An Coimisiún um Rialáil Fóntais

Commission for Regulation of Utilities

Decision on Price Control 5 Regulatory Framework Implementation

Decision Paper

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CRU Strategic Plan 2022-24

Our Mission

- Protecting the public interest in water, energy and energy safety.

Our Vision

- Safe, secure and sustainable supplies of energy and water, for the benefit of customer now and in the future

Our Strategic Priorities

- Ensure Security of Supply
- Drive a Low Carbon Future
- Empower and Protect Customers
- Enable our People and Organisational Capacity

Executive Summary

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

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

Pillar 1: Planning and governance

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

Pillar 2: Periodic reporting

Clearer reporting, both within and between price controls, with consistent categories for both costs and key performance indicators (KPI's). In general, the CRU expects annual reporting with the objective to improve transparency and accountability of GNI's performance across different areas of its business and display the value that has been delivered by it to the gas customer.

Pillar 3: Uncertainty mechanisms and incentives

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

Figure 1: Pillars of the PC5 Regulatory Framework

The PC5 decision set out that implementation of the changes to the framework would take time and that a transition period would be necessary before the full incentive and reporting regime would take effect. The transition period was intended to allow further engagement between the CRU and GNI on the practicalities of delivering on the new framework. Following engagement with GNI, the CRU published a consultation paper (CRU2024122) in November 2024 requesting

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

feedback from the public on its proposals for the implementation of changes to the framework. The consultation set out advanced proposals on several areas identified as priorities including the decarbonisation policy alignment incentive, shrinkage incentive, gas-fired generations connections incentive, and stakeholder engagement incentive. The paper also included less advanced proposals for the implementation of the remaining areas of the framework.

The CRU received four responses to the consultation and thanks the respondents for their feedback. After thoroughly considering the feedback as well as engaging further with GNI, the CRU has reached a decision on the implementation of the PC5 Regulatory Framework. A discussion of consultation feedback and any resulting changes to the proposals consulted upon by the CRU are set out in Section 2 of this paper. Taking those changes into account, detailed guidance for implementing the regulatory framework is published alongside this paper in the Price Control 5 User Guide (CRU2024163).

Structure of the PC5 regulatory framework

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

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

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

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

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

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

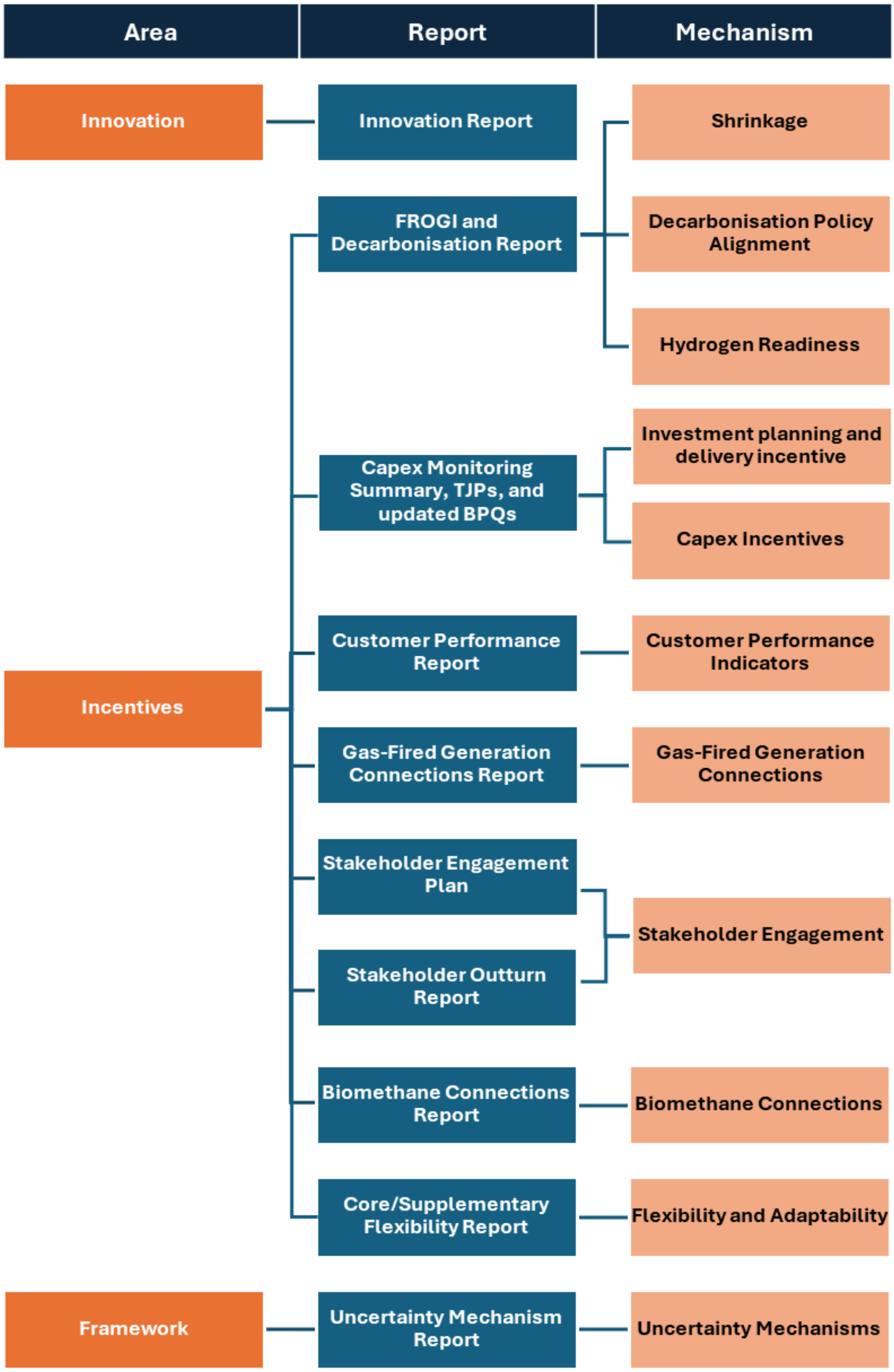

Figure 2: Summary of the incentives and corresponding reporting introduced for PC5

Key changes to the framework since the consultation

A summary of the key changes made to the PC5 regulatory framework following the consultation is provided below.

