



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

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Consultation on Networks Stakeholder Engagement Evaluation Panel (NSEEP) Terms of Reference

Consultation Paper

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Executive Summary

In December 2020, the CRU published its decision on the PR5 Regulatory Framework, Reporting and Incentives (CRU/20/154). As part of this decision, the CRU decided to retain the incentive for Network Stakeholder Engagement implemented in PR4 (CER/18/087). This incentive provides for a panel of stakeholders to assess and score both the TSO and DSO on the quality, good implementation and effectiveness of their stakeholder engagement strategies during the previous year. The score given by the panel determines the level of financial incentive received by the network companies.

In February 2019, the CRU consulted on the terms of reference and sought expressions of interest for membership to the first Stakeholder Engagement Panel (CRU/19/015). Following this, the CRU published its decision on the Terms of Reference for the Stakeholder Engagement Panel (CRU/19/058). It was set out in this paper that the CRU would assess the effectiveness of the panel every two years. Furthermore, the paper stated that members would sit on the panel for two years followed by a review of membership. In line with this decision, the CRU is now consulting on both the terms of reference and the membership of the panel.

Following consideration of the terms of reference, the CRU is proposing to retain the existing terms of reference with a minor amendment to the terms of reference around meeting administration to reflect the change of working conditions as a result of COVID-19. Separately, the CRU is seeking expressions of interest to join the panel.

Responses to this consultation should be submitted to Harry Molloy, Electricity Networks Team (hmolloy@cru.ie) by **17.00 on 29 March 2021**.

After the consultation period closes, the CRU will review and consider the comments received. A final Decision on the Terms of Reference of the Panel will be published shortly after. Also, the CRU will appoint the members, based on membership applications received and the selection criteria detailed in this paper.

Public Impact Statement

In 2018, the CRU introduced new incentives for EirGrid (as the Transmission System Operator), and ESB Networks (as the Distribution System Operator). One of these incentives is in relation to stakeholder engagement. The objective of this incentive is to promote cultures within the TSO and DSO that put stakeholders (i.e. customers, generators, and local communities) at the centre of what the network companies do. This ensures that the System Operators deliver high quality outcomes for energy customers and the wider public.

The CRU formed a Panel made up of representatives from stakeholders to assess and score EirGrid and ESB Networks on the quality, good implementation and effectiveness of their stakeholder strategy in the previous year. This score determines the financial incentive the companies receive, impacting directly on the incentive revenues earned.

Based on the established rules of this panel, the CRU is now conducting a public consultation to review the principles on which the panel operates as well as the membership of the panel.

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Glossary of Terms

Abbreviation or Term	Definition or Meaning
CRU	Commission for Regulation of Utilities
NSEE Panel	Networks Stakeholder Engagement Evaluation Panel
ToR	Terms of Reference
TSO	Transmission System Operator-EirGrid
TAO	Transmission Asset Owner-ESB Networks
DSO	Distribution System Operator-ESB Networks
DAO	Distribution Asset Owner-ESB Networks
Network companies	EirGrid and ESB Networks
TUoS/DuoS	Transmission/Distribution Use of System
SOs	System Operators (TSO and DSO)

1. Introduction

1.1. Commission for Regulation of Utilities

The Commission for Regulation of Utilities (CRU) is Ireland's independent energy and water regulator with the mission of protecting the public interest in energy, energy safety and water.

The CRU was established in 1999 and now has a wide range of economic, customer protection and safety responsibilities in energy. The CRU is also responsible for Ireland's public water and wastewater system. Further information on the CRU's role and relevant legislation can be found [here](#).

1.2. Purpose of this Consultation Paper

The CRU is seeking stakeholders' views on the proposed Terms of Reference (ToR) of the Network Stakeholder Engagement Evaluation (NSEE) Panel to be established by the CRU. This Panel will separately assess the TSO and DSO performance on their stakeholder engagement activities, as part of the PR4 Decision on Reporting and Incentives¹.

In addition, the CRU is seeking to review the membership of the Panel in accordance with the proposed ToR of the Panel.

1.3. Responses Relating to this Consultation Paper

Responses relating to this Consultation Paper should be sent to Harry Molloy, Electricity Networks Team (hmolloy@cru.ie) by **17.00 29 March 2021**.

The Commission will review all comments received. Respondents should be aware that the Commission intends to publish the responses received on its website. For this reason, confidential responses should be clearly marked as such, and where possible included in a separate appendix to the response.

¹ [CER/18/087](#)

2. Establishment of NSEE Panel to assess SOs performance on Stakeholder Engagement

2.1. Background

In December 2020, the CRU published its Decision on the PR5 Regulatory Framework, Incentives and Reporting. Within this paper, the CRU set out its decision to retain the Network Stakeholder Engagement Evaluation Panel as established in CER/18/087. The decision to retain this incentive is based on the effectiveness of the procedure over 2019 and 2020.

