



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

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**Commission for Regulation of Utilities**

# Price Review Five: 2021 Balanced Scorecards

## Transmission and Distribution

### Information Paper

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## **CRU Mission Statement**

The Commission for Regulation of Utilities ('CRU') mission is to protect the public interest in Water, Energy and Energy Safety.

The CRU is guided by four strategic priorities that sit alongside the core activities we undertake to deliver on the public interest. These are:

- Deliver sustainable low-carbon solutions with well-regulated markets and networks;
- Ensure compliance and accountability through best regulatory practice;
- Develop effective communications to support customers and the regulatory process;  
and
- Foster and maintain a high-performance culture and organisation to achieve our vision.

## Executive Summary

The CRU's Regulatory Framework, Incentives and Reporting Decision Paper (CRU/20/154) set out the suite of incentives to apply to EirGrid and ESB Networks (collectively the 'network companies') over the Price Review Five ('PR5') period. The incentive mechanisms approved as part of PR5 attach financial rewards or penalties to specific measures of performance. The PR5 incentive framework acknowledges that the network companies have a crucial role to play in the successful meeting Ireland's 2030 targets. Greater flexibility on the network will be needed to securely accommodate more renewable generation, new technologies and new demands on the system while maintaining secure supplies and a high level of reliability. This will require transformational change, embedding innovation, agility and developing new ways of working and delivering network services.

This Information Paper sets out the CRU approved balanced scorecard incentives in terms of the outputs and the assessment frameworks/criteria for 2021. This paper focusses on the incentives set out in Table 1 below, which are a subset of the overall PR5 incentive package and consist of primarily new balanced scorecard incentives.

**Table 1 The PR5 Balanced Scorecard Incentives**

<b>DSO</b>		
<b>Output</b>	<b>€/m (Annual Upside)</b>	<b>€/m (Annual Downside)</b>
Outage Information	+1	-1
Flexibility	+3	-1
Visibility	+3	-1
Independent Role of the DSO	+4.5	-2.25
Joint DSO/TSO Coordination	+3	-1
<b>TSO</b>		
	<b>€m (Annual Upside)</b>	<b>€m (Annual Downside)</b>
RES-E (%)	+0.4	0
Investment Planning and Delivery	+0.9	-0.5
TSO/TAO Joint Incentive	+0.2	-0.1
TSO/DSO Joint Incentive	+0.2	-0.1
Strategic Objectives	+0.5	0
Local Security of Supply	+1.5	-1
Imperfections and Constraints	+1.5	-0.5
<b>TAO</b>		
	<b>€m (Annual Upside)</b>	<b>€m (Annual Downside)</b>
TAO/TSO Joint Incentive	+1.5	-1.5

### Distribution Incentives

For the DSO these incentives aim to encourage and reward for the timely and robust transformation of the DSO's role and improvements in the independence of the DSO Finance arrangements and transparency, Independent Governance, and fulfil its role as a neutral market facilitator. The incentives aim to promote flexible non-wire solutions; increased visibility of the network and providing users with more accurate and reliable outage information.

## **Transmission Incentives**

For the TSO, the incentives aim to increase the penetration of electricity from renewable sources, address security of supply issues and improve the end-to-end delivery of infrastructure projects.

## **Joint Incentives**

The joint incentives aim to promote efficiencies through enhanced collaboration. The TSO/TAO joint incentives focus on network project delivery, while the TSO/DSO joint incentives promote a whole-of-system approach.

## **Assessment and Implementation**

Assessment against the balanced scorecard elements for each incentive will be based on the quality and delivery of project milestones and submissions. Each aspect of the balanced scorecards will be assessed against the following:

- quality of the plan and defined actions;
- quality of implementation of the plan; and
- effectiveness of the plan and demonstrable impacts.

It should be noted that, in addition to this Information Paper, the CRU intends to publish the enduring *PR5 Implementation User Guide* in early in 2022. With respect to this enduring approach, this user guide will cover the requirements in relation to incentives (performance and cost), reporting and broader regulatory framework arrangements for PR5 from 2023 onwards.

The balanced scorecards, as set out in this Information Paper, will apply for 2021 only. Future multi-year plans will be consulted on and submitted to the CRU in September each year. Based on the submissions, the CRU will publish a decision, by year-end, on the milestones, deliverable targets and weightings for the following year.

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# Glossary of Terms and Abbreviations

Abbreviation or Term	Definition or Meaning
<b>ADMS</b>	Advanced Distribution Management System
<b>AMI</b>	Advanced Metering Infrastructure
<b>BAU</b>	Business as Usual
<b>CAP</b>	Climate Action Plan
<b>CBA</b>	Cost Benefit Analysis
<b>CEP</b>	Clean Energy Package
<b>CPPs</b>	Committed Project Parameters
<b>DAO</b>	Distribution Asset Owner
<b>DSO</b>	Distribution System Operator
<b>ERT</b>	Estimated Restoration Time
<b>FPN</b>	Final Physical. Notifications
<b>HV</b>	High Voltage
<b>IP</b>	Indicative Programme
<b>IPD</b>	Investment Planning Delivery
<b>ISO</b>	International Organisation for Standardization
<b>KPI</b>	Key Performance Indicator
<b>LTE Networks</b>	Long Term Evolution Networks
<b>LV</b>	Low Voltage
<b>MV</b>	Medium Voltage

<b>MW</b>	Megawatts
<b>Network Companies</b>	TSO, DSO, TAO and DAO
<b>NSEE Panel</b>	Networks Stakeholder Engagement Evaluation Panel
<b>PR4</b>	Price Review Four
<b>PR5</b>	Price Review Five
<b>PSR</b>	Power System Requirements
<b>RA</b>	Regulatory Authorities
<b>RES-E</b>	Renewable Energy Source – Electricity
<b>ROCOF</b>	Rate of Change of Frequency
<b>SNSP</b>	System Non-Synchronous Penetration
<b>TAO</b>	Transmission Asset Owner
<b>TCG</b>	Transmission Constraint Group
<b>TOP</b>	Transmission Outage Programme
<b>TSO</b>	Transmission System Operator

# 1 Introduction

The CRU is responsible for the economic regulation of the system operators and asset owners for electricity transmission and distribution.

Price controls, which determine the revenues that the relevant licensees can recover from electricity consumers, are set every 5-years. The CRU also has powers to require licensees to submit or publish reporting information, and to set incentive schemes (with associated financial or reputational rewards or penalties) for specified areas of activity.

In December 2020, the CRU set its price controls for the Price Review 5 ('PR5') period for EirGrid as Transmission System Operator ('TSO'), and for ESB Networks ('ESBN') as Transmission Asset Owner ('TAO') and Distribution System Operator ('DSO')/Distribution Asset Owner ('DAO'). In the PR5 Decision, the CRU committed to continue work on the reporting and incentives and broader regulatory framework in 2021.

## 1.0 Purpose of this Information Note

The PR5 Decision required the network companies make a submission of its 2021 plan/programme in January 2021 for its balanced scorecard incentives. This paper sets out the 2021 balanced scorecards for the incentives outlined in Table 2 below. In order to provide advice and complete analysis, the CRU engaged with advisors to assist in the review network company proposals for 2021.

**Table 2 PR5 Performance Incentives – New Balanced Scorecard Incentives**

<b>DSO</b>		
<b>Output</b>	<b>€/m (Annual Upside)</b>	<b>€/m (Annual Downside)</b>
Estimated Restoration Time Accuracy	+1	-1
Flexibility	+3	-1
Visibility	+3	-1
Independent Role of the DSO	+4.5	-2.25
Joint DSO/TSO Coordination	+3	-1
<b>TSO</b>		
	<b>€m (Annual Upside)</b>	<b>€m (Annual Downside)</b>
RES-E (%)	+0.4	0
Investment Planning and Delivery	+0.9	-0.5
TSO/TAO Joint Incentive	+0.2	-0.1
TSO/DSO Joint Incentive	+0.2	-0.1
Strategic Objectives	+0.5	0
Local Security of Supply	+1.5	-1
Imperfections and Constraints	+1.5	-0.5
<b>TAO</b>		
	<b>€m (Annual Upside)</b>	<b>€m (Annual Downside)</b>
TAO/TSO Joint Incentive	+1.5	-1.5

As set out previously, in order to evaluate the network companies' performance against the incentives outlined above, a balanced scorecard will be used. The balanced scorecard supports flexibility over PR5 framework and allows for a quantitative and qualitative assessment of performance. This will allow the CRU to carry out a holistic assessment in line with criteria outlined below (percentage weighting will be applied to each criterion for each incentive)

- quality of the plan and defined actions;
- quality of implementation of the plan; and
- effectiveness of the plan and demonstrable impacts.

The outcome of the network companies' performance will be reported to the CRU annually, over the PR5 period, as part of the revenue requirement submission. As part of this process, Network Companies make their revenue and incentive submissions in April each year. The CRU evaluates the Network Companies outturn and forecasts and decide on revenues and the incentives for the previous year. A direction is issued to both Network Companies who then calculate the network tariffs to be applied in the tariff year (October to October). Finally, the CRU publishes an information paper setting out the revenues and tariffs.

