mechanistic metrics proposed to measure a reduction in the timeframe of average connections quotations offers. However, the CRU is of the view that this incentive should capture the full time to connect, and not only encompass the timeframe for quotations to be provided. The CRU notes that both 'time to quote' and 'time to connect' are already measured by the DSO.

Therefore, the CRU proposes for this incentive to consist of two metrics against which DSO performance will be measured:

- Time to Quote, as proposed by the DSO with detail provided in Table 11 below; and
- Time to Connect.

Table 11: A summary of the DSO's proposal for Time to Quote

Measure	Timeframe	Incentive Range
TTQ Domestic Single Connections	Target reduction of average 15 to 10 business days	0% for 15 business days 100% for 10 business days Pro-rata in between
TTQ Housing Schemes & Apartment	Target reduction of average 90 business days to 70 business days	0% for 90 business days 100% for 70 business days Pro-rata in between

The actual outturn timeframes for 'time to quote' for the PR5 period are set out in Table 12 below:

Table 12: DSO PR5 'Time to Quote' outturn

(TTQ) Average Business Days	2021	2022	2023	2024
Domestic Single	10.05	9.94	11.09	11.19
Domestic Development	30.75	29.07	29.81	31.83
Apartments	21.80	22.96	25.80	27.45

The DSO considers that its current performance levels will become more challenging as housing demand grows and as the network becomes more constrained. The CRU acknowledges this argument and agrees with the targets proposed for domestic single connections. However, given outturn performance, the CRU is inclined to adopt more stretching targets for housing schemes and apartments. The CRU welcomes views on this.

The CRU proposes for the 'time to connect' metric to also measure performance for domestic single connections and housing schemes and apartments to maintain consistency. In line with the DSO proposal, the CRU agrees that there should be a scaled incentive reward rate between the baseline and target. The CRU also proposes a penalty for this incentive, with the full penalty

rate to apply should the DSO exceed its starting point average (e.g., the full penalty rate would apply if the DSO's average TTQ for domestic single connections exceeded 15 business days).

The CRU is requesting the DSO to provide actual outturn performance against the 'time to connect' metric in its response to this consultation. Proposals for appropriate 'time to connect' targets are welcomed from the DSO and other stakeholders.

The CRU is proposing a possible annual upside of €3.18m and a possible annual downside of -€1.19m against this incentive.

Reasoning

The provision of timely and efficient connections is a key enabler of the Government's Housing for All[34] and National Development plan[35]. This incentive would further drive the DSO in enabling those connections.

6.11 Flexibility

Purpose

The purpose of this incentive is to incentivise the development of the flexibility market including offering of new products and services and the effective utilisation of flexibility procured through the market. This incentive builds on progress made under the PR5 flexibility balanced scorecard incentive, which aimed to give the DSO an appropriate financial stake in initiating a market for flexibility services and facilitating flexible connections.

Proposal

The CRU agrees with the DSO proposal to retain an incentive focused on flexibility in PR6, given the key enabling role of the DSO in developing the flexibility market, and welcomes the detail set out in its submission. The CRU also considers that this incentive would be most effective if it includes metrics focusing both in enabling the supply of flexibility products and services as well as stimulating flexibility demand.

In its proposal, the DSO outlined five areas of focus for related incentivised activities in PR6:

1. Development of a flexibility market;
2. Expanding the use and offering of flexible connections;

[34] Housing for All - a New Housing Plan for Ireland
[35] National Development Plan

3. Ensuring effective utilisation of flexibility services; and
4. Meeting National Energy Demand Strategy (NEDS) Area 2 flexibility targets.

The CRU considers these areas of focus are broadly appropriate for this incentive. However, as part of the PR6 regulatory framework, mechanistic and output-based targets against these areas need to be established.

In its submission, the DSO included proposed scorecard elements for each year of PR6 as they relate to the five key milestone areas outlined above. The CRU considers some of these to be appropriate for adoption, particularly those proposed in later years of the period, including:

- Evidence of contracting MW and MWh per ESB Networks' share of the NEDS explicit flexibility target
- % of flexible connections offered vs. requests for connections that cannot be facilitated through regular connections
- % of flexibility utilisation requests in MWh vs. expected utilisation in MWh

However, the CRU considers other milestones not sufficiently output-based and to instead be too focused on incentivising interim processes. For example, "demonstration of evidence of going to market to procure flexibility." While this is an important activity to be carried out under this incentive, the CRU wishes to instead have incentive metrics that can measure the impact of procuring that flexibility.

Given this incentive has evolved from the PR5 flexibility incentive and is related to developing a currently nascent market, it is understandable that output-based metrics may be more difficult to develop for the early years of PR6 where there is not yet a sufficient evidence base. Therefore, the CRU has identified some potential options below for the development of this incentive (which are not exhaustive nor mutually exclusive):

- **Option 1**: Delay assessment until years 3-5 to enable a longer window for developing targets that are sufficiently output-focused, including those set out in DSO proposal.
- **Option 2:** Set targets for years 1-5 based on currently available DSO plans and targets, including the updated "Scenarios for 15-20% Flexible System Demand", or as proposed, corresponding to actions outlined under NEDS.[36]

Currently, the CRU is considering the following possible metrics for inclusion under this incentive, subject to stakeholder feedback and requisite target development:

[36] Currently, metrics relating to medium duration demand-related flexibility, industrial and commercial heat-related flexibility, and electric road transport-related flexibility could be considered.

- Percentage of flexibility service tenders resulting in contracted flexibility;
- Percentage of MWh of contracted flexibility moved to scheduled and/or dispatched;
- MWh of curtailment mitigated with demand turn-up service; and,
- Number of local energy projects facilitated.

The CRU proposes a possible annual reward against this incentive of €3.98m and a potential annual penalty of -€1.19m.

The CRU welcomes views in response to this consultation on the design options for this incentive set out above, as well as any other proposals. The CRU will also engage with the DSO further ahead of Final Determinations to develop suitable targets.

Reasoning

The DSO plays a central role in facilitating the development of the flexibility market and flexibility products, and in enabling flexible connections. Ultimately, increased availability of these services and expansion of the market maximises consumer value.

To align with the principles of the regulatory framework and to ensure effective incentive design, sufficiently output-based metrics against the stated incentive aims will need to be developed ahead of Final Determinations.

6.12 Visibility & Operational Technology Capability

Purpose

This incentive aims to give the DSO an appropriate financial stake in developing enhanced processes and capabilities to increase visibility of the distribution network to support efficient and integrated operation, forecasting and network planning.

In PR5, this incentive reflected the need for better information on, and visibility of, the LV networks. Related activities included the leveraging of network monitoring data and rollout of LV network monitoring devices, which was assessed qualitatively through a balanced scorecard.

This evolved incentive will build on progress made during the PR5 period to improve operational efficiency of the distribution network.

Proposal

The CRU agrees with the DSO proposal to retain an incentive related to Visibility & Operational Technology Capability (OTC) in PR6 and welcomes the evolved focus outlined by the DSO that seeks to continue driving performance improvements in key areas. Aligned with the DSO proposal, the CRU proposes to remove integrated, business-as-usual activities that were incentivised under the PR5 Visibility incentive, such as the leveraging of network monitoring data and rollout of LV network monitoring devices.

In its submission, the DSO proposed for performance to be measured against enhanced capability in four areas:

- Capability 1: Managing operational planning and forecasting,
- Capability 2: Managing system state,
- Capability 3: Managing system defence and restoration; and,
- Capability 4: Managing unit scheduling and dispatch.

The CRU agrees that these are appropriate focus areas for this incentive. However, the DSO proposal states that performance would be measured by “case study evidence demonstrated across the PR6 period in relation to enhanced capabilities” in these areas.

The CRU does not consider this approach to be sufficiently output-based. Instead, the CRU proposes to continue engaging with the DSO ahead of Final Determinations to develop metrics that can demonstrate measurable impact from the work done in PR5 to increase network visibility, and the capability enhancements that have resulted.

The CRU is considering the following potential metrics and welcomes views from stakeholders on the same:

- Measuring the proportion of assets with robust, high-quality and real-time utilisation measurement through either monitoring or data and analytics.
- Assessing the average accuracy of ESBN’s secondary forecasts. For example, this metric could measure the number of secondary transformers in utilisation bands within the population.
- Measuring the accuracy of curtailment forecasts.
- Assessing the increase in the average Load Index to demonstrate maximum utilisation of existing assets, while maintaining safe and secure operation of those assets.

The CRU proposes an annual upside of €3.98m and downside of -€1.19m for this incentive.

It is noted that in its proposal, the DSO suggests that targets be developed and refined in accordance with the DMSO roadmap. The CRU welcomes this alignment, provided mechanistic and output-focused targets are developed.

Reasoning

This incentive reflects the importance of harnessing insights gained from increased visibility of the distribution network and the development of new capabilities across the DMSO to facilitate flexibility services and improve operational efficiency. Enhanced network management capabilities will lead to better consumer outcomes.

To align with the principles of the regulatory framework and to ensure effective incentive design, sufficiently output-based metrics against the stated incentive aims will need to be developed ahead of Final Determinations.

6.13 Smart Metering Plus

Purpose

This incentive builds on progress made in PR5 to deliver against the National Smart Metering Programme (NSMP) and will now focus on enhancing smart metering infrastructure to improve the capability, operations and reach of smart meter assets. This incentive aims to provide all customers with smart meter data and services by the end of PR6.

It reflects that customers and market participants are reliant on DSO delivery and efficient and effective operation of the smart metering system, for the benefits to be realised in full.

Proposal

The CRU is minded to agree with the DSO proposal to retain an incentive related to smart metering in PR6, given the scope of the related work programme and value of the potential benefits that can be realised for consumers.

However, the CRU will only introduce a smart metering incentive that is composed of sufficiently output-focused metrics that are not duplicative of business-as-usual activities funded through general price control funding. Only clearly defined, mechanistic metrics will be considered.

In its proposal, the DSO has outlined four primary elements for metrics to be developed against:

- Element 1: Increasing smart meter adoption,
- Element 2: Reducing non-communicating meters,
- Element 3: Deploying quarter-hourly (QH) meters; and,
- Element 4: Cyclical replacement programme.

The CRU considers that suitable metrics can be developed for areas 1 and 2 as set out in Table 13 below:

Table 13: Proposals for the PR6 Smart Metering incentive

	CRU Proposed Metric
Element 1: Option A - Increasing smart meter adoption	It is estimated that approximately 5% of customers are considered to be non-technical, non-participant (NTNP) customers. This metric would be targeting a reduction in NTNP numbers. The CRU proposes an end-of-period target reduction to 2%. This metric would be assessed at the end of the period, with the full reward achieved if NTNP customers are reduced to 2% of the DSO customer base. Rewards would be achieved on a sliding scale from a 4% reduction. The DSO would not be subject to penalties against this particular metric element, given there are factors outside of its control that could contribute to outturn performance.
Element 1: Option B - Increasing smart meter adoption	An alternative option to setting a metric to increase smart meter adoption is to set an overall target for smart meter adoption. This metric would measure more broadly smart meter adoption, NTNP customers would fall under this metric. Under this option the CRU proposed an end-of-period target of 98% smart meter adoption by the end of 2030. This metric would be assessed at the end of the period, with the full reward if the target is achieved. As with option A, the DSO would not be subject to penalties against this particular metric element, given there are factors outside of its control that could contribute to outturn performance.
Element 2: Reducing non-communicating meters	ESB Network estimates that approximately 5% of currently installed smart meters are unable to regularly communicate with the Smart Metering Operations Centre. The CRU proposes for the DSO to be assessed against its ability to maintain a target level of communicating meters, with the Communications Technically Feasible (CTF) target to be established based on historical performance of communication levels. The CRU proposes that the target is set at 97%, based on 2024 performance levels. This metric would have an associated annual upside for maintaining the established CTF target each year, and a penalty for any reduction in CTF level below the target.

As further described in Appendix A.2 the CRU does not consider that Elements 3 and 4 are suitable for financial incentivisation, as these activities are considered to be business-as-usual activities. The CRU would be open to considering additional proposed metrics if aligned with the above principles.

The CRU proposes a symmetrical financial value for this incentive of +/-€2.78m, annually.

Reasoning

There are substantial benefits at stake for customers and for market participants in building on the success of the NSMP and continuing to improve the capability, operations and reach of smart meter assets. The CRU, therefore, considers it prudent to retain a financial incentive on the DSO in this area.

However, to align with the principles of the regulatory framework and to ensure effective incentive design, sufficiently output-based metrics against the stated incentive aims will need to be developed ahead of Final Determinations.

6.14 Estimated Restoration Time (retired)

Purpose

The objective of putting this outage information incentive in place was to provide customers and network users with accurate and reliable outage information, including time for restoration of outages. It reflected the importance of the provision of specific outage information and estimated restoration times for outages impacting customers.

Proposal

The CRU agrees with the DSO proposal to retire this incentive for PR6, as the activities related to carrying out the above incentive aims have become business-as-usual activities.

Reasoning

The CRU considers this to be a positive outcome and acknowledges the efforts made by the DSO to embed performance improvements and enabling processes in this area. Therefore, the CRU proposes a financial incentive is no longer required to drive performance improvements in this area. Reporting on Estimated Restoration Time accuracy should continue in the annual performance report.

6.15 Rejected Incentive Proposals

Overview

As part of its PR6 submission, the DSO proposed 9 new incentives for inclusion in the DSO performance incentive package additional to the incentives proposed above. The CRU welcomed the proposals, particularly those that were directly consumer-focused (e.g. Customer Complaints and Vulnerable Customers).

However, it is noted that the proposals were not submitted as part of the initial Business Plan submission in October and were received by the CRU at varying points throughout the period between Business Plan submission and this Draft Determination. The proposals were also submitted to varying degrees of detail, with some providing detailed justification and proposed targets, while others provided short, high-level descriptions of potential incentive objectives. This made it difficult to assess the proposals in a consistent manner.

The CRU is proposing to reject 5 of the new incentive proposals. In general, several incentives were rejected on a similar basis, for reasons such as:

- The DSO and CRU both proposed to maintain the same aggregate level of financial risk exposure for the incentive package between PR5 and PR6. The introduction of several new incentives would dilute the financial power associated with each individual incentive, thus rendering the aims of these incentives ineffective. The CRU, therefore, specifically introduced a targeted set of new incentives that best aligned with the aims of PR6.
- As part of the PR6 Performance Incentives framework, the CRU is proposing to streamline the design of the included incentives to make them more mechanistic and outcome-based. This requires the incentives to include metrics for assessment that are measurable and specific. Some of the proposals put forward by the DSO were qualitative and focused on the incentivisation of interim processes, instead of outcomes. In these cases, it was not possible to develop mechanistic targets that aligned with the framework.
- In some cases, the relevance of incentive aims to well-defined consumer outcomes was unclear. Relatedly, some proposals did not provide clear or sufficient justification of their additionality to business-as-usual activities that are expected in return for the general allowances provided under the price control.

The rationale for rejecting each individual incentive proposal is included in Appendix A.2.

6.16 Consultation Questions

Questions:

8. Do you have any comments or views on the CRU's proposed distribution performance incentives and CRU's supporting reasoning, including but not limited to:

a. The mix of new and retained incentive mechanisms or the DSO new incentive proposals that the CRU has decided to reject?

9. Views are sought in relation to the design of the unplanned outage (CML/CI) incentive mechanisms

10. Should the Time to Quote incentive proposal include Time to Connect?

11. Views are sought in relation to the proposed metric options for the Flexibility, Visibility &OTC, Smart Metering Plus and other revised incentives from PR5

12. Do you have views on the definition of 'resolved' for customer complaints?

13. Do you have any views or comments on the proposed target for Metric 1 in the Vulnerable Customer Incentive? Do you have views on how Metric 2 could be best designed to support materially beneficial engagement with Vulnerable Customers?

14. Do you have views on the requirement for the DSO to consult on its outturn stakeholder engagement report?

7 Performance Incentives: Transmission

In this section the CRU sets out and invites views on its proposals for incentive mechanisms applying to the TAO and TSO, for the period 2026 to 2030. In developing these proposals, the CRU is also seeking to put in place arrangements that can endure, subject to review, refinement and updating, as part of the PR7 process.

The proposed incentives are targeted on the TAO and TSO activities that lead to the most efficient delivery of outcomes for consumers.

TAO-specific incentives are discussed first followed by TSO-specific incentives. Joint incentives are discussed in detail in Section 10 of this paper.

8 TAO

8.1 Overview of TAO Incentive Proposals

The TAO proposed a total of 5 incentives for PR6, classified as follows:

- 1 incentive which has been carried over from PR5;
- 2 incentives from PR5 which have been revised for PR6; and
- 2 new incentive proposals for PR6.

As with the DSO, the CRU welcomed the TAO's proposals, which were generally clear and detailed. The TAO's proposals and the CRU's assessment of them are set out in Appendix A.3. Where relevant, these are also detailed in the subsections below.

8.2 Overview of CRU Proposals for the TAO

In summary, the CRU is proposing a performance incentive framework for the TAO that supports two key outcomes:

1. Infrastructure and Project Delivery; and
2. Outage Planning and Management.

Combined, the proposals are designed to build on the PR5 Reporting and Incentive Framework and specifically target key outcome areas.

The CRU is proposing to retain, with amendment and update, each of the 3 incentives from PR5 in line with the TAO proposal. The CRU is also proposing to introduce both of the new incentives proposed by the TAO, one as a standalone incentive and the other incorporated into an expanded Project Delivery incentive. The CRU's proposals are summarised in Table 14 below.

Table 14: Overview of TAO PR6 performance incentives

Outcome Category	Output	€/m Upside (annual)	€/m Downside
Infrastructure and Project Delivery	**Project Delivery**	13.22	-13.22
	TAO/TSO Joint	2.20	-2.20
	Outage Management	3.31	-3.31

Outage Planning and Management	**TAO/TSO Outage Planning** (new)	3.31	-3.31
Total incentive package (€m, annual)			+22.04 / -22.04
Total incentive package (as percentage RoRE)			+1.00 / -1.00

The CRU proposes to increase the aggregate size of the TAO performance incentive package in terms of the percentage return on regulated equity to reflect the introduction of 2 new incentives (i.e. +1.00/-1.00 in PR6 compared to +0.51/-0.51). The TAO proposed to retain the same aggregate level of risk exposure. However, given the addition of two incentive proposals nearly doubles the number of incentives and these are in crucial areas for PR6, the CRU has proposed to increase the size of the package accordingly. For PR6, this is approximately equal to an annual available upside and downside of +/-€22.04m.

8.3 TAO Project Delivery

Purpose

The CRU's objective in having an incentive mechanism for project delivery by the TAO is to give the TAO a proportionate financial stake in the efficient and timely implementation of the TSO's transmission network investment plans.

This reflects that the TAO's efficiency and timeliness in delivery can have significant impacts for market participants and customers.

Proposal

The TAO has proposed retaining the Project Delivery incentive from PR5 (as amended by moving the KPI relating to Issuance of Project Implementation Plans out of this incentive and into the TSO/TAO joint incentive). It has also proposed adding a new TAO Construction Milestones incentive.

The CRU welcomes the TAO proposal for the new TAO Construction Milestones incentive. It notes that the TAO has proposed to measure the percentage of target projects meeting the construction stage milestone, with the detail and definition of this milestone remaining to be finalised. The CRU would welcome the TAO coming forward with its suggestions for this additional detail to be included in such an incentive.

The CRU considers that for PR6 the Project Delivery and proposed Construction Milestones incentives could be most effectively combined into an output-focused streamlined incentive focused on project delivery. The CRU is therefore proposing a streamlined incentive focused on the proportion of projects delivered or advanced to identified project milestones, and which assesses quality and timeliness of delivery. This proposal combines elements of the PR5 TAO Project Delivery and new TAO Construction Milestones incentive.

The metrics currently envisaged by the CRU, including those retained from PR5, are outlined below:

- **Metric 1 - Project Milestones:** as set out in the table below, this KPI would be amended from PR5 to measure the percentage of all TAO projects progressed to the expected project milestones at the end of PR6. For some projects, this will be energisation. Other projects that are not expected to reach energisation by the end of PR6 will be measured against the final project milestones they are respectively expected to reach by 2030.
- **Metric 2 - Construction Milestones:** this new metric, as proposed by the TAO as a separate new incentive, would measure the percentage of relevant projects meeting the construction stage milestone to incentivise efficient delivery at the construction stage in the project delivery cycle.
- **Metric 3 - Proportion of overall capex plan delivered:** this new metric would assess, at the portfolio-level, the proportion of the overall capex plan delivered within expected timelines.
- **Metric 4 - Timeliness of delivery:** this new metric would measure, on a portfolio-level, timeliness of delivery. Projects assessed against this metric would be spread across all project categories, with an assessment of how ahead of or behind schedule delivery was compared to the expected delivery date. An aggregate measure would be derived from this assessment (e.g. the average number of months plus or minus across all projects).

TAO outturn performance will be a measured on a portfolio-level as against the PR6 baseline (i.e. not limited to the 29 priority projects). For the avoidance of doubt, the CRU does not propose for assessment of these metrics to be limited to projects that currently have an associated Delivery Obligation proposed. Nevertheless, a key issue for the final design of the incentive is the extent to which larger and/or more critical projects are weighted within the assessment of Metrics 1, 2 and 4 relative to the larger number of smaller or less certain projects, and whether the assessment is against the full portfolio of TAO projects or a sampling approach is applied to some or all of the metrics.

The CRU will work collaboratively with the TAO to further develop the details of these KPIs and the assessment in advance of Final Determinations and welcomes stakeholder views on these issues and other potential KPIs for this incentive that are sufficiently output-based.

The implications of these proposals for the four KPIs used in PR5 to assess the TAO's outturn performance against the TAO Project Delivery incentive are outlined in Table 15 below, including the associated CRU proposal for each in relation to the evolved PR6 Project Delivery incentive.

Table 15: Discussion of KPIs for the PR6 Project Delivery incentive

PR5 KPI	Description	CRU PR6 Proposal
(PR5 KPI #1) Customer project energisation	Measured the percentage of target customer projects energised in a calendar year, primarily aimed at providing additional capacity on the system.	The CRU proposes to amend this metric to measure the percentage of all TAO projects, not just customer projects, progressed to the expected project milestones at the end of the period (end-PR6).
(PR5 KPI #2) Transmission capex spend	Measured the percentage of budgeted annual capex spend delivered in a calendar year.	The CRU proposes to remove this metric, as it considers it could introduce a perverse incentive for the TAO to spend where it may not be most efficient.
(PR5 KPI #3) TAO Project Delivery Process Improvement	A qualitative KPI assessed by an independent audit report to measure the TAO's ability to identify and deliver efficiencies in project delivery.	The CRU proposes to remove this metric, given measurability challenges. It does not consider this is sufficiently output-focused. By shifting the focus of this incentive to demonstration of delivery on time, the TAO will implicitly be incentivised to continually improve processes.
(PR5 KPI #4): Issuance of Project Implementation Plans (PIPs)	Assessed outturn performance against a target of annual PIPs to be issued.	The CRU accepts the TAO and TSO joint proposal to move this metric into the scope of the joint incentive.

The CRU proposes for there to be a financial reward and penalty associated with this incentive and expects it to be calibrated such that rewards will be earned for exceeding set targets for the

basket of metrics, scaling upwards depending on the degree of outperformance. A scaled penalty would be associated with under-performance against the basket of metrics. The CRU is interested in stakeholder views on the relative weighting of the four proposed metrics in the incentive assessment.

Given the intended focus on overall project delivery throughout the period, and to acknowledge that there may be some year-on-year fluctuation in keeping to annual timelines for factors beyond the control of the TAO, the CRU is proposing annual reporting of performance against the metrics but only end-of-period assessment and incentive payments for this incentive (i.e. against performance across the whole PR6 period).

To reflect the importance of the activities incentivised under this incentive, the CRU proposes an annual upside and downside of +/-€13.22m.

Reasoning

Delivering infrastructure at pace is a key component of reaching the PR6 strategic objectives, and of which the TAO is a central enabler. This incentive serves to further drive the TAO to carry out the TSO investment plans and deliver critical network infrastructure projects in a timely and efficient manner.

8.4 TAO Outage Management

Purpose

The CRU's objective in retaining this incentive mechanism from PR5 for the management of outages by the TAO is to give the TAO a proportionate financial stake to minimise the total net costs associated with the agreed outage plan and provide outage certainty to maximise TAO outage utilisation in completion of works.

It reflects that at times, there can be a tension between the least cost outage plan for the TAO, and the least cost outage plan for the system as a whole (and, by extension, customers).

Proposal

As with PR5, the CRU proposes that the TAO shall be subject to a financial incentive on its management of outages. The core mechanism shall continue to relate to its ability to meet the 3-weekly outages plans published on the TSO website. Performance in PR5 was measured as number of actual outage days relative to the baseline of the published plans.

Further engagement is planned with the TAO on the two proposed adjustments it proposed in its PR6 business plan submission:

- The TAO proposed that the KPI for this incentive evolve to account for the Joint Outage Transformation Programme (JOTP): the CRU is seeking clarity on the envisaged evolution and to engage on this to ensure no overlap with new Joint outage incentive.
- The CRU will consider the Short Notice Outage Adjustment Mechanism (SNOAM) proposal subject to further engagement with the TAO following this Draft Determination to ensure its necessity under the current framework.

To date in PR5, the TAO has outperformed the existing performance metric and earned a full reward for each assessment year. As such, the CRU considers it appropriate to review and update targets to ensure they are sufficiently stretching.

The CRU is also considering whether this mechanism, as currently designed, is the most effective approach to incentivising outage management for the TAO and would be open to receiving broader outage metric proposals in response to this consultation.

Reasoning

The joint management of outages by the TSO and TAO is an important process that has potentially significant impacts on market participants and customers. It can help minimise maintenance costs (for network business and generators), constraint costs and supply interruption risks. Hence, in principle it is an appropriate activity to incentivise.

8.5 Consultation Questions

Question:

15. Do you have any comments or views on the CRU's proposed TAO performance incentives and CRU's supporting reasoning, including the proposed design and metric areas for incentives amended from PR5?

9 TSO

9.1 Overview of TSO Incentive Proposals

The TSO proposed a total of 11 incentives for PR6, classified as following:

- 9 incentives carried over from PR5, some streamlined or with amendment; and
- 2 new incentive proposals for PR6

The CRU welcomes the TSO's proposals and particularly the subsequent information received in April 2025, which provided additional clarity and detail on the intended scope and aim of the TSO proposals. The TSO's proposals and the CRU's assessment of them are set out in Appendix A.4. Where relevant, these are also detailed in the subsections below.

9.2 Overview of CRU Proposals for TSO Incentives

In summary, the CRU is proposing a performance incentive framework for the TSO that supports three key outcomes 1) Decarbonisation and consumer outcomes; 2) Investment Planning and Infrastructure Delivery; and 3) System Operation and Adequacy. Combined, the proposals are designed to build on the PR5 Reporting and Incentive Framework and specifically target key outcome areas.

The CRU is proposing to retain, with amendment and update, 9 incentives from PR5 broadly in line with the TSO proposal. The CRU is also proposing to introduce 2 new incentives, similar to new incentives proposed by the TSO. The CRU's proposals are set out in Table 16 below.

Table 16: Overview of TSO PR6 performance incentives

Outcome Category	Output	€/m Upside (annual)	€/m Downside
Decarbonisation and Consumer Outcomes	**Renewable Integration**	5.89	-2.18
	System Minutes Lost (SML)	1.10	-1.83
	Connections	5.16	-3.18
	Stakeholder Engagement	1.48	-

Investment Planning and Infrastructure Delivery	**TSO/TAO Joint**	1.20	-0.82
	Investment Planning and Delivery	3.82	-2.18
	TSO/TAO Outage Planning (new)	1.20	-0.76
System Operation and Adequacy	**TSO/DSO Joint**	0.81	-0.41
	System Frequency	1.09	-1.83
	Imperfections & Constraints	6.56	-2.69
	Security of Supply (new)	3.71	-1.09
Total incentive package (€m, annual)			+32.06/ -16.97
Total incentive package (as percentage RoRE)			+26.80 / -13.40

The CRU proposes to retain the same aggregate size of the TSO performance incentive package in terms of the percentage return on regulated equity (i.e. +26.80/-13.40). Retaining the same level of aggregate risk of the incentive package aligns with the TSO proposal. For PR6, this is approximately equal to an annual available upside of €32.06m and a potential penalty of -€16.97m.

9.3 Renewable Integration Incentive

Purpose

The objective of the CRU in putting in place a comprehensive metric related to renewable integration is to support the achievement of the PR6 outcome of decarbonised electricity. The TSO is pivotal in facilitating the realisation of Ireland's decarbonisation ambitions, enabling high levels of renewable electricity integration and driving an environmentally sustainable, low carbon energy system.

This incentive is an evolution from multiple performance incentive mechanisms in PR5 to support these aims and reflect the value to consumers in delivering against them.

Proposal

The CRU proposes to introduce a streamlined Renewable Integration Incentive in PR6 that incorporates elements from the Renewable Energy Source (RES-E), System Non-Synchronous Penetration (SNSP) and Renewable Dispatch Down (RDD) incentives that exist in PR5. Each of the three metrics will maintain its core mechanism.

The RES-E component of this incentive will measure the proportion of electricity coming from renewable sources for each year. The aim of this metric, as in PR5, is to incentivise the TSO to contribute to the achievement of the 80% renewable electricity by 2030 target and lay the foundation for achieving net zero carbon emissions by 2050. As such, the TSO will be assessed against the targets set out in Table 17:

Table 17: Proposed RES-E targets

RES-E	2025 Target (PR5)	PR6 CRU Proposed Performance Targets				
	2025	**2026**	**2027**	**2028**	**2029**	**2030**
Target	55%	60%	65%	70%	75%	80%

As in PR5, the RES-E component of this incentive will be assessed annually and will be upside only (i.e. the TSO will not be subject to a financial penalty where it does not achieve the targets). This recognises that while the TSO is a key enabler for renewables, there are many elements outside the control of the TSO.