As established in the decision on the Terms of Reference of the Network Stakeholder Engagement Panel (CRU/19/058), the CRU will review the effectiveness and the membership of this panel on a two-year basis.

2.2. Overview of Process and Incentive Revenue Rewards

The CRU initial guidance for the TSO and DSO on the requirements and assessment criteria for submissions under the stakeholder engagement incentive is described below. The incentive revenue rewards are also detailed at the end of this section.

Objective of the Incentive Mechanism

To actively promote cultures within the TSO and DSO that put stakeholders at the centre of what they do.

Requirements of SOs' submissions

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;
- 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 31 March following the end of the year being reported on submit a report to the CRU of no more than 15 A4 pages in length describing, with evidence, the following:

- What its stakeholder engagement strategy was during the year being reported on (the previous year); how the strategy relates to the identified needs of stakeholders, and the strategic or operational challenges facing the businesses; how the strategy is given

practical effect within the business – including how stakeholders are identified and categorised, and accountability and management reporting in respect of the strategy works within the business;

- How well the strategy was implemented; what engagement channels and initiatives were deployed during the year being reported on; how these were tailored to the issue(s) and stakeholders involved; the range and diversity of issues and stakeholders involved; the innovative nature of methods used; and
- The effectiveness of the strategy; what impacts the deployed channels and initiatives had on stakeholders, and the business, during the course of the year being reported on.

The CRU will direct the TSO and DSO to separately consult on their stakeholder engagement strategies to seek views on these submissions. The consultations will be published by the 31 March.

Assessment

The assessment of the quality, good implementation and effectiveness of the SOs' strategies will be performed by a Panel established and chaired by the CRU. The Panel shall adopt a single score (separately for the TSO and DSO), on a scale from 1 to 10, for the following evidence presented by the TSO and DSO (A, B and C). The weightings of each category are also detailed below:

- A. Quality of stakeholder engagement strategy, and management systems and processes within the business to enable its delivery – **20%**;
- B. How well the strategy was implemented; quality of delivered set of channels and initiatives for engaging with stakeholders, consistent with the documented strategy – **40%**;
- C. Effectiveness of strategy; quality of demonstrable positive impacts on stakeholders, stakeholder groups or the business consequent to the delivered channels and initiatives – **40%**.

Once the single scores (scale 1 to 10) have been adopted by the Panel for each category (A, B and C), these will be multiplied by their weightings to obtain a final score. The final score will be a number between 1 to 10 and will be linked to a financial incentive. The TSO and DSO will separately obtain a final score that can differ from each other.

Higher scores (i.e. above 5) will only be possible where the quality and effectiveness of the SOs' strategies have been clearly demonstrated.

Incentive Revenue Rewards

The final score of the TSO and DSO will be a number out of 10, as detailed above. The SOs must achieve at least a final score of 5.0 in order to receive any incentive payment. Therefore, the incentive payment will be €0 for any score below 5.0. For scores equal to, or greater than 5.0, the incentive payment will be calculated with the following formula:

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

Where:

x = the Panel's final score.

y = maximum incentive payment.

z = 10% of maximum payment.

TSO

The maximum incentive payment for the TSO shall be 1% of its internal opex (upside only), per year. The scoring system is as set out above. An example is given below, considering a maximum incentive payment of €460,000 and a final score of 7.

$$z = 10\% \text{ of } €460,000 = €46,000$$
$$€46,000 + (7-5) \cdot \left(\frac{€460,000 - €46,000}{5} \right)$$

Therefore:

$$\text{Incentive payment} = €46,000 + (2 \cdot €82,800) = €210,000$$

Alternatively, it can be seen that a final score of 5 would result in an incentive of €46,000 i.e. 10% of the maximum payment.

DSO

The maximum incentive payment for the DSO shall be €1m (upside only), per year.

The scoring system is as set out above, such that a final score of 5 is 10% of the available pot, and an amount of €180,000 is available for every point above 5.

An example is given below with a final score of 7 obtained by the DSO:

$$\text{Incentive payment} = €100,000 + (€180,000 \cdot 2) = €460,000$$

2.3. Role of the Panel

The Panel follows the following approach in assessing the performance of the network companies:

The Panel will meet twice a year between April and June to assess the quality of the strategies, the quality of the implementation of their strategies and effectiveness of the stakeholder engagement's strategies of the TSO and DSO, separately, during the previous year. There may be an option for a third meeting if required. Based on the SO's performance, the Panel

gives the TSO and DSO a score which directly determines the incentive revenues the SOs separately earn.