Shrinkage Incentive

The CRU has added text to clarify the way in which the CRU will consider any decisions / determinations by the Competent Authority implementing the new EU regulation on methane emissions when assessing GNI's performance under the incentive.

The CRU has also clarified how the CRU will assess cases in which GNI was not able to secure any additional funding to support actions to reduce or better understand shrinkage emissions.

Decarbonisation Policy Alignment Incentive

The addition of added context on the relevant policy and legislation is the only significant change to the guidance compared to the proposed decision.

Gas-Fired Generation Connections Incentive

The CRU has added a requirement on GNI to provide information on estimated costs and timelines pre- and post-execution of the Large Network Connection Agreement (LNCA). Execution of the LNCA and detailed design often only take place after the Capacity Remuneration Mechanism (CRM) auction, exposing developers to uncertainty when participating in the auctions.

GNI will be required to introduce the two metrics discussed in the consultation paper – time to quote and time to connect for each connection project. These metrics will provide an overview of the timeliness of GNI's delivery.

As part of its reporting on network development, GNI will be required to show consideration of decarbonisation requirements, future demand and risk of stranded assets in its wider planning and investment on the gas network.

The guidance was also updated to encourage GNI to engage with other relevant stakeholders in addition to power plant producers, such as EirGrid, to aid its scenario planning.

Lastly, the CRU has noted that GNI must take account of the CRU direction CRU202439 – i.e. GNI should deliver the connection of successful gas fired generator applicants from the 2024 and 2025 CRM auctions as a matter of urgency, and, in so far as is practicable, ahead of other types of connections, for example, non-CRM generators or demand customers, without impacting connection delivery on these other sectors.

Stakeholder Engagement

A requirement was added for GNI to consider the recommendations received from the panel as part of its assessment of lessons learned from stakeholder engagement. This was based on the PR5 experience in electricity.

Other changes to the Stakeholder Engagement mechanism were based on the responses received to the consultation on the Terms of Reference for the Network Stakeholder Engagement Evaluation Panel. The changes are as follows:

- The page limit of the Stakeholder Engagement Plan was increased to 30 pages in line with the length of similar reports produced by ESB Networks.
- The weightings for the assessment categories for the Stakeholder Engagement Incentive were amended. The weightings will now be as follows during the first year of assessment: 'quality of the strategy' (25%), 'implementation of the strategy' (25%), 'effectiveness of the strategy' (30%) and 'delivering large connections' (20%). As there might not be effective lessons learned in the first year, the weight was distributed between 'effectiveness of the strategy' and 'delivering large connections', which respondents considered to be important categories. After the first year, the weightings will revert back to what was proposed in the consultation: 'quality of the strategy' (25%), 'implementation of the strategy' (25%), 'effectiveness of the strategy' (25%), 'delivering large connections' (15%) and 'lessons learnt' (10%).

Capex Incentives

GNI will be required to submit updated Business Plan Questionnaire (BPQ) outputs on an annual basis rather than quarterly as proposed at consultation. This is to ensure the full dashboard submission is feasible for GNI to deliver at the requested frequency.

The content to be included within the annual BPQ dashboard and quarterly capex monitoring summary has been largely agreed with GNI. The CRU is still due to receive submission of templates, which will then be reviewed by the CRU before being implemented.

The first quarterly capex monitoring summary is now due in Q1 2026 rather than Q1 2025. This is to ensure the proposed timeline is feasible, with GNI initially focusing on delivery of the more granular annual template.

The Technical Justification Paper (TJP) addendum assessment process has now been determined following review of a submission on this by GNI. This will utilise a heatmap with contain three overarching categories for variance to the original plan: changes to schedule, scope and costs. Each category will have multiple associated drivers which are assigned a status using a RAG rating, with additional comment provided for drivers that do not achieve a ‘green’ status. The scoring mechanism will use the total value of the project and how significant the deviation in cost is from the original ex-ante allowance to determine whether the project requires a TJP addendum.

The CRU has decided not to accept GNI's proposal for the capex incentive mechanism in relation to the calculation of reward/penalty for projects with contribution.

Investment Planning and Delivery Incentive

The changes made to the frequency of reporting for the capex incentives also apply to the IPD Incentive.

Biomethane Connections Incentive

The CRU has provided a more detailed list of metrics that GNI is expected to report on as part of this incentive.

Likewise, the CRU has provided more detailed guidance on the qualitative information which GNI should provide to update the CRU on progress in delivering biomethane connections.

Finally, the CRU provided further clarity on the quarterly dashboard submissions that GNI should share with the CRU. This dashboard will allow the CRU to have a more granular understanding of progress made on delivering connections but will not be used directly to assess GNI under this incentive.

Hydrogen Readiness Incentive

The CRU has provided further clarity on the fact that GNI’s hydrogen readiness activities over PC5 will be focused on enabling low-level blends in the existing gas network as a first matter of priority. This is in line with the requirements in EU regulations.

The CRU has added a requirement for GNI to provide a forecast, to the extent possible, of the impact on gas quality metrics of future hydrogen blending trials or projects.

Customer Performance Indicators

The new indicator on overall customer satisfaction will be based on GNI’s existing survey processes, which are up and running. It was also decided that GNI should begin reporting on the new appointment cancelling indicator in 2026 covering activity in 2025, and the overall customer satisfaction survey in 2025 covering activity in 2024.

The CRU has provided further guidance on reporting for the Customer Performance Indicators to align the reporting requirements with GNI’s previous reports and ensure that GNI provides sufficient information to substantiate its performance.

Flexibility and Adaptability Incentive

The CRU has changed the submission timeline for the first Core Flexibility Report (CFR) and for subsequent reporting under this incentive. The first CFR should be submitted by January 2026, while subsequent reports should be submitted by May of the relevant year (starting with May 2026). The CRU has also amended the reporting guidance to reduce the amount of duplication of reporting between the Flexibility and Availability Incentive and other reporting requirements.