## 1.1 Related Documents

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

CRU/18/087	Reporting and Incentives under Price Review 4	Decision Paper
CRU/19/150	Key Performance Indicators for Assessing TAO Performance for Project Delivery	Information Paper
CRU/20/038	Information Paper on the TSO-TAO Mechanism to Enable Short-Notice Adjustments to Outage Plans	Information Paper
CRU/20/076	Draft Determination on DSO Distribution Revenue for 2021 to 2025	Draft Determination Paper
CRU/20/077	Draft Determination on TSO and TAO Transmission Revenue for 2016 to 2020	Draft Determination Paper
CRU/20/078a	Options for PR5 regulatory framework	Advisor's report
CRU/20/039	Information Paper on the Balanced Scorecard Framework for Assessing the TSO Performance on Investment Planning and Delivery	Information Paper
CRU/20/150	Design of cost incentive for the electricity network licensees	Advisor's report
CRU/20/153	Final Determination on DSO Distribution Revenue for 2021 to 2025	Final Determination Paper
CRU/20/152	Final Determination on TSO and TAO Transmission Revenue for 2016 to 2020	Final Determination Paper
CRU/20/154	PR5 Regulatory Framework, Incentives and Reporting	Decision Paper

## 1.2 Structure of Paper

The sections of this Information Paper are structured as follows:

Section 1 – Introduction

Section 3-6 - Part A – Distribution Incentives:

- Estimated Restoration Time Accuracy
- Flexibility Markets
- Independent Role of the DSO
- Visibility

Section 3-6 - Part B – Transmission Incentives:

- Imperfections and Constraints
- RES-E
- Local Security of Supply
- Strategic Incentives
- Investment Planning and Delivery

Section 14-15 - Part C – Joint Incentive

- TAO/TSO Joint Incentive
- DSO/TSO Joint Incentive

Section 16 - Next Steps

## **Part A – Distribution Incentives**

## 2 Distribution Incentives Overview

This section covers four DSO balanced scorecard incentives for 2021. The joint DSO/TSO incentive is covered in Part C of this Paper. For each incentive, the DSO's proposals and CRU's assessment are summarised. Lastly, the balanced scorecards that will apply for the assessment of the DSO's 2021 performance are set out.

Table 3 below outlines incentives covered in this section along with the key aims of each incentive as envisaged in the PR5 Regulatory Framework, Incentives and Reporting Decision Paper (CRU/20/154).<sup>1</sup>

**Table 3 Key Aims of the DSO Balanced Scorecard Incentives**

DSO Incentives	
Incentive	Key aim of Incentive
<b>Estimated Restoration Time Accuracy</b>	<ul style="list-style-type: none"> <li>- To provide customers and network users with more accurate and reliable outage information, including the time for restoration of outages.</li> </ul>
<b>Flexibility</b>	<ul style="list-style-type: none"> <li>- To give the DSO an appropriate financial stake in delivering flexible non-wire alternative solutions to the network's needs.</li> <li>- To deliver efficient outcomes for customers and market participants by using flexible solutions.</li> <li>- To support the transformation of the DSO's role. This is a key strategic objective of PR5.</li> <li>- To comply with Article 32 of the Electricity Market Directive 2019 (Incentives for the use of flexibility in distribution networks).</li> </ul>
<b>Visibility</b>	<ul style="list-style-type: none"> <li>- To give the DSO an appropriate financial stake in increasing the visibility of its network.</li> <li>- To incentivise the DSO to actively manage its network to accommodate a greater number of LCTs and avoid expensive Capex reinforcements.</li> <li>- To incentivise the DSO to improve the efficiency of its decision making in operating and investing in the network.</li> <li>- To support the transformation of the DSO's role which is a key strategic objective of PR5.</li> <li>- To considers various requirement to deliver on aspects of the EU Clean Energy Package, (e.g. Distributed Energy, Storage, digitalisation energy transfers etc.).</li> </ul>
<b>Independent Role of the DSO</b>	<ul style="list-style-type: none"> <li>- To encourage and reward the DSO for a timely and robust transformation of the DSO's role and improvements in the independence of the DSO Finance arrangements and transparency, Independent Governance, and fulfil its role as a neutral market facilitator.</li> </ul>

<sup>1</sup> [PR5 Regulatory Framework, Incentives and Reporting Decision Paper](#)

## 3 Estimated Restoration Time Accuracy

2021 Maximum Reward	2021 Maximum Penalty
+ €1 million	- €1 million

For the Estimated Restoration Time ('ERT') Incentive, the PR5 Decision Paper outlined early milestones of the balanced scorecard that focused on process and data assurance. While the milestones in the final years of PR5 focused on targets and the performance against targets.

The PR5 Decision Paper required the DSO to report on:

- The time between the commencement of the power disruption and the time that the first restoration time estimate was made publicly available;
- Restoration of power within 15 minutes of the initial ERT;
- Restoration of power within 1 hour of the initial ERT; and
- Restoration of power outside 1 hour of the initial ERT.

### 3.1 DSO's Proposals

The DSO proposed five actions under ERT Incentive. These are set out at a high in Table 4 level below.

**Table 4 ERT Proposed Actions**

Actions	Timeline
<b>Definition</b> <ol style="list-style-type: none"> <li>1. Gather customer insights.</li> <li>2. Workshop &amp; document requirements.</li> <li>3. Agree ERT improvement actions.</li> </ol>	Q1 2021
<b>Measurement</b> <ol style="list-style-type: none"> <li>1. Define the data measures and groupings to be monitored and recorded.</li> <li>2. Develop process to collect datasets.</li> <li>3. Implement Technical changes</li> <li>4. Test process.</li> <li>5. Development of Data assurance process.</li> </ol>	Q2/Q3 2021
<b>Analysis</b> <ol style="list-style-type: none"> <li>1. Develop frontend display for historic data.</li> <li>2. Model ERT Changes.</li> <li>3. Establish current baselines for ERTs.</li> </ol>	Q3/Q4 2021
<b>Improvement</b> <ol style="list-style-type: none"> <li>1. Implement Initial configuration changes for pilot area.</li> </ol>	Q4 2021
<b>Finalise the detailed multi-year plan</b>	Q3 2021

## 3.2 Commentary on DSO's Submission

The DSO's plan for 2021 is divided into sensible phases and is appropriately set in the context of the high-level milestone plan for the PR5 period. High-level commentary on key aspects of the DSO's submission is set out below.

### **Development of the monitoring, recording, and data assurance processes**

The objectives focus on the analysis of historical data which is deemed sufficient for 2021. The CRU agrees with the approach to analyse historic data to improve the accuracy of ERTs. However, in future submissions the CRU expects the DSO to refer to the development of the monitoring, recording, and data assurance processes<sup>2</sup> which are included within the balanced scorecard elements (and are important for improved reporting in future years).

### **Further detail and impacts on key actions**

In future submissions the actions listed under this incentive and the commentary provided by the DSO on these actions should be clearer. For example, for the action "Improvement" (see Table 4) in the DSO's 2021 plan, "*the initial 2021 pilot will have to use the last ERT rather than the initial ERT*" could benefit from outlining the potential impact this will have on the success of the pilot scheme.

### **Leveraging benefits of other PR5 initiatives**

While the incentive for ERT accuracy is separate from the incentives for Unplanned Outages and for Visibility, further consideration of leveraging the benefits of other initiatives over the 5-year period to improve the outcomes for customers should be considered in future submissions to the CRU. For example, over the course of the PR5 period, the Visibility initiative will map 50% of individual customers to feeders on the distribution network. Within the five-year period, this may enable the DSO to provide targeted, rather than blanket, ERTs to (some) customers.

## 3.3 Balanced Scorecard

As part of the PR5 Decision, the CRU specified the following Balanced Scorecard elements for 2021:

- development and approval of the monitoring and recording process;
- development and approval of the data assurance process; and
- status update provided in the DSO Annual Performance Report.

The CRU considers that an equal split is appropriate across these 3 Balanced Scorecard elements. Assessment against the balanced scorecard elements for 2021 will be based on

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<sup>2</sup> However, the delivery of these 3 processes is briefly described within detailed Actions 2 & 3.

the quality and delivery of project milestones and submissions. Each aspect of the balanced scorecard will be assessed against the following:

- (20%) quality of the plan and defined actions;
- (40%) quality of implementation of the plan; and
- (40%) effectiveness of the plan and demonstrable impacts.

The Balanced Scorecard for 2021 is set out in the Table 5 below.

**Table 5 Detailed ERT Balanced Scorecard Requirements & Incentive Allocations**

Aspect	Required Evidence	Upside (€m)	Downside (€m)
<b>Monitoring/Recording and Process Reporting</b>	<ul style="list-style-type: none"> <li>- Define categorisation of outages with criteria for determining which category.</li> <li>- Determine precise definitions of outage start / end, actual outage duration, ERT issue, and the precise measures to be used for ERT timeliness and accuracy.</li> <li>- Documentation of the data monitoring and data recording processes.</li> </ul>	0.34	0.34
<b>Data Assurance Process Reporting</b>	<ul style="list-style-type: none"> <li>- Documentation of the data assurance processes.</li> </ul>	0.33	0.33
<b>Annual Performance Report</b>	<ul style="list-style-type: none"> <li>- Submit to the CRU the results of the analysis of historical ERT accuracy including the data distributions.</li> <li>- Inclusion within the APR the status of the systems and processes for data collection / assurance as well as the commitments to report on ERT accuracy going forward.</li> </ul>	0.33	0.33

In order to score well on this incentive, the CRU expects the DSO to:

- Fully document the established monitoring, recording, and data assurance processes and systems developed to deliver the ERT data – required evidence for process establishment. This process should demonstrate and measure accuracy of unplanned outages (i.e. reducing the occurrence of early and late outage estimates by more effective and accurate monitoring and reporting of unplanned outages). The DSO should also consider how the monitoring and reporting of unplanned outages can be expanded to planned outages in future submissions .

- In its annual reporting, submit to the CRU its proposed categorisation of outage types for which the ERTs will be reported separately including the criteria for defining how outages are allocated to types – required follow-through of the DSO's proposed different treatment for storms.
- In its annual reporting, submit to the CRU the definitions of the precise measures to be used to calculate the timeliness and magnitude of the ERTs (by proposed outage categories where appropriate) including a description of how the ERTs are communicated (e.g. TV, social media, Powercheck App and website etc .) and cases where ERTs might not be issued); to fulfil the requirement to report on performance from the outset, submit to the CRU the output from these processes to be the established baseline for historical ERT timeliness and magnitude (by proposed outage categories).
- Include within the Annual Performance Report the progress of the systems and processes for data collection / assurance processes as well as the proposals to report on ERT accuracy going forward. The DSO should also demonstrate how this contributes to the delivery of the PR5 incentive. – required for transparency and assurance of commitments going forward.