The SNSP component of this incentive will remain a quantitative metric, which is an important enabler for increasing the level of renewable sources of electricity generation on the power system. Proposed targets align with those set out in the 2025 update to the TSO Operational Policy Roadmap[37] and are set out in Table 18 below:

Table 18: Proposed SNSP targets

SNSP	2025 Target (PR5)	PR6 CRU Proposed Performance Targets

[37] PowerPoint Presentation

	2025	2026	2027	2028	2029	2030
Target	85%	85%	85%	85%	90%	95%

The TSO will continue to be subject to a financial reward or penalty based on its outturn performance against these targets.

The RDD mechanism will also continue to apply in PR6. The CRU acknowledges that due to controllability concerns, the TSO has proposed to remove this as a financially incentivised metric in PR6. However, this was one of the primary areas of stakeholder focus in the PR6 Strategy paper responses, which underscores its importance to stakeholders and consumers. The CRU is also of the view that the TSO plays a key role in RDD, and notes that there is a significant increase in opex and capex funding in related areas in PR6 which should lead to improvements in this area.

The CRU is proposing to retain the PR5 dispatch down fixed target of 5% with a deadband continuing to apply to 7%. Rewards and penalties will be scaled for deviations of 0.1% in each direction.

As a fourth element for the Renewable Integration Incentive, the CRU is proposing a, qualitatively assessed reporting element against each of the above three elements. The purpose of the reporting is for the TSO to provide evidence of specific actions taken by the TSO to contribute to the achievement of targets, or specific factors it considered to be outside of its control contributing to missed targets. Clear guidance, exemptions and specific requirements will be set out by the CRU at Final Determinations.

Where missed targets have led to a penalty (in the case of the RDD metric) or no reward (in the case of the RES-E or SNSP metrics), the reporting metric will be calibrated to mitigate financial risk imposed on the TSO where the TSO provides evidence that the outcomes are reasonably outside of its control. The submission of a report will not guarantee a reward or penalty clawback but will be achievable on the basis that outcomes are the result of pre-determined exemptions.

The reporting metric will be financially upside weighted. It will also be subject to a potential penalty, but only in cases of non-submission or clear disregard for the reporting requirements as set out at Final Determinations.

The CRU notes the additional proposed metrics set out by the TSO in its subsequent incentives proposal received in April 2025. The CRU welcomes this submission, and the additional detail and proposals provided.

Some of the specific metrics proposed by the TSO, which the CRU considers could also be included under this expanded renewable integration incentive, include:

- **TSO Proposed Metric 1: Low carbon inertia.** Specific targets were not included in the TSO proposal, but it was suggested that performance could be measured as a percentage of inertia provided by the Low Carbon Inertia Services (LCIS).
- **TSO Proposed Metric 3: Inverter-based resources (IBR).** Specific targets were not included in the TSO proposal, but it was suggested that performance could be measured as the volume of electricity used from IBR including for batteries, Photovoltaic (PV), wind and interconnectors.

The CRU is seeking stakeholder views on the inclusion of the additional metrics outlined above, or any other metrics which the CRU has not considered in its proposal outlined above. Engagement with the TSO will continue prior to Final Determinations and additional metrics will be considered.

Given the streamlining of the three decarbonisation metrics from PR5, the CRU is proposing to maintain the same combined level of potential reward/risk exposure for this incentive in PR6. This equates to an annual available upside of €5.90m and possible downside of -€2.18m.

Reasoning

Activities related to these proposed metrics are critical to the achievement of Ireland's decarbonisation ambitions, and the TSO plays a central role in enabling this. It is critical that a core component of the TSO performance incentive framework focuses on incentivising continued improvements in these areas. However, the CRU recognises that there are factors outside of the TSO's control that can, in some cases, negatively contribute to its outturn performance against these metrics.

9.4 System Minutes Lost (SML)

Purpose

The System Minutes Lost (SML) metric measures reliability of the supply delivered by the transmission system. It is determined by calculating the ratio of unsupplied energy during an outage to the energy that would be supplied for one minute, if the supplied energy was at its peak value.

The CRU's objective in maintaining an incentive for SML is to give the TSO an appropriate financial stake in maintaining appropriately high standards of system performance. It reflects that customers and market participants place a high value on supply reliability and quality, and that the actions of the TSO can be a significant influencing factor on outcomes.

Proposal

The TSO shall continue to be subject to financial incentives in respect of SML. The CRU proposes that the incentive payment or penalty will continue to be calculated based on the difference between actual performance and the levels of target performance as set out in the final targets.

Given TSO outturn performance throughout PR5, the CRU proposes for targets against this incentive to be strengthened in PR6 through a tightened deadband.

In PR5, the TSO was awarded an incentive payment for each year where outturn SML was below the lower bound deadband limit (i.e. 0.75 SML) as set out in the table below. A penalty was received for outturn performance above the upper bound limit (i.e. 2.50 SML). Performance within this band does not receive a reward nor a penalty.

The TSO has proposed to maintain these target levels in PR6 given an anticipated increase in volume of outages required to facilitate renewable connections.

Table 19: System Minutes Lost target proposals

System Minutes Lost (SML)	2026	2027	2028	2029	2030
TSO Proposal	0.75 (lower bound) – 2.50 (upper bound)				
CRU Proposal	0.75 (lower bound) – 2.0 (upper bound)				

As set out in Table 19 above, the CRU does accept that maintaining the same levels of SML could be increasingly challenging in PR6 and therefore is proposing to maintain the same lower bound target of 0.75 SML. TSO outturn performance in PR5 suggests that this is achievable. To ensure performance improvements are continually incentivised, the CRU proposes a tightening of the upper bound limit to 2.0 SML whereby any outturn performance above this level would be subject to a penalty.

The TSO has proposed the exclusion of certain High Impact-Low Probability (HILP) events from this incentive. The CRU accepts this proposal in principle and considers a well-defined HILP exemption could be appropriate under this incentive, provided there is a clear set of circumstances and/or criteria of what constitutes a HILP event. Specifically, the TSO has

proposed the inclusion of “red weather warnings” as an example. The CRU is seeking views on what HILP events should be considered as an exemption under this incentive.

The CRU is proposing to maintain the same relative value of this incentive in PR6, with a possible annual reward of €1.10m and penalty of -€1.83m.

Reasoning

System Minutes Lost is a well-recognised metric for measuring the reliability and quality of supply delivered by an electricity transmission system. The metric is proximate to outcomes that users of the transmission system place a high value on. The use of standard metrics also allows the TSO’s performance to be understood over time, and relative to other jurisdictions.

9.5 Connections (ECP-GSS)

Purpose

The CRU’s objective in putting in place an incentive mechanism for the timely processing of connections applications under Enduring Connection Policy – Generation and System Services (ECP-GSS) is because new connections are critical to well-functioning, competitive wholesale markets and to the process of decarbonising the energy sector. The TSO has a key, enabling role in facilitating connections to the transmission system and an incentive already exists in PR5 for this.

Proposal

The CRU proposes to retain this incentive in PR6 with amendments to align with the CRU’s recently published decision on ECP-GSS, which will be introduced later this year.

The new ECP-GSS policy introduces bi-annual batch processing. Previously, under ECP-2, applications were processed under a single batch application window.

It is proposed that the overall payment or penalty would be calculated based on the percentage of offers issued before each milestone, aligning with the ECP-GSS policy, as in PR5. The payment would range from 100% of the incentive for the percentage of offers issued before the first milestone to 100% of the penalty for the percentage of offers not issued by the final milestone.

On the basis that this is no longer a new incentive, the CRU proposes to remove the deadband that currently exists in PR5. Any exemptions outlined under the ECP-GSS policy, as in PR5, will continue to apply. The CRU considers that any non-controllable factors that may impact the ability of the TSO to meet milestones will be covered under the existing exemptions. Therefore, a penalty would apply for any milestones beyond the deadline.

The financial value of this incentive has increased to account for the additional batch application window, aligned with the TSO proposal. This equates to a possible annual upside of €5.17m and downside of -€3.18m.

In PR6, it is also proposed that the CRU shall have the ability to request information on the quality of connections offers to ensure there is no perverse incentive placed on the TSO to send out low quality or incomplete connections offers to meet milestone timelines, however, no additional reporting requirement on this will be introduced.

Reasoning

Receipt of a connection offer is a key step in the process of new generators being able to participate in the market. The date of receipt is objectively measurable, and in large part under the control or influence of the TSO.

Absent an incentive mechanism, the TSO may undervalue timeliness relative to the needs of the connecting party (and future parties wishing to connect in subsequent batches). While reputational incentives obviously have a role to play, the CRU considers that outcomes can potentially be improved for parties seeking a new connection if the TSO is subject to a financial incentive also in respect of the speed with which it issues connection offers.

9.6 Stakeholder Engagement

Purpose

The CRU's objective in maintaining the stakeholder engagement incentive mechanism is to continue the benefits of effective stakeholder engagement. It reflects that innovation in how stakeholders are communicated with, and how their input is used to improve how network services meet the needs of stakeholders has significant potential value but is inherently difficult to quantify. Hence, without an incentive mechanism there is a risk of 'under-investment' in stakeholder engagement.

Proposal

The CRU proposes that the TSO shall continue to be subject to a financial incentive on the scope, quality and outcomes/impacts of its stakeholder engagement activities.

Performance shall be measured through an annual assessment of the TSO's strategy for stakeholder engagement, and the processes and activities undertaken by the TSO pursuant to that strategy over the preceding calendar year. The evidence to inform this assessment shall take the form of an annual submission by the TSO, consistent with guidance set by the CRU.

The assessment shall be undertaken by a panel constituted by the CRU for this purpose and chaired by a CRU Commissioner – and conclude with the award of a score on a scale of 1 to 10, consistent with guidance set by the CRU.

The CRU notes the TSO proposal to separate the "Community and Small Customer Representatives" into two separate stakeholder classes in the NSEE Panel applications. The Terms of Reference for the panel will be consulted on next year. This proposal will be included as part of that consultation.

As with the DSO proposal, the CRU proposes to retain the same penalty and reward mechanism as at PR5, i.e. upside only. It is also proposing to retain the same overall financial value. For PR6, this equates to a possible annual upside of €1.48m.

The CRU recognises that in other jurisdictions, similar financial incentives focusing on stakeholder engagement are also upside only due to level of controllability over outcomes. The CRU welcomes views from stakeholders on whether a downside for this incentive should be considered.

The CRU is seeking views from stakeholders regarding the guidance for the TSO and DSO for stakeholder reporting, see Appendix A.11 for more details. Currently the TSO and DSO publish and consult on the companies 'look ahead' stakeholder engagement strategies (i.e. the stakeholder engagement plan for the year ahead). This allows stakeholders the opportunity to input into the development of that strategy. The TSO and DSO also publish and consult on the 'look back' stakeholder engagement outturn report (i.e. the report summarising the stakeholder engagement activities that have taken place). The CRU is seeking views on the merits of retaining the requirement for consultation on the TSO and DSO report look back stakeholder engagement.

Reasoning

The stakeholder incentive provides a clear framework for the CRU to assess the measures taken by the TSO to understand and address the needs of stakeholders – in an environment in which the energy sector, and hence what different stakeholders might need, is in a process of significant transformation.

The CRU guidance and the process of moderation through a panel convened by the CRU, based on evidence presented by the TSO, provides a workable objective framework for assessment in the first instance – and a basis from which greater rigour in evaluation can evolve.

9.7 Investment Planning and Delivery

Purpose

The CRU's objective in having an incentive mechanism for investment planning and delivery is to improve transparency over the efficiency with which the investment, planning and delivery processes are undertaken by EirGrid as TSO.

This incentive also aims to give EirGrid a proportionate financial stake in maintaining consistently high standards in what these processes deliver. It reflects the fact that the TSO has significant discretion over investment planning and delivery, and these decisions ultimately (and cumulatively) have a significant impact on network performance and customers' bills.

Proposal

The CRU proposes to retain this as an amended incentive in PR6 and accepts the TSO proposal to remove the Transmission Outage Plan (TOP) Delivery metric from this incentive and to introduce a new TSO/TAO Joint TOP Incentive. The CRU's proposals for the joint incentives are in Section 10 below.

As part of its submission, the TSO (in coordination with the TAO) has set out a proposed reformulation of the infrastructure delivery incentives across the two network companies, retaining end-to-end project lifecycle metrics through a series of amended and new incentives.

For the Investment Planning and Delivery incentive, EirGrid has proposed to retain metrics focused on its investment planning and Gateway 3 capital approval stages, moving other metrics that existed in PR5 to other amended incentives.

Given the necessary focus of PR6 on timely and efficient delivery of infrastructure, the CRU accepts this proposal in principle. The CRU proposes to design a mechanism that also assesses the timeliness and quality of delivery of the overall TSO capex programme, which will be assessed at the portfolio level.

Specifically, the CRU proposes to include metrics relating to:

- Metric 1: Gateway 3 capital approval achieved, measuring the percentage of projects reaching this stage compared to PR6 baseline,
- Metric 2: Gateway 5 planning consent achieved, measuring the percentage of projects reaching this stage compared to PR6 baseline,
- Metric 3: the proportion of the overall TSO capex plan delivered on time, with associated reward and penalty to be scaled depending on deviation from target delivery date,

compared to the PR6 baseline. This would measure the percentage of projects meeting defined key milestones (i.e. Capital Approval, Project Agreement, Energisation).

The CRU intends to work with the TSO and other stakeholders to continue to develop these and potentially other suitable metrics for this incentive, which are sufficiently output-focused and that do not overlap with the TSO/TAO Joint incentive.

It is also the intention of the CRU that these metrics and associated targets will be established at the start of PR6 for the entire period and will align with milestones provided as part of Business Plan funding requests. There will be a reward and penalty applied to outturn performance against this incentive.

The CRU proposes for this incentive to be assessed at the end of the period to allow for some flexibility in reaching yearly milestones, with annual reputational reporting required for CRU visibility into progress made. This is consistent with our proposed approach to the TAO project delivery incentive.

The annual proposed available upside for this incentive is €3.82m with a possible annual penalty of -€2.18m. If assessed at the end of the period, the annual amounts would be reserved and available in a combined potential upside/downside of €19.11m and -€10.92m.

The CRU is seeking views on its proposed design of this incentive and other potentially suitable metrics.

Reasoning

Incentivising the TSO to improve the quality and rigour of its end-to-end processes for electricity transmission network investment planning and delivery of infrastructure has clear consumer benefits. The investment planning and delivery framework provides a basis to assess the TSO and TAO on the quality and decision-making process.

9.8 System Frequency

Purpose

The Grid Code requires that the frequency is kept within the normal operating limits of 50 Hz ± 0.2. This is to ensure a quality supply of electricity to end users. In a synchronous AC power system, such as Ireland, all of the generating units are synchronised together, producing electricity at a nominal frequency of 50Hz. Frequency excursions outside the limits can occur if there is a sudden change in load or generation and it is one of EirGrid's primary duties to manage frequency in real time.

As with the CRU's SML incentive, the CRU's objective in putting in place a system frequency incentive is to give the TSO an appropriate financial stake in maintaining appropriately high standards of system frequency performance. It reflects that customers and market participants place a high value on supply reliability and quality, and that the actions of the TSO can be a significant influencing factor on outcomes. As renewable penetration increases, system frequency control will be a key challenge for the TSO and as such, an appropriate incentive has been established for PR5.

Proposal

The CRU proposes that the TSO shall continue to be subject to financial incentives in respect of System Frequency (SF). The incentive payment or penalty will be calculated based on the difference between actual performance and the levels of target performance set out in Table 20 below:

Table 20: System Frequency target proposals

System Frequency	Actual performance 2023-24 (PR5)			PR6 CRU Proposed Performance Targets				
	2023	2024	2025	2026	2027	2028	2029	2030
PR5 Target	98.0%			-	-	-	-	-
PR5 Outturn Performance	98.71%	98.87%	TBC[38]	-	-	-	-	-
CRU Target Proposal	-	-	-	98.5%				
TSO Target Proposal	-	-	-	98.0%				

The CRU has noted EirGrid's proposal to maintain targets at 98.0% given potential pressures on outturn performance resulting from evolving system realities and challenges. However, the CRU considers it is appropriate to continually stretch targets to continue to incentivise performance improvements in key areas such as this.

[38] The DSO proposal for this incentive suggests current scores are 77%

The nature of changing system requirements inevitably implies that external factors will influence fluctuations in SF but managing this is ultimately the role of a system operator. The CRU considers that outturn performance in this area is substantially within EirGrid's control. Outturn performance throughout PR5, where there were presumably already increasing challenges in maintaining the same level of performance, suggests this increased target is achievable.

EirGrid has also proposed to lower the threshold at which the full reward is achieved, which is currently 99.5% in PR5, to 99.0% in PR6. For the reasons outlined above, the CRU proposes to reject this proposal and evenly scale upward deviations from the central target accordingly.

The CRU proposes to maintain the same relative financial value of this incentive with a potential annual upside of €1.10m and possible annual downside of -€1.83m.

Reasoning

System Frequency is a robust way of measuring the reliability and quality of supply delivered by an electricity transmission system. The metric is proximate to outcomes that users of the transmission system place a high value on. The use of standard metrics also allows the TSO's performance to be understood over time, and relative to other jurisdictions.

9.9 Imperfections and Constraints

Purpose

Imperfection costs have increased significantly in recent years and have a real impact on the end electricity customers. Imperfection charges since the beginning of 2022, up to end of 2024, are projected to amount to over €1.85bn.

EirGrid, as TSO, plays a central role in taking actions to curtail and reduce imperfection costs (for example, planning and developing the network to reduce physical network constraints, and changing how the network is operated to reduce operational constraints). As such, this incentive aims to promote EirGrid actions to mitigate and reduce imperfection costs.

Specifically, this incentive, amended from PR5, recognises the linkages in effectively reducing system constraints and implementing key measures outlined in the Operational Policy Roadmap. It incentivises the delivery of these measures through the assessment of their impacts.

Proposal

The CRU proposes to retain an amended version of the Imperfections and Constraints incentive in PR6 and agrees in principle with the TSO's high-level proposal[39] to include metrics considered to be "I&C Enablers" and which are aligned with the Operational Policy Roadmap, where I&C enablers include TSO actions that are clearly linked to a reduction in curtailment actions and constraints. Timely implementation of the Roadmap is a key driver in the reduction of imperfections costs.

The CRU will engage with the TSO ahead of Final Determinations to continue developing relevant and sufficiently output-based metrics that can demonstrate a measurable reduction in both physical and operational constraints. For example, metrics currently being considered include:

- **(Metric 1) Demonstration of physical constraint reductions:** Transmission Constraint Groups (TCG) Management and Flexibility – while the CRU will not continue to incentivise TCG studies directly, this metric would be included if the TSO can reasonably demonstrate the resulting impact in constraint cost reduction where TCGs have been relieved
- **(Metric 2) Demonstration of operational curtailment reductions:** In 2024, 10% of wind was curtailed due to a combination of physical and operational network constraints. the split between physical and operational drivers of wind curtailment was approximately 50/50. High frequency and minimum generation requirements were the key drivers of operational curtailments in 2024[40]. The CRU proposes a mechanistic metric focused on reducing operational curtailments, with this metric weighted toward a reduction of the MUON[41] constraint given the material impact it has on renewable dispatch down. The metric would be linked to the delivery of the next phase of this work as set out in the Operational Policy Roadmap (i.e. 2027: Remove the MUON constraint and introduction of local security of supply constraints, provided there are sufficient localised dynamic stability constraints).
- **(Metric 3) Enhancing the quality of reporting and improving transparency:** the CRU considers that the TSO should improve the quality of its imperfection reporting and it should also make this information transparent and accessible to industry and

[39] Received in April 2025
[40] 4.8% of the 5% of the reported curtailment actions was associated with MUON/High Frequency: https://cms.eirgrid.ie/sites/default/files/publications/Annual-Renewable-Constraint-and-Curtailment-Report-2024-V1.0.pdf
[41] Minimum Number of Units Online (MUON) – a constraint on the system that specifies a minimum number of conventional units on-load required to be synchronised in Ireland and Northern Ireland.

consumers. Additional detail is set out below. Guidance on reporting will be formally set out at Final Determinations.

The CRU welcomes responses to this consultation document from all stakeholders on developing other appropriate metrics. Recognising that activities and programmes of work related to curtailment and constraint management are critical, the CRU intends to introduce an incentive with a small number of targeted metrics to avoid diluting the financial power of each metric.

It is the intention of the CRU to include only metrics that measure actual reductions in constraint costs, and any activities related to interim processes (i.e. conducting relevant studies) will not be incentivised in PR6.

The CRU remains critically concerned with the rising trend in constraint costs. Throughout PR5, the Regulatory Authorities (i.e. CRU and UR) have engaged with the TSOs[42] regarding the standard and readability of the TSOs' Imperfections reports. Although some progress has been made, the reports continue to lack some of the detail and analysis required. Given the magnitude of the associated Imperfections costs and their impact on the consumer, it is imperative that the TSOs reporting of Imperfections Costs is highly transparent and the outcome of the TSOs measures to reduce such costs should also be apparent.

The CRU appreciates the challenges of analysing, forecasting and explaining Imperfections costs. However, this reinforces the importance of having data that can be easily assimilated and compared on year-by-year and like-for-like bases, and that explanations can be made clear and concise.

While the content of the Imperfections reporting will need to be further developed ahead of Final Determinations, elements that the CRU currently expects to be included are:

- Relevant research or analysis conducted, and the justification for the specific values proposed, as outlined in Section F.12.1.2 of the Trading and Settlement Code;
- A focus on the quality of the TSOs forecasts, including improvements made to the modelling methodologies;
- Measures taken by the TSOs to reduce system constraints and the consequent impact such measures have had, highlighting the associated cost savings for consumers;
- Comparison of the changes in the components and drivers of Imperfections costs on a year-on-year comparable basis (i.e. the forecast of the previous Tariff Year by comparison to the current Tariff Year forecast); and

[42] i.e. EirGrid and SONI

- Systematic, clear, and comprehensive explanations of all incurred and forecast costs, including, inter alia, details of modelling assumptions, data inputs and detailed rationale for any changes of any modelling processes.

The CRU therefore proposes that the TSO shall be subject to incentivisation to report such costs, on a public platform, on a weekly basis. This is in line with the frequency of constraint cost reporting undertaken by the National Energy System Operator (NESO) in Great Britain, which the CRU considers to be appropriate. Failure to produce such information shall be subject to penalties under PR6.

The CRU also considers that the metrics related to physical and operational constraint reduction could be assessed at the end of the period, or on a less than annual basis, with a focus on measurable constraint reduction, recognising that actions taken throughout the period may take time to materialise. Reporting would be assessed annually. The CRU seeks views from stakeholders on the frequency of assessment.

The proposed annual reward for this incentive is €6.56m, and proposed penalty is -€2.69m. The CRU welcomes stakeholder views on whether the proposed incentive value is appropriate given this is an area of critical importance.

Reasoning

Imperfections Charges have increased significantly in recent years, with charges since the beginning of 2022 up to the end of 2024 projected to amount to over €1.85bn. While the recent high commodity prices have caused increased costs, other factors are likely to have a significant impact in forthcoming years. As these costs are ultimately passed on to electricity consumers, it is essential that maximum transparency is provided to market participants and the end consumer and that all possible actions be taken by the TSO to reduce these costs.

9.10 Security of Supply and System Adequacy and Resilience

Purpose

The aim of this incentive is for the TSO to demonstrate progress in addressing and managing transmission network security of supply and maintaining sufficient levels of system adequacy during PR6, recognising the TSO's central role in these activities.

This new incentive replaces the Local Security of Supply incentive that exists in PR5, which focused on addressing constraints in the Dublin Region that represent a security of supply risk. While these constraints still exist, incentivisation exists in other elements of the PR6 framework (i.e. through Delivery Obligations imposed on the TSO and other licensees to progress projects

that add network capacity in the Dublin area). As security of supply concerns arise in other parts of the country, the CRU considers it appropriate to introduce an evolved incentive with a broader security of supply focus.

This new, nationally focused incentive reflects the high levels of growth materialising throughout Ireland, resulting in significant constraints on the network that represent a security of supply risk. As these constraints rise, a key concern relates to maintaining necessary levels of system resilience while ensuring security of supply. The TSO plays a key role in addressing these challenges and maintain system adequacy.

Proposal

The CRU welcomes the April 2025 submission from the TSO, which included an updated proposal for an evolved security of supply incentive, recognising that the Security of Supply programme is now business-as-usual.

The CRU agrees with the TSO proposal in principle and will continue engagement ahead of final determinations to develop suitable metrics. The TSO has proposed as KPIs for this incentive:

- KPI 1: Delivery to Exercise Programme in the Risk Preparedness Plan
- KPI 2: Continuity, Adequacy and Resilience Measures
- KPI 3: Energy Management System (EMS) and associated mission critical system uptime of >99.5%

KPI 1 refers to the updated Risk Preparedness Plan, which is expected in January 2026, and the proposal links future targets to the associated annual programme of exercises. While the CRU does not disagree with the relevance of this Plan to the aims set out under this incentive, it is the intent of the CRU to set PR6 targets for the period at Final Determinations. The PR6 performance incentive framework is also being designed to be mechanistic and output-focused, and therefore, qualitative assessment against the incentivisation of interim processes will not be a feature of any PR6 incentives. The CRU is open to discussion on the nature of the metrics it has envisaged for this KPI.

KPI 2 references potential metrics related to regulatory reporting, Winter Outlook, Secondary Fuel, and systems, tools and procedures. The CRU agrees with this KPI in principle, provided the developed metrics fit the criteria above. The CRU would welcome input on how improvements in system adequacy could be measured and incentivised appropriately.

The CRU would consider a quantitative, mechanistic metric associated with KPI 3, particularly in maintaining the mission critical system uptime. A historical baseline, along with appropriate

benchmarking with other jurisdictions, would need be required to establish an appropriate associated target.

The CRU is also considering relevant metrics related to new cyber and physical resilience regulations[43] to incentivise TSO compliance.

The TSO will be subject to a financial reward or penalty under this incentive, with an annual proposed upside of €3.71m and proposed annual downside of -€1.09m.

Reasoning

The TSO is ultimately responsible for maintaining appropriate levels of system adequacy, which is critical in ensuring Ireland's security of supply. It is the intention of the CRU to effectively incentivise this in PR6.

9.11 Consultation Questions

Questions:

16. Do you have any comments or views on the CRU's proposed TSO performance incentives and CRU's supporting reasoning, including but not limited to:
   a. The mix of new and retained incentive mechanisms?

17. Views are sought in relation to the design of the renewable integration incentive mechanisms and the new security of supply incentive, including the new metrics proposed by the TSO

18. Do you have views on the requirement for the TSO to consult on its outturn stakeholder engagement report?

[43] Such as NIS2, Network Code on Cyber Security and Critical Entities Resilience Directive

10 Joint Performance Incentives

10.1 Overview

The CRU is proposing to retain the existing joint incentives from PR5 (i.e. TSO/TAO Joint Incentive and TSO/DSO Coordination Incentive) in PR6. These incentives have incentivised continued coordination and collaboration between the licensees, optimising the delivery of whole system solutions and accelerating progress toward CRU strategic objectives. The CRU is also proposing to accept the new incentive put forward by the TSO and TAO related to coordinated joint Transmission Outage Plan (TOP) Delivery.

Given the qualitative nature of these incentives, the CRU recognises the challenge of fully adapting the existing structure to that of the PR6 performance incentive framework. Therefore, these incentives will continue to operate as a hybrid between the envisaged structure for PR6 incentives, where the CRU is proposing and the current PR5 balanced scorecards.

As in PR5, the companies will publish and consult on multi-year plans for the joint incentives following a similar timescale and format for the first year of PR6 (i.e. in 2025 ahead of the start of the upcoming price review period). The companies will publish and consult on the multi-year plans during Q3 and submit the finalised multi-year plans to the CRU by 31 October 2025. These multi-year plans will be expected to include proposed annual metrics for the entire PR6 period (i.e. 2026-2030).

As the TSO/TAO Joint Incentive and TSO/DSO Coordination incentives have been operational for several years now, the CRU considers it is possible to set specific performance targets for the full PR6 period at Final Determinations. If and where necessary, these targets can be amended through the change control process provided for in the annual reopener window. Specific guidance on change control procedure will be included in Final Determinations.

Associated audit requirements for these incentives will continue but will be reduced to every two years, as proposed by the licensees. The CRU considers this provides adequate assurance, in combination with an annual outturn performance report, and streamlines administrative requirements.

However, the CRU proposes for outturn assessment and reward/penalty determination to also occur every two years to align with the submission of independent audit reports. The CRU does not consider it consistent to have only some of the assessment years informed by an independent audit. The proposed annual financial reward and penalty amounts are detailed in the tables for each licensee in the sections above.

While both the quality of the multi-year plan and implementation of the plan will be assessed against a balanced scorecard, the CRU is considering whether the previous approach of assessing against the three weighted assessment[44] criteria is optimal. Specific assessment criteria may be revised from PR5 to be more streamlined and targeted.

10.2 TSO/TAO Joint Incentive

Purpose

The CRU objective in retaining a TSO/TAO joint incentive is to promote efficiencies through enhanced collaboration, specifically with a focus on network project delivery. This is a key element of PR6 and will lead to more efficient consumer outcomes.

Proposal

The CRU proposes to retain this incentive in PR6 and notes that the Infrastructure Agreement, which governs the relationship between the TSO and TAO with respect to infrastructure delivery, is currently under review. The companies have proposed to maintain three KPIs from PR5:

- Deployment of New Technology: to ensure that the joint processes responsible for enabling the trialling and piloting of new technology are effective, and that the TSO and TAO actively deploy and use new technology on the grid,
- Joint Process Improvement: examines the TSO and TAO's performance on the quality and rigor of the application of joint processes for identifying and implementing efficiencies in project and programme delivery and other areas of collaboration,
- Asset and Programme Data Exchange: assesses the TSO and TAO's performance on the exchange of information and provision of access to transmission asset and transmission work planning and delivery IT systems, data libraries, asset data and programme & portfolio data with respect to delivery of the transmission network Capex programme.

The CRU proposes to accept the inclusion of the above KPIs, provided the annual targets against these metrics are developed by the start of PR6 and they are sufficiently outcome focused. As with other incentives and where necessary based on changes to related programmes or requirements, annual targets can be amended in-period through the annual reopener window.