Flexibility Pot and Uncertainty Mechanisms

No changes have been made to the guidance regarding the flexibility pot, biomethane uncertainty mechanism or the hydrogen uncertainty mechanism. However, more detail has been added to the user guide on the Compressed Natural Gas (CNG) uncertainty mechanism, with the addition that the CRU will consider reporting requirements in conjunction with any revenue request made under the CNG uncertainty mechanism. The CRU has also added more criteria on factors such as licence criteria, regulated activity, market rules and national targets.

Innovation

The reporting guidance on innovation has been adjusted to reflect new information from GNI on how applications for innovation funding are evaluated. In addition, the CRU has elaborated on reporting requirements for innovation funding to request more detail from GNI and encourage reference to best practice and lessons learned.

Public / Customer Impact Statement

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

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

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Glossary of Terms and Abbreviations

Abbreviation or Term	Definition or Meaning
BNM	Bord na Móna
BPQ	Business Plan Questionnaire
Capex	Capital expenditure
CFR	Core Flexibility Report
CNG	Compressed Natural Gas
CPIs	Customer Performance Indicators
CRM	Capacity Remuneration Mechanism
CRU	Commission for Regulation of Utilities
DPA	Decarbonisation Policy Alignment
EAI	Electricity Association of Ireland
ESB GT	ESB Generation and Trading
EU	European Union
FROGI	Future Role of Gas Initiatives
GB	Great Britain
GFGC	Gas-fired generation connections
GNI	Gas Networks Ireland
GNSEE Panel	Gas Network Stakeholder Engagement Evaluation Panel
KPI	Key Performance Indicator
LEU	Large Energy Users
LNCA	Large Network Connection Agreement
NBIF	Network Based Innovation Fund
OUG	Own-Use Gas
PC5	Price Control 5[3]
PR5	Price Review 5[4]

[3] Price Control 5 (PC5) covers the period from October 2022 to September 2027.
[4] Price Review 5 (PR5) covers the period from January 2021 to December 2025.

RAB	Regulated Asset Base
RHO	Renewable Heat Obligation
SFR	Supplementary Flexibility Report
SIF	Strategic Innovation Fund
SLA	Service Level Agreement
SSE	SSE plc, formerly Scottish and Southern Energy
TJP	Technical Justification Paper
UAG	Unaccounted-For Gas

1. Introduction

1.1 The Commission for Regulation of Utilities

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

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

1.2 Background

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

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

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

As part of the transition period, the CRU sought public feedback on proposals for how to implement the PC5 regulatory framework. The consultation (CRU2024122) ran from 11 October to 8 November 2024. It included four areas where delivery was deemed a priority, and eight remaining areas of the framework. The priority areas were:

- The Decarbonisation Policy Alignment Incentive;
- Shrinkage Incentive;
- Gas-Fired Generation Connections Incentive; and
- Stakeholder Engagement Incentive.

The remaining areas were:

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

Each area, and the associated regulatory mechanisms and reporting, apply to both GNI's Distribution and Transmission operations, unless stated otherwise.

1.3 Purpose of this report

This document provides a decision on the PC5 regulatory framework reporting requirements and determination guidance following the PC5 transitional period, and the CRU's review and evaluation of responses to the consultation (CRU2024122). It describes:

- The stakeholder responses to consultation paper CRU2024122.
- The CRU's decisions and rationale regarding the questions set out in CRU2024122.

1.4 Incentive and reporting structure

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

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

This PC5 regulatory framework reporting and mechanism structure is represented in Figure 2 in the Executive Summary of this paper.

[5] The three uncertainty mechanisms are not named individually in Figure 2. They are the biomethane uncertainty mechanism, the CNG uncertainty mechanism, and the hydrogen uncertainty mechanism.
[6] To support the Capex Incentives, GNI must also submit technical justification papers (TJPs), and updated business plan questionnaires (BPQs).

1.5 PC5 reporting and decision making timeline and impact on tariff

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

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

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

Reports submitted in early 2025, relating to the gas year 2023/24, will not be used to assess GNI's performance against the PC5 incentive framework and will not lead to any financial rewards or penalties. However, the CRU intends to provide GNI with feedback on its 2025 submissions, in order to inform subsequent submissions which will be assessed. The CRU intends to make feedback publicly available. It will provide an initial assessment of the structure of GNI's reports, the metrics and information reported within them, and outline any changes which GNI should make in its future reports. This may also involve shadow scores – i.e. the scores that the CRU would have awarded to GNI against each incentive if the reports had been assessed.

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

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

For incentives which are assessed at the end of the PC5 period, the CRU will still provide GNI with feedback on its yearly submissions as guidance to inform submissions in subsequent years. This feedback may also be published, although it will not contain shadow scores to avoid prejudicing the end-of-period assessment. The

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

financial rewards or penalties associated with incentives assessed at the end of the PC5 period will be implemented as revenue adjustments in the PC6 price control (i.e., the price control beginning in October 2027).

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

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

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

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

1.6 Structure of this paper

Section 2 of this paper sets out responses to the Proposed Decision and Consultation on Price Control 5 Implementation (CRU2024122) and subsequent changes made to the proposed guidance for the PC5 Regulatory Framework.

1.7 Related documents

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

- CRU2023140 CRU Decision on the PC5 Regulatory Framework
- CRU202370 CRU Consultation on the PC5 Regulatory Framework
- CRU2024122 Proposed Decision and Consultation on Price Control 5 Implementation
- CRU2024123 Consultation on the Terms of Reference for the Gas Network Stakeholder Engagement Evaluation Panel
- CRU2024163 PC5 Regulatory Framework User Guide (published alongside this paper)

2. CRU response to consultation

This section presents a summary of the responses provided to the consultation (CRU2024122), as well as any changes to the proposed guidance that have been made in the final version.