First Meeting

The purpose of the first meeting is for the TSO and DSO to separately present their stakeholder engagement strategies to the Panel. This meeting is held shortly after the TSO and DSO have both published their strategies for consultation.

Second Meeting

At the second meeting, the Panel will score the TSO and DSO on their submissions. The score provided by the Panel will determine the incentive revenue reward of the SOs as explained in the previous section. This meeting takes place approximately two weeks after the second meeting to provide members of the Panel time to reflect on the network companies' presentations.

Third Meeting

A third meeting may be accommodated if required to come to a conclusion if one can not be reached in the second meeting.

3. Terms of Reference of the Panel

This section outlines the Terms of Reference as established in the CRU Decision Paper (CRU/19/1058) along with proposed changes to the Terms of Reference and rationale for these changes.

Purpose

1. The purpose of the Panel is to assess and score the SO's on their stakeholder engagement panel on the previous calendar year, which feeds into the CRU's decision on incentive payments. This assists the SOs in putting the customer at the centre of everything they do.

The CRU is not proposing to make any changes to the purpose of the Panel.

Scope

2. The panel will assess each SOs' stakeholder engagement strategy of the preceding calendar year and the outcomes achieved during such year pursuant to the strategies in place. The strategies will be scored across three categories:
 - Quality of strategies (20%)
 - Implementation of strategies (40%)
 - Effectiveness (outcomes achieved) (40%)
3. The panel should also take into account:
 - Any guidance issued by the CRU;
 - Consultation responses to the SOs' reports;
 - The SOs' final submissions to the panel; and
 - The views of other members of the panel.
4. For clarity, the Panel will evaluate the stakeholder engagement of the SOs, focusing on the SOs' stakeholder engagement strategies and effectiveness.

The CRU is not proposing to make any changes to the Scope of the panel.

Membership

5. The CRU seeks to reach an appropriate balance in membership of the group and therefore, will consider the following categories in selecting members of the panel:
 - Generators (conventionals and renewable);

- Suppliers;
 - Large Energy Users;
 - Academia;
 - Community and Small Customer Representatives;
 - Small Generators; and
 - Other Stakeholders where appropriate.
6. The term of membership will be two years. Members may be reappointed as appropriate. The members of the Panel will be required to name an alternative, preferably from the same organisation, who can attend the Panel in the event of unavailability of the nominated members. However, the CRU would like to highlight that the process will work best if the nominated members are able to commit to attend all meetings during the two years' membership to ensure continuity. The alternates may attend meetings as observers when the member is in attendance.
7. The members of the Panel should objectively assess the performance of the SOs from the perspective of the category they have been selected for (e.g. generator, supplier, etc.), rather than providing formal representation of the views of all stakeholders in that category. The CRU notes that the SOs' submissions will be consulted upon, providing all stakeholders an opportunity to share their views.
8. In order to assess the SOs and discharge their functions effectively, the members of the panel will:
- Need to identify potential gaps within the SOs' proposals;
 - Be required to understand key concerns of the respondents of the consultations and key issues in relation to the SOs' strategies;
 - Be expected to share relevant views at the meetings and provide potential solutions to issues and/or concerns;
 - Be expected to make proactive and constructive contributions to discussions; and
 - Be impartial and fair when scoring the SOs.
9. After the selection of the members and provision of their consent, a circulation list with contact details of all participants will be created and shared with members by the CRU. The names and organisations of the members only (i.e. not contact details) will be published on the CRU's website.

The CRU is not proposing to make any changes to the Terms of Membership of the panel. Expressions of interest to join the panel as a member are sought in Section 4.

Governance

10. The CRU will chair the panel meetings. Primarily the role of the Chair will be to facilitate the discussions of the panel and ensure the meetings proceed efficiently. The CRU will not provide the panel with its own view of the SOs performance or on the appropriate final score.
11. The Chair will open and close each meeting, will record the final score of the panel and confirm conclusions of the panel (rationale for score, recommendations etc.).
12. The Secretariat will be a CRU staff member and will be responsible for the administration of the meetings.
13. The panel members will individually prepare initial scores for the DSO and TSO with rationales for that score prior to the first meeting. At the first meeting each member will discuss their scores with the panel.
14. The TSO and DSO will be invited to attend part of the meeting(s) of the panel to present on their stakeholder engagement strategies and answer the Panel member questions.
15. The panel will decide on its final score through a process of consensus. For clarity, it will not be necessary for there to be unanimity amongst members of the panel for a final score to be decided upon. The panel will, through a process of discussion, arrive at a collective view that each member of the panel agrees represents the collective view of the panel, even if not precisely that of the individual member.
16. The panel will score the TSO and DSO separately, on each of the three criteria listed above. The weightings will then be applied according to the established methodology resulting in a final score from the panel for each SO.
17. The CRU will take the panel's assessment into account when setting the stakeholder incentive revenues for the SOs. The CRU may take other factors into account where appropriate. Where the panel is unable to reach a final score by consensus, the CRU will take the discussions and views expressed by the panel into account when making its decision on the allowed annual network revenues. The CRU considers the panel approach will be more effective if the panel is able to arrive at a score through consensus.