The CRU also welcomes the inclusion of the new Project Development Performance KPI proposed by the TSO and TAO. The CRU proposes for annual targets against this KPI to also

[44] Quality of the plan, quality of implementation of the plan and effectiveness of the plan

be developed in advance in alignment with milestones set out in company business plan proposals and Final Determinations. This will be assessed annually to ensure projects are on track but will allow for in-period flexibility.

The CRU proposes to reject the land access metric proposed by the TSO, which would include the 'development of a joint process for the accelerated delivery of projects toward Project Agreement while landowner access discussions and negotiations are progressing'. The CRU considers that this is not sufficiently measurable or output focused, and that the development of this process is better addressed through a review of the Infrastructure Agreement or other governance processes between the TSO and TAO.

Reasoning

Retaining a joint TSO/TAO incentive provides a positive signal to the licensees to strive to improve collaboration and innovation in the delivery of transmission network improvements. Efficient delivery of the transmission network capex programme is a foundational component of PR6 and this incentive reflects the importance of a collaborative and effective approach to delivery.

10.3 TSO/DSO Coordination Incentive

Purpose

The purpose of this incentive is to encourage and reward the DSO/TSO coordination and collaboration so that the SOs can help each other in achieving their targets or delivering their plans. It aims to incentivise the addressing of electricity needs through delivering integrated, whole-of-system solutions.

Proposal

The CRU proposes to retain the TSO/DSO Coordination incentive in PR6 and welcomes the updated submission from the TSO and DSO in relation to this incentive in April 2025.

The CRU is continuing to review the updated proposal, but is minded to accept the workstreams outlined below as potential milestones against which to set specific performance metrics for inclusion in the annual balanced scorecards:

- Workstream 1: Whole of System (WOS) – focuses on optimising the system as a whole, rather than treating the transmission and distribution systems separately.
- Workstream 2: Secure Future Power System (SFPS) – Addresses long-term challenges and leverages opportunities created by high renewables penetrations, high volumes of Distributed Energy Resources (DER), and widespread demand side flexibility.

- Workstream 3: Facilitate New Technologies (FNT) – Unlocks the potential in processes and systems to support the coordination of transmission and distribution operations, and markets being developed. Supports the government's Climate Action Plan targets.
- Workstream 4: Capabilities to Enable Reductions in Dispatch Down (CERDD) – Contributes towards the objective of developing initiatives which will have a key role in reducing dispatch down of renewable generation.
- Workstream 5 (new): Communications, Engagement and Reporting (CER) – Promotes transparency of new processes through effective communication and stakeholder engagement activities.

To ensure alignment with the proposed, output-based PR6 framework, and given this incentive has been operational for several years, the CRU expects defined annual targets to be developed by the start of PR6 (and amended as needed in the annual reopener processes provided). The CRU will continue engagement with both the DSO and TSO ahead of Final Determinations.

As outlined in above, the CRU agrees with the proposal for reduced audit requirements and multi-year plan submission timelines. The CRU would welcome views on the merits of including metrics which measure the SO's performance against specific National Energy Demand Strategy (NEDS) actions for which they have responsibility to support within this incentive, or elsewhere in the incentive framework.

The financial value for the TSO has increased, aligned with TSO proposal.

Reasoning

It is necessary that the DSO and TSO have a strong regulatory signal to work progressively to deliver new system solutions, where both DSO and TSO have a role to play. Retention of this incentive underscores the importance of promoting a whole-of-system approach to managing the transmission and distribution networks in delivering positive consumer outcomes.

10.4 TSO/TAO Transmission Outage Plan (TOP) Delivery Incentive

Purpose

This new joint incentive was proposed by the TSO and TAO to promote improvements in collaboration and communication with increased joint focus on delivering outcomes in key areas related to delivery of Joint Outage Transformation Programme (JOTP).

This incentive builds on a previous incentive metric included under the TSO Investment Planning and Delivery incentive, reflecting the key role both network companies play in this area.

Proposal

The CRU welcomes the proposed inclusion of this metric as a new joint incentive and proposes to accept it as part of the PR6 performance incentive framework, provided the metrics are sufficiently output-focused and mechanistic.

As proposed by the licensees, this incentive would assess overall TOP delivery along with four specified criteria:

- Criteria 1: Outage availability in the TOP plan must exceed a defined threshold.
- Criteria 2: Outage utilisation in delivery of the TOP plan must exceed a defined threshold to ensure the utilisation of actual outages taken by the TAO in the delivery of capital projects equals or exceeds the annual plan.
- Criteria 3: Initial energisations included in the annual TOP plan must be delivered and achieve a predetermined threshold outcome.
- Criteria 4: Final energisations included in the annual TOP plan must be delivered and achieve a predetermined threshold outcome.

The licensees have also proposed for exceptional circumstances outside of their control and which impact performance against these criteria to be excluded from the assessment of performance.

In principle, the CRU agrees with the inclusion of the above assessment criteria, provided mechanistic and measurable metrics are developed and go beyond incentivising interim processes related to implementation of the TOP.

The CRU will engage with the TSO and TAO ahead of Final Determinations to further develop this incentive and the four proposed criteria and determine appropriate metrics to assess the actual impact of the TOP (for example, the percentage increase in number of projects that could be delivered in outage windows).

Reasoning

The TAO and TSO both play key roles in making and delivering the annual TOP plan, and it is therefore appropriate for this metric to be assessed as a joint incentive. The CRU considers that

incentivising improvements in collaboration and communication in relation to outages will lead to material benefits for consumers.

10.5 Consultation Questions

Questions:

19. Do you have any comments or views on the CRU's proposed joint performance incentives and CRU's supporting reasoning, including but not limited to:

a. The new TSO/TAO Outage Planning incentive design, particularly output-focused assessment metrics

b. The proposed amendments to the TSO/TAO Joint incentive focused on infrastructure delivery

c. Including metrics which measure the SO's performance against specific National Energy Demand Strategy (NEDS) actions with the joint TSO/DSO incentive or elsewhere in the incentive framework.

11 Reporting, Monitoring and Governance

Output-based reporting was put in place by the CRU in PR5 to increase transparency for all stakeholders on what is being delivered over time by the network companies in return for the revenues made available through the price review. This was to ensure that relevant information is easy to access and interpret – and capable of adapting over time to allow reporting on the full range of ways in which actions by the network companies impact stakeholders.

Without a robust framework for reporting, there is a risk that customers, stakeholders and the CRU cannot easily discern how the network companies are performing– and hence are less able to hold the network companies to account or understand the levels of performance that it is reasonable to expect the network companies to deliver.

The proposed reporting framework for PR6 strengthens the reporting mechanisms put in place to increase transparency and allow for greater visibility into the activities of network companies and the clear tracking of expenditure and associated outputs.

The CRU proposes to retain aspects of the PR5 Reporting and Monitoring Framework for PR6, with adaptations and enhancements to reflect the increased level of flexibility of the PR6 Regulatory Framework and continued transition to a more outcome-based approach.

The proposed regulatory framework design, described in previous sections, builds on the PR5 reporting and monitoring framework to have a further expanded focus on outcomes and outputs. This is also driven by the required and unprecedented step up in expenditure over PR6, necessitating greater transparency and visibility into delivery against allowances. The regulatory oversight provided for in the proposed reporting and monitoring framework will enable this.

For PR6, the CRU is proposing a more comprehensive and streamlined reporting and monitoring framework, supporting the output-focus of the overall regime. With a clear regulatory linkage between allowances and outputs, PR6 requires a reporting and monitoring framework that enables the CRU to clearly track expenditure throughout the period in relation to outputs delivered.

The CRU is proposing to retain the following categories of reporting, with additions and enhancements further detailed in the subsections below:

- **Stakeholder Reporting:** accessible reports clearly setting out the network company's annual performance and infrastructure delivery. This includes the Annual Performance Reports for the TSO and DSO, and the Investment Planning and Delivery Report for the TSO and TAO, which are to be continued from PR5. Innovation and Stakeholder Engagement reporting requirements from PR5 will also be continued. Alongside these

reports, the CRU intends to publish a 'dashboard' that summarises key metrics and performance indicators.

- **Regulatory Reporting Pack:** annual submissions made by the TSO, DSO and TAO for the TUoS and DUoS processes will be included in PR6. These include detail on performance against incentive targets, expenditure against allowances, and delivery of outputs against *ex-ante* expectations. There will be more emphasis on reporting and explanations of any deviations from expectations in costs, delivery against outputs and performance targets.

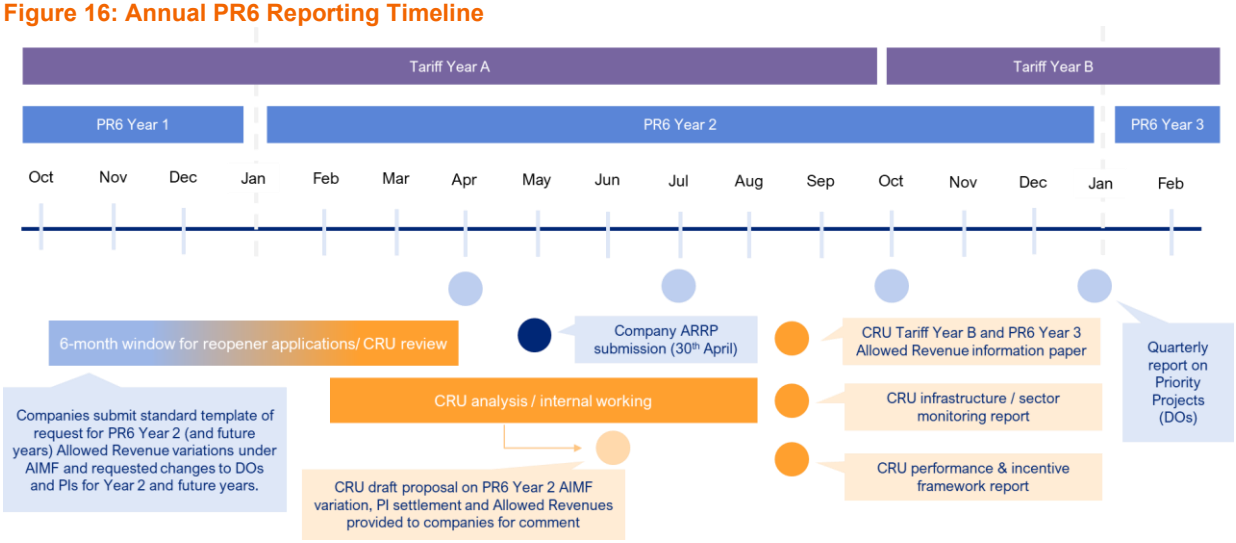
  Supporting the PR6 ambition to accelerate delivery of infrastructure, the regulatory reporting packs will be supplemented in PR6 with new/updated annual capital expenditure and delivery reports for all licensees, along with quarterly expenditure and delivery reports for the TAO and DSO for certain specified priority projects with delivery obligations. Annual reports will be required for all other delivery obligations.

  Additional reports, including cyber security, will also be continued from PR5, and extended to the DSO. The CRU is also considering aligning the tariff and revenue years for PR7. This would impact the timing of when the regulatory reporting pack would be submitted in those years. Described further below, the CRU may also consider aligning the tariff and revenue years for PR7. This would impact the timing of when the regulatory reporting pack would be submitted in those years.

- **Detailed Expenditure Reporting:** detailed reporting by the network companies in a similar format to the questionnaires used for the historic *ex-post* review, to be used for the five-year review process. Alongside this, the CRU is proposing to change the timing of the *ex-post* review so that the final assessment of allowances is more clearly undertaken following the final year of the PR6 period.

An overview of the envisaged PR6 reporting timeline and associated deliverables is illustrated in Figure 16 below.

Figure 16: Annual PR6 Reporting Timeline



In addition to the enhanced monitoring and reporting requirements illustrated above to align with the PR6 regulatory framework, other stakeholder reporting will continue. This is further detailed in the sections below.

The CRU is also considering extending the remit of the TSO Monitoring Committee, changes to the timing of the *ex-post* review, and the possibility of aligning revenue and tariff years. These issues are discussed in later sub-sections.

As stated in PR5 Final Determinations[45], the CRU expects that the reporting activities of the companies will have become business-as-usual in PR6 and will not require additional allowances for the network companies to comply with. While enhancements to the PR5 reporting and monitoring framework have been made, the CRU considers that this has been offset by the streamlining and reduction of reporting requirements in other areas (e.g. under the performance incentives framework, as discussed in previous sections and below).

A summary of the proposed PR6 reporting requirements is set out in Table 21 below, which includes a comparison of reporting requirements under the PR5 regulatory framework for information.

[45] CRU20154-PR5-Regulatory-Framework-Incentives-and-Reporting-1.pdf

Table 21: Comparison of reporting requirements in PR5 and PR6

	PR5	PR6
Q1	**Stakeholder and Innovation Reporting** • TSO and DSO publish Stakeholder Engagement Outturn report for consultation by 31 March. • TSO and DSO publish Innovation Report for consultation; submission to CRU by 31 March.	**Stakeholder and Innovation Reporting** • TSO and DSO publish Stakeholder Engagement Outturn report for consultation by 31 March.[46] • TSO and DSO publish Innovation Report for consultation; submission to CRU by 31 March.
	PR5 Regulatory Reporting • TSO Cyber Security Report submitted to CRU.	**PR6 Regulatory Reporting** • TSO Cyber Security Report submitted to CRU. • DSO Cyber Security Report submitted to CRU ***(new)***
	Infrastructure Reporting • TSO Network Delivery Portfolio quarterly update (published on TSO website). • *TSO/TAO quarterly priority project supplementary report (to CRU)*[47]. ***(Propose to discontinue)***	**Infrastructure Reporting** • TSO Transmission Network Delivery Portfolio quarterly update (published on TSO website).
	Additional Performance Reporting: • DSO CML/CI quarterly report to CRU.[48]	**Additional performance reporting** • DSO CML/CI quarterly report to CRU.
		Delivery Obligations ***(new)*****:** • TSO/TAO/DSO quarterly delivery obligation reports to CRU[49]. Note: incorporates information previously reported to CRU in the quarterly priority project supplementary report. Quarterly delivery obligation reports apply to a subset of delivery obligations only.
Q2	**Stakeholder Reporting:** • TSO and DSO submit stakeholder engagement outturn report to CRU	**Stakeholder Reporting:** • TSO and DSO submit stakeholder engagement outturn report to CRU

[46] The CRU is consulting on whether a consultation is required on the outturn stakeholder engagement report. See section 6 for consultation question.
[47] Reporting requirement not specified in PR5 Regulatory Framework. Introduced by CRU following Infrastructure Delivery Review (CRU202486).
[48] Reporting requirement not specified in PR5 Regulatory Framework. Introduced by CRU in response to performance issues (CRU2024120a).
[49] Subject to this consultation, quarterly delivery obligation reporting applies to the 29 transmission priority projects (TAO and TSO), and to the 27 distribution priority projects (DSO).

	PR5	PR6
	post consultation and 5 working days in advance of first NSEEP meeting.	post consultation and 5 working days in advance of first NSEEP meeting[50].
	PR5 Regulatory Reporting Pack to CRU (end April) **Financial:** a) Annual TSO/TAO/DSO BPQ b) Annual revenue requirement submission c) Annual revenue models d) *AIF report where required* ***(Propose to discontinue)*** e) *Annual RORE report* ***(Propose to discontinue)*** f) *Annual outputs report* ***(Propose to discontinue)***	**PR6 Regulatory Reporting Pack to CRU (end April)** **Financial:** a) Annual TSO/TAO/DSO[51] BPQ b) Annual revenue requirement submission c) Annual revenue models
	Performance Incentives: a) Incentive outturn performance reports and independent audits where required *b) Timeliness Report (IPD)* ***(Propose to discontinue)***	**Performance Incentives:** a) Incentive outturn performance reports for all incentives and independent audits[52] where required.
	Reports: a) EU network code Report b) International Benchmarking Report *c) Audit on the Quality of Regulatory Submissions* ***(Propose to discontinue)*** d) Annual work plan (outturn)	**Reports:** a) EU network code Report b) International Benchmarking Report c) Annual work plan (outturn) d) **TSO/TAO/DSO Annual delivery obligation reports – applies to all delivery obligations** ***(new)***
	Infrastructure Reporting • TSO Network Delivery Portfolio quarterly update (published) • *TSO/TAO quarterly priority project supplementary report (to CRU)* ***(Propose to discontinue)*** • TSO/TAO Detailed Annual Capex Report submit to CRU end April	**Infrastructure Reporting** • TSO Network Delivery Portfolio quarterly update (published) • TSO/TAO Detailed Annual Capex Report submit to CRU end April. • **DSO Detailed Annual Capex Report submit to CRU end April** ***(new)***
	Additional Performance Reporting: • DSO CML/CI update report to CRU	**Additional Performance Reporting:** • DSO CML/CI quarterly report to CRU
Q3	**Stakeholder Reporting:**	**Stakeholder Reporting**:

[50] The timeline for this is currently, post Q1 consultation and 5 working days before the first NSEEP meeting in April/May. If the requirement to consult on the outturn report is changed, the CRU will bring forward the timing of this submission.
[51] ESBN has previously agreed with the CRU a submission deadline of end May (DSO) and start June (TAO) for the annual BPQ's. This can continue to apply in PR6.
[52] The CRU is consulting on reducing the number of audits required – see section 6 and 7 for details.

	PR5	PR6
	• TSO/TAO publish APR and IPD for consultation ***(Consulting on requirement to consult)*** • DSO publishes APR for consultation ***(Consulting on requirement to consult)***	• TSO/TAO publish APR and IPD for consultation[53] • DSO publishes APR for consultation.[54]
	Multi-Year Plans: • TSO/DSO consult on Multi-Year Plans: ○ RES-E ○ IPD ○ TSO/TAO ○ TSO/DSO ○ Strategic Objectives ○ Local Security of Supply ○ Imperfections and Constraints ○ ERT ○ Flexibility ○ Visibility ○ Independent Role of the DSO ***Proposing to discontinue requirement for Multi-Year Plans for all except joint incentives TSO/TAO and TSO/DSO, subject to consultation.***	**Multi-Year Plans:** • TSO/DSO consult on Multi-Year Plans: ○ TSO/TAO ○ TSO/DSO ○ **TSO/TAO outage management** ***(new)***
	Infrastructure Reporting: • TSO Network Delivery Portfolio quarterly update (published) • TSO/TAO Q4 priority project supplementary report (to CRU) ***(Propose to discontinue)***	**Infrastructure Reporting:** • TSO Network Delivery Portfolio quarterly update (published)
	Additional Performance Reporting: • DSO CML/CI update report to CRU	**Additional Performance Reporting:** • DSO CML/CI quarterly report to CRU
		Delivery Obligations ***(new)*****:** • TSO/TAO/DSO quarterly delivery obligation reports (applicable to subset of delivery obligations only)
Q4	**Stakeholder Reporting:**	**Stakeholder reporting:**

[53] The CRU is consulting on removing the requirement to consult on the Annual Performance Report and Investment, Planning and Delivery Report.
[54] As above.

	PR5	PR6
	• TSO and DSO publish Stakeholder Engagement Strategy Consultation[55] (year ahead strategy) • TSO and DSO publish stakeholder engagement strategy (final year ahead strategy) • TSO/TAO submit final APR and IPD (by 1 Oct) to CRU for approval and publish • DSO submits final APR (by 1 Oct) to CRU for approval and publish	• TSO and DSO publish Stakeholder Engagement Strategy Consultation (year ahead strategy) • TSO and DSO publish stakeholder engagement strategy (final year ahead strategy) • TSO/TAO submit final APR and IPD (by 1 Oct) to CRU for approval and publish • DSO submits final APR (by 1 Oct) to CRU for approval and publish
	Multi Year Plans: • TSO/DSO Multi Year Plans submitted to CRU by 1 October (11 submissions)	**Multi Year Plans:** • TSO/DSO Multi Year Plans submitted to CRU by 1 October[56]
	Infrastructure Reporting: • TSO Network Delivery Portfolio quarterly update (published) • TSO/TAO Q4 priority project supplementary report (to CRU) *(Propose to discontinue)*	**Infrastructure Reporting:** • TSO Network Delivery Portfolio quarterly update (published)
	Other Reporting: • TSO/DSO annual work plan (year ahead) – submitted to CRU	**Other Reporting:** • TSO/DSO annual work plan (year ahead) – submitted to CRU
	Additional performance reporting: • DSO CML/CI update report to CRU	**Additional performance reporting:** • DSO CML/CI quarterly report to CRU
		Delivery obligation reporting *(new):* • TSO/TAO/DSO quarterly delivery obligation reports (applicable to subset of delivery obligations only)

11.1 Stakeholder Reporting

Stakeholder reporting is a key way to ensure transparency in how the network companies are investing and delivering in the interests of customers. In PR6, the CRU expects the network companies to adhere to a number of high-level principles when preparing stakeholder reports. Reporting for stakeholders should be accurate, clear, transparent and concise. The network companies must ensure that reporting of performance is presented transparently and where possible is presented against targets or planned performance. This was not always the case in PR5. For example, the quarterly Network Delivery Portfolio updates were not presented against

[55] Publication of this consultation moved from Q1 of the year in question to Q4 following NSEEP feedback

[56] Consulting on reducing number of multi-year plans from 11 to 3 – see sections 6 and 7 for details.

the baseline projected dates. The Investment, Planning and Delivery Report did not always include targets when reporting on performance. These issues must be addressed in PR6. Given the step change in the level of investment being funded in PR6, the CRU expects the network companies to demonstrate where possible the benefits of the investments that they are making on customers (for example, quantifying reductions in constraints alleviated by infrastructure delivery). These principles should be reflected by the network companies in all stakeholder reporting in PR6.
The CRU notes and welcomes that the network companies have included a proposal to develop a dashboard for infrastructure delivery reporting in PR6. The CRU will engage with the network companies on the format and content of this reporting.

11.1.1 PR6 Dashboard

ESB Networks and EirGrid have a variety of reporting requirements under the PR6 Regulatory Framework. The CRU requires these detailed reports in order to monitor the companies' expenditure and performance. Alongside these reports, the CRU intends to publish a 'dashboard' that summarises key metrics and performance indicators.

The purpose of the dashboard is to improve and enhance transparency and access to information for industry and consumers. The dashboard will be updated on a regular basis and will be published on the CRU website.

11.1.2 Cost Metrics

The CRU proposes to include the following cost metrics (Table 22) on the dashboard, split out into TSO, TAO and DSO. These metrics will be updated annually.

Table 22: Cost metrics for the PR6 dashboard

Cost Metrics
Opex expenditure per year
Opex expenditure throughout PR6 (cumulative total)
Capex expenditure per year
Capex expenditure throughout PR6 (cumulative total)
Annual allowance vs outturn expenditure

11.1.3 Infrastructure Delivery Metrics

One of the key objectives for PR6 is the delivery of infrastructure at pace. The dashboard will provide an update on progress against the key outputs which are expected to be delivered from the transmission and distribution capex programmes, including the metrics set out in Table 23:

Table 23: Key infrastructure delivery metrics for the PR6 dashboard

Key Infrastructure Output Metrics	
Transmission	867 km of overhead line uprate
	181 km of new overhead line
	319 km of new underground cable
	40 new/upgraded substations
	55 km replacement of underground cable
Distribution	Addition of 3,600 MVA of 110kV transformer capacity
	Replacement of 50,000 overhead line poles
	Replacement of 2,200 km of medium voltage conductor and conversion of 9,000 km of medium voltage network to 20 kV
	Delivery of 27 new HV substations (110 kV)
	Delivery of 16 new MV substations (110 kV)

PR6 introduces a number of delivery obligations on the network companies for infrastructure programmes. These are ring-fenced allowances for certain strategic high-priority deliverables. The CRU proposes to publish progress against each delivery obligation through the dashboard, or signpost where this information can be found on the relevant licensee's website.

The regularity of update will depend on the delivery obligation; certain projects may be updated quarterly, while the remainder will be updated annually. The CRU considers that the metrics set out in Table 24 could be tracked for each delivery obligation:

Table 24: Delivery Obligation metrics for the PR6 dashboard

Metrics per Delivery Obligation	
Outputs	Expected output (set at beginning of PR6)
	Expected output (current outlook)
	Progress against output (% completion)
Timeline	Expected delivery date (set at beginning of PR6)
	Expected delivery date (current outlook)
	Progress against schedule (# months ahead of schedule; on track; # months behind schedule)
Cost	Expected final cost (set at beginning of PR6)
	Expected final cost (current outlook)
	Expenditure to date
Narrative	Brief explanatory notes for any changes in outputs, timelines or costs between start of PR6 and current outlook

For certain projects, the dashboard may also track the delivery of project-specific milestones (e.g. Energisation Instruction) based on dates set at the outset of PR6 through delivery obligations.

11.1.4 Key Performance Indicators

The dashboard will include key performance indicators for each network company. This section of the dashboard will be updated by CRU on an annual basis. The dashboard will include a brief definition or explanation of each metric, the network companies' performance against those metrics in each year, and the performance target for each year where relevant.

The CRU proposes to include the key performance indicators set out in Table 25 on the dashboard for EirGrid as the TSO:

Table 25: Key performance indicators for the TSO for the PR6 dashboard

Performance Incentive Metrics: EirGrid (TSO)	
Incentive	Metric
RES-E	% of electricity from renewable sources; % system non-synchronous penetration (SNSP); % renewable dispatch down
System Minutes Lost	Number of system minutes lost
System Frequency	% of time correct frequency is maintained
Connections	Number of connection offers issued against timeline

The CRU proposes to include the metrics set out in Table 26 on the performance incentive dashboard for ESBN as the DSO:

Table 26: Key performance indicators for the DSO for the PR6 dashboard

Performance Incentive Metrics: ESBN (DSO)	
Incentive	Metric
Customer Minutes Lost	Number of customer minutes lost
Customer Interruptions	Number of customer interruptions
Customer Satisfaction	Customer satisfaction %
Care Centre Satisfaction	Care centre satisfaction %
Complaints	% of customer complaints resolved within 5 working days and within 30 working days

Vulnerable Customers	% of new vulnerable customers contacted within 3 months cumulative % of vulnerable customers engaged with
Generation Connection Offers	Number of generation connection offers issued against timeline
Demand connections	Performance against time to quote and time to connect targets.
Vegetation/timber cutting	Volume of timber cut per category

Under the PR6 Regulatory Framework, the network companies will regularly provide the CRU with detailed reports on various topics such as capex expenditure and performance incentives, as detailed in the other sections within this chapter. While the CRU's dashboard will focus on hosting key data relevant to consumers, more detailed information will be available within reports on the CRU's website and the network companies' websites. For example, the CRU will continue to publish a detailed annual performance report setting out the network companies' performance against incentives.

11.1.5 Infrastructure Reporting for Stakeholders

In PR5 the CRU introduced a requirement for quarterly infrastructure updates for industry by the TSO. EirGrid commenced this in Q4 2022, through the quarterly Network Delivery Portfolio (NDP) publications.[57] While these updates are useful, in PR6 the CRU proposes the following improvements to improve the quality and transparency of information available to industry:

- Updates to be published in an accessible format (e.g. Excel);
- PR6 baseline to be published to allow reader to compare updates against baseline;
- Application of a RAG status to milestones according to the PR6 baseline to improve transparency on timeliness of delivery; and
- Use of constrained data.

[57] https://www.eirgrid.ie/grid/grid-reports-and-planning/network-delivery-portfolio

The CRU is also proposing to carry over the requirement on the TSO and TAO to publish an annual Investment, Planning and Delivery Report for stakeholders.

11.1.6 Annual Performance Reporting

The CRU is proposing to retain the Annual Performance Reports for PR6. As in previous price reviews, the TSO and TAO will continue to report jointly, and the DSO shall publish its own report. This will continue to provide customers, industry participants and other interested parties with a clear, accessible, comprehensive, quantified but non-technical report on performance over the past 12 months. The CRU is proposing to retain the majority of guidance from PR5 and add new criteria to reflect feedback issued to the network companies over the course of PR5. These amended criteria are set out in Appendix A.9.

Under the current guidance the network companies are required to consult on the Annual Performance Reports before they are submitted to the CRU for approval. The CRU has set clear guidance as to the information which should be included in the Annual Performance Report, and the expectation is that the network companies will include this information and provide an accurate and transparent account of the companies' performance over the past 12 months. The CRU is now seeking views from stakeholders regarding the merits/benefits of the requirement to consult on these reports, and if that requirement should be removed.

11.1.7 Innovation Reporting

The CRU has decided to maintain the PR5 innovation reporting for PR6 for both the TSO and DSO. The core incentive shall be reputational, delivered by lodging with the CRU and publishing a submission each year on its pipeline of innovation projects. As in PR5, the submission shall cover:

- Projects being initiated;
- Projects that are in progress; and
- Projects that have been completed.

The report shall continue to include relevant, proportionate evidence on the scope, cost, rationale for, and impacts (including expected benefits) of each project with either activity or impacts during the reporting year. Requirements for the DSO and TSO will be aligned for PR6. Guidance is provided in Appendix A.10.

11.2 Annual Regulatory Reporting Packs

In PR5, the CRU put in place a requirement on the network companies to submit annual regulatory reporting packs to provide assurance of the delivery of outputs and track expenditure

between allowances and network company activities. The CRU also recognised that a full transition to an output-based approach was not feasible in a single price review period and established a reporting regime that was designed to facilitate a transition to a more output-focused reporting framework in PR6.

For PR6, the CRU proposes to retain the following elements of the annual performance reporting and regulatory reporting packs:

- **Supporting detail for the Annual Performance Report.** The network companies will continue to be required to submit the data necessary for the CRU to analyse the network company's annual performance. Outturn performance reports should be provided for all incentives, including mechanistic incentives.
- **Annual revenue models and supporting information.** As in PR5, network companies will be required to submit to the CRU annual revenue information to feed into the review process for the setting of network tariffs.
- **High-level expenditure information against total allowed opex and capex.** This will focus on portfolio-level expenditure against PR6 allowances and will not be limited to expenditure tied to delivery obligations or other mechanisms.
- **International best practice report.** The network companies shall identify international best practice and compare their performance to be best performing utilities internationally. The network companies shall provide international comparisons and the supporting information and data that informed the comparisons, a summary of this will be incorporated into the Annual Performance Report. The analysis should cover network utilities in OECD countries, and others as considered relevant by the network companies, in relation to core network activities setting out lessons learned and improvements to be implemented.
- **Reporting against regulatory deliverables.** The network companies shall continue to report on the timeliness of submissions agreed *ex-ante* with the CRU in the annual workplan. The network companies shall also provide a summary of progress against implementation of EU network codes.