There were four respondents to the consultation though not all of them responded to all questions or referred to all PC5 incentives in their responses. The respondents were:

- Bord na Móna (BNM)
- ESB Generation & Trading (ESB GT)
- Gas Networks Ireland (GNI)
- SSE

2.1 Shrinkage Incentive (qualitative component)

2.1.1 Consultation responses

Of the four respondents to the consultation, three covered the qualitative component of the Shrinkage Incentive in their response. All three respondents were supportive of the incentive's overall aim, with SSE stating that the incentive will help address the new EU regulation[8] on methane emissions in the energy sector.

ESB GT requested that the scorecard for the qualitative component of the incentive set out a clear timeline for the inclusion of Unaccounted-for Gas (UAG) volumes from the transmission network in the quantitative component of the incentive. ESB GT also stated that the incentive should clearly refer to obligations under the new EU regulation on methane emissions in the energy sector.

GNI highlighted that the Competent Authority which will enforce the EU methane regulation and assess GNI's compliance has not yet been appointed. GNI stated that the CRU's assessment of GNI's performance against the obligations set out in the methane emissions regulation will need to align with the findings of the Competent Authority. Likewise, GNI stated that the targets in the scorecard should not depart from those established by the regulation and implemented by the Competent Authority.

GNI also stated that while GNI does aim to resolve all leakage events within 30 days – in line with the target set out in the balanced scorecard – this may not always be possible and there

[8] Regulation (EU) 2024/1787 - reduction of methane emissions in the energy sector

may be extenuating circumstances for some leaks. GNI will provide a justification to the Competent Authority in any such cases – e.g. set out cases in which repairing the leak would not lead to a net lifetime carbon benefit. More generally, GNI stated that the CRU should not duplicate the role of the Competent Authority, request separate metrics and set alternative targets.

Finally, GNI suggested that while GNI will seek external funding, including from the EU, for activities related to reducing shrinkage volumes and improving its evidence base, this funding may not always be available to it. As such, GNI suggested that the CRU should only penalise it if the CRU can indicate which sources of funding were available.

2.1.2 Changes to the reporting guidance

Compared to the proposed guidance set out in the consultation (CRU2024122), the CRU has provided some additional detail, particularly with regards to the assessment of GNI's performance under the EU Regulation on methane emissions in the energy sector and the role of the Competent Authority.

The CRU agrees that unnecessary duplication in reporting requirements should be avoided. It will therefore work with GNI to ensure that any information reported to the Competent Authority which is also required under this incentive can be produced in a comparable format and with minimal additional work required, wherever possible. At the same time, the CRU considers the remit of the Shrinkage Incentive to go beyond the immediate requirements of the new regulation.

As stated in the User Guide (Section 3) published alongside this paper, the CRU will duly consider any determinations by the Competent Authority on GNI's compliance with the regulation when reaching its decision on the Shrinkage Incentive. However, the CRU will not simply assess compliance but look at GNI's actions in the round. This will include relevant actions which are not specifically mandated by the regulation or which relate to broader activities covered under this incentive.[9] In other words, while the Competent Authority will determine whether GNI has complied with the regulation or not, the Shrinkage Incentive will reward (or penalise) GNI for the extent of its efforts and the effectiveness of its actions.

With regards to the timeline for the introduction of a quantitative Shrinkage Incentive for transmission UAG, the balanced scorecard and the User Guide set the ambition for this to be introduced at PC6. However, the CRU will assess GNI's specific actions on improving

[9] For example, under the incentive GNI is encouraged to apply to funding at the EU level to support actions to reduce Shrinkage emissions, as well as to improve the breakdown of shrinkage volumes including Own-Use Gas (OUG). In addition, it is worth noting that the EU regulation does not apply to assets which are located in Great Britain. However, shrinkage volumes associated with these assets are still in scope of the Shrinkage Incentive.

information gathering and reporting on transmission shrinkage volumes over the course of PC5. Should it not be possible to introduce a quantitative incentive for transmission shrinkage at PC6, the CRU may penalise GNI if it considers that this was due to GNI not carrying out sufficient improvements in its information gathering capabilities.

Finally, the CRU agrees that GNI should only be penalised for not securing specific funding only if such funding was in fact available. Where the CRU is aware of specific funding opportunities that GNI failed to seek, it will take this information into account when assessing GNI's performance. However, if GNI does not consider any funding to be available, it should clearly state in its report which funding options were explored, and (if relevant) why they were unsuitable or not available. This will help the CRU to assess whether GNI has sought all available funding opportunities – whether or not any funding was subsequently awarded.

2.2 Decarbonisation Policy Alignment Incentive

2.2.1 Consultation responses

All four respondents to the consultation stated that they support the introduction and overall aims of the Decarbonisation Policy Alignment (DPA) Incentive.

BNM noted that GNI's Renewable Gas Registry currently only covers renewable gases injected into the gas network. BNM argued that the registry should also cover non-network volumes of renewable gas, e.g. green hydrogen used in industrial or transport applications (not delivered through the network as a blend with natural gas). BNM argues that it would be inefficient to establish a separate registry for these uses of renewable gases but also that failing to trade and register Renewable Gas Certificates for these uses could delay the development of the Irish green hydrogen industry.

SSE agreed with the overall aim of the incentive, but argued that GNI should not be required to go beyond the immediate requirements in policy and legislation with regards to facilitating Irish decarbonisation policy. SSE also argued that GNI should be incentivised to forecast gas quality parameters resulting from the injection of biomethane or hydrogen blends into the gas grid – ideally with a good degree of geographical granularity. This would help gas-fired generators plan any required changes.

Finally, both remaining respondents (GNI and ESB GT) agreed with the overall aims and metrics included in the guidance. Both also agreed that it would be appropriate for GNI to include metrics on the delivery of Compressed Natural Gas (CNG) via its network as part of those reported in this section of the FROGI and Decarbonisation Policy Report. ESB GT also highlighted that GNI should demonstrate that it has adequately engaged with industry and wider stakeholders in developing its decarbonisation plans, including at EU-wide level.

