



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

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Networks Stakeholder Engagement Evaluation Panel Terms of Reference and Membership

Decision Paper

Decision / Information Paper

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Executive Summary

In March 2020, the CRU consulted on the terms of reference and sought expressions of interest for membership on the Network Stakeholder Engagement Evaluation Panel (NSEEP) (CRU/21/020). This Panel was included in the Regulatory Framework for PR5 as a means for assessing how the Transmission System Operator (TSO) and Distribution System Operator (DSO) engage with stakeholders and to incentivise performance improvements. This paper outlines the CRU's response to submissions and subsequent decision in relation to the NSEEP panel.

The CRU received six responses to the consultation paper. In relation to the Terms of Reference, all respondents broadly supported the minor amendments proposed in the CRU's consultation (to account for remote working due to COVID-19). Some respondents proposed additional minor amendments to the terms of reference to account for administration around the meetings and evidence required as part of network company submissions. The CRU has made changes to the terms of reference to reflect the administrative proposals. While the CRU recognises value in the suggestions made by respondents on evidence provided to the Panel, it has decided not to include this proposal in the terms of reference.

In relation to Panel membership, all six respondents expressed an interest in participating in the panel. Alongside five additional current Panel members who wished to retain a place on the panel the members will be:

- **Generators** – WEI, EAI, Energia
- **Small Generators** - ISEA
- **Suppliers** – BGE, Electric Ireland
- **Academia** – UCD, IT Sligo
- **Large Energy Users** – IDA
- **Community Representative** – Dingle Sustainable Energy Community
- **Other (Energy Storage)** – ESI

The first meeting of the NSEEP Panel will take place in May 2021 and will feed into the revenues allowed to the network companies for the 2021 tariff year.

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 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 company receives, impacting directly on the incentive revenues earned.

In March 2021, the CRU consulted on the membership and the terms of reference for this panel. This paper sets out the CRU's decision in relation to the Panel.

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Glossary of Terms and Abbreviations

Abbreviation or Term	Definition or Meaning
NSEEP	Network Stakeholder Engagement Evaluation Process
PR4	Price Review 4
PR5	Price Review 5
TSO	Transmission System Operator
DSO	Distribution System Operator
WEI	Wind Energy Ireland
EAI	Electricity Association Ireland
ISEA	Irish Solar Energy Association
BGE	Bord Gáis Energy
UCD	University College Dublin
IDA	Industrial Development Authority
ESI	Energy Storage Ireland

1 Introduction

1.1 Stakeholder Engagement Incentive

Under the PR5 decision published by the CRU in December 2020, the Stakeholder Engagement incentive, which was introduced in PR4, was retained. This incentive assesses network company performance based on feedback from an expert panel. Following a consultation published in March 2021, this paper outlines the CRU's decision on the terms of reference and membership of the panel.

1.2 Legal Background

Under the Electricity Regulation Act 1999, as amended (“the Act”), the CRU is the independent body responsible for overseeing the regulation of the Irish electricity sector. Section 35 of the Act provides for the CRU to approve charges for the use of the electricity system in Ireland.

In accordance with Section 35 of the Act, the CRU's Price Review decisions (CRU/20/152 and CRU/20/153) outline the revenues which the Transmission System Operator (“TSO”) and Distribution System Operator (“DSO”), collectively “the network companies” can recover from network users during the relevant Price Review period (2021-2025). An important aspect of Price Review decisions is incentives, which reward the network companies with additional revenue for strong performance.

1.3 Related Documents

- CRU Decision on Reporting and Incentives under PR4 (CER/18/087)
- CRU Decision on Regulatory Framework, Reporting and Incentives under PR5 (CRU/20/154)
- CRU Decision Paper on Terms of Reference of the NSEEP 2018-2019 (CRU/19/058)
- CRU Consultation on NSEEP Terms of Reference (CRU/21/020)

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

1.4 Structure of Paper

- Section one provides the background and basis for establishment of the panel.
- Section two provides an overview of the responses to the Consultation Paper and the CRU's response.
- Section three outlines the CRU's decision on Terms of Reference for the Panel.
- Section four outlines the CRU's decision on Membership of the Panel.
- Section five sets out the next steps in the process.

2 Responses to the Consultation on the NSEEP Panel

2.1 Responses Received

The CRU received six responses to the Consultation Paper. The CRU received submissions from:

- Bord Gais Energy
- Energia
- Energy Storage Ireland
- Irish Solar Energy Association
- IT Sligo
- Wind Energy Ireland

Prior to publication, the CRU offered the current members the opportunity to submit expressions of interest to remain on the Panel; all of the current members expressed an interest in remaining on the Panel. These include:

- Dingle Hub
- Electric Ireland
- Electricity Association of Ireland
- Industrial Development Agency
- University College Dublin

2.2 Overview of Responses

Respondents widely supported the Terms of Reference as outlined in the Consultation Paper. For reference, these terms are broadly the same as the previous iteration of the panel, with minor adjustments to account for remote working.

Specific comments or recommendations were made on the following:

- Governance
- Meeting Administration
- Evidence Provided by Network Companies

These comments, and the CRU's response to them, are set out below.

1.2.1 Governance

Under the governance terms of reference, one respondent recommended that the initial scores given by Panel members are shared amongst other Panel members ahead of the first meeting

to allow time to reflect on the scores ahead of the meeting. This respondent also requested that the TSO and DSO issue their self-scores to Panel members ahead of the first meeting for the same purpose.