The CRU proposes to discontinue the below elements of the PR5 regulatory reporting packs for PR6:

- **Reporting on trends and data that underly the AIF to provide forecasts on the expected use of mechanisms in the AIF in PR5.** As the AIF has evolved to the more targeted suite of mechanisms in PR6 that allow in-period changes through the annual reopener window, and the reporting framework will be providing the CRU with

considerably more oversight and transparency of network company activities in-period, the CRU considers this element of reporting to be redundant.

- **Reporting against outputs, both those clearly linked to inputs and those that are not.** The purpose of this submission was to enable the network companies and the CRU to examine how well the outputs linked to the associated inputs and the intended outcomes, and to provide a process for the companies to propose amendments and/or new outputs. With the proposed PR6 regulatory framework that includes targeted flexibility mechanisms, an annual reopener window, and both annual and quarterly reporting on the expected outputs and delivery obligations, the CRU considers this element of reporting to be redundant.
- **Annual RORE report.** In PR5, the network companies were required to provide this on an annual basis. In PR6, the CRU considers that this is no longer necessary as it did not provide sufficient additional benefits to the CRU, in terms of oversight and monitoring.
- **Providing an audit confirming the quality and accuracy of the data provided to the CRU as well as the quality of regulatory submissions provided to the CRU.** In PR5, the network companies were required to carry out audits to ensure that they were providing accurate, high-quality data and information. While this is still a central aim for the PR6 reporting framework, the auditing process was ineffective due to the challenge of an external accurately assessing the quality of submissions. The CRU continues to expect high-quality, accurate submissions from the network companies and welcomes views from stakeholders on whether a formal internal governance process should be introduced to sign off on all documents submitted to the CRU.

The CRU proposes to introduce for PR6 the following new annual reporting requirements:

- **Enhanced annual/quarterly[58] reporting on delivery and associated costs for Delivery Obligations and other category allowances.** The network companies will use this submission to demonstrate progress made against outputs and required deliverables in relation to allowed expenditure. Specifically, the companies will be required to submit information on the delivery progress and associated expenditure for both Delivery Obligations and category allowances. Any deviations from expected timelines or expenditure as set out at the start of PR6 will need to be explained in supplementary commentary. Specific reporting guidance will be provided at Final Determinations. This form of reporting will remain separate and additional to reporting against the performance incentives framework.

[58] Quarterly reporting is currently proposed only for the 29 Transmission priority projects (TSO and TAO) and 27 Distribution priority projects (DSO).

- **Annual distribution capex reporting.** The existing capex reporting requirements for the TSO and TAO will be extended to the DSO given its central role in the delivery of important distribution network infrastructure projects.
- **Annual distribution cyber reporting.** The existing cyber security reporting requirements for the TSO will be extended to the DSO. The CRU may revise these requirements during PR6 to reflect changes arising from NIS2 or the Network Code on Cyber Security.

As in PR5, the annual regulatory reporting pack will be submitted as a complete package, unless otherwise agreed with the CRU. In preparing this, the network companies shall ensure that it is accessible, clearly structured and easily compared to previous reports. While these reports are not intended for a wide audience the network companies should, where practicable, prepare them in format suitable for publication with any confidential information clearly marked and, where possible, contained in a separate annex. As noted in the PR6 dashboard section above, data extracted from these annual reports will be published on the CRU's website for public consumption. The annual regulatory reporting pack will continue to be submitted to the CRU by the end of April, along with the annual revenue requirement submission. The annual revenue submission timeline may change in later years of the period, subject to the CRU's decision on whether to align the tariff and revenue years. Additional information on this proposal is in subsection 11.6.

11.2.1 Capex Reporting

An active and ongoing annual capex monitoring process has been in place throughout PR5, and the CRU proposes to retain this in PR6. The capex monitoring framework increases the CRU's capacity to understand the processes that result in transmission investment and hence enables the CRU to better protect customers from the risks and costs of inefficient investment in its regulatory decision-making. The capex monitoring reporting will be additional to reporting on progress made against Delivery Obligations.

For Transmission, the structure of the annual capex Report will be maintained as follows:

- The TSO and TAO will continue to provide capex reporting on an annual cycle, which shall include, in addition to project-level reporting to the CRU (i.e. detailed capex report), a report designed for stakeholders as a companion document published alongside the consolidated annual performance report, with comparable levels of accessibility for the reader.
- The detailed TSO/TAO capex reports shall be submitted to the CRU at the end of April each year as part of the Regulatory Reporting Pack. These will continue to provide the

CRU with a "snapshot" of the capex Programme at the end of the relevant year. The reports will include sufficient detail to identify the progression of all projects across years, particularly projects that have been changed or deferred.

Reflecting on lessons learned from PR5, and changes made the during the course of PR5, the CRU will provide additional guidance at Final Determinations that will focus on the following:

- Ensuring that delays at early stages of delivery are appropriately reported on and also reflected in projected energisation dates;
- Ensuring that forecasts provided to the CRU are accurate and based on what is realistic to deliver, taking into account any delays in early stages of projects; and
- Use of Risk Register References (as agreed during Infrastructure Delivery Review) to consistently describe any energisation variances.

Regulatory reporting is a core function of any regulatory price control process. It allows regulators to monitor the progress of companies both during the price control and in reconciliation at the end of the control period. Effective reporting helps to overcome the asymmetric information problem inherent in monopoly regulated network industries – including by helping network users and other stakeholders better understand, and engage with, plans for how the network is being developed.

For PR6, the CRU proposes to extend the capex reporting requirements to the DSO given its central role in delivery of important distribution network infrastructure projects. This will primarily focus on annual outturn expenditure as it compares to planned expenditure set at the start of PR6 and progress made against delivery of the overall capex plan. A narrative submission on these metrics, particularly in the case of delays or identified delivery risks, will also be required. The CRU intends to publish annual updates summarising the delivery of the distribution capex programme annually. Additional guidance ono the format of this report will be provided at Final Determinations.

The CRU seeks stakeholder views on whether any additional changes are necessary for transmission capex monitoring in PR6, and whether specific metrics should be considered for the DSO.

11.2.2 Quarterly Reporting on Priority Projects

As described in section 5.3 and further detailed in Appendix A.5, the CRU is proposing that each of the licensees will be subject to specified Delivery Obligations in PR6. For the TAO, there are 29 Delivery Obligations associated with discrete transmission projects. These 29 projects are considered to be "priority projects" and are the network infrastructure projects identified by the

network companies as being those most critical to deliver over the PR6 period. Quarterly reporting requirements will also apply to the 27 infrastructure projects identified by the DSO as "priority projects" on the distribution network.

Given the relative importance of these network projects, the CRU considers it necessary to have more frequent reporting on the progress made in delivering them. Therefore, the CRU proposes quarterly reporting will be required against these projects, with guidance on submissions including reporting templates to be provided at Final Determinations.

During PR5, following the Infrastructure Delivery Review, the CRU implemented interim quarterly reporting on the 29 transmission priority projects[59]. The CRU proposes to integrate the existing PR5 quarterly reporting on 29 transmission priority projects with the new delivery obligation reporting requirements for the 29 priority projects. The formatting and required information will be updated to reflect any additional detail required under the PR6 framework.

11.2.3 Cyber Security Reporting

In PR5, the TSO was required to report to the CRU annually on its progress to enhance its cyber security. Requirements included:

- the TSO to report on an independently assessed score which comprises NIST6 and ISO 27001 best practices (as proposed by the TSO). This is currently based on the US National Institute of Standards and Technology, Cybersecurity Framework (NIST CSF);
- the assessment to cover system resilience and system restoration, in addition to prevention measures, as the CRU considers it important that the electricity system can remain operational even where security measures fail; and
- the report issued to the CRU to be concise, contain no sensitive information and contain limited, if any, technical information.

The CRU is proposing to retain the cyber security reporting requirement for the TSO in PR6 and given the importance of ensuring resilient networks, extend this reporting requirement to the DSO. This will be a new reporting requirement for the DSO, however, given its growing role in active system management and its interface with the transmission system, the CRU considers that this requirement is appropriate and timely. The CRU may revise these requirements during PR6 to reflect changes arising from NIS2 or the Network Code on Cyber Security. The CRU is proposing to maintain the same reporting deadline of end March.

[59] Transmission Infrastructure Delivery Review: TNEI Report

The CRU seeks stakeholder views on whether any additional changes are necessary for Cyber Security reporting in PR6.

11.3 Detailed Expenditure Reporting

As part of the CRU's price review, each network company is required to submit its Business Plan Questionnaire (BPQ) setting out the detailed breakdown of expenditure (opex and capex). This is then used to assess network company performance over a price review period.

As part of PR5, the CRU introduced a requirement for each network company to submit an updated BPQ reflecting the outturn in the previous year. Given the output focus of this reporting, it has been helpful in facilitating the CRU continued transition to an outcome-based framework while maintaining oversight of the network companies throughout the PR5 period. Therefore, the CRU proposes to retain the annual BPQ reporting requirement in PR6.

The BPQ shall take the form of an excel spreadsheet and follow a similar format used by the network company in PR5. The CRU notes that some updates may be required to reflect the PR6 framework. In the case of changes to the BPQ format, a template and guidance will be provided as part of Final Determinations.

The BPQ will continue to be submitted to the CRU by the end of April.

11.4 TSO Monitoring Committee

The CRU proposes to retain the TSO Monitoring Committee in PR6. Once the Committee was established, it provided independent and on-going oversight of TSO initiatives that were not fully defined at the start of PR5 but were required during the period. The CRU considers that it has played a constructive role in providing independent assessment of new propositions before they are brought to the Commission for approval, and thanks Committee members and EirGrid for their contributions to this. In PR5, the CRU was not a member of the committee, and the approvals of expenditure were made by the CRU, not the committee. The CRU intends for this to continue in PR6.

Given the success of the TSO Monitoring Committee to date, the CRU is considering whether to further build on the concept for PR6, including by extending it to the TAO and DSO, particularly given that (a) it is proposed that in PR6 the Innovation and R&D Mechanism is expanded to cover all licensees and (b) there is significant uncertainty in the PR6 period. Hence the CRU expects that all the licensees will likely have to develop and bring forward to the CRU for approval new or amended investment proposals and propositions (including ones which are not fully developed at the beginning of the PR6 period and for which full project costs have not been allowed in the PR6 baseline as a result). Monitoring Committee(s) could therefore play a

valuable role in assuring and challenging new proposals and propositions for all the licensees during the period.

The first issue to be considered is around which licensees should be covered by Monitoring Committee(s). The CRU is minded that Monitoring Committee(s) should cover the DSO and TAO as well as the TSO, for the reasons set out above. It has considered expanding the remit of the current Committee to cover the other licensees, but reject this on the grounds of:

- potential independence issues for Committee members (who would need to be independent of all licensees not just the TSO);
- potential expanded time commitment issues for Committee members;
- confidentiality issues for the individual licensees; and
- the complexity associated with needing a secretariat for the expanded Committee.

Rather, the CRU proposes establishing three separately appointed Monitoring Committees each covering one licensee with separate membership of each committee.

A second issue is around the scope and role of the Monitoring Committee(s). The existing and new committees could retain the same limited terms of reference as at PR5. Alternatively, the scope could be extended to cover assurance and challenge of any new schemes and projects that are brought forward to the CRU for funding during the PR6 period. A third option would be for the Monitoring Committee to be a route for assurance of all reopener requests relating to existing schemes and projects under delivery obligations and other scheme-specific reopeners before they are brought to the CRU for approval. Clearly, the wider the remit of the committee(s) the greater the potential workload and time commitment for members and for the licensee to service the committee. On the other hand, monitoring committees could provide a more light touch and consistent form of assurance than might be provided by the appointment of external assurers (e.g. consulting engineers). There could be hybrid options where monitoring committees and external assurance providers provide complementary roles (e.g. for different types of proposal).

The CRU reiterates that responsibility for approval of expenditure would remain with the CRU under any of the possible options that are being consulted on.

The CRU welcomes stakeholders' views on the future role and scope of the TSO Monitoring Committee and whether there should also be such Committees for the DSO and TAO and, if so, their remit.

11.5 *Ex-post* Review Process

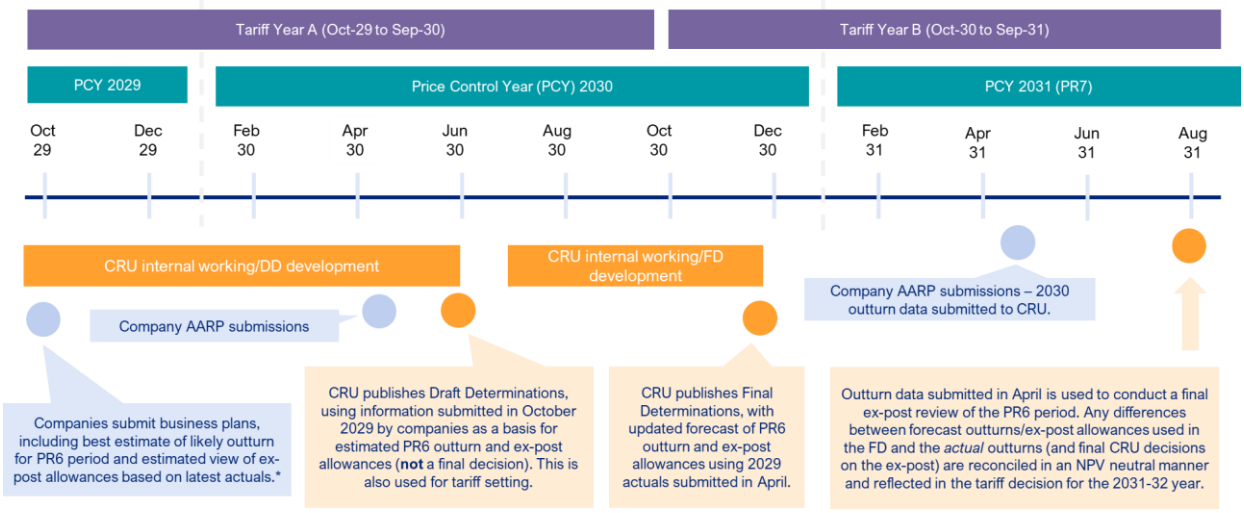
At the close of each Price Review, the CRU undertakes an *ex-post* assessment of the delivery of outputs against allowances for each licensee. This provides an opportunity for the CRU to review the efficiency of outturn costs over the period and assess whether the network companies have achieved tangible benefits for the allowances already funded by the consumer. Additional detail on the *ex-post* review process is provided in Appendix A.8.

Under current arrangements, the *ex-post* review process happens **during** the final year of the price review period. In effect, this prevents the CRU from conducting an *ex-post* assessment on outturn expenditure from the final years of the period. For example, the PR5 *ex-post* review has taken place during the first part of 2025 as an element of the PR6 draft determinations process, based primarily on data provided in the 'look back' submissions in network companies' October 2024 business plans. Outturn costs for 2024 were not submitted to the CRU until the end of April 2025 as part of the annual tariff-setting process – too late to be taken into account in draft determination decisions, and the outturn for the 2025 year will not be realised until 2026.

The CRU is proposing to streamline the *ex-post* assessment process and conduct it **at the end of** the price review period once all outturn costs are realised (i.e. early in the following price review period). Many of the network companies' schemes and programmes have expected expenditure profiles that build over the full period and have delivery dates that may (or may not deliver their full benefits until) late in the period. This proposal will have the benefit of enabling the CRU to take full account of expenditure, delivery and performance over the entire period in making final *ex-post* determinations of efficient expenditure (and for the companies to be able to justify expenditure, delivery and performance on the same basis).

Figure 17 below provides an indicative timeline for how this would work in practice for the PR6 *ex-post* review.

Figure 17: Proposed PR6 *ex-post* review timeline



The CRU welcomes stakeholder views on changing the period in which the *ex-post* review is conducted.

11.6 Alignment of Tariff and Revenue Years

Like other CRU-regulated sectors, the electricity sector currently operates on a staggered tariff and revenue year. Effectively, under this system, allowed revenues are determined at the start of the price review period on an annual basis for each of the five calendar years in the period (i.e. January through December). These allowed revenues determine the amount of expenditure companies are allowed to recover from consumers to fund their activities.

Tariffs, which are applied to consumers to generate the revenue stream used to fund those activities, are also collected on an annual basis. However, these are collected on a period from the October preceding the relevant revenue year through September within the revenue year.

In April of each year, EirGrid and ESBN submit to the CRU requests for adjustments to their allowed revenues for the upcoming tariff year, as part of the annual tariff setting process. This is carried out separately for each licensee.

For most years within the price review period, the annual revenue process is conducted on the basis of making adjustments, resulting from updated forecasts of necessary allowances and outturn cost true-ups, to the annual allowed annual revenue amount set at the start of the price review period. However, for the tariff process in the first year of a price review period, there is no set basis for setting tariffs given the Final Determination has not yet been published for the upcoming price review period.

As part of feedback received from EirGrid during the engagement process preceding the publication of this consultation, the TSO proposed further consideration of aligning the calendar-year revenue setting with the tariff year. This would have the benefit of streamlining and aligning

company forecasting, budgeting, and CRU regulatory determination processes, but would potentially increase the amount of work to be done by companies and the CRU in a short period of time during the year. Submission and assessment processes and timelines would need to be reconsidered.

If it were decided to align the revenue and tariff years, there would need to be a cut-over from one the current arrangements to the new one. It would be necessary to consider when to do this (at some point during the PR6 period vs. the beginning of the PR7 period) and how (for example, by extending the tariffs in a given year by one quarter and reconciling any differences between required revenues and tariffs for that quarter on a NPV neutral basis).

The CRU agrees that this proposal merits further consideration and is interested in stakeholder views on the same.

11.7 Consultation Questions

Questions:

20. Do you have any comments or views on the CRU's reporting proposals for PR6?

21. Are there any modifications to the reporting structure as presented by the CRU?

22. Do you have any comments or views on the CRU's proposed reporting dashboard, such as additional metrics to be included and/or the frequency with which each metric shall be updated?

23. Do you agree with the CRU's proposal to extend Capex Monitoring and Cyber Security reporting to the DSO and/or have any other proposed specifications than those listed?

24. Do you have views on the guidance for the network companies Annual Performance Report, and/or the requirement to consult on this Report?

25. Do you have any comments or views on retaining the TSO Monitoring Committee and/or introducing Monitoring Committees for the other licensees?

a. What should the role of the Monitoring Committee be?

26. Do you have any comments or views on changing the timing of the *ex-post* review for PR6?

27. Do you have any comments or views on aligning revenue and tariff years?

12 Next Steps

12.1 Responding to this Consultation

The CRU is now providing interested parties with the opportunity to comment on the proposed regulatory framework for PR6.

The CRU will take responses to this consultation into consideration when preparing its PR6 Final Determination, which is scheduled for publication in Q4 2025. A summary of responses to this consultation will be published alongside the Final Determination.

All consultation responses will also be published unless a response is clearly marked as confidential and not for publication.

Responses can be sent through the CRU's consultation platform or to pricereview6@cru.ie by 17.00 11 September 2025.

12.2 Between Draft Determinations and Final Determinations

The CRU recognises that key elements of the regulatory framework are new for PR6. Furthermore, the companies' programmes of work will continue to mature in the run-up to the start of the PR6 period.

The CRU intends to use the period between Draft Determinations and the Final Determinations to finalise and document delivery obligations and other detailed aspects of the framework.

Key focus areas between Draft Determination and Final Determination will be:

- Finalising the **open policy areas** that the CRU has consulted on at Draft Determination, following receipt of consultation responses from stakeholders;
- Specifying, in consultation with the network companies, the final requirements and conditions of each of the **delivery obligations and other outputs**;
- Finalising and documenting each of the **uncertainty mechanisms within the AIMF**, including reopeners and volume drivers;
- Finalising and documenting the definitions of, and metrics within, **performance incentives**, especially those that are new or significantly amended from PR5; and
- Specifying, in consultation with the network companies, the detail of the **reporting, monitoring and governance regime**, particularly detailed reporting guidance for

companies and the submission guidance and assessment processes for adjustments, reopeners and annual/ end-of period reviews.

The CRU will engage with the network companies following publication of this Paper to establish working arrangements to facilitate these activities in an efficient and effective manner. For the avoidance of doubt the CRU reiterates that it retains authority for final decisions on all the above matters.

Appendices

A.1 Appendix - Assessment Criteria

This appendix sets out the criteria that the CRU has used to develop the regulatory framework in PR6 and, in particular, to reach decisions on what uncertainty mechanisms should be included in the PR6 regulatory framework, what outputs/outcomes should be covered under the performance incentive regime, and how financial incentives within the performance incentive regime should be designed.

A1.1 Uncertainty mechanisms

For uncertainty mechanisms, the CRU applied the following criteria:

- **Need and controllability.** Uncertainty mechanisms should only apply where a factor that is outside the licensee's direct control is expected to impact the licensee's costs, and where that factor cannot be forecast sufficiently accurately at the time of the price control review.
- **Materiality.** Uncertainty mechanisms add complexity to the price control, so should only be used where the degree of uncertainty and the cost impact could have a demonstrable impact on consumers and/or the licensee.
- **Appropriate allocation of risk between the licensee and consumers.** Risks should be allocated to the party that is best placed to manage them efficiently. This holds even for risks that originate from factors that are outside of the licensee's direct control. The uncertainty mechanisms should retain the core aims of the regulatory framework – for example, incentivising the licensee to operate efficiently.
- **Ease of implementation and proportionality.** The degree of complexity of the mechanism should be proportionate to the risk being mitigated. Additionally, the mechanism needs to be clearly defined and unambiguous in order to provide confidence that it would be applied as intended and to protect against unintended outcomes.

A1.2 Outputs/ Outcomes

For outputs and outcomes within the performance incentive regime, the CRU applied the 'SMART' criteria as described below:

- **Specific** – Outputs/outcomes should be clearly defined, to avoid any ambiguity for either companies or customers.

- **Measurable –** Outputs/outcomes should be measurable indicators/surveyable. This especially highlights our outcome-focused and mechanistic focus.
- **Attainable** – Output/outcome targets are set to be stretching while also being feasible. The PR5 targets and outturn performance would feed into the PR6 targets.
- **Relevant** – Outputs/outcomes should be directly related to well-defined consumer outcomes/values.
- **Time-bound –** Outputs/outcomes should have a clearly defined time frame within which they should be achieved. For most incentives, the time frame would be annual or the whole of the price control period.

A1.3 Financial Incentives

The CRU considers that a proposal had to pass the output criteria for it to be a candidate for a financial incentive. That is, all incentives are also outputs, but not all outputs have a financial incentive attached to them. The CRU applied the following criteria for incentives (in addition to the criteria for outputs listed above):

- **Value.** Financial incentives should be introduced for the outputs that are expected to have a material impact on consumer value. Additionally, rewards or penalties should apply from a point at which additional consumer benefit (or disbenefit) is likely to materialise – i.e. incentive targets should be “stretching”.
- **Proportionate.** As far as possible, the strength of the incentive should be linked to the level of consumer value in question.
- **Balanced.** Design of incentive should be linked to the nature of the consumer impact – i.e. reward-only, penalty-only or both; and the degree of symmetry to reward/penalties.

A.2 Appendix - Assessment of DSO Regulatory Framework Proposals

A2.1 Assessment of DSO's proposed uncertainty mechanisms

Measure	Description	Overall assessment
Proposed by ESBN to be retained from PR5		
New domestic connections	VD that allows the DSO allowances to be adjusted based on the difference between forecast and outturn domestic connections, using efficient unit costs. This covers G1 (new housing schemes) and G2 (non-scheme housing) connections.	The CRU accepts the rationale for a volume driver associated with new connections and proposes, based on review of the BP submission, that this should be expanded to include G3 (non-domestic) connections and associated whole current metering costs on a run rate basis (5% of G1-3 outturn costs). It is noted that the unit costs for G3 (commercial and industrial) connections may be subject to a higher degree of variability (ranging from small cafes to data centres). However, the CRU considers that this can be managed on an average basis across the volume that is delivered, and explained in the *ex-post* review if required.
LCT- MV and LV system improvements	Reopener allows the DSO allowances to be adjusted if there is evidence of the need of additional LV and MV reinforcement investment as a result of LCT uptake (or other exogenous drivers). Rationale for this is the uncertainty of future LCT adoption and its impact on the network.	The CRU accepts the rationale for a UM in this area. The CRU proposes to adopt a volume driver mechanism for the MV/LV reactive system improvement portion of this investment category in preference to a reopener. This is deemed to be the

Measure	Description	Overall assessment
		principal source of uncertainty, with reactive SI driven by new connection volumes rather than LCT adoption based on its assessment of the ESBN submission.
LCT-20kV conversion	VD that allows the DSO allowances to be adjusted if there is a difference between forecast and outturn 20 kV rural and urban conversion works delivered. Rationale is uncertainty in relation to the 20kV conversion programme. Could be through in-period (annual review) and/or end-of-period true-up.	The CRU supports the rationale for the volume driver due to challenges in delivering planned volumes historically (reprioritisation of resources to accommodate increased connection volumes). The benefits of this programme are acknowledged, and ESBN is encouraged to deliver in line with its plan. The CRU proposes a VD for the conversion of circuit kilometres, with the allowance for conversion of stations outside of this mechanism.
Proposed by ESBN to be retained, as defined in PR5, with adjustments		
System control	VD for the DSO allowances to be adjusted upwards in relation to the system control activities and the installation of SCADA infrastructure undertaken. This is needed to ensure continued safe and secure operation of the network. Propose to extend this mechanism to apply to additional work areas, due to uncertainty around volumes of equipment installed and replaced.	The CRU accepts ESBN's proposal to expand the 'Telecomms & System Control' VD to apply to additional work programmes relating to system control equipment. The CRU proposes for this UM to instead be a reopener.
HV system reinforcement (Large Customers UM in PR5)	Reopener that allows ESB Networks to adjust the HV system development allowance if more large customers are expected to connect to the network than assumed in the business plan. This is to ensure that situations that require additional HV system development allowance due to other factors are covered. Reopener mechanism since	In its draft determinations, the CRU proposes to approve the full allowance for identified key HV reinforcement projects. For the remaining projects, it is proposed to retain a reopener to account for: justified deviations in project

Measure	Description	Overall assessment
	there is uncertainty of both volume and cost. Propose expanding the definition of 'material changes' to include allowances to accommodate known projects not included in the baseline, evidence that number of large customers is expected to be greater than the PR6 forecast, higher than expected number of 'fully utilised' existing stations, and revised cost forecasts to reflect increased costs/scope.	costs vs PR6 forecast for projects progressed within the portfolio; and new projects identified.
LV model (and MV visibility UM)	Asymmetric VD (downward only) ensures that the DSO recovers no more than the costs associated with the actual volume of work delivered for the critical role of LV visibility, i.e., mapping and monitoring. Propose modifications, i.e., upward adjustment for manual patrolling of LV network line and downward adjustment for actual work in LV model (using Meter Point Reference Numbers) and inclusion of MV telemetry and MV phasing works.	The CRU accepts the rationale for a UM in this area. The proposed VD appears to be for a 'volume of work', but it is unclear how this can be defined and quantified for implementation as part of a mechanistic VD. As such, the CRU proposes to use a reopener mechanism to account for additional costs over the baseline allowance (and associated outputs), and for this to include both LV and MV network visibility.
Force Majeure	Reopener to provide funding for reasonable and efficient costs that are incurred by the DSO in ameliorating the disruption caused by a Force Majeure event, i.e., beyond storms. This would be part of the Annual Revenue Adjustment process and include: how event is qualified as a 'Force Majeure' event, length and impact of event on costs and how these costs were calculated, evidence that event was unforeseen when setting allowances, evidence of reasonable mitigation and planning, and effective response.	The CRU accepts the case for retaining the force majeure uncertainty mechanism in PR6 as it provides important backstop risk protection for the company. The benefit and proportionality of stripping out severe weather from the general force majeure mechanism and creating a dedicated severe weather mechanism is unclear when it is already covered by the terms of the general force majeure mechanism. The CRU is concerned that under

Measure	Description	Overall assessment
		the accepted definition of "severe weather" a dedicated mechanism would be triggered far more frequently than the current force majeure mechanism, thereby awarding the company additional cost protection for resilience and recovery actions that it is already funded to deliver.
Flexibility (Capex/Opex) Mechanism	ESB Networks proposes retaining the flexibility mechanism. For example, ESB Networks believes that the area of IT/Digital and Telecoms would be a potential area to utilitise the flexibility mechanism, given the fact that many companies are moving towards a service/cloud-based delivery model. The company proposes the following clarifications/changes: Defining the materiality threshold for the *ex-post* adjustment. (not done in PR5 even though a condition of the mechanism was that the costs reallocated between capex and opex had to be "material".) When the Flexibility Mechanism is utilised for flexibility payments, rather than deferring or replacing capex, ESB Networks wants it to be defined as pass-through in line with their proposal for the Flexibility Payments Uncertainty Mechanism to ensure alignment.	The CRU accepts the case for retaining the Flexibility Mechanism in PR6. The CRU proposes to rename this the Opex/Capex Reallocation Mechanism. The CRU agrees that a materiality threshold for each event that triggers the mechanism should be defined. It proposes that, to trigger the mechanism, the proposed adjustment from capex and opex (or vice versa) is a minimum of 1% of the average annual *ex-ante* baseline totex (i.e. capex plus opex) allowance of the licensee as set at final determinations, or €10m, whichever is greater. The CRU accepts that there should be a separate flexibility payments mechanism (see comments elsewhere). The Flexibility (capex/opex) mechanism will not therefore be used for recovery of such costs in PR6 and there is no need to make provision for structuring the Capex/Opex flexibility adjustment mechanism as passthrough for these cases. All capex and opex costs (including those reallocated through this mechanism), except those specifically designated

Measure	Description	Overall assessment
		as passthrough, will be subject to the *ex-post* review process.
New mechanisms proposed by ESBN		
Generation connections AIF allocation	Allows for upward adjustments to the allowance for generation connections if there is evidence that volumes of generation connections are above the baselines used to set the PR6 allowance – up until the amounts proposed by ESBN Networks for the baseline plus AIF allowance (€0.3bn + €0.1bn). The rationale for this new UM is to support increased renewable energy integration and to meet CAP targets.	The CRU accepts the uncertainty in generation connection volumes and costs and the rationale for a UM in this area. However, it is proposed to implement a reopener for this category rather than an asymmetric volume driver to combat challenges in setting suitable average unit costs.
Asset replacement AIF allocation	VD allowing for upward adjustments to the allowance for asset replacement if there is evidence that the volume of asset replacements exceeds the baselines used to set the PR6 allowance – up to the amounts proposed by ESB Networks for the baseline plus the AIF allowance (€1.0bn + €0.2bn). These investments are essential to maintain network reliability, safety, and operational efficiency as assets reach end-of-life.	The CRU accepts the rationale for a UM for the asset replacement category. However, it is proposed to implement more targeted reopeners and VDs, as follows: Reopeners covering: • HV station replacements (selected items) • Renewal programme – HV cables (38kV Fluid Filled Cables) • Renewal programme – MV lines (PIAM) • Renewal programme – MV lines (selected items) • Continuity improvement (selected items) VDs: • Asset Replacement – MV lines (selected volume-driven items) • Asset Replacement – MV Stations (Replacement of Magnefix Cast-Resin Type Switchgear)

Measure	Description	Overall assessment
		• Asset Replacement – LV network (selected items) • Meters and Time Switches (CT Planned Meter Replacement)
DMSO AIF allocation	Bespoke reopener allowing for upward adjustments to the DMSO allowance specifically to access the AIF allocation for specific cost areas: AMI-related upgrades, cybersecurity, SCADA monitoring and control, and Business Solutions Delivery. Applied if demonstrated that the baseline allowance is required to cover expected costs for these items during the second half of PR6.	The CRU accepts the rationale for a reopener in this area. The ESBN submission included smart metering under the DMSO category. The CRU proposes to separate smart metering from the DMSO initiative. A VD is proposed for the smart meter replacement volumes, and targeted reopeners are proposed for: • DMSO (OT - Operations Systems Control and Infrastructure) • DMSO (OT - Visibility and Mapping) • Smart metering (non-volume driven capex items)
Data and digitalisation UM	UM that addresses uncertainty on the scope and scale of future requirements in relation to data and digitalisation systems: Flexibility Auction Platform; Behind-the-meter Pilot; cybersecurity requirements; Roadmap for accelerating data and digitalisation; facilitate future DSO/TSO operating model; market modelling; in-home display for vulnerable customers; and Electricity Market Messaging Application. Propose this as an asymmetric reopener to capture additional costs beyond the baseline allowance and AIF allocation.	In its draft determinations, the CRU recommends approval of the full allowance for identified IT and Digital projects as well as for 'New Customer experience'. As such, no reopener is proposed for these items. It should also be noted that costs are allowed for cybersecurity under 'DMSO: Operations Transformation' and 'Distribution Asset Management (Support and Planning): IT: Cybersecurity'.
Severe weather events	A new mechanism for severe weather events with a clear definition of a qualifying event based on observable and	The CRU accepts the case for retaining the force majeure uncertainty

Measure	Description	Overall assessment
	objective metrics (distinct from Force Majeure) to provide funding to deal with disruption on the network caused by increasing Severe Weather Events, in the form of supply restoration and customer support. Definition of 'severe weather event' to be finalised based on number of customers affected, number of outages and faults, and other storm severity metrics.	mechanism in PR6 as it provides important backstop risk protection for the company. The benefit and proportionality of stripping out severe weather from the general force majeure mechanism and creating a dedicated severe weather mechanism is unclear when it is already covered by the terms of the general force majeure mechanism. The CRU is concerned that under the accepted definition of "severe weather" a dedicated mechanism would be triggered far more frequently than the current force majeure mechanism, thereby awarding the company additional cost protection for resilience and recovery actions that it is already funded to deliver.
Changing roles and responsibilities	Reopener to deal with uncertainty in relation to changing roles and responsibilities for ESB Networks, and the associated impact on PR6 costs. This would cover costs associated with any new function or activity resulting from a change in scope of the work.	The CRU accepts that there is significant legal, policy and regulatory uncertainty over the PR6 period which could impact on the DSO (and other licensees), and that there is a case for a specific mechanism to provide backstop protection against the cost impact of these uncertainties. Such changes could add or remove functions/activities and hence add or remove costs from the DSO. The CRU therefore proposes a symmetric mechanism which could be triggered by either the company or by the CRU.