2.2.2 Changes to the reporting guidance

The CRU has decided not to substantially change the reporting guidance for the DPA Incentive.

With regards to whether the incentive should encourage GNI to go beyond the requirements of existing policy and legislation, the CRU notes two points. Firstly, the decarbonisation policy landscape is still evolving rapidly and there are numerous policy areas for which GNI is an important stakeholder. The CRU considers that this presents an opportunity for GNI to go beyond mere compliance against specific requirements and instead proactively seek to deliver decarbonisation policy as part of a coherent strategy. The DPA Incentive will reward GNI for adopting such an approach. The CRU also notes that the DPA Incentive is reward-only. As such, it does not deem it appropriate to issue a reward simply as a result of GNI meeting the immediate requirements assigned to it in policy and legislation.

With regards to GNI forecasting the impact of injection of biomethane and hydrogen blends into the gas grid – the CRU considers that this should be covered in the metrics reported under the Biomethane connections and Hydrogen readiness Incentives.

With regards to the point about the inclusion of renewable gas volumes which are not injected into the grid in the Renewable Gas Guarantees of Origin Registry that GNI is developing, Statutory Instrument No. 350 of 2022[10] states that the supervisory framework for guarantees of origin will apply to renewable gas "delivered to the transportation system." The "gas transportation system" is defined in the S.I. as meaning "the gas transmission system and gas distribution system owned and operated by GNI." Any changes to this would require legislative amendments. However, within the scope of S.I. No. 350 of 2022, the CRU has added some further guidance in the User Guide (Section 4); GNI should provide an update on the work it is carrying out to deliver the Guarantees of Origin framework as part of its reporting for the DPA Incentive.

Finally, the CRU agrees that GNI should evidence how it has engaged with industry and wider stakeholders, at the Irish and European level, in developing its network development and decarbonisation plans. This is reflected in the reporting guidance provided in the User Guide published alongside this paper and will be assessed as part of the DPA Incentive as well as the

[10] S.I. No. 350 of 2022

Stakeholder Engagement Incentive and Flexibility and Adaptability Incentive (Sections 4, 6, and 12 respectively).

2.3 Gas-Fired Generation Connections Incentive

2.3.1 Consultation responses

All four respondents provided feedback on the Gas-Fired Generation Connections (GFGC) Incentive. Respondents were generally supportive of the incentive, noting GNI's work in this area as central to security of supply and supporting decarbonisation.

BNM, SSE, and ESB GT emphasised the importance of accurate estimates of costs and timelines for connections. BNM noted that developers require as much certainty as possible before participating in auctions as part of the CRM, and that with the execution of the LNCA and detailed design often taking place only after the capacity auction, developers face significant risks. SSE also pointed out that delivery timelines for connections can impact the ability of a gas-fired power plant project to compete in the auctions.

BNM suggested that GNI should be incentivised to minimise differences in costs and timelines before and after the signature of the LNCA by including a comparison of these estimates in the assessment. ESB GT also suggested that GNI's estimates of costs and timelines should be compared to actual costs at the end of the regulatory period with the quality of the estimates factored into scoring of GNI's performance. This could take the form of a metric on the proportion of projects that met the estimated timelines/costs, with commentary explaining any deviations and identifying common factors. ESB GT noted that this would provide information on the areas that GNI should focus on improving.

SSE and ESB GT said that GNI should ensure costs related to supply chain and procurement are kept efficient. ESB GT was of the view that the Consultation proposal contained allowances that provide for GNI to diverge from the cost estimates. ESB GT noted that some of the allowances related to processes that are within GNI's control to a degree and therefore such allowances should only be used in exceptional circumstances with documented evidence.

SSE mentioned that turnaround times for connection enquiries could be improved and BNM stated that the most advanced projects should be prioritised for a connection.

ESB GT discussed the importance of balancing required investment into the gas network with the risk of stranded assets and prolonging the use of gas, and stated that wider decarbonisation requirements and forecasted decrease in future demand should also influence GNI's planning to avoid overinvestment. ESB GT suggested that GNI should also engage with EirGrid, in addition to individual power producers, to aid scenario planning.

BNM commented on the design of the balanced scorecard, saying that the weights for the assessed areas (planning, delivery and overarching processes) are appropriate. GNI agreed with the proposed content of the public-facing report, reiterating that some information relating to connection agreements will be confidential.

2.3.2 Changes to the reporting guidance

The CRU appreciates that the Gas-Fired Generation Connections Incentive is of high importance for many stakeholders and has taken on board many of the suggestions received as a response to the consultation.

Respondents considered changes in the early estimates for timelines and costs particularly important. The CRU has added a requirement on GNI to provide information on estimated costs and timelines pre- and post- execution of the LNCA. Given that detailed design only takes place after LNCA, some changes to the estimates might be inevitable. Providing this information allows for GNI to explain and justify any changes.

The CRU has decided that GNI should introduce two new metrics discussed in the consultation paper (CRU2024122) – time to quote and time to connect. These will need to be provided for each connection project. These metrics will provide an overview of the timeliness of GNI's delivery of connections and reveal any outlier projects. GNI should use the information to improve the time it takes to provide a connection offer, as suggested by one respondent.

The CRU has decided not to include a metric comparing initial estimates to outturn estimates at the end of the regulatory period, nor to directly factor the metric into the scoring. Connection projects may be at different stages at the end of the regulatory period, making this type of metric unsuitable for assessing them. GNI is, however, required to explain any changes to the estimates on costs and timelines over time. Changes can be due to many factors, including those outside of GNI's control. Therefore, the metrics should not have a direct implication on scoring GNI's performance. However, they will form a part of the qualitative assessment by allowing the CRU to gain a better understanding of GNI's performance.

The CRU is also of the view that the proposed guidance already contains sufficient requirements on GNI to evidence cost efficiencies, e.g., by providing information on how it mitigates cost increases arising from sub-contracts. Assessment of GNI's performance will consider how well GNI justifies any changes to costs and timelines.