## 4 Flexibility Markets

2021 Maximum Reward	2021 Maximum Penalty
+ €3 million	- €1 million

In its PR5 Decision the CRU specified the following Balanced Scorecard elements for 2021:

- introduce tenders for flexible non-wire alternative within the DSO’s system development plan;
- establish standard products and services to the benefit of all system users; and
- establish robust reporting and transparency arrangements.

### 4.1 The DSO’s Proposals

In its 2021 submission, the DSO proposed three key actions under Flexibility Incentive these are set out at a high level in Table 6 below.

**Table 6 Flexibility Markets Proposed Actions**

Actions	Timeline
<b>Power System Requirements</b> <ol style="list-style-type: none"> <li>1. Technical scarcity analysis.</li> <li>2. Identify the combination of infrastructure, market and operational solutions</li> <li>3. Development of a timeframe / sequencing for the introduction of flexible solution products</li> </ol>	Q4
<b>Market Design</b> <ol style="list-style-type: none"> <li>1. Phased flexibility approach.</li> <li>2. System services pilot design.</li> <li>3. First HV or MV flexible non-wire solution.</li> </ol>	Q4
<b>Systems Capabilities</b> <ol style="list-style-type: none"> <li>1. Operational Systems Roadmap.</li> <li>2. Multiyear Implementation Plan</li> <li>3. Congestion Management Pilot</li> <li>4. Signals and Data Exchange Roadmap.</li> </ol>	<ul style="list-style-type: none"> <li>- Operational Systems Roadmap: Q3</li> <li>- Multiyear Implementation Plan: Q4</li> <li>- Congestion Management Pilot: Q3</li> <li>- Signals and Data Exchange Pilot: Q4</li> </ul>

The DSO also noted a number of interactions with the DSO/TSO incentive.

### 4.2 Commentary on DSO’s Submissions

Overall, the DSO’s plan for 2021 is described in sufficient detail. It considers interactions with other developments; and involves stakeholder engagement to inform design.

### 4.3 Balanced Scorecard

The Balanced Scorecard elements for PR5 and 2021, as set out by the DSO, relate to the following three building blocks:

- power system requirements ('PSR');
- phased flexibility approach / market design (2021); and
- systems capabilities.

The CRU considers a €0.5m for PSR, €1.5m for phased flexibility; and €1m for systems capabilities an appropriate allocation of Incentive revenue.

Assessment against the balanced scorecard elements for 2021 will be based on the quality and delivery of project milestones and submissions. Each aspect of the balanced scorecard will be assessed against the following:

- (20%) quality of the plan and defined actions;
- (40%) quality of implementation of the plan; and
- (40%) effectiveness of the plan and demonstrable impacts.

The Balanced Scorecard for 2021 is set out in the Table 7 below.

**Table 7 Detailed Flexibility Balanced Scorecard Requirements & Incentive Allocations**

Aspect	Required Evidence	Upside (€m)	Downside (€m)
<b>Power System Requirements</b>	- Report on Advanced Technical Scarcity Analysis & Solutions.	0.5	0.165
<b>Phased Flexibility</b>	- Stakeholder consultation results reporting feedback on flexibility products and specifically identifying the proposed standard product for flexibility. - Market Development and Product Roadmap. - System Services Pilot Plan identifying candidate location and technology / system requirements. - First HV / MV flexible solution tendered.	1.5	0.67
<b>Systems Roadmap</b>	- Operational Systems Roadmap identifying how dispatch of the first and later flexibility products will be achieved. - Multi-year Roadmap & Implementation Plan. - Lessons learned report from the Congestion Management Pilot.	1	0.165

	- Initial Guidance on Signalling & Data Exchange.		
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In order to score well on this Incentive, the CRU expects the DSO to:

- make clear how dispatch of each tranche of contracted flexibility product will be achieved; and
- clearly identify how proposed actions contribute to balanced scorecard milestones in all relevant plans.

## 5 Independent Role of the DSO

2021 Maximum Reward	2021 Maximum Penalty
+ €4.5 million	- €2.25 million

The PR5 Decision determined that the DSO shall be subject to a financial incentive in respect of the timely and robust transformation of the DSO's role and improvements in the independence of the DSO. The CRU will use an annual balanced scorecard approach, which will use, as a starting point, the proposals already provided by the DSO as part of the PR5 process. These are:

- transparency in financial arrangements;
- governance and independence;
- neutral market facilitator; and
- innovation independence and third-party collaboration.

### 5.1 The DSO's Proposals

In its 2021 submission, the DSO is proposing that the incentive is calibrated as set out in the Table 8 below. Incentive one ("*Transparency in the finance arrangements of the DSO*") has a heavier weighting of its share of the incentive based on early delivery of the associated actions. The DSO states that the benefit of this approach is that the DSO will implement changes and deliver on certain elements of the incentives sooner rather than later, in line with the CRU's requirements.

**Table 8 DSO proposed allocation for the entire PR5 period**

Areas	Proposed Weighting (%)	Total Allocation (€m)
<b>1</b> Transparency in the finance arrangements of the DSO.	50%	+10/-5
<b>2</b> Governance and independence, incorporating enhancement of the compliance officer role and existing ring-fencing arrangements.	25%	+5/-2.5
<b>3</b> Neutral market facilitator.	15%	+3/-1.5
<b>4</b> Innovation independence and third-party collaboration.	10%	+2/-1

The DSO is proposing that, for areas two, three and four in Table 8 above, the incentive will be spread across each year equally, with no reward or penalty to be applied in 2021 for work associated with Governance and Independence. Transparency in financial arrangements will be rewarded/penalised more heavily in 2021 and 2022 (+€3.5m and -€1.75m).

The actions proposed by the DSO are set out in Table 9 below.

**Table 9 Independent Role of the DSO - Proposed 2021 Actions**

Actions	The DSO Description
<p><b>Transparency in Financial Arrangements</b></p> <ol style="list-style-type: none"> <li>1. Embedded Debt (50% Weighting).</li> <li>2. On-Lending Framework (30% Weighting).</li> <li>3. Liquidity Facility (20% Weighting).</li> </ol>	<p>The DSO is engaging with the CRU on the methodology for embedded debt allocation, proposed lending framework and how liquidity facility would operate.</p>
<p><b>Governance and Independence</b></p> <ol style="list-style-type: none"> <li>1. DAC Board Membership.</li> <li>2. Enhanced Compliance.</li> <li>3. ESB Legal Undertakings.</li> <li>4. Exec Director Role Definition.</li> </ol>	<p>The DSO does not propose to allocate any incentive to this metric in 2021.</p> <p>In future years the DSO will:</p> <ul style="list-style-type: none"> <li>- Seek the approval to change board membership to a majority independent non-executive director membership by the end of PR5.</li> <li>- Ensure a full-time resource is available to ensure all the requirements of the DSO licence are met.</li> </ul> <p>The DSO proposes to seek from ESB Board a legally binding undertaking in relation to the exercise of its supervisory rights as a parent company.</p> <p>The DSO proposes to clearly document the roles of the Networks' directors at ESB Group level demonstrating appropriate independence.</p>
<p><b>Neutral Market Facilitator</b></p> <ol style="list-style-type: none"> <li>1. Establishment of the project independence document (PID) (Q1 2021).</li> <li>2. demonstrated ringfencing compliance within the project, as assessed in the annual audit (Q3 2021).</li> <li>3. Demonstrated delivery in the project's independence PID, as assessed in the annual audit (Q3 2021).</li> <li>4. Open and consultative process, as assessed in the annual audit.</li> <li>5. Plan to implement any improvement measures identified in the 2021 audit.</li> </ol>	<p>The DSO shall develop an independence Project Initiation Document (PID) for projects or initiatives delivering neutral market facilitation that will be assessed in an annual independence audit.</p> <p>The independence PID for a neutral market facilitation project will set out how the DSO is ensuring independent project governance, procurement, vendor management, skills/capability development, on-going ownership and maintenance as relates to delivery and associated IT landscape of the project.</p>
<p><b>Innovation Independence and Third-party Collaboration</b></p> <ol style="list-style-type: none"> <li>1. Demonstration of independence in decision making across the innovation strategy and governance (25% Weighting).</li> <li>2. Demonstration of independence in project pipeline prioritisation and project delivery (25% Weighting).</li> <li>3. Demonstration of proactive dissemination of learnings from innovation activities (25% Weighting).</li> </ol>	<p>The DSO proposes that the report submitted in compliance with Section 3.3 (Innovation) of CRU/20/154 would be assessed by the CRU in relation to the Independence of Innovation activities in the DSO.</p>

- |  |  |
|--|--|
| 4. Demonstration of 3 <sup>rd</sup> party collaboration (25% Weighting). |  |
|--|--|

## 5.2 Commentary on the DSO's Submission

The DSO provided a detailed breakdown of 2021 activities within each area as well as descriptions and context. Although the DSO's proposals represent an important first step in improving the independence of the DSO, the presentation could be improved in terms of clarity and the level of detail provided. High-level commentary on key aspects of the DSO's submission is set out below.

### **Milestones and incentive allocation**

The DSO has proposed that zero incentive amounts should be at stake for governance, independence and compliance effectively rolling the incentive payments into later years. The DSO proposes that the incentive reward be collectable when the criteria (excluding timeliness) for each milestone are met. The DSO's submission proposes that zero incentive is at stake in 2021 with milestones attracting the full amount to be defined later. The CRU will engage with the DSO and will consider the DSO's proposals to deliver these milestones in future years.