The CRU is not proposing to make any changes to terms of governance of the panel.

Meetings Timeline

18. The incentive framework requires the SOs to publish a report on the effectiveness of their stakeholder engagement strategies for consultation, by 31 March each year. The CRU decides on allowed annual network revenues by the end of June each year. As

the incentive payments are an input to this decision the panel's assessment and its meetings will take place between April and June each year. It is envisioned that the panel will meet at least twice during this period. The final score of the panel will be decided at the final meeting of the year.

The CRU is not proposing to make any changes to terms of reference around meeting timelines.

System Operator Submissions to the Panel

19. The SOs are required to submit and present their final stakeholder engagement reports in a timely manner. Where the TSO or DSO has failed to do this, the panel may take this into consideration when setting the final score.
20. After the SOs' consultations have closed, the SOs will submit to the CRU their final stakeholder engagement reports, including responses to the consultation, at least five working days in advance of the relevant panel meeting. Where there is a significant volume of material the SOs will be expected to make their submissions far enough in advance of the meeting for the panel members to adequately review all of the material.

The CRU is not proposing to make changes to the terms of reference around SO submissions to the panel.

Meeting Administration

21. The meetings are ordinarily held in Dublin, in the CRU's offices. However, the 2021 process (and potentially the 2022 process) will be carried out remotely.²
22. Where meetings are being held in person, the CRU considers that the process will be more efficient if all members attend in person. However, remote access facilities will be made available as appropriate.³
23. The CRU will issue guidance to the panel members to assist their evaluation of the SOs performance.
24. A draft agenda will be circulated with any other relevant meeting materials to the panel in advance of the meeting.
25. After each meeting minutes will be prepared and circulated to the panel for comment. Minutes will be approved either by correspondence or at the following meeting.

² Put original wording here

³ Put original wording here

26. To promote an open and creative discussion, detailed minutes will not be prepared. The minutes will cover key areas of discussion, conclusions and a list of agreed actions.
27. The conclusions of the panel will be agreed at the final meeting. That is, the final scores, the rationale for the scores, any recommendations for the SOs and any other conclusions agreed upon by the panel. The CRU will then draft a report outlining these conclusions and circulate it by email for comment.
28. The CRU will share the report with the SOs prior to a final decision being made on the allowed annual revenues.

The CRU proposes minor amendments to terms 21 and term 22 to reflect changed working arrangements due to COVID-19. The CRU proposes the terms of reference be updated to reflect this change. The CRU does not propose any further changes to the terms of reference regarding meeting administration.

Review and Revisions to the Process

29. The use of a Panel such as this is a new approach for the CRU. Given this, the CRU may review the effectiveness of the process in two years. As part of this review, the CRU will assess the extent to which the assessments of the panel have facilitated improvements to the quality of EriGrid and ESBN's stakeholder engagement. The CRU will also have regard to the quality of the panel's discussions and assessments, and the extents to which its recommendations have been implemented by the network companies.
30. The CRU may also review its guidance and the administration of the meetings each year, taking the views of the panel into account to make improvements to the process.
31. The membership of the panel will be reviewed every two years or as needed.

The CRU is not proposing to make any changes to terms of review and revisions to the process.

4. Membership of Panel

Following two years since the panel's inception, the CRU is now seeking expressions of interest for membership to the panel. As outlined above, panel members should represent one of the following groups:

- Generators (conventionals and renewable);
- Suppliers;
- Large Energy Users;
- Academia;
- Community and Small Customer Representatives;
- Small Generators; and
- Other Stakeholders where appropriate.

Following responses to this consultation, the CRU will announce on its website an updated list of panel members.

The CRU will assess expressions of interest based on the criteria set out in term eight above. The CRU will be the decision-maker with regard to the constitution of the panel.

5. Consultation Questions

1. Do you have any comments on the proposed Terms of Reference of the Network Stakeholder Engagement Evaluation Panel? Namely, the proposals to retain the existing terms of reference with the exception of minor amendments to the terms for meeting administration to reflect the impact of COVID-19.
2. Would you like to be appointed as a member of the Panel?

Responses to this Consultation Paper should be sent to Harry Molloy, Electricity Networks Team (hmolloy@cru.ie) by 17.00 on 29 March 2021.

6. Next Steps

After responses are received, reviewed and considered, the CRU will publish its Decision on the Terms of Reference of the panel. Also, the CRU will appoint and contact the members of the panel.