While the CRU would expect GNI's wider planning and investment on the gas network to take into account decarbonisation requirements, future demand and risk of stranded assets, an explicit requirement to discuss these in the reporting on gas-fired generation connections has been added, as suggested by a respondent. The CRU has also noted the suggestion to engage with EirGrid to aid scenario planning.

Lastly, regarding the order in which GNI deals with connection projects, GNI must take account of the CRU direction CRU202439 – i.e. GNI should deliver the connection of successful gas fired generator applicants from the 2024 and 2025 CRM auctions as a matter of urgency, and, in so far as is practicable, ahead of other types of connections, for example, non-CRM generators or demand customers, without impacting connection delivery on these other sectors. Beyond that direction, the CRU has decided not to change the order in which GNI deals with connection projects. For the time being, the CRU has not come across any information suggesting that the current approach of 'first come, first serve' would be problematic for successful CRM projects.

2.4 Stakeholder engagement

2.4.1 Consultation responses

SSE and GNI commented on the Stakeholder Engagement Incentive. Both were supportive of the incentive and the establishment of the panel to assess GNI's performance. GNI also thought that the assessment criteria for the category 'delivering large connections' is appropriate.

2.4.2 Changes to the reporting guidance

A Consultation on Terms of Reference for the Gas Network Stakeholder Engagement Evaluation (GNSEE) Panel (CRU2024123) was published alongside CRU2024122 and elicited four responses. Having considered responses to that consultation, the CRU has decided to increase the page limit of the Stakeholder Engagement Plan to 30 pages in line with the length of similar reports produced by ESB Networks.

The consultation responses on the Terms of Reference for the GNSEE Panel also commented on the weightings for the assessment categories for the Stakeholder Engagement Incentive. Three respondents suggested that the weightings on the 'effectiveness of strategy' and 'delivery of large connections' should be increased, given their importance to stakeholders. One respondent also suggested that 'lessons learned' should only be assessed from the second year onwards, as effective lessons may not emerge early in the process.

The CRU has decided to amend the weightings, given the strong preference respondents indicated for this. In the first year of assessment, the panel will apply the following weights: ‘quality of the strategy’ (25%), ‘implementation of the strategy’ (25%), ‘effectiveness of the strategy’ (30%) and ‘delivering large connections’ (20%). In the second year, the categories and weightings will revert back to what was proposed in the consultation: ‘quality of the strategy’ (25%), ‘implementation of the strategy’ (25%), ‘effectiveness of the strategy’ (25%), ‘delivering large connections’ (15%) and ’lessons learnt’ (10%). It will be important to consider lessons learned from the second year onwards to ensure that GNI is making improvements over time. The initial stronger focus on the effectiveness of the strategy and delivery of large connections should incentivise GNI to set high standards for its engagement in the beginning in areas that are important to stakeholders, which should positively influence the quality of its engagement throughout the period.

The decision on the Terms of Reference for the Panel will be published in early 2025 and will contain further details of the feedback submitted during the consultation as well as the CRU’s response to the feedback.

In addition, as well as the proposed guidance set out in the consultation (CRU2024122) the CRU has added a requirement for GNI to consider the recommendations received from the panel as part of its assessment of lessons learned from stakeholder engagement. This is based on the PR5 experience in electricity where the panel provides recommendations as part of its assessment.

2.5 Capex Incentives

2.5.1 Consultation responses

GNI was the only respondent that commented on the Capex Incentives. It was generally supportive of the proposals, stating that the information that the CRU has requested will provide the required levels of oversight and operational transparency.

GNI commented on the new reporting requirements. It stated that it would be possible to deliver the new annual reporting by the proposed 2025 deadline. It did not consider it possible to implement the quarterly reporting in the timelines set out. GNI requested that the quarterly reporting be revisited once the annual reports have been successfully implemented and reviewed.

GNI agreed with the proposal to report expected capital variances annually, including expected variances in allowance output and cost from the original capital delivery plan, and schedule variances for larger stand-alone projects. However, it stated it would not be possible to always deliver TJP addendums at the time of annual reporting. In some cases, it thought the BPQ should be used to highlight the expected deviation, with a detailed TJP addendum provided in a subsequent cycle.

GNI also commented on the heatmap process, proposing that only initiatives with a high score should be flagged for submission of a TJP addendum to the CRU once available.

Finally, GNI stated that the mechanism for calculating Efficient Savings and Unfinanced Overspends on gross allowances should be reviewed for projects where GNI has received significant contributions from individual large customers or commercial contracts. GNI agreed that the overall assessment of efficiency should be on gross expenditure, but that any penalty or incentive should be adjusted to be proportional to the net Regulated Asset Base (RAB) impact, to result in an appropriate allocation of benefits and costs.

2.5.2 Changes to the reporting guidance

The CRU has decided that GNI will submit two forms of capex reports during the course of PC5 – updated BPQ outputs on an annual basis and capex monitoring summaries on a quarterly basis. This is to ensure that both forms of report are feasible for GNI to deliver at the requested frequency, with GNI expressing that quarterly updated BPQ outputs would be resource intensive and infeasible. The CRU has engaged with GNI to determine what outputs GNI can deliver on a quarterly basis that will be of use to CRU at such frequency in implementing the price control. The annual submission will contain the following in the form of a dashboard:

- Clear programme names linked to allowances from the PC5 determination.
- A data referencing structure and categorisation that enables alignment of the data.
- Quantitative outturn on costs (in nominal monies[11]), outputs and schedule for all PC5 years to date.
- Contributions received for projects, allocated at the project level.[12]
- Information on drivers in relation to costs, outputs and schedule.
- Information on scheduled gateways, starting from the 2023/24 gas year.
- Information on TJP addendums.
- A detailed narrative to support any raw data, where necessary e.g. to explain a variance compared to the previous dashboard submission or the ex-ante allowances.

[11] Reconciled to an allowance in a real price base in the PC5 determination.
[12] Where contributions are not received at the reporting line level (e.g. distribution contributions), GNI will allocate such contributions using a methodology that is to be agreed with the CRU.

- Identification of safety programmes with a Corrective Action Request number.