## 5.3 Balanced Scorecard

Assessment against the balanced scorecard elements for 2021 will be based on the quality and delivery of project milestones and submissions: Each area of the balanced scorecard will be assessed against the following:

- (20%) quality of the plan and defined actions;
- (40%) quality of implementation of the plan; and
- (40%) effectiveness of the plan and demonstrable impacts.

**Table 10 DSO's Independent Role Balanced Scorecard**

Area	%	Task	2021 Upside	2021 Downside
Financial Transparency	77	Embedded Debt	+1.75	-0.875
		On-Lending Framework	+1.05	-0.5
		Liquidity Facility	+0.7	-0.35
Governance / Compliance	0	DAC Board Membership	0	0
		Enhanced Compliance	0	0
		ESB Legal Undertakings	0	0
		Exec Director Role Definition	0	0
Neutral Market Facilitation	13	<ul style="list-style-type: none"> <li>- PID (Q1 2021)</li> <li>- Demonstrate ringfencing compliance within the project, as assessed in the annual audit (Q3 2021)</li> <li>- Demonstrate delivery in the project's independence PID, as assessed in the annual audit (Q3 2021).</li> <li>- Open and consultative process, as assessed in the annual audit.</li> <li>- Plan to implement any improvement measures identified in the 2021 audit.</li> </ul>	+0.6	-0.3
Innovation Independence	8	Demonstration of independence in decision making across the innovation strategy and governance (25% Weighting). 5.	+0.1	-0.05
		Demonstration of independence in project pipeline prioritisation and project delivery (25% Weighting).	+0.1	-0.05
		Demonstration of proactive dissemination of learnings from innovation activities (25% Weighting).	+0.1	-0.05
		Demonstration of 3 <sup>rd</sup> party collaboration (25% Weighting).	+0.1	-0.05

As part of the annual revenue and tariffs review, the CRU will examine detailed progress reports for each of the areas to determine whether acceptable implementation progress has been made in 2021, whether this has had a demonstrable effect on DSO independence, and consequently whether incentives will be awarded, or penalties applied.

## 6 Visibility

2021 Maximum Reward	2021 Maximum Penalty
+ €3 million	- €1 million

The PR5 Decision Paper outlined 2021 milestones of the balanced scorecard that focused on strategy and readiness. While the milestones from 2022 to 2025 focused on capturing visibility of the network. The key milestones from the scorecard will incentivise the DSO to:

- achieve 50% visibility of its LV network by the end 2025;
- gather and validate reference information required to support the visibility of the LV networks; and
- deliver system interfaces required to enable visibility of its LV network.

### 6.1 The DSO's Proposals

In its 2021 submission, the DSO proposed a number of actions under visibility incentive that focus largely on readiness and planning activities in 2021. These are set out at a high level in in Table 11 below.

**Table 11 Visibility Proposed Actions**

Actions	DSO Description
<b>Delivering Readiness and Sourcing</b> <ol style="list-style-type: none"> <li>1. Delivery Readiness.</li> <li>2. Telecoms Delivery Model &amp; Sourcing.</li> <li>3. Delivery Model &amp; Sourcing.</li> <li>4. Network Model Formats &amp; QA.</li> </ol>	<ol style="list-style-type: none"> <li>1. Comprehensive delivery readiness activities addressing technical, technological and practical dependencies, and ensuring business readiness.</li> <li>2. Collaboration with ESB Networks Telecoms on the provision of Smart Grid private LTE (Long Term Evolution) networks.</li> <li>3. Definition of sourcing requirements and commencing sourcing of the delivery solutions to progress a high-level roadmap for Operational Visibility.</li> <li>4. Definition of suitable network models for import to an ADMS (Advanced Distribution Management System) and development of a Quality Assurance application for model validation.</li> </ol>
<b>Securing Visibility</b> <ol style="list-style-type: none"> <li>1. Visibility Blueprint.</li> <li>2. Preliminary Referencing.</li> </ol>	<ol style="list-style-type: none"> <li>1. Investigating and piloting analytics approaches &amp; strategies to inform future blueprinting. Blueprinting the LV data, attribute and digitisation requirements and data capture process.</li> <li>2. In 2021, 20% of all customers will be assessed for connection point reference and LV</li> </ol>

	feeder reference. Those without a reference of this sample will have correct referencing assigned based on collaborative use of AMI (Advanced Metering Infrastructure) validation data.
<b>Sharing Visibility</b> 1. Platforms and Dashboards	1. In 2021 the DSO will develop a roadmap for the delivery of beta and production data exchange platforms for the purposes of enabling customers and industry engage with system operation, challenges and solutions, as active customers and communities, and participants in system services.

## 6.2 Commentary on the DSO's Submission

The DSO's plan for 2021 is appropriately set within the overall plan for the PR5 period with the focus on design and planning and delivering readiness for activities in 2021. High-level commentary on key aspects of the DSO's submission is set out below.

### **Prioritisation of the visibility of customers**

In response to CRU questions about how visibility progress is prioritised and measured in later years, the DSO stated that prioritisation of the visibility of customers will be established in the 2021 deliverables (Visibility Blueprint and Visibility Delivery Readiness). In addition, the DSO clarified that progress against the visibility objectives will be measured by the proportion of customers with validated references to the LV connectivity model. The DSO clarified that visibility is an enabling initiative. The DSO should consider how benefits such market participation can be delivered to customers during the PR5 period through other initiatives coupled to improved visibility.

## 6.3 Balanced Scorecard

In its PR5 Decision Paper, the CRU specified the following Balanced Scorecard elements for 2021, for which a maximum incentive reward of €3m is available and a maximum penalty of €1m is at risk.

- deliver LV visibility technical & delivery strategy roadmap;
- commence sourcing of technical solutions; and
- deliver readiness activities addressing technical technological and practical dependencies.

Assessment against the balanced scorecard elements for 2021 will be based on the quality and delivery of project milestones and submissions: Each aspect of the balanced scorecard will be assessed against the following:

- (20%) quality of the plan and defined actions;

- (40%) quality of implementation of the plan; and
- (40%) effectiveness of the plan and demonstrable impacts.

The Balanced Scorecard for 2021 is set out in in Table 12 below.

**Table 12 Detailed Visibility Balanced Scorecard Requirements & Incentive Allocations**

Aspect	Required Evidence	Upside (€m)	Downside (€m)
<b>Delivering Readiness and Sourcing</b>	Report on all readiness activities with descriptions and levels of completeness justified by project plans – required as part of the overall readiness assessment.	0.5	0.165
	Report on the definition of sourcing requirements and the status of procurement – required to assess whether sourcing has substantively ‘commenced’ (i.e. commenced for >25% of requirements).	0.5	0.165
<b>Commence Sourcing of Technical Solutions</b>	Blueprint for visibility of LV networks clearly stating the precise measure of visibility progress to be used from 2022 onwards and if customer based as indicated, state whether this is by customer premises or by MPRN – it is important to declare at the outset which metric is to be used – required to understand the overall design for Visibility and forming part of the assessment of the technical and delivery roadmap.	0.5	0.165
	Report the number and proportion of validated customer reference data that has been completed (target = 20%) – required as a pilot to inform subsequent roll out of Visibility.	0.5	0.165
<b>Deliver Readiness Activities</b>	Roadmap for the delivery of beta and production data exchange platforms and dashboards – forming part of the assessment of the technical and delivery roadmap.	1.0	0.33

It should be noted that the DSO proposes a target of 20% of customers’ references to be validated in 2021. Given this, when deciding on the reward/penalty for 2021, the CRU will consider the following table, which the CRU considers reasonable given the early stage this incentive is currently at.

**Table 13 Preliminary Referencing Reward/Penalty**

Customer Achieved (%)	Referencing	Upside (% Allocation)	Downside (€m)
>16		100	-
11-16		Pro-rata 0-100%	-
6-11		-	Pro rata 0-100
<6		-	100

## **Part B – Transmission Incentives**

## 7 Transmission Incentives Overview

This section covers the five TSO only incentives. The TSO/TAO joint incentive is covered in Part C of this paper. For each incentive, the TSO's proposals are summarised, the CRU provides commentary on the TSO's submissions, and the balanced scorecards that will apply for the assessment of the TSO's 2021 performance are set out. Table 14 below outlines the incentives covered in this section and the key aims of each incentive as initially envisaged in the PR5 Regulatory Framework, Incentives and Reporting Decision Paper (CRU/20/154).<sup>3</sup>

**Table 14 Key Aims of the TSO Balanced Scorecard Incentives**

TSO Incentives	
Incentive Area	Summary of Incentive
<b>RES-E (%)</b>	<ul style="list-style-type: none"> <li>- Incentivise the TSO to contribute to the achievement of the 70% RES-E by 2030.</li> <li>- Reward the TSO for the actions that it has taken to achieve the annual RES-E targets (43% in 2021 - 3% increments per year)</li> <li>- Aligns with the CRU's PR5 strategic objective to facilitate a secure low carbon future.</li> </ul>
<b>Investment Planning and Delivery</b>	<ul style="list-style-type: none"> <li>- Improve transparency over the efficiency with which key processes are undertaken.</li> <li>- Incentivise appropriate focus on delivery of projects to achieve 2030 targets set out in the Climate Action Plan.</li> </ul>
<b>TSO/TAO Joint Incentive</b>	<ul style="list-style-type: none"> <li>- Aim to promote efficiencies through enhanced collaboration.</li> <li>- Focus on network project delivery, Deployment of New Technology, Project Initiation to CPP Agreed Phase, Joint Process Improvement and Asset and Programme Data Exchange.</li> </ul>
<b>Strategic Objectives</b>	<ul style="list-style-type: none"> <li>- Allow the TSO to retain a share of the value to the market if the TSO outperforms in strategically important areas.</li> </ul>
<b>Local Security of Supply</b>	<ul style="list-style-type: none"> <li>- Aims to incentive is for the TSO to demonstrate progress in addressing and managing key transmission network security of supply / constraint areas during PR5.</li> <li>- Aligns with key CRU Strategic Objective and PR5 Strategic Objectives.</li> </ul>
<b>Imperfections and Constraints</b>	<ul style="list-style-type: none"> <li>- Aims to promote TSO actions to mitigate and reduce imperfection costs.</li> </ul>

It should be noted that:

- As per the CRU's decision CRU/20/154, the CRU invited the TSO to make a submission on any High Impact Low Probability events that may affect Dispatch down, The TSO has since concluded that there should be no adjustment made for matters outside of the TSO's control. As such, the CRU will apply the incentive as determined in the PR5 Decision Paper (CRU/20/154).