Measure	Description	Overall assessment
		It proposes that to trigger the mechanism the forecast change in costs is a minimum of 1% of the average annual *ex-ante* baseline totex (i.e. capex plus opex) allowance of the licensee as set at final determinations, or €10m, whichever is greater.
Flexibility payments	A new flexibility payments pass-through mechanism, given the uncertainty around the development of future flexibility markets and ESB Networks' costs. Current mechanism allows for recovering costs only where a capex alternative is included in the allowance.	The CRU accepts the company's case for a specific mechanism to recover flexibility payments, recognising the lack of clarity about the route to cost recovery for these costs in PR5. The CRU is concerned that, to the extent that any such costs are within the company's control, a full pass-through arrangement would remove any incentive for cost efficiency from the company, in both the design and implementation of flexibility schemes, leaving customers fully exposed. The CRU is therefore consulting on alternative designs for this mechanism that do not involve full pass-through. The CRU invites the company and other stakeholders to evidence the controllability or otherwise of flexibility payments and to comment on design of the mechanism so that the CRU can finalise its policy for final determinations.

ESB Networks also proposes to retire the 'PAYG Meters' mechanism, i.e., pay-as-you-go meters, as it is no longer relevant in the PR6 context. The CRU agrees to retire this mechanism.

Any outturn PAYG meter costs in PR6 will be assessed and recovered through the *ex-post* review if justified by the company.

A2.2 Assessment of DSO's proposed outputs and incentives

ESB Networks' performance incentive proposals are aligned to their cost proposals for PR6 and try to focus on the outcomes and objectives set out the CRU Strategy Paper for PR6. Their proposals also reflect extensive engagement with customers and stakeholders.

Over the course of PR5, the total caps and collars for ESB Networks were set at approximately +1.80% and -1.63% of regulated equity over PR5. They are proposing to maintain the same level of revenue at risk, as a proportion of regulated equity, for PR6.

<table>
<tr><th>Measure</th><th>Description of DSO proposal</th><th>CRU overall assessment and summary of draft decision</th></tr>
<tr><td colspan="3">Retain from PR5</td></tr>
<tr><td>Unplanned outage:
• Customer Minutes Lost
• Customer Interruptions</td><td>Mechanistic incentive with performance measured against set annual CML and CI targets, as proxied by outage duration and frequency.

Targets proposed by DSO:<table><tr><td></td><td>2026</td><td>2027</td><td>2028</td><td>2029</td><td>2030</td></tr><tr><td>CML</td><td>102</td><td>95.25</td><td>88.5</td><td>81.75</td><td>75</td></tr><tr><td>CI</td><td>120</td><td>112.5</td><td>105</td><td>97.5</td><td>90</td></tr></table></td><td>Maintain from PR5, fulfils SMART criteria and is consumer-focused.
The CRU considers the DSO-proposed targets are not stretching enough and proposes stronger (starting) targets for PR6. The 2030 targets align with the company proposal.
Introduction of new (reputational) requirement for reporting on storm outage data, with the aim of introducing this as an incentive in PR7. The CRU will provide guidance.</td></tr>
<tr><td>Worst-served customers</td><td>The DSO proposes the incentive to be symmetrical and to include a deadband (no payment for 70-80% target achieved).</td><td>Maintain from PR5, fulfils SMART criteria and is consumer-focused.
The CRU considers that the DSO-proposed targets could be more stretching while remaining attainable and has proposed to increase the targets to reflect improvements in the DSO's outturn performance in PR5.
The CRU also plans to scale incentive value to maintain same unit incentive rate.
The CRU has also proposed to remove the deadband since the outcomes measured by this incentive are within the DSO's control and it is no longer a new incentive.</td></tr>
<tr><td>Customer satisfaction (CSAT)</td><td>The DSO proposes:</td><td>Maintain from PR5, fulfils SMART criteria and is consumer-focused.
The CRU does not consider that the</td></tr>
</table>

<table>
<tr><td></td><td>To maintain the 90% CSAT as a reputational-only goal to drive outperformance.
Changes to the measure definition to address survey limitations: move from phone to email/SMS surveys for larger sample sizes and more timely feedback; split new connections into ‘quotation’ and ‘connection,’ and make weight adjustments for greater transparency following best practice.

Targets proposed by DSO:<table><tr><td>2026</td><td>2027</td><td>2028</td><td>2029</td><td>2030</td></tr><tr><td>80%</td><td>80.5%</td><td>81.25%</td><td>82%</td><td>83%</td></tr></table></td><td>proposed survey changes will materially change effectiveness of incentive or introduce any risk to consumers.

The CRU proposes more stretching targets, in line with PR5 trajectory.

The CRU accepts the survey changes currently proposed by DSO, given clarity provided subsequent to initial submission.</td></tr>
<tr><td>Care centre satisfaction (ESATRAT)</td><td>Similar to CSAT, proposing changes to the customer call-back survey to address limitations and currently assessing the suitability of metrics and methods of calculation for the call-back satisfaction score.
Propose same targets as PR5, i.e., 90%, as the expanding scope of the NCCC will make these stretching. They also propose 92% target as a reputational-only goal to drive outperformance.</td><td>Maintain from PR5, fulfils SMART criteria and is consumer-focused.
The CRU does not consider that the proposed survey changes will materially change effectiveness of incentive or introduce any risk to consumers.
CRU proposes more stretching (and increasing) targets, in line with comparators and DSO outturn performance in PR5.
Same methodology changes accepted as CSAT.</td></tr>
<tr><td>Stakeholder engagement</td><td>ESB Networks is proposing to retain the Stakeholder Engagement incentive from PR5.</td><td>Maintain from PR5, fulfils SMART criteria and adds to consumer value.</td></tr>
<tr><td>Generation connection offers</td><td>ESB Networks is proposing to retain its incentive in relation to the issuance of connection offers, but with updated milestones to reflect CRU ECP-GSS connection policy.</td><td>Maintain from PR5, fulfils SMART criteria and adds to consumer value.
The CRU proposes to retain this incentive, aligned with DSO proposal, with a higher incentive value to account for the additional application batch.
The CRU also proposes to remove the deadband since this is no longer a new incentive.</td></tr>
<tr><td>Joint DSO/TSO coordination</td><td>TSO and DSO collaboration to be measured against a balanced scorecard with specific milestones.
The scorecard components (maintained from PR5) would assess areas:
Whole of system
Secure Future Power Systems
Facilitate New Technologies
Capabilities to enable reductions in Dispatch Down
Communications, Engagement and Reporting
The PR6 milestones will be developed jointly by the TSO and</td><td>Maintain from PR5, fulfils SMART criteria and adds to consumer value.

The CRU is minded to accept the milestones proposed in the areas mentioned.

The CRU expects defined annual targets at the start of PR6 (amendable as needed).</td></tr>
</table>

	DSO, under the 2025 MYP and PR6 planning.	
Retain, as defined in PR5, with adjustments		
Flexibility	ESB Networks is proposing an evolution of the flexibility incentive for PR6 reflecting progress made in this area over PR5 and the ambitious workplan proposed for PR6. In PR5, the focus was on: Initiating a market for flexibility and Flexible connections. In PR6, the focus will be on (1) developing the flexibility market, (2) expanding the use and offering of flexibility devices, (3) ensuring effective utilisation of flexibility services, and (4) meeting National Energy Demand Strategy flexibility targets. This is proposed as a combined scorecard (years 1-3 assessing quality of progress) and mechanistic (years 4-5, setting specific targets) milestones.	Aligned with the DSO on the importance of flexibility and the need to have an incentive related to the four areas. However, given the output-focus of PR6, mechanistic targets would be set for the four areas. The CRU does not consider that the targets as proposed, several of which in earlier years of PR6 incentivise interim processes (e.g. using case study evidence to demonstrate progress made in certain areas) meets the specificity or measurability criteria. The CRU has identified options that can be further developed with the DSO: 1. Delay assessment until years 3-5 to enable a longer window for developing quantitative targets 2. Set targets for years 1-5 based on updated "Scenarios for 15-20% Flexible System Demand" to be provided to CRU or corresponding to actions outlined under NEDS. The CRU plans to maintain the same financial strength.
Visibility and Operational Technology capability (OTC)	Incentive will build upon progress in PR5. Capabilities to be enhanced during PR6 include: (1) managing operational planning and forecasting; (2) managing system state; (3) managing system defence and restoration; (4) managing unit scheduling and dispatch. Proposing scorecards across the aforementioned categories.	The CRU agrees with the importance of the area and performance measured against the four areas, provided that the targets developed are sufficiently outcome focused (i.e. showing impact of increased visibility from work done in PR5). The CRU proposes further engagement with the DSO ahead of final determination to develop defined annual SMART targets.
Smart Metering Plus	An incentive in relation to smart metering to incentivise the DSO to improve and replace smart meter infrastructure and assets, and to reduce non-participation in smart metering. To be assessed using combined scorecard and mechanistic elements (for reducing smart non-participation, reducing non-communicating meters, deploying QH meters, replacing smart meter assets).	The CRU considers that having an incentive focused on smart metering is important, provided the targets meet SMART criteria. The CRU does not find it appropriate to incentivise activities that are BAU, or which are funded through general price control funding. Therefore, the CRU does not consider that the deployment of QH meters or assets replaced under the cyclical replacement programme are appropriate.

New mechanisms proposed		
Vulnerable Customers	The DSO proposes a new incentive with the aim to ensure targeted engagement with vulnerable customers. The mechanistic metrics under this are: • Contacting newly registered vulnerable customers • Engaging with all vulnerable customers • Vulnerable customer satisfaction score	The CRU accepts the DSO's proposal, which it considers to sufficiently align with the SMART criteria and add clear consumer value. In line with the PR6 framework, it is minded to accept the three mechanistic metrics outlined. The CRU will not be explicitly incentivising processes (i.e. "development of the Vulnerable Customer Engagement Plan") as it does not consider these to meet the measurability or specificity criterion. Additional output-focused metrics would be considered if provided as part of consultation responses. The CRU is consulting on the DSO targets proposed for contacting newly registered vulnerable customers and engagement with vulnerable customers (metric 1). Vulnerable customers satisfaction score targets should be aligned with CSAT target. The CRU will require the DSO to provide further detail to develop Metric 2 to ensure it supports the provision of material support for vulnerable customers. The CRU is seeking wider views on this also.
Time to Quote and Time to Connect	Proposed as a new incentive in relation to connections quotations, to maintain a good performance in delivering connections quotations in a timely manner. Time to Quote is a current business measurement used within the New Connections area. It measures the time from when a valid application is received and uploaded onto the DSO system to when a quotation is issued to the customer. Propose a mechanistic incentive based on performance indicators of connections quotations.	The DSO's initial proposal as a measure relating to connections quotations is welcomed by the CRU given the broader strategic government focus on new housing developments and the DSO's key role in enabling timely connections. The CRU also considers that this sufficiently meets the SMART criteria. The CRU agrees with the structure proposed by the DSO, with mechanistic metrics proposed to measure a reduction in the timeframe of average connections quotations offers. However, the CRU is consulting on whether it should capture the full time to connect, and not only encompass the timeframe for quotations to be provided.
Customer Complaints	A new mechanistic incentive with performance proposed in relation to complaints resolutions.	The CRU accepts this incentive as proposed by ESB Networks, given it satisfies SMART criteria and aligns

	To be measured against the proportion of customer complaints resolved within 5 working days (%) and within 30 working days (%), with both measures equally weighted and specific targets proposed.	with proposed structure of PR6 framework (i.e. is sufficiently mechanistic and output-focused). After engagement with the DSO following its submission, the CRU is also minded to accept target proposals provided by the DSO.
CRU Proposing to Reject for PR6		
Neutral market facilitator (NMF)	Incentive part of the wider 'Independent Role of the DSO' incentive introduced in PR5. Proposing this to have a narrowed focus on NMF aspect, to ensure that DSO an independent entity in its role NMF, planning, prioritisation and decision-making of IT related projects and sharing visibility of network services. Performance for the NMF incentive will be measured against a BSC with specific milestones related to the neutral market facilitation.	The CRU is proposing to reject this incentive as it does not meet the measurability criterion and the CRU does not consider this to be appropriate as a standalone incentive. It is not clear what value the objective of this incentive would add beyond what is already expected of the DSO. It is the view of the CRU that ensuring neutral market facilitation could be better managed within the governance structures of the flexibility and innovation programmes.
Data sharing and transparency	A new scorecard (phased) incentive for PR6 to incentivise ESB Networks to develop sector-leading performance in extracting value from data (both ESB Networks' data such as heat maps and external data) and in data accessibility, and provision and sharing. BSC components: • 2026: Develop a Data Plan and stakeholder consultation to understand opportunities and identify areas of value. • 2027: Publish a Data Roadmap with milestones and deliverables. • 2028-30: Implement the Roadmap, assess performance against milestones and have ongoing stakeholder engagement.	The CRU is proposing to reject this incentive as currently drafted. There is not enough demonstrable evidence/clarity about the incremental efficiency improvement and what data is being shared. Therefore, it is also not clear how this would add consumer value. Specifically, Y1 targets related to the development of a data plan and consultation with stakeholders is not sufficiently outcome-focused to be structurally aligned with PR6 framework and does not meet "measurability" criterion. This could also overlap with the stakeholder engagement incentive. The same measurability concerns exist surrounding the publication of the Data Roadmap in Year 2. For later years, detail was not provided on implementation of the roadmap and it was, therefore, not possible to assess the merits of potential metrics. If this is related to EU heat map requirements, then the CRU considers that should be included in opex requests/general price control funding, as opposed to financially incentivised.

		If additional justification and/or more specific and measurable metrics are proposed in the DSO's DD response, these will be considered.
Flexibility collaboration	Proposed as a new incentive to reflect the increased collaboration and sector/vector coupling required in PR6 to achieve desired outcomes. The purpose is to incentivise the collaboration with various stakeholders required to deliver on NEDS and to maximise synergies from sector coupling, e.g., electricity-heat, electricity-gas, electricity-transport etc.	In the CRU's view, it is not apparent, nor sufficiently justified, how this incentive meets the "relevance" criterion in demonstrating added consumer value over BAU processes. There is also a concern that this incentive, as proposed, could overlap with the Stakeholder Engagement incentive. Based on CRU's engagement, it also considers that this would be challenging to assess as currently drafted, given it would require the solicitation of input from multiple external stakeholders and agencies. There are also general measurability concerns as it is not clear how this could be sufficiently mechanistic or output-focused.
Active Energy Consumer	A new scorecard incentive proposed to reflect the need to facilitate the active energy customer measured by the utilisation of smart meter data to facilitate the 'active energy customer'. Targets proposed by the DSO include: • 2026: Develop and consult on a plan for the use of smart meter data to enable the 'active energy customer' • 2027-28: Deliver any milestones agreed in plan (above) approved by CRU • 2029-30: Delivery against agreed metrics on use of smart meter data to enable the 'active energy customer'	The CRU does not consider that the current proposal meets the SMART criteria. The qualitative milestones related to development of the plan are not measurable, specified, nor is the relevance clear. It also does not align with the PR6 framework. As drafted, the proposal suggests that in 2029 and 2030 there could be mechanistic metrics developed (i.e. the DSO proposes to "establish agreed metrics with CRU on the use of smart meter data for the latter years of PR6"). However, as none are specifically proposed, the CRU is unable to assess the merit of these metrics. If mechanistic metrics can be proposed in response to this consultation that specifically measure how the defined milestones lead to the outcomes outlined, this will be considered. Specifically, the CRU would consider activities that would increase uptake of smart meters and smart meter services.
Active LV Network Operations	A new scorecard incentive in relation to leveraging smart meter capabilities – and harnessing smart meter data insights – to support the	The CRU is proposing to reject this incentive for PR6. It acknowledges that the proposal related to enhanced network analytics, near-

	broader business in engaging with, and serving, low-voltage network customers. Components: Enhanced Analytics, Near-Real Time Operations, and Enhanced Storm Response – the DMSO will be required to demonstrate evidence of innovative smart meter data use cases and asset capability. DSO proposed milestones include: • 2026-27: Development of roadmap and consultation with stakeholders on active LV networks operation function, development of use cases once data is available via SMDAC, development of further technical capabilities • 2028-30: Demonstration of innovative uses of smart meter data to facilitate active LV network operations	real time operations and enhanced storm response are important. However, as currently proposed this incentive does not meet the 'SMART' criteria. The qualitative milestones proposed for earlier PR6 years lack targets and are currently not measurable (e.g. "development of roadmap and consultation with stakeholders"). Specific targets are not proposed for later years, where the DSO proposal suggests quantitative metrics could be possible.

ESB Networks propose to delete one of the incentives from PR5, Estimated Restoration Time. The CRU agrees with this proposal as it considers the associated activities have become business-as-usual, and performance will continue to be reported on in the Electricity Distribution Annual Performance Report.

A.3 Appendix - Assessment of TAO Regulatory Framework Proposals

A3.1 Assessment of TAO's Proposed Uncertainty Mechanisms

Measure	Description	Overall assessment
Scaling mechanism	ESB Networks proposes separate scaling mechanisms for Priority and Non-Priority projects, given the difference in cost uncertainty between them: • Higher expenditure in Priority projects is primarily driven by faster ramp-up of existing projects within the baseline allowance, while Non-Priority projects have a relatively lower ramp-up due to lower average project costs. • Priority projects are generally lumpier, i.e., 29 projects accounting for ~58% of the baseline allowance according to ESBN. For TAO Priority Projects, ESBN proposes an enhanced quarterly/ milestone-based monitoring mechanism for better visibility and control over delivery. As projects reach the agreed milestones, there would be a corresponding scaling up on AIF allowance to support the next phase of work, subject to the submission of appropriate justification by the company and approval by the CRU. For TAO Non-Priority Projects, ESBN proposes to retain the current Capital Adjustment Mechanism (CAM) to scale up allowances, without enhanced milestone/ quarterly monitoring. The rationale is that Non-Priority projects are numerous and smaller in scope, therefore, project-specific monitoring is less practical. ESBN would make an annual submission to the CRU in line with the PR5 CAM to access additional allowances for non-priority projects above the baseline.	The CRU does not accept ESBN's proposal for TAO scaling mechanisms at the aggregate level for Priority and Non-Priority Projects. This is because general capex reopeners at the aggregate allowance level are no longer consistent with the increased focus on costs, delivery and outputs at the granular level in PR6 and the more targeted and ring-fenced set of allowances and delivery obligations that are being introduced at PR6. The CRU proposes to retire the CAM and, in its place, the CRU is proposing to extend from the DSO to the TAO (and TSO) the PR5 concept of targeted Uncertainty Mechanisms (or "**reopeners**"). These reopeners can be used by the TAO to request targeted adjustments in deliverables or allowances above scheme/activity baselines during the period, whether capex or opex or both, and will apply to both individual delivery obligations and other specified areas of baseline allowances. All priority projects will be covered by individual delivery obligations with ring-fenced allowances, which will be subject to reopeners to enable the TAO to access additional funds where required (or to reduce allowances where there are cancellations or material delays). As was the case in PR5, ESBN will be able to bring forward requests for additional allowances on an ad hoc basis for new projects during PR6 that were not known at the *ex-ante*. The CRU supports ESBN's proposals for enhanced reporting

	ESBN state that the scaling mechanisms are designed for upwards adjustment for AIF allocation to address delivery challenges. The proposed scope includes: • New projects, with notional allocation for early works included in the baseline. • Ramp-up of existing projects, for projects that progress faster than anticipated. • Revised cost forecasts, especially unforeseen inflation or supply chain challenges. • Anticipatory investment, such as early construction works or advanced procurement of equipment, site preparation, planning, etc. ESBN proposes that the dedicated scaling mechanisms for priority and non-priority projects would be for upward adjustments only; the company proposes that downward adjustments will be made using a single mechanism across the aggregate Capex programme, i.e., the Capital Adjustment Mechanism, subject to a materiality threshold of 20%.	and monitoring of priority projects and sets out its proposals for this in Section 11 of this Paper.
Innovation and R&D mechanism	ESBN proposes maintaining this reopener mechanism for opex relating to new innovation and R&D projects identified during the PR6 period. Costs approved through this mechanism will have an *ex-post* evaluation to assess their efficiency.	The CRU accepts the case for retaining this mechanism in PR6.
Financeability Mechanism	ESBN proposes a formal mechanism for a financeability reassessment and relevant adjustments if substantial additional capex is required through the AIF mechanisms above the baseline level.	The CRU does not accept that a mechanistic review of financeability or associated adjustments is required for expenditure above the baseline or AIF requests. This is because, consistent with the status of the high-expenditure case being an approved level of revenue and expenditure that may ultimately be required to deliver on the needs of the electricity network during PR6, the CRU has assessed the

		financeability of its price controls on both the baseline and high case allowances. It considers that they are financeable in both cases. However, the CRU is minded that, should a company's outturn expenditure exceed the *ex-ante* high case allowances by [10%], network companies will be able to request an in-the-round reassessment by the CRU of the financeability of its PR6 price controls. This reflects a threshold outturn value at which other parameters of the price controls may need to be reassessed. For the avoidance of doubt, any re-assessment of financeability would not trigger any mechanistic changes to PR6 price controls. The CRU would re-assess financeability using an in-the-round assessment consistent with the approach that it has undertaken to assess the financeability of its PR6 draft determinations. It would only implement targeted interventions if and where it considers they are required considering the impacts on both consumers and the licensee. Further details of the CRU's draft determinations relating to financeability are set out in CRU202596.

A3.2 Assessment of TAO's proposed outputs and incentives

Measure	Description of TAO proposal	CRU overall assessment and summary of draft decision
Retain from PR5		
TAO project delivery	For PR5, the TAO project delivery is a balanced scorecard incentive covering four KPIs (with 25% weight each). For PR6, the TAO proposes to move the existing Project Implementation Plans (PIP) KPI to the joint incentive and retain the other three: • Customer Project Energisation • Transmission Capex Spend	The CRU accepts the proposal to move the PIP KPI into the scope of the joint incentive, given the inputs required from both TAO and TSO. The CRU rejects the proposal to include the transmission capex spend KPI as upon review for PR6, there is a concern this could create a perverse incentive on the TSO to spend in ways that are not efficient. The CRU has proposed to broaden

	• TAO Project Delivery Process Improvement	the customer project energisation to include all milestones for all types of projects, given the increased importance of timely infrastructure delivery in PR6. The CRU has also considered that the project delivery process improvement metric does not meet the 'measurability' criterion and has proposed to remove it. The CRU views this as a streamlined incentive focused on proportion of projects delivered or advanced to identified project milestones, and quality and timeliness of delivery. As such, the TAO proposed Construction Milestones incentive will be included as a metric in this incentive.
Retain, as defined in PR5, with adjustments		
TAO outage management	The TAO proposes that the KPI for this should evolve to account for JOTP and both the TSO and TAO should be allowed to initiate further efficiencies during outages when the opportunities arise. Currently the TSO can do this under Short Notice Outage Adjustment Mechanism (SNOAM).	The CRU plans to continue incentivising outage management and outage certainty, in line with the TAO proposal, given it meets the SMART criteria and is an important function of the TAO to continue incentivising in PR6. On the evolution to account for JOTP, the CRU would want clarity and engagement to ensure that there is no overlap with the joint incentive. The CRU will consider the SNOAM proposal with further engagement to ensure necessity under the current framework.
TAO/TSO Joint Incentive	As at PR5, the TSO/TAO joint incentive proposal would assess the TAO (and TSO) against set milestones and targets: • deployment of new technology; • joint process improvement; and • asset and programme data exchange. Propose to add a new KPI: Project Development Performance, i.e., jointly targeting, monitoring, performing and accelerating the Project Development stages of projects. Land Access metric proposed by TSO to develop a joint process to accelerate delivery of projects towards Project Agreement while landowner access discussions and negotiations are progressing.	The CRU proposes to accept the companies' proposal on the inclusion of deployment of new technology, joint process improvement, and asset and programme data exchange, providing the metrics are developed at the start of PR6 and are output-focused. The CRU considers these metrics to meet the SMART criteria. The newly proposed Project Development Performance KPI is sufficiently output-focused and in line with the aims of the PR6 incentive framework. The CRU is satisfied that it meets the SMART criteria and proposes to accept it for inclusion under this incentive in PR6. The CRU rejects 'Land Access' metric, since it does not meet SMART criteria and is better addressed through review of Infrastructure Agreement.
New mechanisms proposed		

TAO construction milestones	The measure is the percentage of target projects meeting the construction stage milestone. This provides information and certainty to the TSO and other stakeholders while reducing costs and inefficiencies.	The CRU accepts the inclusion of this and metric and will add this as a component of the expanded 'Project Delivery' incentive.
TAO/TSO Transmission Outage Plan Delivery	The delivery of the outage programme will be incentivised through a Joint Transmission Outage Programme (TOP) delivery incentive measured through outage metrics, in areas of outage planning, outage availability, energisation and outage improvements. It is proposed that enhanced JOTP outage delivery metrics will be jointly assessed.	The CRU accepts company proposals to make this a joint incentive, with a focus on output-focused quantitative metrics that go beyond incentivising implementation of JTOP or assessing quality of plan/ delivery. The CRU considers suitable metrics can be developed against this proposal, which broadly meets the SMART criteria. The CRU will engage with the companies ahead of FD to further develop this incentive and determine appropriate milestones to measure the actual impact of the plan.