The quarterly capex monitoring summary will include information on GNI's capex projects at a RAB category level rather than an individual allowance level for costs and outputs.

The CRU has also confirmed that different levels of reporting will be required of GNI for different capex projects according to which category a capex programme belongs to. The key difference in reporting requirements between categories is that GNI will report on cost, output and schedule post-PC5 for projects categorised as discrete projects (i.e., individual projects delivering a single initiative). Outputs for discrete projects are will in most cases be an estimated percentage of a single output Other projects will have costs, outputs and, where relevant, schedule, reported on each year up to the end of PC5. For all projects, regardless of category, reporting will be included within the annual dashboard submission.

The quarterly capex monitoring summary is now due in Q1 2026, rather than Q1 2025. This has been determined following engagement with GNI and has been changed to ensure that the proposed timeline is feasible for GNI to deliver, with the initial focus being on delivery of the more granular annual submission.

The CRU has added additional guidance on the heatmapping process and associated scoring mechanism that GNI will use in determining whether a change to a project is material and should be reporting to the CRU through use of a TJP addendum. The heatmap for each project will contain three overarching categories for variance to the original plan: changes to schedule, scope and costs. Each category will have multiple associated drivers which are assigned a status using a RAG rating, with additional comment provided for drivers that do not achieve a 'green' status. The scoring mechanism will use the total value of the project and how significant the deviation in cost is from the original ex-ante allowance to determine whether the project requires a TJP addendum. The criteria for the heatmap have been determined through engagement with GNI.

2.6 Investment Planning and Delivery Incentive

2.6.1 Consultation responses

GNI provided feedback on the Investment Planning and Delivery (IPD) Incentive in its response.

GNI welcomed the clarity provided on the scorecard and noted the guidance regarding the use of benchmarking when there are suitable comparators.

GNI commented on the new reporting requirements. It did not believe it would be possible to implement the quarterly reporting in the timelines set out. GNI requested for the quarterly reporting to be revisited once the annual reports have been successfully implemented and reviewed.

2.6.2 Changes to the reporting guidance

The PC5 implementation consultation provided additional clarifications on the Investment Planning and Delivery (IPD) Incentive balanced scorecard. These points have been added as footnotes to the balanced scorecard in the PC5 Regulatory Framework User Guide (CRU2024163) published alongside this paper.

The changes made to the frequency of reporting for the capex incentives also apply to the IPD Incentive. These changes are the updated BPQ outputs being required on an annual basis only, with capex monitoring summaries on a quarterly basis, and modifications to the TJP addendum heatmapping mechanism as discussed in Section 2.5.

2.7 Biomethane Connections Incentive

2.7.1 Consultation responses

Two out of four respondents to the consultation (ESB GT and GNI) mentioned the Biomethane Connections Incentive in their response.

ESB GT stated that the requirements for the Biomethane Connections Incentive should include the drafting of a report setting out GNI's plans to transition parts of the gas network to run on biomethane, considering biomethane's role alongside hydrogen in decarbonising the gas network. This would be equivalent to the work that GNI is expected to carry out and report on under the Hydrogen Readiness Incentive with regards to plans to transition parts of the network to hydrogen. More generally, ESB GT argued that there should be internal consistency between the roles envisaged for hydrogen and biomethane in decarbonising the gas system, with no perceived preferential treatment of one over another,

GNI stressed that while it supports the implementation of this incentive, the delivery of biomethane targets does not solely depend on factors which are within GNI's control. For example, the Renewable Heat Obligation (RHO) and similar policy mechanisms will need to play a crucial role in providing clear demand signals for biomethane producers. GNI considers that the CRU should take this into account when assessing GNI's performance against the incentive. GNI also stated that it supports the CRU's proposal to require GNI to report on expected curtailment levels for producers connected to the distribution network.

2.7.2 Changes to the reporting guidance

The CRU has decided not to require GNI to submit a separate plan for how it would go about transitioning parts of the network to run solely on biomethane – in a similar way to what it expects GNI to plan for hydrogen. This is because compared to hydrogen, biomethane is a closer replacement for natural gas, such that minimal or no repurposing of network assets will be needed to transport it. However, in its plans for potential hydrogen conversion, GNI should carefully consider the alternative of maintaining parts of the existing gas network – running on biomethane – as opposed to converting them to hydrogen.

The CRU also recognises that delivering the ambitious targets set out in the National Biomethane Strategy is not GNI's sole responsibility. GNI will only be assessed on the actions it has taken and will not be penalised for the effects of factors outside of its control. This is reflected in the User Guide published alongside this paper in Section 9.

2.8 Hydrogen Readiness Incentive

2.8.1 Consultation responses

All four respondents to the consultation expressed support for the introduction of the Hydrogen Readiness Incentive.

BNM suggested that the metrics that GNI will report on for each blending project should include:

- The % of blend achieved;
- The total amount of hydrogen injected into the network;
- The location of the injection; and
- The price of the hydrogen injected when it was purchased.

Other respondents stressed the importance of complying with recent EU regulation regarding hydrogen readiness and presented more context as to the key areas of priority for GNI's hydrogen readiness work. Responses highlighted the need to prepare for low levels of blend of hydrogen in the gas network and ensuring that interoperability between different European gas systems – and in particular between the Irish and GB systems – remains possible in the medium to long term.

2.8.2 Changes to the reporting guidance

The proposed additions have been reflected in Section 10 of the User Guide published alongside this paper. The CRU has also reflected feedback from responses which referred to other incentives, for example by clarifying that, where possible, GNI should report on how future hydrogen blends might impact gas quality metrics in the future.

2.9 Customer Performance Indicators

2.9.1 Consultation responses

Only GNI commented on the proposed design of the Customer Performance Indicators (CPIs).

GNI argued that the incentive should be symmetric, as the penalty only approach is inconsistent with how other utilities are incentivised to improve customer performance and contrary to its ethos of encouraging GNI employees to deliver improving service.

GNI also proposed that reporting for the complaint metrics, which measure the proportion of complaints resolved[13], should begin in 2026. GNI would introduce and monitor the metrics in 2025. GNI has previously reported against different targets, and as such, considers that some time is needed to adjust its approach.