<sup>3</sup> [PR5 Regulatory Framework, Incentives and Reporting Decision Paper](#)

## 8 Imperfections and Constraints

2021 Maximum Reward	2021 Maximum Penalty
+ €1.5 million	- €0.5 million

The PR5 Decision Paper determined that the TSO is required to establish a set of planned measures to reduce/curtail imperfection costs over the PR5 period. Performance against which will be reported on annually and the TSO will have the opportunity to also report on additional initiatives that it undertook. The TSO will also need to identify the technical issues related to imperfection costs and put in place plans to address issues. The PR5 Decision also determined that the balanced scorecard evaluation will be tied to the actions the TSO takes and the demonstrated success of those actions.

### 8.1 The TSO's Proposals

The TSO's Imperfections and Constraints proposals for 2021 consists of the following actions.

**Table 15 TSO's Imperfections & Constraints Proposals**

Actions
<b>Negative Reserve Policy Review</b> <ol style="list-style-type: none"> <li>1. Conduct Negative Reserve Trial.</li> <li>2. Submit report outlining findings of trial including proposed changes to operational policies.</li> </ol>
<b>RoCoF Policy Change to 1Hz/s</b> <ol style="list-style-type: none"> <li>1. Conduct trial to increase RoCoF to 1Hz/s.</li> <li>2. Submit report outlining findings of trial including proposed changes to operational policies.</li> </ol>
<b>Reserve Policy Review Following commissioning of batteries at Gate 4/ 4B</b> <ol style="list-style-type: none"> <li>1. Conduct review of reserve policy.</li> <li>2. Submit report outlining findings of review including proposed changes to reserve policy.</li> </ol>
<b>Transmission Constraint Group (TCG) review and roadmap</b> <ol style="list-style-type: none"> <li>1. Publish monthly TCG report to inform stakeholders.</li> <li>2. Conduct review of Transmission Constraint Groups.</li> </ol>

### 8.2 Commentary on TSO's Submission

The TSO proposed appropriate scorecard elements for 2021 that could also be included for the subsequent years. The TSO's proposals are consistent with the CRU's broader theme of transparency and the imperfections plan to address the core purpose of the incentive. However, the TSO's presentation could be improved in terms of clarity, consistency and the level of detail provided. High-level commentary on key aspects of the TSO's submission is set out below.

#### **Actions that started in 2020**

The TSO's 2021 plan for Imperfections and Constraints include tasks that started in 2020. The Negative Reserve trial started at the end of October 2020, and was complete by mid-January 2021, and was successful in reducing imperfections resulting in a new zero MW requirement for negative reserve from conventional generation. In relation to ROCOF, the trial started in June 2020. Furthermore, the review of Transmission Constraint Groups ('TCG') appears to be

more of a retrospective analysis of the impacts on imperfection actions that are already in train for 2021 rather than deciding on new actions to reduce imperfections.<sup>4</sup>

### **Clarity**

The TSO's description of its proposals lack clarity and a schedule for the deliverables. For example, the TSO's description of the reserve policy review indicates the review may begin after July 2021 but not when it may be complete.

### **Double counting**

The TSO has proposed the Negative Reserve and ROCOF trials as counting towards actions under this incentive and as counting towards actions under the RES-E incentive. While it is accepted that both trials contribute to both outcomes and that their impacts will be properly reflected in the output measures, they cannot be counted twice for incentive purposes.

## **8.3 Balanced Scorecard**

As stated in the CRU's PR5 Decision Paper (CRU/20/154), the balanced scorecard evaluation will be tied to the actions the TSO takes and the demonstrated success of those actions.

In assessing the TSO's performance under this incentive in 2021, the CRU will undertake a holistic evaluation and make an assessment based on the quality and delivery of project milestones, submissions and overall success at reducing the total number and cost of constraints. Each aspect of the balanced scorecard will be assessed against the following:

- (20%) quality of the plan and defined actions;
- (40%) quality of implementation of the plan; and
- (40%) effectiveness of the plan and demonstrable impacts.

The Balanced Scorecard for 2021 is set out in the Table 16 below.

**Table 16 Detailed Imperfections Balanced Scorecard Requirements & Incentive Allocations**

Aspect	Required Evidence	Upside (€m)	Downside (€m)
<b>Transmission Constraint Group (TCG) review and roadmap</b>	<ul style="list-style-type: none"> <li>- Constraints Report detailing all active / removed constraints and associated system services.</li> <li>- Multi-Year plan for imperfections reductions.</li> <li>- Develop quantitative methodology for estimating imperfection cost forecasts and subsequent cost reductions. This</li> </ul>	0.75	0.3

<sup>4</sup> However, EirGrid's deliverable does include the wording "...and the plan for future years including the forecast impact on the imperfection costs" with a caveat to say the impact presented would be largely qualitative (and e.g., not a detailed PLEXOS analysis).

	<p>methodology will be used in future submissions by the TSO to quantify impact of proposed actions and to measure the success of proposed actions.</p> <ul style="list-style-type: none"> <li>- Report on future transmission reinforcements / TCG removals identifying where imperfections reduction was a substantive determinant.</li> </ul>		
<b>Reserve Policy Review Following commissioning of batteries at Gate 4/ 4B</b>	<ul style="list-style-type: none"> <li>- Report on the Review of Reserve Policy reflecting Battery Storage Capacity. This should be completed by the end of 2021 to be included in the incentive assessment for 2021. The TSO should also demonstrate progress regarding implementation.</li> </ul>	0.30	0.05
<b>Imperfections Reporting</b>	<ul style="list-style-type: none"> <li>- 4 published Quarterly Imperfections Cost Reports in 2021 with clear evidence of the imperfection reductions actions, progress on plan and the future improvements that the TSO will make to remove or reduce the cost of each constraint in the next period.</li> <li>- Report to CRU on the specific plan for each constraint (as set out in CRU decision).</li> <li>- Improved accessibility to the latest report on the TSO's website.</li> </ul>	0.15	0.05
<b>RoCoF Policy Change to 1Hz/s</b>	<ul style="list-style-type: none"> <li>- Report on ROCOF trial &amp; policy changes.</li> </ul>	0.3	0.1

In order to score well in this incentive, the TSO should:

- Improve the ease of access to Quarterly Imperfections Cost Reports on the TSO website and detail implementation of these improvements; and
- propose a methodology to provide reasonably robust quantitative estimates of the imperfection cost reduction achieved by the removal of a TCG (it is unlikely that qualitative assessments are appropriate in a “firm cost” environment). Use the proposed methodology for planned changes for subsequent years in multi-year planning – required to quantify whether measures will be effective in curtailing, or reducing, imperfections costs.

The CRU will also consider the decision as set out in CRU/20/154.

## 9 Renewable Energy Source – Electricity (RES-E)

2021 Maximum Reward	2021 Maximum Penalty
+ €0.4 million	€0 million

The CRU's PR5 Decision Paper determined that a RES-E incentive would be established to measure and assess the actions executed by the TSO to achieve the RES-E targets ([Table 17](#)). This incentive will reward the TSO for the actions that it has taken to achieve the annual RES-E targets.

**Table 17 PR5 RES-E Targets**

PR5	2021	2022	2023	2024	2025
<b>PR5 Targets</b>	43%	46%	49%	52%	55%

### 9.1 The TSO's Proposals

In its submission to the CRU for the 2021 RES-E incentive the TSO proposed the following actions.

**Table 18 RES-E 2021 Incentive TSO's Proposed Actions**

No.	Actions
<b>1</b>	<b>Negative Reserve Policy Review:</b> - The TSO to submit a report outlining the findings of the Negative Reserve trial, including any proposed changes to the TSO's operational policies.
<b>2</b>	<b>SNSP<sup>5</sup> Increase from 65% to 70%:</b> - The TSO to submit a report outlining the findings of the 70% SNSP trial, including any proposed changes to the TSO operational policies.
<b>3</b>	<b>SNSP Increase from 70% to 75%:</b> - The TSO to submit a report outlining the findings of the 75% SNSP Trial, including any proposed changes to the TSO's operational policies.
<b>4</b>	<b>ROCOF change to 1Hz/s:</b> - The TSO to submit a report outlining the findings of the 1Hz/s ROCOF Trial, including any proposed changes to the TSO's operational policies.
<b>5</b>	<b>Reporting on renewables statistics:</b> - The TSO to submit monthly confirmation of the updates made to the system and Renewable Reports of its website.

### 9.2 Commentary on the TSO's Submissions

The TSO's plan for 2021 includes a broad set of trials and policy reviews that will be a valuable enabler for the RES-E 2030 target. However, there are a number of points to note in regard to

<sup>5</sup> System Non-Synchronous Penetration

the TSO's proposal. High-level commentary on key points of the TSO's submission is set out below.

### **Double Counting**

The TSO includes two System Non-Synchronous Penetration ('SNSP') trials where SNSP is subject to a separate incentive. The TSO includes Negative Reserve and ROCOF trials which are also included as actions in the Imperfections and Constraints incentive.

### **Renewable Statistics**

The renewable statistics action may be a good idea but doesn't in itself advance the RES-E target.

### **SNSP**

The CRU is mindful of the TSO's comments that the outcome of the 70% SNSP trial will inform the 75% trial. While the CRU agrees that this is a necessary step, it should be noted that the 2021 performance under the SNSP incentive is based on a 2021 target of 75%. The trial reports will be a key input to the incentive submission at the end of 2021. Therefore the contents and detail of these reports will be important in the assessment of this incentive.