A.4 Appendix - Assessment of TSO Regulatory Framework Proposals

A4.1 Assessment of TSO's proposed uncertainty mechanism

Measure	Description	Overall Assessment
Cost Pass-through	A cost pass-through arrangement would allow all (or a subset) of costs to be automatically passed through to consumers rather than being capped. EirGrid recognises that under this system there would need to be some hybrid between cost pass-through and *ex-post* review, but proposes that any *ex-post* disallowances are limited to demonstrably inefficient and wasteful expenditure (DIWE), as assessed by the CRU, and capped at 2.5% of RAB.	As EirGrid itself notes in its business plan submission, *"this type of approach would provide comprehensive protection against cost volatility but would shift the risk of unpredictable costs from EirGrid to consumers"*[60]. This proposal is inconsistent with the CRU's objectives for PR6 and the CRU considers that it does not lead to an appropriate allocation of risk between the TSO and consumers, particularly given that the TSO has a high degree of control over prioritisation, delivery and costs of its projects and programmes.
Ex-ante Funding Arrangement	Under an alternative, increased up-front scrutiny option, EirGrid proposes that projects would be approved by CRU before expenditure is incurred together with assurance that costs would not be disallowed. EirGrid proposes that *"as projects would only commence once regulatory pre-approval has been issued, this would significantly reduce or eliminate the prospect of ex-post disallowance on grounds of need. With appropriate ex-ante specification of eligible activities, the ex-post review element may be unnecessary, provided that both the cost and nature of the associated activity*	While greater *ex-ante* approval of spend is attractive in principle, it would require careful calibration of the baseline spend (including to take into account risk and contingency) and clear articulation of what is/is not being approved *ex-ante* in terms of need and how allowed expenditure can be used by the TSO. In its draft determination the CRU has generally accepted the need for the projects and programmes put forward by the TSO in its business plan. However, the CRU considers that the *ex-post* assessment together with an AIMF that allows funding to flex in-period remain essential elements of the regulatory framework that protect both licensees and consumers,

[60] TSO PR6 Lookforward Submission, p145

	remain within the boundaries of the approval." [61]	particularly given the uncertainties around prioritisation, cost, and delivery over the PR6 period. The CRU considers that such a framework provides a more appropriate allocation of risk between licensees and consumers than the TSO's proposal, given that the alternative would be to provide the TSO with an *ex-ante* allowance with sufficient risk and contingency allowances built in to offset cost and delivery risk. Consumers would also not appear to be protected from under-delivery risk under the TSO's proposed arrangement.
Seed Funding Pot	EirGrid also proposes a "seed funding pot" (to be established on a UIOLI basis) which would comprise of a dedicated *ex-ante* allowance that EirGrid could rely on in the event that a need arose to stand-up an additional time-sensitive capital or operational programme. EirGrid envisages that individual project pre-approval would not be required for drawdown, so long as the use of the funds was within the guidelines agreed with the CRU for the pot and that the TSO would be protected from *ex-post* cost disallowance.	The CRU agrees that there are uncertainties in the PR6 period that may necessitate expenditure on new projects and programmes that emerge during the period that are not included in baseline allowances. However, the CRU consider that a general UIOLI allowance as described by the TSO which protected it from *ex-ante* assessment of need and additionality for new projects and *ex-post* assessment of efficiency would not be consistent with an appropriate allocation of risk between the licensee and consumers. It is also unclear how the size of the UIOLI allowance would be determined up front and what would happen if it was exhausted during the period. Instead, the CRU proposes a number of adjustment mechanisms to deal with uncertainty and potential new requirements during the PR6 period, including the ability for the company to bring forward ad hoc requests for funding of new projects/programmes, and a new legal/regulatory change mechanism, as well as the ability for the TSO to request reopeners

[61] TSO PR6 Lookforward Submission, p145

		of its delivery obligations and other scheme-specific reopeners.

A4.2 Assessment of TSO's proposed outputs and incentives

Measure	Description of TSO proposal	CRU overall assessment and summary of draft decision
Retain from PR5		
System Minutes Lost (SML)	EirGrid proposes to remove the downside, to incentivise grid development and resilience, and to not penalise development efforts. If the downside is maintained, it should be limited to factors under EirGrid control, e.g., not exercising due diligence in outage planning. Propose exclusions: T-connected station not N-1 resilient, HILP events and SML during severe weather.	The CRU agrees with EirGrid to maintain this incentive, given it meets SMART criteria and adds customer value. The CRU accepts EirGrid's argument that it will be more challenging to maintain the same SML levels for this period and has, therefore, decided to maintain the same upside targets as PR5 (i.e. 0.75) to ensure they are achievable, but with a tightened deadband. The CRU also accepts exclusion of HILP events but would like to engage on defining a specified list of excluded events.
System Frequency	TSO proposes to continue 98% target and to lower threshold at which 100% upside is attained (currently 99.5%) to 99%.	The CRU agrees with EirGrid to maintain this incentive, given it meets SMART criteria and adds customer value. The CRU is proposing to stretch performance targets given the PR5 outturn performance – while ensuring these meet the 'attainable' criterion. In PR5, annual System Frequency targets were 98.0%. For PR6, the CRU proposes 98.5%.
Connections	This incentive mechanism is intended to promote the timely processing of connection applications under the CRU's Enduring Connection Policy (ECP). To account for 2 batches of application openings within ECP-3 (ECP-2 has a single opening each year), the TSO has proposed a higher incentive value.	The CRU considers this incentive meets the SMART criteria and adds clear customer value. It also proposes to retain this incentive for PR6 with a higher incentive value for the additional application batch, in line with TSO proposal. The CRU proposes to remove the deadband for this incentive, which was put in place to mitigate risk when it was first introduced. Exemptions will still apply.
TSO/DSO Joint incentive	TSO and DSO collaboration to be measured against a balanced scorecard with specific milestones.	Maintained from PR5, fulfils SMART criteria and adds to consumer value.

	The scorecard components (maintained from PR5) would assess the following areas: • Whole of System • Secure Future Power Systems • Facilitate New Technologies • Capabilities to enable reductions in Dispatch Down • Communications, Engagement and Reporting The PR6 milestones will be developed jointly by the TSO and DSO under the 2025 MYP and PR6 planning. EirGrid proposes higher incentive to reflect the value of work TSO is doing and to account for costs associated and level of work compared to the DSO. Also proposes a change in the annual audit process to twice within PR6 (at the mid-point and end of period).	The CRU is minded to accept the milestones proposed in the areas mentioned. The CRU expects defined annual targets at the start of PR6 (amendable as needed).
Retain from PR5 with adjustments		
Renewable Integration	This is an expanded incentive that would combine the PR5 incentives of RES-E, SNSP, RDD. BSC components: 40% Target of incentive (mechanistic), 10% Operation & Monitoring, 50% RES Integration Enablers. • Propose to reduce incentive allocation to targets that are externally driven. E.g., RDD metric should not be financially incentivised due to the level of RDD being substantially outside of EirGrid's control. • The targets should be revised at agreed intervals, e.g., every 2 years, to align with the Roadmap. 'RES Integration Enablers' be reviewed and agreed annually, e.g., Enhancement of RES Forecasting, Contribution of Low Carbon Sources of Inertia. • To streamline reporting.	The CRU proposes to accept the TSO proposal to expand RES-E, SNSP and RDD into one Decarbonisation incentive with components: • **RES-E** • **SNSP** • **RDD** • **Reporting:** Reporting will be required against each of the three metrics The CRU considers that the objective of this incentive is critical in meeting national decarbonisation aims and meets SMART criteria. The CRU proposes to continue financial incentivisation against each metric, including RDD, given its clear importance and relevance to decarbonisation. The new reporting metric offers EirGrid an opportunity to earn a reward against this incentive and/or mitigate the impacts of a financial penalty even in the event that the target was missed for reasons outside of its control, in line with the TSO proposal.
Stakeholder Engagement	EirGrid proposes minor amendments to the stakeholder representation to:	The CRU agrees to retain this incentive in the same structure as PR5, given it meets SMART criteria, adds clear consumer value and is sufficiently mechanistic.

	• include Community and Small Customer Representatives as separate classes; • consider how the call for new members to the panel could be advertised to ensure greater visibility; and • give guidance to applicants of 'other stakeholder'.	The CRU notes the proposal to make separate the "Community and Small Customer Representatives" into two separate stakeholder classes. This will be part of the consultation on the NSEE Panel Terms of Reference next year.
Investment Planning and Delivery (IPD)	EirGrid proposes to focus on fundamental delivery enablers such as consenting and land access. Evolve existing IPD metrics into joint TSO/TAO metrics, with new end-to-end lifecycle milestones. Outturn assessment annually. Proposes the two pre-existing TSO incentives to be retained - Capital Approval and an enhanced version of the Planning Consent Achieved metric. A Joint Land Access metric and TSO Infrastructure Delivery Stakeholder Engagement incentive.	The CRU agrees to retain this incentive in principle in PR6, given the central focus on infrastructure delivery, with an amended structure from PR5. The CRU is aligned with the TSO on moving the Transmission Outage Plan (TOP) Delivery metric to a new TSO/TAO Joint TOP Incentive. The CRU also considers the TSO proposal to retain a metric focused on investment planning and GW3 capital approval stage is appropriate and would meet SMART criteria. The CRU proposes for this incentive to ultimately assess timeliness and quality of delivery of the overall capex programme.
TSO/TAO Joint incentive	TSO proposes to shift from a majority of separate TSO and TAO incentive metrics in the project delivery incentives (PR5) to joint performance responsibilities at appropriate points in the project lifecycle. The companies have proposed to retain three KPIs from PR5, as follows: • Deployment of new technology • Joint process improvement • Asset and programme data exchange The companies have also proposed the addition of a new Project Development Performance KPI. The TSO has proposed the introduction of a metric related to land access.	The CRU proposes to retain this incentive in PR6, given the importance of collaborative focus on network project delivery. The CRU accepts the companies' proposal to introduce a new Project Development Performance KPI and retain three other KPIs, provided annual targets are set at start of PR6. The CRU proposes to reject the land access metric as this does not meet SMART criteria and is better addressed through review of Infrastructure Agreement.
TSO/TAO Outage Management	The delivery of the outage programme will be incentivised through a Joint Transmission Outage Programme (TOP) delivery Incentive measured through outage metrics, in areas of outage planning, outage availability, energisation and outage improvements.	The CRU accepts company proposal to evolve this previously TSO-only metric to a joint metric, given the role played by both network companies. The CRU proposes to develop this with a sufficient focus on quantitative metrics (i.e. not just incentivising implementation of JTOP or assessing quality of plan/delivery).

	It is proposed that enhanced TOP outage delivery metrics will be jointly assessed.	Engagement with companies ahead of FD to determine appropriate milestones to assess impact of the plan (e.g. % increase in number of projects that could be delivered in outage windows).
Security of Supply and System Resilience	EirGrid proposes this new incentive to support CRU strategic objectives including obligations under Risk Preparedness Regulation EU 2019/941. • Delivery linked to updated Risk Preparedness Plan (Jan '26) and associated annual programme of exercises. • Continuity and Resilience Measures may include regulatory reporting, systems /tools/procedures, Winter Outlook, Secondary Fuel etc. • Biannual reporting.	The CRU agrees with the TSO in principle on a nationally-focused new "Security of Supply and System Resilience" incentive proposal. It welcomes this recent proposal and engagement ahead of final determinations to further develop suitable, output-focused metrics. Currently, the CRU are considering metrics related to compliance under: • Cyber (NIS2 and Network Code on Cyber Security), and; • Physical resilience (Critical Entities Resilience Directive.
Imperfections and constraints (I&C)	EirGrid proposes reducing the reporting frequency to three times during PR6 instead of annual MYPs and outturn reports. This will align with the Operational Policy changes and with Operational Policy Roadmap Review. Proposes removing Carbon Emissions Reporting. Current focus on economic efficiency/imperfection savings, but should be technical merit. Deliverables could include improved study capability, enhance TCG management and flexibility.	The CRU proposes to retain this incentive in PR6 and agrees in principle with the TSO proposal as set out in April 2025 to include metrics considered to be "I&C Enablers" aligned with the Operational Policy Roadmap. The CRU proposes further engagement to develop output-based metrics to demonstrate reduction in constraint costs. The CRU is minded to accept the TSO proposal to move to a two-year assessment cycle to align more closely with the Operational Policy Roadmap timetable. The CRU would also request, in its DD response, for the TSO to elaborate on its proposal to remove carbon emissions reporting.
CRU Proposing to reject for PR6		
Strategic objectives	EirGrid proposes that this incentive would benefit from a review of the focus areas to ensure that these are aligned with the CRU's priorities for PR6.	The CRU has decided to remove this incentive as it fails the SMART test.

EirGrid also proposed to remove the Local Security of Supply (LSoS) incentive based on the fact that it is no longer an effective measure of their performance, especially considering the wider National Security of Supply challenge.

The CRU considers there are several transmission projects addressing various constraints in development, which will add necessary capacity to the system. This will contribute to the reduction of the Dublin constraint. The CRU are proposing that these projects are monitored through delivery obligations, and infrastructure delivery more generally will continue to be incentivised through several other incentives. Therefore, the CRU agrees that LSoS should be removed to prevent duplication.

A.5 Appendix - Delivery Obligations and Adjustment Mechanisms

This appendix sets out details of the proposed delivery obligations (DO), scheme-specific reopeners and volume drivers for each of the licensees.

The CRU will fully specify and document each of these, in consultation with the network companies, in advance of Final Determinations. This will include any updates following draft determinations to align milestones, deliverables, volumes of work and other outputs with the companies' programmes of work for the PR6 period as at Final Determinations. Following Final Determinations, any further changes during the PR6 period will be made through the reopener process as required.

A5.1 DSO

Delivery Obligations – DSO

Delivery Obligation	Deliverable	Associated Baseline Allowance (€m – 2024 prices)	Reporting and additional requirements
HV reinforcement (Key 110kV projects and DSO elements of 220kV projects) (1 DO)	1 bundled DO: Progress group of 27 key projects (see Appendix A6.1) to provide new 110kV stations and 4 key projects associated with 220kV stations in line with individual project plans within PR6 period. This will be to Energisation (EI) or towards EI if EI date is beyond the PR6 period (including the forecast milestone to be achieved by the end of PR6 if EI date is beyond the PR6 period). Delivery will be evaluated against	823.8	Quarterly reporting of progress and spend at project and portfolio level, including detailing any updates or revisions to energisation date.

	capacity delivered during PR6. Baseline PR6 delivery milestones specified for individual projects within the DO – see Appendix A6.1Appendix – Details of Network Projects under Delivery Obligations Appendix – Details of Network Projects under Delivery Obligations for details - as a reference for consideration of performance across the portfolio (and to enable transparency in relation to changes during the PR6 period).		
Renewal programme - MV lines (PIAM)	Maintain Health Index profile for pole population, i.e. fewer than 37.6k HI4-5 poles at the end of PR6 (allowance corresponds to replacement of 24.2k poles)	125.4	Annual reporting of updated Health Index assessment Reopener justification with reference to: • Pole volumes (including assessment to demonstrate HI4-5) • Unit costs
IT and Digital projects: • 'New Customer experience'; • 'IT: Work Management, Planning & Delivery' • 'IT: Cybersecurity' • 'IT: Core System Foundations' • 'Enterprise Applications – Customer Engagement'	Delivery of these work programmes against the agreed delivery plan to provide defined outputs, which are subject to confirmation by ESBN and agreement based on additional information prior to Final Determination.	177.4	Annual reporting of delivery against programme.

Reopeners – DSO[62]

Mechanism	Trigger requirements	Additional requirements
Network: Load related		
HV System Reinforcement – 'other', i.e. not included in key project list	Overall costs forecast to exceed baseline allowance by more than 10%.	Reopener justification with reference to: • Justified deviations in project costs vs PR6 forecast for projects progressed within the portfolio. • New projects identified.
Generation connections	Overall costs forecast to exceed baseline allowance by more than 10%.	Reopener justification with reference to: • Connection volumes and costs per connection.
Network: Non-load related		
Renewal programme – HV station replacements (selected), covering the following items: • MV and control room module • 38kV 7-bay module • MV module in 110kV station • 38kV double busbar replace	Overall costs forecast to exceed baseline allowance by more than 10%	Scope to be evaluated against updated delivery plan (required during 2026 to account for the baseline allowance).
Renewal programme – HV cables (38kV Fluid Filled Cables)	Overall costs forecast to exceed baseline allowance by more than 10%	It is envisaged that the baseline allowance will enable initial scoping works to be undertaken. Following this, the reopener can be used to put forward justifications based on precise details of new projects to replace 38kV Fluid Filled Cables (with reference to lengths and unit costs for replacement of the worst circuits)
Renewal programme – MV lines (selected), covering the following items: • MV conductor replacement (planned; and reactive – SCA) • MV outlet refurb	Overall costs forecast to exceed baseline allowance by more than 10%	Reopener justification with reference to: • MV conductor health model scores • Further scoping/justification for outlet refurb.

[62] In addition, all delivery obligations will make provision for reopeners.

Continuity improvement (selected), covering the following items: • Single Phase Reclosers • 38kV Z protection on existing CBs	Overall costs forecast to exceed baseline allowance by more than 10%	Reopener justification with reference to: • Volumes and unit costs for SPRs • Updated justification for Z protection
DMSO (OT - Operations Systems Control and Infrastructure) • NMS and SCADA Enhancements and Integrations ○ Upgrade Oracle NMS by 2026; ○ SCADA system upgrade from NM9 to NM10; ○ Continuing alarm manage-ment project from PR5 • Replacement of SCADA RTUs and SCADAfying (adding SCADA to stations that don't currently have it) Non-SCADA Stations • Upgrade Substation Control System	Overall costs forecast to exceed baseline allowance by more than 10%	Reopener justification with reference to: • Updated justification for key OT role resourcing • RTU replacement volumes • Justification for additional forecast 'AIF' costs should they arise, with reference to scope and corresponding breakdown of costs
DMSO (OT - Visibility and Mapping)	Overall costs forecast to exceed baseline allowance by more than 10%	Reopener justification with reference to: • Progress and costs incurred compared with the delivery plan • Rationale and justification for changes to the delivery plan/scope

Smart metering (non-volume driven capex), comprising the following items: • Product Design Capex • Smart Services • Solutions Delivery Capex	Overall costs forecast to exceed baseline allowance by more than 10%	Reopener justification with reference to: • Progress and costs incurred compared with the delivery plan • Rationale and justification for changes to the delivery plan/scope
Non-network		
Telecomms & System Control	Overall costs forecast to exceed baseline allowance by more than 10%	Reopener justification with reference to: • Progress and costs incurred compared with the delivery plan/roadmap • Additional justification to support expansion of the fibreoptic programme beyond baseline allowance
Opex		
Planned Maintenance	Overall costs forecast to exceed baseline allowance by more than 10%	Reopener justification with reference to: • Progress and costs incurred compared with the delivery plan. • Rationale and justification for changes to the delivery plan/scope. • Justification for additional costs and/or additional volumes for planned timber cutting programme, with reference to allowed baseline costs and funded volumes.
Forestry & Wayleaves	Overall costs forecast to exceed baseline allowance by more than 10% or new agreement reached with Irish Farmers Association (IFA).	Reopener justification with reference to: • Progress and costs incurred compared with the allowed costs. • Negotiations and discussions with IFA.

Each of the DSO reopeners (including for delivery obligations) have an annual reopener window that can be triggered by ESB Networks, subject to the materiality threshold of 10% or greater forecast overspend.

Volume Drivers – DSO

Mechanism	Outputs[63] and unit costs	Baseline allowance (€m – 2024 prices)	Reporting and additional requirements
Load-related			
New connections & associated metering	• G1 housing schemes: 169k units; unit cost €1,749 • G2 non-housing scheme: 47k units; unit cost €5,797 • G3 commercial/ industrial connections: 27.5k units; unit cost €6,937 • Whole Current Metering: run-rate 5% of G1-3 costs	797.0	• Annual reporting of volumes and spend for each category • Commentary on progress, including deviations from budget (at the first opportunity)
Non-repayable line diversions	24% run-rate of G1-3 costs	182.2	As above
MV/LV System Improvements (reactive MV/LV SI)	40% run-rate of G1-3 costs	305.0	As above
20kV conversion covering the following: • IFTs associated with 20kV conversion • 20kV conversion - circuits	• Interface Transformers (IFTs) associated with 20kV conversion: 44 IFTs; unit cost €253,464 • 20kV conversion – circuits: 5,913km; unit cost €20,102	130.0	As above
Non-load related			
Asset Replacement – MV lines (selected volume-driven items), covering the following: • MV Condition Assessment • MV Defect clearance	• MV Condition Assessment and Follow on: 457,265 poles; unit cost €102 • MV Defect clearance: 19,565 defects; unit cost €1,004	66.3	• Annual reporting of volumes and spend for each category • Commentary on progress, including deviations from budget (at first opportunity)
Asset Replacement – MV Stations (Replacement of Magnefix Cast-Resin Type Switchgear)	250 Ring Main Unit (RMUs); unit cost €67,281	16.8	As above
Asset Replacement – LV network, covering the following items:	• LV Condition Assessment and Follow on	42.7	As above

[63] Volume driver outputs are baseline number of units forecast to be delivered over full PR6 period (as assumed in baseline cost allowance).

• LV Urban Condition Assessment and Follow on • LV Rural Condition Assessment and Follow on • LV Defect clearance • LV wood pole replacement	• Rural: 95,830 groups; unit cost €179 • Urban: 60,000 poles; unit cost €102 • LV Defect clearance: 5,620 defects; unit cost €1,256 • LV wood pole replacement: 3,600 poles; unit cost €3,441		
Meters and Time Switches (CT Planned Meter Replacement)	CT Planed Meter Replacement: 9,791 meters; unit cost €1,030	10.1	As above
Smart Metering (Smart+ and Retail Transformation: Smart Metering)	• Legacy meter upgrades: 398,297 meters; average unit cost €266 • Smart to smart meters: 1,123,000 meters; average unit cost €256	393.8	As above

A5.2 TAO

Delivery Obligations – TAO

Delivery Obligation	Deliverable	Associated Total Allowance (€m – 2024 prices)	Reporting and additional requirements
Group 1 – Priority Projects (29 DOs)	Individual DO for each of 29 projects. Delivery obligation will be to progress each individual project to EI (or towards EI if EI date is beyond the PR6 period) in line with individual project plans (including the forecast milestone to be achieved by the end of PR6 if EI date is beyond the PR6 period). 29 project-specific DOs. Refer to Appendix A6.2 Appendix – Details of Network Projects	2,942.5 (aggregate)	Quarterly reporting of progress and spend, including detailing any updates or revisions to energisation (EI) date. The reopener process will enable revisions to TAO delivery dates which result from changes to TSO/TAO project agreement (PA) dates/ handover and which will materially impact on the TAO's ability to complete project delivery in line with the delivery obligation. Pre-existing PR5 quarterly reporting requirements will also be incorporated. Template to be agreed between draft

	under Delivery Obligations for details.		determination and final determination.
Group 2 – Remaining Ultra Projects (1 DO)	One bundled DO: Progress group of projects in line with individual project plans during the PR6 period. This will be to EI or towards EI if EI date is beyond the PR6 period (including the forecast milestone to be achieved by the end of PR6 if EI date is beyond the PR6 period). Baseline PR6 delivery milestones to be specified for individual projects within the DO as a reference for consideration of performance across the portfolio (and to enable transparency in relation to changes during the PR6 period). Refer to Appendix A6.2 Appendix – Details of Network Projects under Delivery Obligationsfor details.	428.1	Annual reporting of progress and spend by project, including detailing any updates or revisions to EI date.
Group 4 – Remaining category 3 projects (1 DO)	One bundled DO: Progress portfolio of projects in line with individual project plans during the PR6 period. This will be to EI or towards EI if EI date is beyond the PR6 period (including the forecast milestone to be achieved by the end of PR6 if EI date is beyond the PR6 period). Baseline PR6 delivery milestones to be	133.6	Annual reporting of progress and spend by project, including detailing any updates or revisions to EI date.

	specified for individual projects within the DO as a reference for consideration of performance across the portfolio (and to enable transparency in relation to changes during the PR6 period). Refer to Appendix A6.2Appendix – Details of Network Projects under Delivery Obligations Appendix – Details of Network Projects under Delivery Obligationsfor details.		

Reopeners – TAO[64]

Mechanism	Trigger requirements	Additional requirements
Network		
Group 3 (remaining category 2,4 and 5 projects)	Overall costs forecast to exceed baseline allowance for group of projects	Reopener justification with reference to: • Projects progressed within the portfolio • Justified deviations in project costs vs PR6 forecast • New projects identified
Group 5 (category 6-8 projects)	Overall costs forecast to exceed baseline allowance	As above

Each of the TAO reopeners (including for delivery obligations) have an annual reopener window that can be triggered by ESB Networks, subject to the materiality threshold of 10% or greater forecast overspend vs. baseline allowance.

The CRU is not proposing any volume drivers for the TAO.

[64] In addition, all delivery obligations will make provision for reopeners.

A5.3 TSO

Delivery Obligations – TSO

Delivery Obligation	Deliverable	Associated Baseline Allowance (€m)	Reporting and additional requirements
Group 1 – Priority Projects	One bundled DO. Progress portfolio of projects in line with individual project plans during the PR6 period. Where Project Agreement (PA) date is within the PR6 period, the obligation will be for the TSO to undertake the work required to achieve the PA date, and following PA to support the TAO during project delivery (as required, in line with the PA). Where PA date is during PR5, the obligation is to support the TAO during project delivery (as required, in line with the PA). Baseline PR6 delivery milestones specified for individual projects within the DO as a reference for consideration of performance across the portfolio (and to enable transparency in relation to changes during the PR6 period). Refer to Appendix A6.3 Appendix – Details of Network Projects under Delivery ObligationsAppendix – Details of Network Projects under Delivery Obligationsfor details.Appendix – Details of Network Projects under Delivery Obligations	116.2	Quarterly reporting of progress and spend at project and portfolio level, including detailing any updates or revisions to project agreement (PA) date which will impact on TAO's ability to start construction and project delivery work. Pre-existing PR5 quarterly reporting requirements will also be incorporated. Template to be agreed between draft determination and final determination.

Physical Control Centres	Upgrade EirGrid's National Control Centre (NCC), and replacement of EirGrid's Emergency Control Centre (ECC) in line with project plans and delivery milestones. NCC/ECC projects completed by end of PR6 period.	23.4	Project progress should be monitored on an annual basis through PR6, including detailing any updates or revisions to milestone dates, as well as any changes in function specification or material cost revisions to achieve milestone dates.

Reopeners – TSO[65]

Mechanism	Trigger requirements	Additional requirements
Network		
Group 5 (category 6-8) projects	Overall costs forecast to exceed baseline allowance for group of pipeline placeholder projects	Reopener justification with reference to: • Projects progressed within the portfolio • Justified deviations in project costs vs PR6 forecast • New projects identified
Non-network[66]		
TSO Transformation	Updated information to provide further justification of need, costs and outputs	The CRU considers that the baseline allowance will enable initial works to be undertaken. Following this, justification should be provided for the precise outputs to be delivered and corresponding additional costs
Power System Capability Enhancement	As above	As above
Digital Transformation	As above	As above
Capability Catch-up	As above	As above
Cyber Security	1. Change in legal/ regulatory cyber security requirements 2. Updated information on justification of need, costs and outputs (including change in requirements under NIS Directive)	Submission of evidence to CRU to explain and justify the nature and scale of additional costs
All Island initiatives	Change to forecast costs for market functions e.g. FASS, SMP, Market Release Capital,	Submission of evidence to CRU to explain and justify the nature and scale of additional costs

[65] In addition, all delivery obligations will make provision for reopeners.
[66] There may be scope to combine the first four individual TSO non-network reopeners into a broader 'TSO non-network transformation and enhancement' reopener. Reporting would remain at the level of the four individual programmes.

	subject to agreement as part of SEMC governance	

For the TSO reopeners (including for delivery obligations), the reopener window is annual and can be triggered by the TSO. The materiality threshold is defined as 10% or greater forecast overspend.

The CRU is not proposing any volume drivers for the TSO.

A.6 Appendix – Details of Network Projects under Delivery Obligations

A6.1 DSO

HV Reinforcement – Key 110kV & 220kV projects

These projects together form a bundled Delivery Obligation for the DSO.

Project name	Target Energisation Date[67]	Capacity added (MVA)
Walterstown 110 kV/38 kV/MV	2029 H2	126
St. Vincent's University Hospital (SVUH) 110 kV/MV	2029 H2	63
M1 110 kV/38 kV/MV	2030 H2	126
North City Junction 110 kV/MV	2030 H2	63
Batter Lane 110/20 kV	2026 H2	63
Blundlestown 110/38 kV	2030 H2	126
Fosterstown 110/20 kV	2029 H2	63
East Galway 110 kV/38 kV/MV Station	2030 H1	126
New East Athlone 110 kV/38 kV/MV	2030 H2	126
Dunsink 110 kV/MV (AKA Carpenterstown 1)	2030 H2	63
Belmayne 110 kV/38 kV/MV	2030 H1	126
Newbridge East 110/38 kV	2030 H1	126
Bracklone 110/20 kV	2026 H1	63
New South East Carlow 110/20 kV	2030 H2	63
New Ballycummin 110/38 kV	2029 H2	126
New West Portlaoise 110 kV Station	2030 H2	126
South Athy New 110 kV/MV station	2030 H2	63
New 110 kV/MV station at Birdhill	2030 H2	63
New North-East Cashel 110 kV/MV station (Kill Hill)	2030 H2	63
New Navan 110/38 kV or 110 kV/MV station	2030 H2	63
New 110 kV Stn Donore Road, Drogheda	2029 H2	126
New Eastmont 110 kV/MV (Little Island)	2030 H1	63
New 110 kV/MV Station Fermoy	2030 H2	63
Wilton 110 kV/38 kV/MV	2030 H2	126
New Mayfield/Riverstown 110/MV 2 x 31.5 MVA	2030 H2	63
New 110 kV/MV Station near Killacloyne	2030 H2	63
New Killygarry 110 kV/MV Station	2030 H2	63

[67] These dates are based on the Business Plan and supplementary information submitted to the CRU for PR6; however, the CRU is aware that some of these dates have changed. The CRU will engage with the DSO regarding any changes to the PR6 baseline between DD and FD such that the latest view of milestone dates is adopted for the delivery obligation.

West County 220 kV BSP (TSO Transformers)[68]	2029 H2	TBC
North County 220 kV BSP (TSO Transformers)[69]	2029 H2	TBC
East Wall Road 220 kV BSP (DSO Transformers)	2030 H2	500
4th transformer in Carrickmines	2030 H2	250

A6.2 TAO

Group 1 – Priority Projects

Refer to the "A6.3 Group 1 – Priority Projects" section of this appendixAppendix – Details of Network Projects under Delivery Obligations for details. Each project listed will be an individual Delivery Obligation for the TAO.