In addition, GNI provided an update on the two new indicators. GNI is reviewing how it can improve its appointment cancelling process and looking into implementing Service Level Agreements (SLAs) and Key Performance Indicators (KPIs) as part of this. GNI proposed to design a reporting structure for the indicator on appointment cancelling in 2025 and begin reporting on the indicator in the 2026 annual report.

Regarding the indicator on overall customer satisfaction, GNI proposed that it will work with a third-party provider to develop and operate the survey based on its existing customer monitoring programme.

2.9.2 Changes to the reporting guidance

The CRU remains of the view that a penalty only approach is appropriate for the Customer performance indicators, as customers should be able to expect a good base level of performance from GNI.

[13] The proportion of complaints resolved in 10 and 30 days.

The CRU has also decided that GNI should begin reporting on the complaint metric in 2025, covering activity in 2024. This metric includes the proportion of complaints resolved in 10 and 30 days. This is not a new metric, and a change in the target (i.e., the proportion resolved) should not change the underlying monitoring process. The CRU acknowledges that a new reporting structure will be required for the implementation of the appointment cancellation metric and accepts GNI's proposal to begin reporting on this metric in 2026.

The CRU has engaged with GNI further on its existing survey programme and agrees that it is suitable for the overall customer satisfaction indicator. As GNI's survey programme, developed and operated by a third-party, is already up and running, GNI should begin reporting on the indicator in 2025, covering 2024.

In addition to the changes outlined above, the CRU has provided further guidance on reporting for the Customer Performance Indicators, compared to the guidance set out in the consultation (CRU2024122). The aim has been to align the reporting requirements with GNI's previous reports on customer performance and ensure that GNI provides the required information to the CRU to substantiate its performance.

2.10 Flexibility and Adaptability Incentive

2.10.1 Consultation responses

Only GNI referred to the Flexibility and Adaptability Incentive in its response. GNI primarily raised the following points:

- The delivery of the first Core Flexibility Report (CFR) is not feasible until the beginning of 2026, though future iterations of the Supplementary Flexibility Report (SFR) and CFR can be submitted earlier in the year (end-June).
- The required content of the CFR and SFR should avoid duplication with information reported elsewhere.

GNI also stated that it supports the proposed structure of the reports.

2.10.2 Changes to the reporting guidance

The CRU has set the deadline for submission of the first CFR to end-January of 2026, eight months later than originally proposed. However, GNI should share earlier drafts of the CFR in advance of the final submission and work collaboratively with the CRU to establish the list of metrics to be reported on in the first CFR and subsequent reports. This is discussed in more detail in Section 12 of the User Guide published alongside this paper.

The guidance in Section 12 of the User Guide has also been amended to reduce the amount of duplication of reporting between the Flexibility and Availability Incentive and other reporting requirements.

2.11 Flexibility Pot and Uncertainty Mechanisms

2.11.1 Consultation responses

GNI referred to the Flexibility Pot and Uncertainty Mechanisms in its response.

GNI stated that the Flexibility Pot is still under its consideration. It welcomes the CRU's consideration of reverse grid compressing, but noted that implementing this may require a policy change. Such a policy change may be considered by CRU when consulting on biomethane policy.

Regarding the three uncertainty mechanisms, GNI only provided comment in relation to the biomethane uncertainty mechanism. It said that experience to date suggests that the biomethane industry will likely trend towards fewer plants producing larger volumes of biomethane. Without the RHO or an alternative economic route to market, the development of this industry will be slower than anticipated. In addition, given the nascent stage of the biomethane sector, accurately predicting the sizes of future biomethane plants and the number of connections may pose a challenge. Industry is working towards delivery of the national target of 5.7GWH by 2030.

2.11.2 Changes to the reporting guidance

The CRU has reiterated how both the Flexibility Pot and the three Uncertainty Mechanisms will be used during the course of PC5 in section 13 of the User Guide published alongside this paper. No changes have been made to the guidance regarding either of these mechanisms.

2.12 Innovation

2.12.1 Consultation responses

Out of the four respondents, only GNI provided feedback on Innovation Funding. GNI welcomed the proposals related to innovation, including the proposed Innovation Report. As part of its response, GNI also provided an update on its work on both innovation funding pots, the Strategic Innovation Fund (SIF) and the Network Based Innovation Fund (NBIF).

GNI is working together with Research Ireland to develop the SIF, including further defining the research areas for which funding can be applied for under the challenge funding approach. The scheme is expected to be launched during the first half of 2025.

GNI also explained how applications will be evaluated under the NBIF. Projects first undergo an initial screening to ensure alignment with the objectives of the Innovation Fund and GNI's Strategic Ambitions, after which a business case is used to evaluate benefits, including the potential for cost savings and other benefits relating to health and safety, compliance, operations, customers and the environment.

2.12.2 Changes to the reporting guidance

The reporting guidance has been adjusted to reflect the information received as part of the consultation, namely, how applications are evaluated under the NBIF. GNI has provided further information on evaluation for both NBIF and SIF directly to the CRU, which is also reflected.

In addition, since the guidance set out in CRU2024122 was published for consultation, the CRU has elaborated on reporting requirements for innovation funding. This has been done to request more detail from GNI and encourage reference to best practice and lessons learned.

2.13 Overarching

2.13.1 Consultation responses

GNI requested flexibility to have allowed revenue changes reflected in later annual tariffs, or tariffs in the subsequent Price Review (when relevant). This will allow for instances when reports or incentive amounts are not finalised ahead of the tariff setting process in Q2 of each year. GNI would work with the CRU to help make these adjustments.

2.13.2 Changes to the reporting guidance

The CRU will update the models used to determine the tariffs for PC5. As part of this work, the CRU will consider whether to include modifications to the models which would satisfy this request.

3. Summary and next steps

This paper has set out the CRU's decision on how the PC5 Regulatory Framework will be implemented. GNI will commence aspects of its reporting under the regulatory framework in Q1 2025.