### **Clearly identify the system operation actions**

It is noted that some of the same system operation efficiencies may allow the SNSP limit to be raised to 75% and the RES-E level to be increased. Given this, the TSO needs to clearly identify the system operation actions it is taking (as distinct from e.g. SNSP policy changes) and how these will impact the RES-E.

## **9.3 Balanced Scorecard**

Assessment against the balanced scorecard elements for 2021 will be based on the quality and delivery of project milestones and submissions: The CRU will be assessing the TSO on the following four areas:

- 1. Achievement of RES-E target (binary Yes or No):**
  - If the annual target has not been achieved, no reward will be applied.
  - If the annual target has been achieved, then the reward will depend on performance of against points 2-4 below.
- 2. Quality of the plan (20%):**
  - Has the plan tied TSO actions to increasing RES-E?
- 3. Quality of implementation (40%):**
  - Has the TSO achieved the milestones to the expected quality?
- 4. Effectiveness of plan (40%):**
  - Did the actions, within the TSO's plan, contribute to RES-E as well as expected?

The RES-E balanced scorecard for 2021 is set out in the Table 19 below.

**Table 19 RES-E Scorecard**

Incentive element	Description	Upside (€m)
<b>Achieving RES-E target for 2021</b>	This is a binary incentive, and the total award is subject to meeting the 43% RES-E target for 2021 and subject to performance against the quality of plan, quality of implementation and the effectiveness of plan.	-
<b>Quality of the plan to achieve the RES-E target for 2021 (20%)</b>	Across each of the incentive elements we expect the TSO to report against the actions as set out in the RES-E incentive submission and how the action has helped meet the RES-E target.	0.08
<b>Quality of implementation (40%)</b>		0.16
<b>Effectiveness of the plan (40%)</b>		0.16

In order to score well against the balanced scorecard for 2021, the TSO should:

- present how the action plan has helped meet the RES-E target;
- identify how the individual TSO actions have contributed to the achievement of the RES-E target. The TSO must endeavour to quantify the impact of actions undertaken (in % or GWh terms);
- ensure actions and impact of actions are sufficiently detailed and clearly set out so that the CRU is able to make a proper assessment of the plans on an ex-post basis;
- if applicable, the TSO should quantify in the 2021 incentive report the likely additional 'room' available for RES-E as a result of the planned SNSP and ROCOF changes in 2021; and
- fully described learnings (e.g. operational policy relaxations) to be in the trial reports.

It will be critical for the reports (submitted to CRU at the end of the incentive year) to fully reflect the process and decisions taken during the year. The TSO should document the decision-making process following the trials, in particular where this has an impact on the timing of when the TSO will be able to meet the incentive targets for RES-E. The TSO should clearly demonstrate how the actions set out in the RES-E incentive submission have delivered the RES-E target for 2021. The outturn RES-E will be a function of active actions taken by the TSO, as set out in the incentive submission, along with wider market developments. Strong performance against this incentive can be demonstrated where the TSO is able to link their actions to the RES-E output in 2021. As part of this submission, the TSO should also show where actions out of their control, have also contributed to the RES-E targets.

## 10 Local Security of Supply

	Upside	Downside
<b>PR5 Allowance</b>	+ €1.5 million	- €1 million
<b>Annual Allowance (75%)</b>	+ €1.125 million	- €0.75 million
<b>End PR5 Allocation (25%)</b>	+ €0.375 million	- €0.250 million

The CRU's PR5 Decision Paper determined that a Local Security of Supply incentive would be established to reward the TSO for progress it makes in addressing and managing key transmission network security of supply and constraint areas during PR5. The key aim of this incentive is to remove the Dublin constraints and to ensure that the electricity supply to Dublin would not be materially impacted by the loss of generation in the Dublin area. As part of PR5, the CRU has already set out the success measure that will be assessed at the start of PR6. Success by the end of PR5, i.e. by 2025, should include removal of the CRM constraint and/or ability to manage (orderly) exit of one unit.

In 2021, the CRU worked with EirGrid, the Department of Environment, Communications and Climate, the energy industry, and other stakeholders on a Programme of Actions for Security of Supply in Ireland. These actions were set out in an Information Paper<sup>6</sup> (CRU/21/115) published in September and focused on procuring additional capacity, extending the availability and operation of older generation capacity, measures to improve performance and availability of existing generators and temporary transmission outage planning system services. As this work is now progressing, the CRU expects EirGrid to consider, consult on and submit its multi-year plan of actions for the PR5 Local Security of Supply incentive in order for the incentive to be considered and applied next year.

### 10.1 The TSO's Proposals

The TSO has considered the following five "pillars" when setting out its proposed key measures for 2021:

1. Strategic;
2. Demand;
3. Generation;
4. Infrastructure; and
5. Operational.

As part of these pillars the TSO proposed a number of deliverables for 2021, which are set out in Table 20 below.

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<sup>6</sup> Available [here](#).

**Table 20 Local Security of Supply Proposed Actions**

<b>Actions</b>	<b>Timeline</b>
<b>Strategic</b> 1. Provide detailed briefing to CRU around landbank servicing and costs in Q1 2021. 2. Studies detailing optimal locations for new generation capacity.	Q1 2021
<b>Demand</b> 1. Legal Review of utilising additional generation capacity at Data Centres in Q1 2021. 2. Survey of Data Centres to understand additional generation capacity available in Q2 2021.	Q1 2021 and Q2 2021.
<b>Generation</b> 1. The TSO to support the SEM Committee for the 2024/25 capacity year throughout 2021.	Throughout 2021
<b>Infrastructure (Transmission Reinforcements)</b> 1. CP1021 East Meath North Dublin will progress to GW2. 2. CP966 Kildare Meath will progress to GW3. 3. CP0823 Turlough Hill and CP1100 Finglas Northwall will progress to GW3.	2021
<b>Operational</b> 1. The TSO to develop protocol relating to Flexible Demand for Data Centres in Q2 2021.	Q2 2021
<b>Multi-Year Plan</b> 1. Carry out public consultation on multi-year security of supply plan by Q3 2021. 2. The TSO to submit multi-year plan to the CRU by Q4 2021.	Q3 and Q4 2021.

## 10.2 Commentary on the TSO's Submission

For the majority of the proposed tasks and deliverables, it will be clear at the end of 2021 whether they have been achieved, or not. However, a more coherent plan to address local security of supply issues should be submitted in the future. As stated previously, the CRU has recently published a programme of actions Information Paper (CRU/21/115). This Paper focused on national security of supply measures rather than on Local Security of Supply measures. The CRU expects EirGrid to continue to focus on local security of supply constraints and the resolution of the Dublin security of supply constraint in parallel to the programme of actions published by the CRU.

With respect to the TSO's 2021 proposals, high-level commentary on key points of the TSO's submission is set out below.

### **Short, Medium and Long-Term Planning**

In future submissions and plans, the TSO's proposals will need to show short, medium, and long-term plans to resolve Local Security of Supply issues.

### **Contribution of offshore renewables to security of supply**

Despite noting offshore renewables as being a key contributor to security of supply, no resultant actions for 2021 have been described to facilitate these connections. Quantification of the size of the problem or of the magnitude of relief offered by any of these measures would also have aided the submission. The TSO highlighted that each of the measures will improve matters but did not state, or were not in a position to say, by how much.

### **Incentivising the multi-year plan**

In relation to the delivery of the TSO's multi-year security of supply plan, the TSO proposed that the delivery of the plan be incentivised. Despite the importance of delivering this plan, the CRU does not consider it appropriate to incentivise the TSO to deliver the multi-year plan that is required as part of this incentive. This, in the CRU's view, would not reflect the ambition of establishing this incentive for PR5. The CRU's intention when establishing such an incentive was to reward the TSO on the direct actions it undertakes each year to improve local security of supply – with a focus on Dublin. The multi-year plan should capture and quantify these actions and is not a direct action in and of itself.

## **10.3 Balanced Scorecard**

The reward and penalty for 2021 is set out in the 2021 Balanced Scorecard in Table 21 below. Each aspect of 2021 needs to be delivered in order to be rewarded the incentive. Failure to deliver will result in the full downside allocation being applied. When a given aspect is delivered, the assessment against the balanced scorecard elements for 2021 will be based on the quality and delivery of project milestones and submissions. Each aspect of the balanced scorecard will be assessed against the following:

- (25%) quality of the plan and defined actions;
- (25%) quality of implementation of the plan; and
- (50%) effectiveness of the plan and demonstrable impacts

To facilitate an assessment of solutions where the benefits are not expected to be realised in the short term and may take longer to materialise, 25% of this incentive reward will be withheld until the end of the PR5 period. This means that 75% of the reward/penalty will apply annually while the remaining 25% of each years' reward/penalty will be at stake at the end of period (to be assessed after the PR6 Final Determination has been published). The reward/penalty applied at the end of the period will be subject to the TSO resolving Dublin Security of Supply issue.