Group 2 – Remaining Category 1 projects

These projects together form a bundled Delivery Obligation for the TAO. In the 'milestone date' column, PA indicates 'Project Agreement', EI indicates 'Energisation'.

CP number	Project Name	Category	Milestone Dates[70]	Capacity Added (MVA)[71]
CP1002	Cushaling - Newbridge 110 kV Thermal Uprate	Category 1 - Ultra and SOEF	PA date: 20/12/2025 EI date: 20/12/2029	210
CP1191	Cashla-Galway 110 kV cot 1 Line uprate	Category 1 - Ultra and SOEF	PA date: 20/12/2025 EI date: 20/12/2029	210
CP1242	Great Island 220-110 kV transformer upgrades	Category 1 - Ultra and SOEF	PA date: 20/12/2023 EI date: 20/12/2028	TBC
CP1257	Kilshane Power Station	Category 1 - Ultra and SOEF	PA date: 20/12/2024 EI date: 20/12/2026	293
CP1302	Killonan Shannonbridge 220 kV Line Refurbishment	Category 1 - Ultra and SOEF	PA date: 30/06/2027	TBC

[68] The MVA will be clarified in Final Determinations.
[69] The MVA will be clarified in Final Determinations.
[70] These dates are based on the Business Plan and supplementary information submitted to the CRU for PR6; however, the CRU is aware that some of these dates have changed. The CRU will engage with the TSO/TAO regarding any changes to the PR6 baseline between Draft Determination and Final Determination such that the latest view of milestone dates is adopted for the delivery obligation.
[71] For 'Capacity Addition (MVA)' entries listed as "TBC," these will be clarified in Final Determinations.

CP number	Project Name	Category	Milestone Dates[70]	Capacity Added (MVA)[71]
			EI date: 20/12/2036	
CP1311	Athlone - Lanesboro 110 kV line uprate	Category 1 - Ultra and SOEF	PA date: 30/09/2025 EI date: 20/12/2029	210
CP1312	Athy - Carlow 110 kV circuit 1	Category 1 - Ultra and SOEF	PA date: 20/12/2027 EI date: 20/12/2030	210
CP1314	Baroda - Monread 110 kV circuit 1 (DLR)	Category 1 - Ultra and SOEF	PA date: 31/03/2027 EI date: 20/12/2029	206
CP1315	Baroda - Newbridge 110 kV circuit 1 (DLR)	Category 1 - Ultra and SOEF	PA date: 31/03/2028 EI date: 20/12/2030	206
CP1317	Bellacorrick - Castlebar 110 kV circuit 1 (DLR)	Category 1 - Ultra and SOEF	PA date: 30/09/2026 EI date: 30/09/2028	209
CP1321	Cashla - Dalton 110 kV circuit 1 (DLR)	Category 1 - Ultra and SOEF	PA date: 30/06/2024 EI date: 20/12/2026	159
CP1322	Cathaleens Fall - Coraclassy 110 kV circuit 1 (DLR)	Category 1 - Ultra and SOEF	PA date: 20/12/2024 EI date: 20/12/2026	274
CP1324	Clashavoon - Knockraha or Cullenagh - Knockraha 220 kV lines (PFC)	Category 1 - Ultra and SOEF	PA date: 30/09/2026 EI date: 20/12/2028	TBC
CP1325	Corduff Mullingar line uprate	Category 1 - Ultra and SOEF	PA date: 30/06/2026 EI date: 20/12/2029	TBC
CP1327	Drumkeen - Clogher 110 kV circuit 1	Category 1 - Ultra and SOEF	PA date: 30/09/2026 EI date: 20/12/2028	TBC
CP1381	Maynooth - Rinawade 110V line uprate	Category 1 - Ultra and SOEF	PA date: 20/12/2027 EI date: 20/12/2030	TBC
CP1382	Increased capacity Cullenagh-Waterford	Category 1 - Ultra and SOEF	PA date: 31/03/2026 EI date: 20/12/2029	TBC
CP1383	Killonan - Knockraha 220 kV line (PFC)	Category 1 - Ultra and SOEF	PA date: 20/12/2027 EI date: 20/12/2029	TBC

CP number	Project Name	Category	Milestone Dates[70]	Capacity Added (MVA)[71]
CP1384	Kilteel - Maynooth 110 kV (DLR)	Category 1 - Ultra and SOEF	PA date: 31/03/2027 EI date: 20/12/2028	210
CP1388	Letterkenny - Tievebrack - Binbane 110 kV lines (PFC)	Category 1 - Ultra and SOEF	PA date: 30/09/2026 EI date: 20/12/2028	TBC
CP1404	Sligo - Srananagh - Corderry 110 kV lines (PFC)	Category 1 - Ultra and SOEF	PA date: 20/12/2027 EI date: 20/12/2030	TBC
CP1428	Cashla Dalton 110kV Thermal Capacity Increase	Category 1 - Ultra and SOEF	PA date: 31/03/2025 EI date: 20/12/2029	210
CP1429	Castlebar Dalton 110kV Thermal Capacity Increase	Category 1 - Ultra and SOEF	PA date: 20/12/2025 EI date: 20/12/2028	210
CP1435	Drumline Ennis 110kV circuit DLR and related works	Category 1 - Ultra and SOEF	PA date: 30/06/2025 EI date: 20/12/2028	158
CP1447	Letterkenny - Golagh Tee 110 kV circuit thermal capacity needs	Category 1 - Ultra and SOEF	PA date: 30/09/2026 EI date: 20/12/2030	TBC
CP1454	Gorman - Maynooth 220 kV Circuit Capacity Needs	Category 1 - Ultra and SOEF	PA date: 20/12/2026 EI date: 20/12/2030	TBC
CP1471	Lisdrum Louth 110 kV DLR project	Category 1 - Ultra and SOEF	PA date: 30/09/2025 EI date: 20/12/2028	TBC
CP1473	Louth - Meath Hill 110 kV DLR	Category 1 - Ultra and SOEF	PA date: 30/09/2025 EI date: 20/12/2028	TBC
CP1477	Maynooth - Castlelost 220kV	Category 1 - Ultra and SOEF	PA date: 31/03/2027 EI date: 20/12/2030	TBC
CP1479	Ratrussan - Shankill 110 kV (DLR)	Category 1 - Ultra and SOEF	PA date: 31/03/2026 EI date: 20/12/2028	TBC
TPSP 22	Deenes - Drybridge 110 kV (DLR)	Category 1 - Ultra and SOEF	PA date: 31/03/2026 EI date: 20/12/2028	TBC
TPSP 24	Baltrasna - Corduff 110 kV (DLR)	Category 1 - Ultra and SOEF	PA date: 30/06/2026 EI date: 20/12/2028	TBC

CP number	Project Name	Category	Milestone Dates[70]	Capacity Added (MVA)[71]
TPSP 25	Crane - Wexford 110 kV (DLR)	Category 1 - Ultra and SOEF	PA date: 30/06/2026 EI date: 20/12/2028	TBC
TPSP 26	Great Island - Waterford 1 110 kV (DLR)	Category 1 - Ultra and SOEF	PA date: 30/09/2026 EI date: 20/12/2028	TBC
TPSP 27	Srananagh - Cathaleen's Fall 2 110 kV (DLR)	Category 1 - Ultra and SOEF	PA date: 30/09/2026 EI date: 20/12/2028	TBC

Group 4 – Remaining Category 3 projects

These projects together form a bundled DO for the TAO. In the 'milestone date' column, PA indicates 'Project Agreement', EI indicates 'Energisation'.

CP number	Project Name	Category	Milestone Dates[72]	Capacity Added (MVA)73
CP0749	Richardstown 220kV Station (Oriel Offshore WF)	Category 3 - Offshore Connections	PA date: 20/12/2024 EI date: 20/12/2027	1,200
CP1238	Arklow 220 kV Station Redevelopment	Category 3 - Offshore Connections	PA date: 30/06/2026 EI date: 20/12/2035	1,200
CP1393	Offshore Phase 1 Project 1 - Skerd Rocks	Category 3 - Offshore Connections	PA date: 20/12/2024 EI date: 20/12/2027	1,200
CP1394	Offshore Phase 1 - Codling Wind Park	Category 3 - Offshore Connections	PA date: 20/12/2024 EI date: 20/12/2027	1,200
CP1395	Offshore Phase 1 Project 3 - Codling Wind Park 2	Category 3 - Offshore Connections	PA date: 20/12/2024 EI date: 20/12/2027	TBC
CP1396	Arklow Bank Wind Park Phase 2 (Offshore)	Category 3 - Offshore Connections	PA date: 20/12/2024 EI date: 20/12/2028	1,200

[72] These dates are based on the Business Plan and supplementary information submitted to the CRU for PR6; however, the CRU is aware that some of these dates have changed. The CRU will engage with the TSO/TAO regarding any changes to the PR6 baseline between DD and FD such that the latest view of milestone dates is adopted for the delivery obligation.
[73] For 'Capacity Addition (MVA)' entries listed as "TBC," these will be clarified in Final Determinations.

CP1397	Bremore 220 kV Station (North Irish Sea Array)	Category 3 - Offshore Connections	PA date: 20/12/2024 EI date: 20/12/2027	1,200
CP1398	Offshore Phase 1 - Dublin Array	Category 3 - Offshore Connections	PA date: 20/12/2024 EI date: 20/12/2029	1,200
CP1399	Offshore Phase 2 Project 1 - Placeholder	Category 3 - Offshore Connections	PA date: - EI date: 20/12/2030	TBC
CP1400	Offshore Phase 2 Project 2 - Placeholder	Category 3 - Offshore Connections	PA date: - EI date: 20/12/2030	TBC

A6.3 TSO

Group 1 – Priority Projects

These projects together form a bundled DO for the TSO (and will be individual project-specific DOs for the TAO). In the 'milestone date' column, PA indicates 'Project Agreement', EI indicates 'Energisation'.

CP number	Project Name	Category	Milestone Dates[74]	Capacity Addition (MVA)[75]
CP0466	North South 400 kV Interconnector - RoI	Category 1 - Ultra and SOEF	PA date: 30/06/2025 EI date: 20/12/2028	1,943
CP0585	Laois Kilkenny (Coolnabacky) 400 kV Station - New Station & Associated Lines & Station Works	Category 1 - Ultra and SOEF	PA date: 30/06/2016 EI date: 20/12/2026	1,282
CP0799	Louth 220 kV Station Refurbishment	Category 1 - Ultra and SOEF	PA date: 31/03/2020 EI date: 20/12/2032	1,171
CP0808	Maynooth 220 kV Station Reconfiguration	Category 1 - Ultra and SOEF	PA date: 20/12/2024 EI date: 20/12/2031	1,200
CP0816	North Connacht 110 kV Project	Category 1 - Ultra and SOEF	PA date: 20/12/2023 EI date: 20/12/2028	TBC
CP0866	Great Island - Kellis 220 kV Line Uprate	Category 1 - Ultra and SOEF	PA date: 30/06/2025 EI date: 20/12/2029	824
CP0966	Kildare Meath	Category 1 - Ultra and SOEF	PA date: 20/12/2024 EI date: 20/12/2029	1,457
CP0967	Moneypoint 400 kV Series Capacitor	Category 5 - System Reinforcements	PA date: 31/03/2025 EI date: 20/12/2029	1,943
CP0968	Dunstown 400 kV Series Capacitor	Category 1 - Ultra and SOEF	PA date: 20/12/2023 EI date: 20/12/2027	1,943

[74] These dates are based on the Business Plan and supplementary information submitted to the CRU for PR6; however, the CRU is aware that some of these dates have changed. The CRU will engage with the TSO/TAO regarding any changes to the PR6 baseline between DD and FD such that the latest view of milestone dates is adopted for the delivery obligation.
[75] For 'Capacity Addition (MVA)' entries listed as "TBC," these will be clarified in Final Determinations.

CP number	Project Name	Category	Milestone Dates[74]	Capacity Addition (MVA)[75]
CP0969	Oldstreet-Woodland 400 kV Series Capacitor	Category 1 - Ultra and SOEF	PA date: 20/12/2023 EI date: 20/12/2028	1,866
CP0970	Cross Shannon 400 kV Cable	Category 1 - Ultra and SOEF	PA date: 20/12/2021 EI date: 20/12/2028	500
CP0982	Flagford Sligo Capacity Needs	Category 1 - Ultra and SOEF	PA date: 30/06/2027 EI date: 20/12/2030	210
CP1021	East Meath - North Dublin Reinforcement	Category 1 - Ultra and SOEF	PA date: 30/06/2025 EI date: 20/12/2029	1,433
CP1023	Letterkenny station redevelopment	Category 1 - Ultra and SOEF	PA date: 30/06/2025 EI date: 20/12/2031	476
CP1100	Finglas - North Wall Cable Replacement	Category 1 - Ultra and SOEF	PA date: 20/12/2024 EI date: 20/12/2030	606
CP1146	Carrickmines - Poolbeg 220 kV Cable Replacement	Category 1 - Ultra and SOEF	PA date: 31/03/2027 EI date: 20/12/2031	606
CP1150	Inchicore - Poolbeg 2 220 kV Cable Replacement	Category 1 - Ultra and SOEF	PA date: 30/09/2026 EI date: 20/12/2031	606
CP1157	Inchicore - Poolbeg 1 220 kV Cable Replacement	Category 1 - Ultra and SOEF	PA date: 30/09/2026 EI date: 20/12/2031	606
CP1190	Poolbeg 220 kV Station	Category 3 - Offshore Connections	PA date: 20/12/2024 EI date: 20/12/2030	TBC
CP1194	Woodland 400 kV Station Redevelopment	Category 1 - Ultra and SOEF	PA date: 20/12/2023 EI date: 20/12/2032	TBC
CP1196	Arklow - Ballybeg - Carrickmines 110 kV capacity Needs	Category 3 - Offshore Connections	PA date: 30/09/2027 EI date: 20/12/2031	1,200
CP1213	Belcamp 220 kV Busbar Extension	Category 1 - Ultra and SOEF	PA date: 30/09/2024 EI date: 20/12/2029	TBC
CP1214	Fingal to East Meath Grid Reinforcement	Category 1 - Ultra and SOEF	PA date: 20/12/2028 EI date: 20/12/2032	TBC

CP number	Project Name	Category	Milestone Dates[74]	Capacity Addition (MVA)[75]
CP1215	Knockraha station Celtic IC Non contested works	Category 1 - Ultra and SOEF	PA date: 20/12/2023 EI date: 20/12/2026	790
CP1216	Poolbeg - North Wall 220 kV Cable Replacement	Category 1 - Ultra and SOEF	PA date: 30/09/2026 EI date: 20/12/2030	570
CP1226	Kildare Dublin Grid Reinforcement	Category 1 - Ultra and SOEF	PA date: 31/03/2029 EI date: 20/12/2033	TBC
CP1233	Donegal - Srananagh Corridor	Category 1 - Ultra and SOEF	PA date: 30/06/2028 EI date: 20/12/2031	TBC
CP1235	Louth - Woodland 220 kV Uprate	Category 1 - Ultra and SOEF	PA date: 30/06/2025 EI date: 20/12/2029	824
CP1273	Dublin Central Bulk Supply Point	Category 1 - Ultra and SOEF	PA date: 20/12/2026 EI date: 20/12/2031	TBC

A.7 Appendix - Example Delivery Obligations

This appendix provides several indicative examples of content to be included in delivery obligations. The objective is to aid understanding and is not intended to be determinative of the DOs used as examples. Each delivery obligation will be fully specified as part of Final Determinations.

Illustrative Example 1: Discrete Project Delivery Obligation (TAO - CP0982 Flagford Sligo Capacity Needs)

Parameter/Condition	Description
Responsible Licensee	ESBN as TAO
Project No & Description	CP0982 Flagford – Sligo 110 kV capacity needs
Scope/ Definition	The need for a 220 kV transmission line (uprated from 110 kV) plus other accompanying 220 kV and 110 kV works in the Flagford – Sligo area has been identified by the TSO, with the project expected to reach PA stage in mid-2027 and be handed over to the TAO to deliver. The end project energisation date, subject to the TAO meeting the delivery schedule and outage requirement, is forecast as 20/12/2030.
Deliverable	The TAO should complete delivery of the project, as per the PA details, as handed over by the TSO. [Detail of specification of project to be included here – what is and is not being delivered by the TAO within the scope of the DO... position as at Final Determination]
Delivery Date	The TAO should complete delivery of the project to achieve the project energisation by the agreed EI date (20/12/2030).
TAO Forecast PR6 Spend (*ex-ante* baseline allowance)	[€113.2 m - insert Final Determination allowance]
Interim milestones/deliverables	[To be included if relevant]
Interdependencies with other deliverables or licensees' actions	Forecast Project Capital Approval (CA) – 30/06/2025 (TSO) Forecast Project Agreement (PA) and handover by TSO to TAO – 30/06/2027 (TSO) [Availability of outage slots to complete works (TSO) - if relevant]

Reporting Requirements	Project progress to be monitored and reported to the CRU on a quarterly basis, in a format agreed with the CRU, including providing details and explanatory commentary on any updates or revisions to the EI date.
Adjustment Mechanisms	Changes to project PA or EI dates outside of TAO control, or material changes in the final project specification and outputs specified by TSO in the final PA, will be captured and included in an updated DO, to the extent that they materially change the outputs to be delivered or their timing. The CRU recognises that a change of PA or EI date may move final EI into PR7, in which case the deliverable of "achieving EI" will need to be substituted for "agreed % project completion by end-PR6" or an agreed end-PR6 interim milestone. The TAO may request a reopener if PR6 costs are forecast to exceed the *ex-ante* baseline allowance by more than 10%; the TAO or CRU may request a reopener if PR6 costs are forecast to be less than the *ex-ante* baseline allowance by more than 20% (for example, as a result of a delay or re-prioritisation of delivery).

Illustrative Example 2: Bundled Delivery Obligation (TSO - Group 1 Priority Projects)

Parameter/Condition	Description
Responsible Licensee	EirGrid as TSO
Description	Group 1 Priority Projects
Scope/ Definition	The TSO and TAO have identified 29 Priority Projects on the transmission network to be delivered during the PR6 period and have jointly developed a plan to do so. The works covered by this Delivery Obligation will be the TSO required elements of the progression of the delivery of the portfolio of 29 Priority Projects during PR6. [Insert table of individual projects: for list as at Draft Determinations see Appendix A6.3]
Deliverable	The TSO should progress the development of the portfolio of 29 Priority Projects in line with the agreed milestones and associated detailed specifications (as specified for each individual project). For some projects the obligation is to progress the project to PA by a given date (including capital approvals, completing planning and agreeing formal project deliverables in line with the IA) and then to support the TAO as required following handover. For other projects, where handover has or will have taken place prior to PR6, the obligation is to support the TAO as required during PR6 up to EI. [Insert project-specific requirements here - as at Final Determination]
Delivery Date	As specified for each project [i.e. expected PA date and/or expected EI date for post-handover support - see Appendix A6.3 for current view as at draft determinations]
TSO Forecast PR6 Spend (*ex-ante* baseline allowance)	[€116 m – insert Final Determination allowance]
Interim milestones/deliverables	[To be included if relevant - for example: some projects may have PA dates beyond PR6 in which case consider including interim milestones within PR6 period such as expected Capital Approval date; other projects may have defined interim milestones in advance of PA including CA date; similarly there may be interim milestones where a project has been handed over to the TAO and the obligation is to support progress towards EI.]

Interdependencies with other deliverables or licensees' actions	Once PA on a project has been successfully achieved, the TSO will not be liable under the DO if there are delays in the TAO accepting handover of the project. Post-handover, where the TSO's obligation is to support the TAO as it progresses delivery, the TSO is not liable under the DO for TAO delays.
Reporting Requirements	Individual project progress across the group of projects covered by the DO to be monitored and reported to the CRU on a quarterly basis, in a format agreed with the CRU, including details and explanatory commentary on any updates or revisions to milestone dates (including expected PA date which will impact on ability of the TAO to start construction and project delivery work) or other changes in expected outputs.
Adjustment Mechanisms	Changes to individual project milestone dates (e.g. PA) outside of TSO control (for example as a result of planning delays), or material changes in the final specification and outputs of individual projects, will be captured and included in an updated DO, to the extent that they materially change the outputs to be delivered or their timing. Reprioritisation of projects within the bundle is expected and should be reported to the CRU but the DO only needs to be changed if there is expected to be a material change in the overall delivery of outputs by the end of PR6. The CRU recognises that a change of PA date on an individual project may move it into PR7, in which case there will need to be a consequent change in expected deliverables by the end of PR6. The TSO may request a reopener if PR6 costs are forecast to exceed the *ex-ante* baseline allowance by more than 10%; the TSO or CRU may request a reopener if PR6 costs are forecast to be less than the *ex-ante* baseline allowance by more than 20% (for example, as a result of delays or re-prioritisation of delivery across the group of projects covered by the DO).

A.8 Appendix – Adjustment and Cost Recovery Processes

A8.1 Adjustment Processes

During PR6, the adjustment mechanisms can be triggered either as part of the annual tariff-setting process (for example, volume drivers) or during the reopener window (for example, scheme-specific reopeners), depending on the specific mechanism, allowing for adjustments to capex and opex allowances in response to evolving costs and scheme/ activity requirements.

Key elements of the process will include:

1. Triggering the mechanisms:
    - DSO, TAO, and TSO can trigger any relevant mechanism on or before a specified date of any given year (this will be October/November for the reopener window[76], and the end-April date set by the CRU for annual review submissions in the case of volume drivers);
    - The CRU can trigger the legal/regulatory change mechanism, or a downward adjustment to delivery obligation allowances (subject to a materiality threshold, which the CRU proposes to be 20%);
    - A trigger is valid only if the predefined trigger conditions are met.
2. Application Process:

The event that initiates the process can be one of the following:

[76] The CRU's aim is for all reopener requests to have been assessed and decisions communicated to network companies in advance of annual submissions at the end of April such that the results of reopener requests can be incorporated seamlessly into the tariff-setting process. Hence the October/November submission window to allow time for assessment and determinations. The CRU recognises that setting a fixed window for submission of reopener requests in October/November of the previous calendar year is almost a year in advance of the tariff year in which the adjustment will be made. An alternative approach would be to allow reopener requests to be submitted by network companies at any time between October and the April annual submission. However, the downside of such an approach would be that, if the practical result was that companies did not submit their reopener requests until April, all the work for both the reopener and tariff processes (on both the company side in preparing submissions and responding to queries and the CRU side in making assessments and determinations) would need to be undertaken in parallel in a short space of time. A middle ground option might be set a cut-off for reopener requests of end-December. The CRU welcomes views on this issue.

- A formal submission by DSO, TAO or TSO to the CRU, detailing the required adjustment to allowances (and/or other relevant adjustments) and providing a rationale for the request.
- A determination by the CRU requesting a submission from DSO, TAO or TSO and outlining the specific material change in circumstances to be evaluated and costed (for example under the proposed legal/regulatory change mechanism).

3. Regulatory Review and Decision:

- Upon receipt of a submission, the CRU will assess the request based on the evidence provided and evaluate whether the criteria for an adjustment are met. The CRU will make its assessment using the following process: 1) RAG review for accuracy and completeness (first fortnight); 2) clarification via Q&A with company (if required); 3) detailed assessment (if required).
- The CRU will then issue an interim/ provisional decision on revision of allowances to be shared with Licensee.
- The CRU will then issue a final decision to modify the capex and opex allowances used for setting tariffs (and/or to make other adjustments, e.g. to the scope definition or schedule within a delivery obligation) prior to change (if approved) being reflected in the annual tariff update.

The indicative timeline for the annual adjustment process and tariff-setting is set out in Figure 16 in Section 1111.

The CRU will assess reopener submissions based on the following criteria:

- Accuracy and completeness of company's submission against requirements (see below).
- Confirmation of the need for the proposed investment or changes in allowances / deliverables from internal company governance procedures.
- Deliverability and readiness for release of additional revenues based on the project / programme's schedule, definition and business case.

The CRU will not assess the efficiency of expenditure as part of the reopener as whether expenditure has been efficiently incurred will be assessed at the *ex-post* review (see A8.2. below). As part of the deliverability and readiness assessment, the CRU will assess the maturity of the scheme's cost build that is provided as part of the reopener submission.

Reopener submissions will be assessed by the CRU primarily based on documentation that provides:

- Confirmation that the proposed investment or change in allowances/deliverables is underpinned by the company's internal governance planning and approval processes;
- A supporting business case confirming the need, cost build up and suitable Engineering Justification Paper (EJP);
- Assurance by a consultant engineer appointed by the company and/or its Monitoring Committee[77]; and
- A statement of formal approval by a nominated Executive Director of the network company.

Table 27 below sets out the CRU's current view of its expectations for the submission requirements for a reopener request. The main submission document, excluding annexes, should have a maximum length of 10 pages.

As discussed in Section 5, the reopener requirements and criteria primarily relate to proposed investment or change in allowances/deliverables that are underpinned by companies' own internal planning, approval and assurance processes. The CRU considers the release of additional allowances via reopener approvals are therefore predominantly within network companies' control to manage as the requirements relate to confirmation that:

- Submissions are complete;
- Investment and expenditure requirements above baselines are supported by internal governance approvals and business cases; and
- Company business cases confirm the deliverability and readiness for CRU releasing additional allowances above existing spend and baselines.

Table 27: Reopener Submission Requirements

Element	Requirement
Summary	Licensee should provide a brief 1–2-page summary of: • what is the reopener request (e.g. how much, what change, etc.) • why an interim reopener request has been made • the drivers – e.g., rescoping of SO priorities, stage-gate milestones have been met • the internal process followed to arrive at the reopener process.
Cost reconciliation	Licensee should provide a brief reconciliation of the updated forecast scheme/activity costs for the remainder of the PR6 period vs. the baseline

[77] The extent and nature of any assurance provided by the Monitoring Committee will depend on (a) the nature of the reopener request and (b) the agreed terms of reference for Monitoring Committees in PR6, which is a matter that is subject to consultation. If the role of Monitoring Committee(s) is not changed from PR5 then they will not have a role in reopener assurance as their role would be limited to requests for additional allowances for new projects/ scheme proposals (e.g. under the Innovation and R&D Mechanism).

	allowances (as amended by any previous reopeners) as stated in the delivery obligation or allowance for that category of costs.
Updated schedule	Licensee should provide an updated schedule with milestones/stage-gated timings and any major changes to the original schedule (where applicable) and the justification for this proposed change.
Updated definition	Licensee should set out if it wishes the CRU to consider any changes to the definition or any other aspects of a delivery obligation (where applicable) and the justification for this proposed change.
Assurance	For a material requested change in scheme cost (>10%)[78] the licensee should provide external assurance that the proposed cost is reasonable and consistent with market benchmarks.
Director confirmation	Confirmation that the reopener request has been reviewed by an Executive Director of the network company, and they confirm accuracy, completeness and compliance of the submission with both internal planning/approval processes and the CRU requirements.
Annex	Updated project/programme business case/engineering justification document providing the supporting detail/information for assessing the proposed reopener requests (including engineering and cost information as required).

Ad hoc requests for new allowances in response to new identified needs or requirements that arise during PR6 will need to be accompanied by additional information over and above the submission requirements for reopeners, including a formal business case, to allow the CRU to assess additionality and need and to set an appropriate cost allowance.

During the reopener window, network companies may also make requests for reallocation of allowances between delivery obligations. Companies will need to provide compelling evidence in support of such requests.

As at PR5, volume driver and non-controllable cost submissions will be made as part of the annual revenue report each year that feeds into the annual tariff-setting process. The CRU does not expect any changes to reporting or submission requirements for volume drivers or non-controllable costs from previous practice.

Similarly, the CRU is not proposing changes to the submission requirements for requests for adjustments to allowances under the Innovation and R&D Mechanism, the Opex/Capex Reallocation Mechanism (formerly Flexibility Mechanism), or Force Majeure Mechanism.

Final criteria, guidance and submission templates will be developed in consultation with network companies through a post-DD working group, in advance of FD, to enable the above processes.

[78] Subject to the CRU's final determination of materiality thresholds for reopeners.

A8.2 The *Ex-Post* Review and Cost Recovery/Cost Incentives

Taken in the round, the intent of PR6 is that through the *ex-ante* baseline allowances, the AIMF adjustments, and the *ex-post* review, the network companies will be able to recover in full their efficient costs incurred, and that efficient cost recovery will not be constrained by the *ex-ante* allowances provided or the high case envelope. The mechanisms by which the CRU will determine efficient cost recovery at the *ex-post* review stage are discussed below.

As discussed in Section 11 of this Paper, the CRU is proposing to adjust the timing of the *ex-post* review and, from PR6 onwards, to carry it out at the end of the period, using outturn data from the full period.

The *ex-post* review and application of the cost incentive at PR6 will require:

- Licensees to compare outturn delivery and costs to *ex-ante* expected delivery requirements and cost allowances (as adjusted for changes in circumstances over the course of the price control period); and
- The CRU to then assess the justification for and efficiency of any over- and under-delivery and/or over- or under-spend (including as a result of any interactions between delivery and spend).