The CRU considers that there may be merit in sharing the initial scores (of participants and network company self-scores) ahead of the initial meeting in order to allow the members to better prepare for the discussions. However, this must be balanced against ensuring that a wide range of views and perspectives form the basis of the Panel's discussions and, therefore, the importance of each member arriving at their initial score independently.

Accordingly, the CRU has decided to amend the process and will share the members initial scores and the network companies self-scores following receipt, by the CRU, of all the members initial scores. It is envisaged that the initial scores would be shared with the Panel on working day before the meeting. In order to facilitate this, the CRU will request the initial scores by close of business the day before the scores are to be shared with the Panel.

1.2.2 Meeting Administration

Under Term 24 of the Panel, one respondent requested that the draft agenda and any other relevant meeting material is shared with Panel members at least four working days ahead of the first meeting of the Panel.

The CRU recognises the need to allow Panel members sufficient time to review and reflect on meeting material. Under Term 20 of the Terms of Reference the network companies are required to submit the material to the CRU sufficiently far in advance of the Panel's meeting to allow for adequate time to review all of the material, and not less than five working days before the meeting. The CRU considers that the circulation of relevant meeting materials four working days ahead of the meeting is consistent with this timeline and has decided to amend the Terms of Reference accordingly.

1.2.3 Evidence Provided by Network Companies

One respondent recommended the inclusion of a requirement for specific evidence of engagement with the SEAI Sustainable Energy Communities (SEC) network.

The CRU recognises the importance of engagement between network companies and SECs in delivering Ireland's energy transition. However, the existing terms of reference for the Panel are not as granular as to introduce requirements for evidence in particular areas. Therefore, the CRU is not proposing to update the terms of reference to account for this. The CRU has however, identified areas of the existing terms under which evidence of SEC engagement might be captured. Specifically under terms two and three of the panel, in the Scope section. These terms outline the categories and considerations to be made by Panel members in assessing network company performance. It is possible that evidence of engagement with SECs, and other granular activities, could be captured by guidance issued by the CRU.

3 CRU Decision: Terms of Reference

This section outlines the Terms of Reference as decided by the CRU following the consultation.

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.

Scope

2. The Panel will assess each SOs' stakeholder engagement strategy of the preceding calendar year and the outcome 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.

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 will 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.

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 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. The initial scores and rationale will be submitted to the CRU in advance of the meeting. Upon receipt of all member's initial scores the CRU will circulate the initial scores to the Panel one working day before the 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 network revenues. The CRU considers the panel approach will be more effective if the panel is able to arrive at a score through consensus.

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.

System Operator Submissions to the Panel

19. The System Operators 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 member. 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.

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.

22. Where meetings are held in person, the CRU considers that the proves will be more efficient if all members attend in person. However, remote access facilities will be made available where appropriate.
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, the CRU will endeavour to do this four working days ahead of the meeting.
25. After each meeting minutes will be prepared and circulated to the panel for comment. Meetings will be approved either by correspondence or at the following meeting.
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.

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 the review, the CRU will assess the extent to which the assessments of the panel have facilitated improvements in the quality of EirGrid and ESBN's stakeholder engagement, The CRU will also have regard to the quality of the panel's discussions and assessments and the extent to which its recommendations have been adopted 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.

4 CRU Decision: Panel Membership

Following expressions of interest for membership in response to the March consultation and the retained membership of existing members, the panel will consist of the following:

- **Generators** – WEI, EAI, Energia
- **Small Generators** - ISEA
- **Suppliers** – BGE, Electric Ireland
- **Academia** – UCD, IT Sligo
- **Large Energy Users** – IDA
- **Community Representative** – Dingle Sustainable Energy Community
- **Other (Energy Storage)** – ESI

5 Next Steps

The first meeting of the NSEEP Panel will be on 27 May 2021 and the CRU will issue guidance to the Panel in advance of this meeting. The Panel will have a second meeting in early June to finalise the scores, Following the meeting, the CRU will share the Panel's assessments with the TSO and DSO prior to making its decision on the annual network revenues at the end of June 2019.

Subsequently, the CRU will publish a NSEE Report which will include an overview of the process and the output of the panel's assessment.

Appendix: Scoring Methodology

The final overall score is calculated by weighting the scores given in each of the three categories and adding them together to get a score between 0 and 10. An example is set out below:

Category	Score	Weighting	Weighted Score
Quality of Strategy (20%)	6	0.2	1.2
Implementation of Strategy (40%)	7	0.4	2.8
Effectiveness (outcomes achieved) (40%)	8	0.4	3.2
Final Overall Score			7.2

Incentive Revenue Rewards

The final agreed 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 by with the following formula:

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

Where:

- x is the Panel's final score.
- y is the maximum incentive payment.
- z is 10% of the maximum payment.

Example

The maximum incentive payment for the TSO is €500,000 per year¹. The scoring system is set out above. An example is given below, considering a maximum incentive payment of €500,000 and a final score of 7.

$$z = 10\% \text{ of } €500,000 = €50,000$$

$$\text{Incentive Payment} = €50,000 + (7 - 5) \times \left(\frac{500,000 - 50,000}{5}\right)$$

¹ As per CRU20154. Note that in the case of 2020, the maximum value would be €460,000 under the PR4 regime.

Therefore:

$$\textit{Incentive Payment} = \text{€}50,000 + (2 \times 90,000) = \text{€}230,000$$