**Table 21 Detailed SoS Balanced Scorecard Requirements & Incentive Allocations**

Aspect	Required Evidence	Upside (€m)	Downside (€m)
<b>Strategic</b> 1. Provide detailed briefing to CRU around landbank servicing and costs in Q1 2021. 2. Studies detailing optimal locations for new generation capacity.	- Briefing to CRU on landbank servicing and costs (Q1 2021). - Study on optimal locations for additional landbanks (Q1 2021).	0.225	0.15
<b>Demand</b> 1. Legal Review of utilising additional generation capacity at Data Centres in Q1 2021. 2. Survey of Data Centres to understand additional generation capacity available in Q2 2021.	- Report on legal review of the ability to use additional generation capacity at Data Centres (Q1 2021). - Survey of additional generation capacity at Data Centres (Q2 2021).	0.225	0.15
<b>Generation</b> 1. The TSO to support the SEM Committee for the 2024/25 capacity year throughout 2021.	- Support operation of a T-3 capacity auction for 2024/25 (throughout 2021).	0.1	0.15
<b>Infrastructure (Transmission Reinforcements)</b> 1. CP1021 East Meath North Dublin will progress to GW2. 2. CP966 Kildare Meath will progress to GW3. CP0823 Turlough Hill and CP1100 Finglas Northwall will progress to GW3.	- Progress approvals for key reinforcement projects (throughout 2021).	0.35	0.15
<b>Operational</b> 1. The TSO to develop protocol relating to Flexible Demand for Data Centres in Q2 2021.	- Report on Protocol for Flexible Demand for Data Centres (Q2 2021).	0.225	0.15

In order to score well in this incentive, the TSO must include the following in its multi-year security of supply plan:

- identification of existing and potential future areas of technical scarcity with timescales and drivers;
- development and description of a methodology for quantifying the security of supply issues and the quantitative impact of remedies/actions; and
- quantification the impact and sufficiency of proposed measures to address security of supply round Dublin.

The TSO should also demonstrate it has considered a combination of infrastructure, market based, and operational solutions. It is also important to ensure that any resolution is robust enough to account for demand forecasts in the medium to long-term.

# 11 Strategic Incentives

2021 Maximum Reward	2021 Maximum Penalty
+ €0.5 million	€0 million

The PR5 Decision Paper put in place a strategic incentive to create a mechanism to allow the TSO to retain a share of the value to the market if the TSO outperforms what might reasonably be expected in specified, strategically important areas. The decision provided the TSO with the option to propose Key Performance Indicators ('KPI') in following three areas:

- Facilitating a Secure Low Carbon Future;
- Increasing Efficiency and Protecting Consumers; and
- Anticipation of Future Investments.

## 11.1 The TSO's Proposals

The TSO has built on the CRU's three proposed incentive indicator headings and proposed five initiatives for 2021 which are outlined in Table 22 below.

**Table 22 The TSO's Strategic Incentive proposals**

Incentive indicator	Success measures	2021 delivery milestones
<b>Shaping our Electricity Future</b>	<ul style="list-style-type: none"> <li>- Providing a broad range of engagement opportunities, methods, and time</li> <li>- Insight and feedback from a broad spectrum of stakeholders to inform the final decision</li> <li>- Transparent decision-making process demonstrating how stakeholder input has been considered</li> </ul>	<ul style="list-style-type: none"> <li>- Commence consultation on shaping our Electricity Future 2030 – Q1 2021</li> <li>- Develop final roadmap and publish Shaping our Electricity Future – Q3 2021</li> </ul>
<b>Innovation</b>	<ul style="list-style-type: none"> <li>- Milestone achieved by Q4</li> <li>- The TSO summarise the intent of the Innovation and Research Strategy</li> <li>- The TSO to define Outcomes for Customers and /or Market Participants.</li> </ul>	<ul style="list-style-type: none"> <li>- Produce Innovation and Research Strategy – Q4 2021</li> </ul>
<b>Public Engagement Strategy</b>	<ul style="list-style-type: none"> <li>- The TSO provide a description of its public engagement strategy.</li> <li>- The TSO to define Outcomes for Customers and /or Market Participants.</li> </ul>	<ul style="list-style-type: none"> <li>- Milestone 1: Launch engagement strategy (Q1)</li> <li>- Milestone 2: Develop an Enhanced Community Benefit Policy (Q2)</li> <li>- Milestone 3: Develop a new engagement tool and processes, and new consultation portal for public engagement toolkit (Q2)</li> </ul>

<b>Asset Management Accreditation</b>	<ul style="list-style-type: none"> <li>- The TSO set out the fundamental principles of the asset management accreditation (value, alignment, leadership and engagement, assurance)</li> <li>- The TSO to define Outcomes for Customers and /or Market Participants.</li> </ul>	<ul style="list-style-type: none"> <li>- Achievement of ISO 55001 Accreditation – Q4 2021</li> </ul>
<b>Data Strategy</b>	<ul style="list-style-type: none"> <li>- The TSO define a set of objectives for the data strategy</li> </ul>	<ul style="list-style-type: none"> <li>- Data Strategy developed with 3 years roadmap of initiative to deliver – Q3 2021</li> <li>- Proposal to RAs for funding to support the implementation of the data Strategy &amp; Roadmap – Q4 2021</li> </ul>

## 11.2 Commentary on the TSO’s Submission

Overall, the TSO’s submission for 2021 broadly aligns with the CRU’s criteria set out in Annex 11 of CRU/20/154. High-level commentary on key points of the TSO’s submission is set out below.

### **Business as Usual Activities**

The TSO’s submission would have benefitted from demonstration that the proposed activities are above and beyond business-as-usual activities. For example, consulting stakeholders and developing an engagement strategy; innovation & research; developing a data strategy; and seeking external accreditation or certification for its processes. Therefore, The TSO should demonstrate that these are ‘above and beyond’ efforts that deliver a step change in its performance with benefits for customers in order to earn rewards under this incentive.

### **Doubling Counting**

The CRU does not consider the Public Engagement Strategy appropriate for reward under this incentive as it is effectively covered under the Networks Stakeholder Engagement Evaluation Panel (‘NSEE Panel’) incentive, and there is also overlap with Shaping our Energy Future.

## 11.3 Balanced Scorecard

The CRU has determined that for 2021, the rewarding of the incentive will be as set out in Table 23 below.

Assessment against the balanced scorecard elements for 2021 will be based on the quality and delivery of project milestones and submissions. Each aspect of the balanced scorecard will be assessed against the following:

- (20%) quality of the plan and defined actions;
- (40%) quality of implementation of the plan; and
- (40%) effectiveness of the plan and demonstrable impacts.

**Table 23 Strategic Incentives Balanced Scorecard milestones and Incentive Allocations**

Aspect	Requirement/Deliverable	Upside (€m)
<b>Shaping our Electricity Future</b>	<b>Milestones:</b> <ul style="list-style-type: none"> <li>• Commence consultation on shaping our Electricity Future by end of Q1 2021.</li> <li>• Develop final roadmap.</li> <li>• Publish Shaping our Electricity Future by end of Q3 2021.</li> </ul>	€0.125m
<b>Innovation</b>	<b>Milestones:</b> <ul style="list-style-type: none"> <li>• Produce Innovation and Research Strategy and publish by end of Q4 2021.</li> </ul>	€0.125m
<b>Public Engagement Strategy</b>	<i>Removed to avoid double-counting with the NSEE incentive</i>	€0.0m
<b>Asset Management Accreditation</b>	<b>Milestones:</b> <ul style="list-style-type: none"> <li>• Achievement of ISO 55001 accreditation by end of Q4 2021.</li> </ul>	€0.125m
<b>Data Strategy</b>	<b>Milestones:</b> <ul style="list-style-type: none"> <li>• Data Strategy developed with 3 years roadmap of initiatives to delivery.</li> <li>• Delivery of roadmap.</li> <li>• Funding proposal submitted.</li> </ul>	€0.125m

As part of the annual revenue and tariffs review, the CRU will examine the TSO's performance in each of the areas to determine whether outperforms what might reasonably be expected in specified area. In order to score well in this incentive, the TSO should:

- clearly identify and develop the outcomes for customers and how these are linked to the proposed actions (it is noted that whilst outcomes are listed in terms of each initiative, they are not linked to deliverables in the plans submitted in Q1 2021). In particular, we would expect the TSO to demonstrate how these strategic actions drive forward the radical transformation needed to deliver the 2030 targets and other strategic goals as set out by the CRU;
- demonstrate that it has considered stakeholder's views by identifying how feedback has been incorporated into specific actions in the multi-year plans across all its areas of work and initiatives;

- report on the engagement opportunities, methods, etc. that have been used to develop the Shaping our Electricity Future roadmap. The TSO should also demonstrate how it will transform to drive forward and meet CAP targets and other strategic goals; and
- report on the outcome of the ISO 55001 accreditation and in particular, the introduction of improved asset management plans and processes, benefits delivered, and areas of collaboration with ESN (especially where there are 'Asset Management' roles / responsibilities for the Transmission Asset Owner). As an additional deliverable, the TSO should provide a report that identifies the potential areas of improvement within its existing policies, processes, and procedures and how such improvements will translate into benefits for customers and consumers – following accreditation, such a review may be possible by Q1 2022 and should be included within multi-year plans.

In relation to the innovation aspect, the TSO should:

- make clear the objectives of the strategy e.g. cost reduction, improved cybersecurity, contributing to CAP objectives, etc.
- Identify areas of The TSO's internal operation that may benefit from innovation & research;
- could, potentially, consider some comparison or benchmarking with other TSOs engaged on a similar climate change journey to illustrate sufficient ambition and progress within its innovation strategy;
- identify co-innovation partners and channels for gaining and developing ideas (ENTSO-E, Energy Networks Association, partnerships with academic institutions, benchmarking with (non-energy) innovative companies, etc.); and
- describe approach to:
  1. Identifying possible innovations;
  2. Assessing feasibility/applicability;
  3. Demonstrating proof of concept/applicability; and
  4. Transformation into Business as Usual ('BAU').

With regard to data strategy, the TSO should:

- describe the proposed benefits of the new data strategy in terms of e.g. data accessibility, visualisation, and data protection / integrity / cybersecurity;
- clearly explain how the data strategy embraces full collaboration with the DSO including real time data exchange between control centres; and

- include reporting on data publication to enable opportunities for third parties to identify innovation and investment options.

The CRU has removed the Public Engagement Strategy aspect to avoid double-counting with the NSEE incentive.