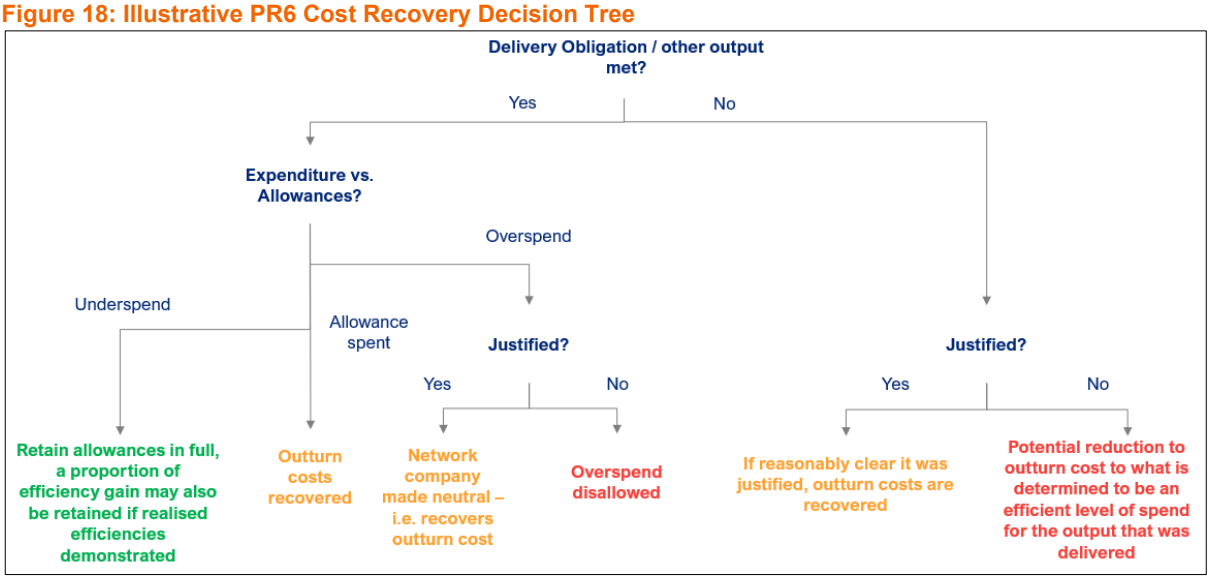
The network companies will need to set out to the CRU at the end of PR6:

- The differences between outturn and allowed expenditure (baseline and as adjusted through reopeners etc) for each element of the cost allowances, tracked to delivery obligations and other allowances;
- The differences between outturn delivery and expected delivery (as adjusted through reopeners etc) tracked back to *ex-ante* requirements;
- The explanations for each deviation between outturn and allowed expenditure and between outturn delivery and expected delivery; and
- Justification for the efficiency of any over- or under-spend.

The pathways by which network companies can recover costs at the *ex-post* assessment are shown in the decision tree in Figure 18 below. This illustrates, in principle, the potential implications of overspend and underspend vs allowances, and delivery vs non-delivery of outputs.

The way in which the CRU will make this assessment and the implications for capex and opex allowances are described in the following sub-sections.

Figure 18: Illustrative PR6 Cost Recovery Decision Tree



For PR6, it is proposed that the ex-post assessment and cost incentives are determined individually for each delivery obligation (with the onus on network companies to provide compelling evidence to justify the efficiency of any proposed reallocations across delivery obligations)[79]; for other outputs, the cost incentive will be assessed bottom-up at the output level but aggregated to derive the overall change from the ex-ante allowance (as per PR5).

Capital Expenditure

The cost incentive assessment will take into consideration a bottom-up analysis, a top-down analysis, and an analysis of the output delivery. The CRU will then make its evaluation based on a holistic assessment of these analyses. The onus is on the network companies to demonstrate capex efficiencies. The CRU will examine delivery and over- and under-expenditures and make an in-the-round assessment during the close-out of the price control.

Where the network company considers that its underspend is the result of efficiencies it can apply, as part of its *ex-post* submission, for the retention of those efficiencies. In assessing the benefit to be retained on capex, the CRU will consider the cost, volume and quality of the investment made and information provided by the network company. For example, no benefit will be retained if the network companies were to make savings through reducing the volume of their respective investments, as this is independent of the benefits defined in their capex plans.

At the PR6 close-out, the network company's lookback submission and data tables will be reviewed to establish:

[79] This approach recognises the ring-fenced nature of the allowances and the criticality of delivery of the schemes and activities within each delivery obligation. For bundled delivery obligations, the cost incentive will be assessed bottom-up at the individual output level within the delivery obligation but aggregated to the level of the delivery obligation.

- The volume of work and delivery requirements assumed in the *ex-ante*;
- If more work (or equal amount of work) is delivered than anticipated by the *ex-ante* allowance, (a) the quantity of work delivered up to the quantity anticipated by the *ex-ante* allowance; (b) the additional volume of work justified which is above the *ex-ante* allowance quantity; and (c) any volume of work which is above the *ex-ante* allowance quantity and is not justified and should be disallowed.
- If less work is delivered than anticipated in the *ex-ante* allowance, (a) the quantity of work delivered; and (b) the quantity of work deferred.

Any efficiency savings (and indeed inefficient expenditures if they occur) will be reviewed as part of the *ex-post* assessment and inefficient expenditure will not be allowed into the Regulatory Asset Base (RAB). Revenue earned on capex not spent will be clawed back, except where the network company can show that the avoided spend is due to efficiencies on their own part.

For the avoidance of doubt, the four potential treatments of capex during close-out are:

- **Inefficient overspend:** cost will be disallowed from outturn capex. The licensee will not be able to recover those costs in PR6, nor in later price controls.
- **Efficient overspend:** an adjustment will be made to the allowed revenues in PR7 to reflect the cost of capital and depreciation that would have been earned on the overspend in PR6. The Opening RAB for PR7 will be updated to reflect actual capex.
- **Efficient saving:** this reflects outputs that are delivered at a lower cost than the adjusted allowance. An adjustment will be made to the allowed revenues in PR7 to reflect the licensee retaining the cost of capital and depreciation benefits for five years (rolling retention). The opening RAB for PR7 will be updated to reflect actual capex.
- **Efficient deferral:** this reflects outputs that were deferred during PR6, distinct from any under-delivery (or non-delivery) of outputs which is corrected for under the adjusted allowance. No adjustment will be made to the allowed revenues in PR7, as the licensee will be allowed to retain the cost of capital and depreciation benefits during PR6. The opening RAB for PR7 will be updated to reflect actual capex.

Operational Expenditure

The assessment of the cost incentive will take into consideration a bottom-up analysis at the input level, a top-down analysis, and an analysis of the output delivery. The CRU will then make its evaluation based on a holistic assessment of these analyses. To establish whether the outturn opex should be allowed, the CRU will consider unexplained material variations between outturn opex and the company's allowances (as adjusted by reopeners and other adjustment mechanisms).

The network companies can retain opex efficiencies if they can demonstrate the underspends to be efficient. As part of the *ex-post* review both underspends and overspends are examined to enable an in-the-round assessment of the appropriate level of cost recovery, and potentially, revenue retention above expenditure. This assessment is carried out at the input level.

At the close-out of the Price Review, efficient and inefficient over/under-spend on opex will be treated in the same way as in PR5; with efficient spend to be fully recovered by the network companies and inefficient spend to be clawed back by the CRU. It is for the network company to demonstrate to the CRU that its expenditure has been efficient and the impact that efficiency gains had on other costs.

For the avoidance of doubt, the three potential treatments of opex are:

- **Inefficient overspend:** these costs will be disallowed from the outturn opex. The licensee will not be able to recover these costs. Inefficient opex would typically not feed into the baseline opex allowance for PR7.
- **Efficient overspend:** once proven to be efficient by the licensee, it will be allowed during PR6. Efficient opex overspend would typically be included into the baseline opex allowance for PR7.
- **Efficient underspend:** the licensee will retain the efficient underspend during PR6. No clawback will be applied in PR6 and the level of efficient underspend would typically feed into the baseline opex allowance for PR7.

Simplified worked examples for several of these cost recovery scenarios are illustrated in Figure 19 below.

Figure 19: Illustrative PR6 Cost Recovery Scenario Worked Examples

For the purposes of the example:
Assume a delivery obligation with an *ex-ante* allowance of €100m, made up of 10 projects, each of which is expected to cost €10m.
Assume the cost incentive = 100% (i.e. company bears 100% of any inefficient overspend and retains 100% of any underspend so long as delivery obligation outputs are delivered[80]).
In the simplified examples no distinction has been made between opex or capex, and it is assumed that the *ex-ante* allowance has not been amended during the period through reopeners (in which case the amended allowance resulting from the in-period reopener process would be substituted for the *ex-ante* allowance in the *ex-post* assessment).

[80] In practice, the incentive would be the rolling retention mechanism, i.e., 5 years of return and depreciation of the underspend.

ID	Delivery Status	Scenario	PR6 *Ex-ante* allowance (€m)	PR6 Outturn cost	PR6 Allowed *Ex-post*
1	Full delivery	Outturn cost = *Ex-ante* allowance	100	€100m	€100m
2	Full delivery	Efficient overspend	100	€110m, €10m deemed efficient	€110m
3	Full delivery	Inefficient overspend	100	€110m, €5m deemed inefficient	€105m (company bears €5m)
4	Full delivery	Delivered at lower outturn cost	100	€90m	€100m (company retains €10m*)
5	Partial delivery	Outturn cost = pro rata *ex-ante* allowance	100	€70m (7 outputs at €10m per output)	€70m
6	Partial delivery	Efficient overspend	100	€80m (7 outputs at €10m per output, €10m overspend deemed efficient)	€80m
7	Partial delivery	Inefficient overspend	100	€80m (7 outputs at €10m per output, €5m overspend efficient, 5m inefficient)	€75m (company bears €5m)
8	Partial delivery	Delivered at lower outturn cost	100	€65m (7 outputs at 10m per output *ex-ante*)	€70m (company retains €5m*)
9	Non-delivery	Project cancelled part-way through – efficient spend	100	€25m	€25m
10	Non-delivery	Project cancelled part-way through – inefficient spend	100	€25m, €5m deemed inefficient	€20m

A.9 Guidance on Annual Performance Reporting

In this Appendix, the CRU sets out its guidance to the TSO, TAO and DSO on the requirements for the annual performance reports they will prepare and publish. The guidance covers both format and content.

Purpose

Each year to provide customers, industry participants and other interested parties with a clear, accessible, comprehensive, quantified but non-technical report on performance over the past 12 months. It shall provide information on (i) outcomes experienced by customers, industry participants and other stakeholders, and (ii) the contributions of the TSO, TAO or DSO towards these outcomes.

Format

Each report shall be short in length, and visually appealing. It shall contain no appendices and annexes but may provide links to other relevant material for a reader seeking more detailed information. It shall make effective and proportionate use of tables, charts and diagrams – and supporting commentary – such that a non-technical reader can easily discern:

- Outcomes – experienced by customers, industry participants and other stakeholders;
- Contributing behaviours and activities – by the TSO/TAO/DSO to deliver or influence the reported outcomes; and
- Context on past, target or reasonably expected outcomes, behaviours or activities.

It shall be easy to compare and reconcile to past reports prepared under this framework.

Content

The range of outcomes and contributing behaviours and activities of the TSO/TAO/DSO included in each report shall be comprehensive. It shall include all areas where the activities or behaviours of the TSO/TAO/DSO have a material impact on the outcomes experienced by customers, industry participants or other stakeholders.

The content shall be grouped into logical sections based on types of outcomes. Within each section a range of qualitative and quantitative indicators shall be used to provide a balanced and objective perspective on performance – providing information and insights on costs, quality and volumes. Indicators shall be placed in appropriate context, e.g. relative to the past, relative to targets or reasonably expected outcome, and relative to demand for services.

While not all indicators used in the report will have associated financial incentives, it is expected that all KPIs used for determining awards or penalties pursuant to regulatory incentives will be used in some capacity in the performance report.

The choice and grouping of indicators are to be developed by the TSO/TAO/DSO consistent with these guidelines – and where practicable, in consultation with stakeholders. The CRU does, however, expect appropriate coverage of the following areas or topics at a minimum:

- TSO/TAO:
    - System performance;
    - Network usage and capabilities – including changes consequent to investment;
    - Investment planning and delivery;
    - Network resilience – including in context of severe weather, and climate change adaptation;
    - Network outages;
    - Network constraints – curtailment volumes (and break down of drivers of constraints and curtailments);
    - Network constraints – curtailment costs;
    - Network constraints – tools for managing;
    - Network losses and the financial impact of losses on customers;
    - Measures taken to reduce network losses and relative expected savings;
    - Supporting market operation, e.g. demand forecasting;
    - Managing new connections and facilitating market participation including efficiency improvements;
    - Utilising innovation;
    - Engaging with stakeholders;
    - Expenditure against PR6 allowances and a breakdown of expenditure;
    - Safety;
    - Managing environmental footprint; and
    - Carbon emissions related to TSO non-energy dispatch decisions.
- DSO:
    - Maintaining reliable supplies of electricity including: CML/CI results on a regional basis, CML/CI results during storm events;
    - ERT accuracy;
    - Managing new demand and generation connections, including time to quote and time to connect performance;
    - Managing the network, and optimising network investment – including network loading;

- Network resilience - including in context of severe weather e.g. plans and progress for infrastructure;
- Load index and movement in load index – including the drivers for the movement;
- Health index and movement in health index – including the drivers for the movement;
- Network losses and the financial impact of losses on customers;
- Delivering new generation connections and facilitating market participation;
- Supporting market development, e.g. smart metering, schema releases;
- Utilising innovation;
- Engaging with stakeholders;
- Expenditure against PR6 allowances and a breakdown of expenditure;
- Safety; and
- Managing environmental footprint.

The network companies shall identify international best practice and compare their performance to the best performing utilities internationally. This will be incorporated in the Regulatory Reporting Pack, submitted by the companies as part of the annual revenue requirement. Where possible, and for all relevant metrics of performance, the network companies shall set out in the annual performance reports a summary of the benchmarking information included in the Regulatory Reporting Pack.

Ongoing improvement

The usefulness of the performance report shall be reviewed annually, including through a structured process of consultation with stakeholders. Improvements, such as new metrics for measuring performance, shall be developed and introduced promptly.

When preparing the reports, the TSO/TAO/DSO shall have regard to additional guidance issued by CRU following the annual approval process.

Timings

The following summarises the high-level steps/timings for the publication of the annual performance reports:

- Submission of draft reports to the CRU for comments (early in August);
- Draft reports updated and published for consultation (by end of August); and
- Final reports submitted to the CRU for approval (no later than 1st October).

A.10 Guidance on Innovation Reporting

In this Annex, the CRU sets out its guidance for the DSO and TSO on the annual process of reporting on its pipeline of innovation projects.

Objective

To put in place a clear and structured reporting framework for innovation for the DSO and TSO during PR6 and to give the DSO and TSO the opportunity to demonstrate the process to identify, deliver and assess the outcomes of innovation activities.

Requirements

To demonstrate, with evidence, the presence of the following:

- The approach and methods used to identify, develop and specify innovation projects in the reporting year;
- The approach to the management and delivery of innovation projects in the reporting year; and
- The approach to evaluating, communicating and, where relevant, deploying the learnings from completed innovation projects operationally in the reporting year.

Form of reporting and nature of evidence

The DSO and TSO should demonstrate the quality of innovation in the reporting year. The report shall be accessible and shall present all relevant pertinent information concisely. It shall take into account:

- The quality of the process to identify innovation in the reporting year, including:
    - Scoping, planning and opportunity identification.
    - Metrics used to identify benefits of innovation for network users and customers (e.g. Cost-Benefit Analysis), including detailed costs assessments where appropriate; as well as defined measures of success established at the outset of projects and used to identify results that would represent successful projects.
    - Collaboration with third parties to identify and validate innovation.
    - Consideration of customers and industry foresight.
    - Demonstration that projects are not business-as-usual.
    - Risks and uncertainties identified when assessing the possible outcome of innovation projects, including demonstration of robust processes in place for identifying the milestones at which projects could be re-evaluated based on new information and/or learnings.

  - Project plans and risk mitigation measures.
- Efficiency in project delivery in the reporting year, including:
  - The status of existing innovation projects, including those which commenced in the reporting year.
  - The process the DSO or TSO followed to track progress with existing innovation projects, including engagement with project partners and wider stakeholders.
  - The progress with testing and trialling of innovation projects, where appropriate, identifying opportunities to improve delivery and maximising the benefits of innovation.
- Approach and use of project learnings or outcomes, including:
  - The assessment of the benefits delivered by innovation projects that are sufficiently advanced.
  - The approach and outcome of the dissemination of the outcomes and learnings of innovation into the DSO/TSO Business-As-Usual operations or decisions making. The DSO and TSO shall include reference to adverse research outcomes/findings in relation to identifying and recording outcomes and to the external dissemination of learnings.
  - The approach and outcome of the dissemination of the outcomes and learning of innovation for the wider industry.
  - Opportunities to extend the innovation project further where additional expected benefits can be identified.

The DSO and TSO shall lodge their submissions by 31st March following the end of the reporting year and after having consulted with stakeholders.

A.11 Guidance on Stakeholder Engagement Incentive

In this Annex the CRU sets out the PR6 guidance for the TSO and DSO on the requirements and assessment criteria for submissions under the stakeholder engagement incentive. This remains broadly unchanged from PR5.

Objective

To actively promote cultures within the TSO and DSO that put stakeholders at the centre of what they do, through the design and implementation of high-quality, comprehensive and effective channels for stakeholders to understand, respond to and help shape what the TSO and DSO do on behalf of customers, market participants and the wider community.

Requirements

To demonstrate, with evidence, the presence of the following:

- A comprehensive, up-to-date stakeholder engagement strategy, and management systems and processes within the business to enable its delivery;
- A delivered set of channels and initiatives for engaging with stakeholders, consistent with the documented strategy; and
- Demonstrable positive impacts on stakeholders, stakeholder groups or the business consequent to the delivered channels and initiatives.

Form of reporting and nature of evidence

The TSO and DSO shall, by the 31st of March following the end of the year being reported on, publish for consultation a concise and accessible stakeholder engagement report describing, with evidence, the following:

- What its stakeholder engagement strategy was during the year being reported on; how the strategy relates to the identified needs of stakeholders, and the strategic or operational challenges facing the business; how the strategy is given practical effect within the business – including how stakeholders are identified and categorised, and how accountability and management reporting in respect of the strategy works within the business;
- What engagement channels and initiatives were deployed during the year being reported on; how these were tailored to the issue(s) and stakeholders involves; the range and diversity of issues and stakeholders involves; the innovative nature of methods used; and

- What impacts[81] the deployed channels and initiatives had on stakeholders, and the business, during the course of the year being reported on.

The panel, which has been established by the CRU and will undertake the annual assessment of the TSO and DSO performance, will meet at least twice between April and May. At the first meeting, the SOs will give an overview to the panel of their stakeholder engagement reports and how comments received from the consultation process have been addressed. At the end of the process each year, the CRU will draft and publish a close-out report setting out the panel's discussions, conclusions and recommendations for the SOs. The SOs shall have consideration of the recommendations already provided by the panel in previous years in order to improve their stakeholder engagement processes going forward.

Assessment

The CRU shall adopt the following broad weightings in considering the evidence presented by the TSO and DSO:

- (A) 20% - quality of stakeholder engagement strategy, and management systems and processes within the business to enable its delivery;
- (B) 40% - quality of delivered set of channels and initiatives for engaging with stakeholders, consistent with the documented strategy; and
- (C) 40% - quality of demonstrable positive impacts on stakeholders, stakeholder groups or the business consequent to the delivered channels and initiatives.

[81] Where "impacts" should be interpreted broadly to include quantified descriptions of the engagement activities themselves, and consequential impacts on customer, stakeholder or business outcomes or plans.

A.12 PR5 TSO Monitoring Committee Terms of Reference

1. Introduction

The purpose of the TSO Monitoring Committee ('the Committee') is to provide an effective challenge to EirGrid TSO's proposed plans and approach to projects progressed through the Committee during PR5 and future price controls. The Committee will provide independent and ongoing oversight of the TSO initiatives that were deemed too uncertain to be included within the TSO's ex-ante allowance for PR5 and the TSO's ex-ante allowance for future price controls or TSO initiatives which had not been foreseen prior to the commencement of the relevant price control period.

The Committee is structured as follows:

- **Chair**: The Independent Advisor is appointed by EirGrid, as the TSO, subject to CRU approval and is the Chair of the Committee.
- **Secretariat**: EirGrid, as the TSO, is responsible for the Secretariat of the Committee.
- **Six independent members** sitting on the Committee and appointed by EirGrid as the TSO.

2. Scope

The purpose of the Committee is to provide an effective challenge to the TSO's proposed plans and approach to projects progressed through the Committee in PR5. This should minimise the risk that the TSO will incur inefficient expenditure, protect consumers and ensure strategically important projects are progressed in a timely manner.

The Committee will not have any formal decision-making power regarding the approval of revenue allowances as this responsibility sits with the CRU. However, as part of their reporting requirements, the Committee can make a recommendation regarding funding for a project. It will also be the responsibility of the Committee to set out the basis for their recommendation regarding funding for a project. The Committee's role will not replace the CRU's regulatory function of approving TSO forecast and outturn expenditure. Rather, the Committee will ensure:

- that a credible range of options have been explored and considered by the TSO;
- that projects are evaluated at each stage gate to ensure projects are progressing as planned; and

- that the TSO's proposed projects that come in front of the Committee align with the PR5/future price control strategic objectives and/or other relevant strategic considerations arising during a price control and that strategically important projects are progressed in a timely manner.

The CRU's role will be to consider the independent views of the Committee within the regulatory price control period, agree or disagree with the Committee's recommendation(s) regarding funding and review the cost efficiency of expenditure at the end of the regulatory price control period. This approach ensures that the independence of the Committee, and the CRU, is protected.

For the Committee to operate effectively the CRU considers that it is essential that the TSO's submissions[82] are of high quality and appropriately concise. The onus will be on the TSO to demonstrate the needs case for any project it presents to the Committee. Additionally, the onus is on the TSO to ensure that all submissions meet the four-point standard for quality submissions established in PR5; submissions to the Committee should be clear, complete, candid, and constructive[83]. For the avoidance of doubt, it is not within the scope of the Committee to investigate beyond the submissions given to it by the TSO. Where the TSOs submissions do not meet the four-point standard or where the Committee is unable to form a view based on the information provided to it, the Committee should relay this information back to the TSO as a matter of urgency.

The CRU will only consider funding requests under this mechanism once they have gone through the Committee and the Chair submits its report to the CRU.

The Committee will consider the needs case for any project worth over €3.6m. Smaller projects may be grouped together to meet the €3.6m threshold only where there is clear rationale for doing so.

3. Meeting Particulars

[82] See Section 4.5 of CRU20154-PR5-Regulatory-Framework-Incentives-and-Reporting-1.pdf for further details re TSO submission inclusions. CRU agreement re TSO submission detailed template essential at the outset.

[83] See Annex 6: Quality of Regulatory Submissions of CRU20154-PR5-Regulatory-Framework-Incentives-and-Reporting-1.pdf for further information.

The following sets out the manner in which Committee meetings are conducted, to facilitate the Terms of Reference:

Role of Chair

The independent advisor plays a pivotal role in the successful operation of the Committee. The independent advisor acts as chair and:

- Drafts the Committee's terms of reference in consultation with the TSO and approved by the CRU.
- With the aid of the TSO, administers the recruitment process for six Committee members. Committee members need to be independent with no conflicts and have broad range of expertise.
- Submits reports[84] on TSO requests to the CRU directly, encompassing the recommendations of the Committee.
- Determines meeting frequency and need for ad hoc meetings (if required) and chairs same.
- Manages general timekeeping during meetings.

The Chair must abide by the TSO Monitoring Committee Code of Practice.

Role of Secretariat

The Secretariat shall be a nominated[85] individual from the TSO. The key administrative role of Secretariat includes:

- Provision of a schedule of meetings for each calendar year.
- Administration during meetings.
- Preparation and circulation of all relevant material to the Committee (i.e., agenda and slide pack).
- Preparation of initial draft of minutes and circulation of same to the Committee.
- Finalisation of minutes and circulation of same to the Committee.
- Maintenance of the Committee email circulation list, including amendments to allow for additions/removals etc.

[84] See Annex 15 of CRU20154-PR5-Regulatory-Framework-Incentives-and-Reporting-1.pdf for detail re content of Chair's report to the CRU

[85] Nominated and approved by EirGrid's Senior Management

- Organisation of each Committee meeting (location, equipment, conference call dial in details etc as required).
- To act as administrator to ensure appropriate filing[86] of all documentation relating to the work of the Committee.

The TSO, acting as Secretariat of the Committee, must abide by the TSO Monitoring Committee Code of Practice.

Role of the Committee

The Committee shall be made up of members appointed in accordance with Section 4 of this document, 'Membership'. The responsibilities of the Committee include:

- Consideration of proposals put forward by the TSO.
- Conduct an assessment of the range of options explored and considered by the TSO for each proposal.
- Engage with the TSO to seek further clarity on the TSO's proposal where required.
- Determination of a recommendation(s) with regards to each proposal put forward by the TSO.
- Report annually and as required (see section 5).

Schedule of Meetings

Meetings shall be scheduled as required by the Chair. The Chair sets the meeting frequency. The Chair can call ad hoc meetings at their discretion. The Committee must meet at least twice a year. In terms of the timing of meetings and conclusion of Committee recommendations, the Committee will consider the milestones applicable to the annual revenue approval cycle. Subject to there being TSO proposals for Committee consideration, it is assumed that the Committee will meet in January and March each year as a minimum, to align with the TSOs annual revenue approval cycle.

Minutes

Approved Minutes of each meeting will be kept of all meetings of the Committee.

Quorum

[86] All documentation must be stored on the CRU's secure portal. With external access only granted to the Chair, nominated Secretariat and Committee members.

A quorum of at least the Chair and three additional members of the Committee is required.

4. Membership

The CRU wishes to include the views of a wide range of stakeholders. In order to facilitate open discussion and active participation, the Committee membership will be kept to six. Members must be independent with no conflicts of interest. Members must not have been employed by EirGrid/SONI/CRU/UR for a minimum of five years and should have a minimum of eight years of relevant experience. Collectively, members should have a broad range of expertise and experience relevant to the Committee's role.

Appointment of the Chair

EirGrid will administer the recruitment process for the Chair. The Chair will be appointed by EirGrid with the approval of CRU. The Chair will be appointed for the period of the price control unless the Chair resigns. In the case where the Chair resigns, and a new Chair is appointed, the new Chair's appointment will cover the remaining period until the end of the price control.

The Chair should give a minimum of 30 days' notice of their intent to resign/terminate.

In the case where a Chair resigns, EirGrid will propose a current member of the Committee to assume the role of Acting Chair until a permanent Chair is appointed. Should a member of the Committee be appointed as the new Chair then EirGrid will commence a recruitment process for a new member of the Committee. The CRU will approve the proposed interim chair.

Appointment of the Committee Members

EirGrid will run the recruitment process and the Chair will ultimately select and appoint the members and provide oversight on the TSO's recruitment approach and progress.

The members should have expertise in some of the following areas:

- Major Electricity Network Development (onshore and/or offshore).
- Non-Network Infrastructure Development (i.e. IT Infrastructure design, specification etc).
- Electricity Infrastructure or Major Project Management.
- Electricity Network operation and maintenance.
- Procurement specialist.
- Research and development (ideally in the energy sector).

The members will be appointed for the period of the price control unless a member resigns. In the case where a member resigns and a new member is appointed, the new member's

appointment will cover the remaining period until the end of the price control. A member should give a minimum of 30 days' notice of their intent to resign/terminate.

EirGrid will attend Committee meetings to present and/or respond to queries as required. EirGrid shall not be in attendance when the Committee is considering the TSO's submissions, making their deliberations and discussing reports to be submitted to the CRU. Industry participants, stakeholders, other experts may be invited for specific agenda items at the discretion of the Chair. The Chair will keep Committee membership under review to ensure it continues to be appropriate.

The members must abide by the TSO Monitoring Committee Code of Practice.

5. Reporting

The Committee will be required to make annual submissions to the CRU, as well as a submission at the end of each regulatory price control period. Annual reports will align with Revenue submissions to be made by the TSO in April each year. These annual reports are drafted having assessed and discussed the TSO's submissions.

The responsibility for the drafting of the reports will be assigned to a member or members of the Committee by the Chair. The Chair is ultimately responsible for the completion of the reports. The Chair may also, as required, seek contributions from committee members to the drafting and completion of the reports.

The Chair's *Annual Recommendation Submission* to the CRU, submission of which is required no later than 30 April each year, where required, should include the following:

- An assessment on the standard of the TSO's engagement with the Committee (i.e., has it met four-point test: clear, complete, candid and constructive).
- A view on the operation of the Committee.
- A recommendation with regards to the needs case for each project(s).
- An assessment on the standard of the TSO's cost controls for each project.
- An assessment on the quality of the TSO's need, additionality and cost efficiency assessments.
- A summary of funding recommendations made by the Committee during the applicable reporting period.
- A recommendation on whether, in the Committee's view, funding for the project(s) should be granted.

The Chair's Close Out Report at the End of the Price Review should include the following:

- Chair Report on an assessment of the operation of the Committee.
- Recommendation/(s) with regards to the operation of the Committee.
- The standard of the TSO's project management for each approved project.
- The standard of the TSO's cost controls and cost efficiency for each approved project.
- Timeliness of each project.
- Standard of the TSO's engagement with the Committee.

6. Committee Conduct

Members shall:

- Confirm attendance at scheduled meetings at the earliest opportunity and shall inform the secretariat of any factor affecting attendance as soon as it is known.
- Endeavour to be as prepared as possible for scheduled meetings by ensuring that they have read all required documentation for the meeting.
- Commit to listening to and respecting others' opinions.
- Commit to acting in an open and honest manner at all times.
- Adhere to the meeting rules and procedures. Group members will aim to create a constructive and positive environment in which to have informed and productive debate.
- Whilst the recruitment process will give consideration to the potential for conflict of interest, should an actual or potential conflict of interest arise post conclusion of the Committee member recruitment process, the applicable Committee member will, within forty-eight hours of any actual or potential conflict of interest arising, disclose same directly to the Chair and absent themselves from the Committee's deliberations on the conflicted matter/proposal.
- In the event of an actual or potential conflict of interest arising, the Chair will, in its absolute discretion, decide on the appropriate course of action. Where the Chair finds there to be no conflict of interest or that such conflict is immaterial, it may permit the Committee Member to continue acting on the conflicted matter/proposal. Where the Chair considers there is no material conflict of interest, it may, at its sole discretion, permit the Committee Member to continue acting on the conflicted matter/proposal subject to appropriate safeguards being agreed between the Chair and the Committee Member and the Chair being satisfied that those safeguards have been put in place. Where the Chair considers there to be a material conflict of interest which cannot be managed to the satisfaction of the Chair, the Chair may decide that the Committee

Member absent themselves from the Committee's deliberations on a continuing basis and terminate the Committee Member's position.

7. Committee Remuneration

- All members and Chair are to be paid market rates commensurate with the role, expertise and experience of the individuals.
- Non-member attendees who have been requested to attend by the Chair will receive vouched travel costs only.
- EirGrid to recover costs on a pass-through basis.