## 12 Investment Planning and Delivery

2021 Maximum Reward	2021 Maximum Penalty
+ €0.9 million	- €0.5 million

The CRU's PR5 Decision Paper (CRU/20/154) determined that the TSO shall be subject to a financial incentive on the quality and rigour of its end-to-end processes for Planning Delivery ('IPD'). This encompasses how options and needs are identified and optimised, and how investment schemes are delivered in a timely manner. Overall performance across the full range of activities will be evaluated and reported on annually.

### 12.1 The TSO's Proposals

The TSO's 2021 IPD submission builds on the incentive put in place in PR4. As part of its submission, the TSO proposed an IPD balanced scorecard metrics and a balanced scorecard. These are summarised in Table 24 and Table 25 below. The TSO has included additional quantitative targets which it considers will demonstrate timely handover of projects by the TSO to the TAO.

**Table 24 The TSO's Balanced Scorecard Metrics (quantitative metrics are additional to PR4)**

Area	Description	Assessment metrics
<b>Investment planning (50%)</b>	Security of Supply, ATRs and System Reinforcements (Steps 1-3).	<b>Quantitative:</b> Delivery against baseline <b>Qualitative:</b> Quality of decision making in the option selection process.
	Refurbishment Projects (Steps 1-3).	<b>Quantitative:</b> Delivery against baseline <b>Qualitative:</b> Quality of decision making, specifically relating to project life extensions and clear documentation that demonstrated best value for money for customers (TUoS charge payers).
	New Renewable and Demand Connections (Step 3).	<b>Quantitative:</b> Delivery against baseline <b>Qualitative:</b> Quality of decision making in the connection offer process.
<b>Timely delivery of Investment Planning decisions (50%)</b>	Assessment of the development and issuing of handover documentation from the TSO to the TAO in the form of Committed Project Parameter document (Steps 4-5).	<b>Quantitative:</b> Delivery against baseline
	Demonstration of the completion of transmission projects in the annual Transmission Outage Programme (TOP) (Step 6).	<b>Quantitative:</b> Delivery against the baseline programme.

Table 25 below includes the TSO's 2021 balanced scorecard proposals.

**Table 25 TSO’s Balanced Scorecard Proposal**

Area	Metric No.	Weight	Metric/Outcomes	No. of Projects (Baseline)	Projects Delivered (Actual Dec-21)	Audit Scoring
<b>Investment Planning (Key Projects)</b>	1	10%	Step 1 Approval of Need	9 GW1 Capital Approvals	Actual Delivered	Audit Assessment Scale
	2	10%	Step 2 Approval of Solution Options	4 GW2 Capital Approvals	Actual Delivered	Audit Assessment Scale
<b>Delivery Weight 50%</b>	3	30%	Step 3 Approval of Best Performing Option	26 GW3 Capital Approvals	Actual Delivered	Audit Assessment Scale
<b>Delivery of Energisations (Key Projects)</b>	4	20%	Step 4-5 Routing & Planning Process Approval	29 CPPs Issued to TAO	Actual Delivered	Audit Assessment Scale
	5	30%	Step 6 Transmission Outage Programme Delivery	TOP 21 Baseline	Actual Delivered	Audit Assessment Scale
<b>Delivery Weight 50%</b>						

In its submission, the TSO also proposed a performance assessment against the incentive award scale include in Table 26 below.

**Table 26 The TSO's PR5 IPD Incentive Reward Scale**

Strong	Acceptable	Below Acceptable
Full Assurance	Satisfactory Assurance	Limited Assurance/Unsatisfactory Assurance
More than or equal to 75% (€0.9m)	75%-61% (€0.2m)	Less than or equal to 60% (-€0.5m)
Recovery of Audit Cost	Recovery of Audit Cost	Recovery of Audit Cost

The TSO provided commentary on the performance assessment against demonstrating strong performance, ex-post adjustments and the annual audit assessment process which is summarised below.

- **Demonstrating Strong Performance:** Noting that the TSO will report on the additional measures undertaken during PR5, and results achieved, over and above reasonable expectations. The TSO will outline where and how it achieved the additional results in its annual audit. The TSO will demonstrate process improvement and implementation across the six steps of the Framework for Grid Development.
- **Ex-Post Adjustment Process:** The TSO will evaluate how third-party actions, outside of its control, have impacts the delivery plan and baseline performance. The TSO

suggest that this ex-post assessment may result in excluding some targets when justified appropriately.

- **Annual Audit Assessment Process:** The TSO will employ an external auditor to assess performance against the Balanced Scorecard for 2021. The TSO will develop the scope for the external auditors. The TSO will comment on a draft document, with the final document, including the TSOs commentary, made available to the CRU.

## 12.2 Commentary on TSO's Submission

In general, the TSO provided useful insight into the intention for the IPD incentive submission. As part of the review of the TSO's submission, a number of clarifications were sent to the TSO. The engagement process that has taken place informs the CRU's high-level commentary on the content of the Plans, balanced scorecard, and future submissions which are provided below.

### **End to end infrastructure delivery**

The timely delivery of infrastructure projects is required to address imperfections and security of supply on the system. Failure to deliver will drive additional costs for consumers. Given this, it will be important to understand and improve the TSO's end to end delivery of infrastructure projects that have been delivered, or not. It will also be important to understand how the TSO is performing against its PR5 plan.

### **Timeliness of delivery**

The timeliness of infrastructure delivery is a core part of the PR5 IPD incentive for the TSO. Therefore, the timeliness of delivery should be central to the TSO's plans for 2021 and beyond. The CRU will be considering how timeliness can be best accounted for when developing and finalising the PR5 User Guide.

### **Contributing to strategic goals**

In contributing to strategic goals, there is a need to understand how the pipeline of projects approved will contribute to meeting strategic goals. For example, a summary analysis of the projects in the 2021 Transmission Outage Programme ('TOP') as well as those in the approval pipeline by category of need would be useful.

## 12.3 Balanced Scorecard

The PR5 Balanced Scorecard Framework for 2021 is outlined in Table 27 below. An independent auditor will assess performance against the metrics, as outlined in Table 27 while also considering the points below the balanced scorecard table. The CRU will have regard to the weightings in Table 27 but will consider performance on a holistic basis when setting the final score. This will mean that the CRU will consider all data when deciding a final grade. Assessment against the balanced scorecard elements for 2021 will be based on the quality

and delivery of project milestones and submissions: The balanced scorecard will be assessed against the following:

- (20%) quality of the plan and defined actions;
- (40%) quality of implementation of the plan; and
- (40%) effectiveness of the plan and demonstrable impacts.

**Table 27 PR5 Balanced Scorecard Framework for 2021**

PR5 Balanced Scorecard Framework 2021						
Area	Metric number / type	(%)	Steps of the 6-step process	(Strong) Full assurance: €0.9m	(Acceptable) Satisfactory assurance: €0.2m	(Below Acceptable) Limited/ Unsatisfactory assurance: -€0.5m
Investment Planning (40%)	<b>Metric 1</b> <i>Qualitative</i>	10%	Step 1	Audit Full Assurance	Audit Satisfactory Assurance	Audit Limited/ Unsatisfactory Assurance
	<b>Metric 2</b> <i>Qualitative</i>	10%	Step 2			
	<b>Metric 3</b> <i>Qualitative</i>	20%	Step 3			
Delivery (40%)	<b>Metric 4</b> <i>Qualitative</i>	20%	Step 4-5	Greater than or equal to 75%	75-60%	Less than 60%
	<b>Metric 5</b> <i>Quantitative</i>	20%	Step 6			
Timeliness 20%	<b>Metric 6</b> <b>Quantitative &amp; Qualitative</b>	20%	-	Strong (ahead of plan)	Acceptable (in line with plan)	Below Acceptable (behind on plan)

### Demonstrating Strong Performance

Strong performance will be graded when the TSO demonstrates at least one of the following activities:

- Implementation of process improvements at various stages within the six-step process which demonstrate improved outcomes.
- Additional outages have been included within the TOP to facilitate completion of additional work above the baselined annual TOP programme.

- Efforts undertaken to resolve issues / risks materializing that have an impact on the scheduled delivery of high priority projects.

### **Acceptable and Below Acceptable Performance**

“Acceptable performance” will be demonstrated by the presence of Satisfactory Assurance. The TSO will be graded this level of performance when it demonstrates through the audit that a system of adequate control is in place to manage the risks associated with the activity to an acceptable level, but are not being applied consistently or operating effectively.

“Below acceptable performance” will be demonstrated by the presence of Limited Assurance. The TSO will be graded this level of performance when it demonstrates through the audit that there are weaknesses in the system of control and the risks associated with the activity or process are not being effectively managed, controls are not being consistently applied or are not operating effectively.

### **Incentive Metrics Under “Investment Planning”**

#### - Steps 1-3 of the six-step process:

These metrics aim at demonstrating the quality of the TSO’s decision-making regarding investment planning. This will be decided by assessing the documentation provided by the TSO to support decisions at the end of each of the steps 1-3.

As part of the assessment, the CRU will look for evidence that non-wire solutions have been considered by the TSO.

### **Incentive Metrics Under “Delivery”**

#### - Steps 4-5 of the six-step process:

This metric aims at demonstrating the quality of the TSO’s decision-making regarding specific site to build and planning process. This will be decided by assessing the documentation provided by the TSO to support decisions at the end of steps 4 and 5.

#### - Step 6:

This metric aims at demonstrating completion of the key projects included in the annual TOP<sup>7</sup>:

- Strong performance: greater than or equal to 75%.
- Acceptable performance: 75 – 60%.
- Below acceptable performance: less than 60%.

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<sup>7</sup> The CRU will increase these metrics in its enduring PR5 User Guide.

## **Incentive Metrics Under “Timeliness”**

This metric aims at incentivising the TSO to deliver its PR5 plan in a timely manner. Under this incentive the TSO’s project delivery will be assessed against its PR5 plan.

- Strong performance: The TSO is ahead of its PR5 plan
- Acceptable performance: The TSO is in line with its PR5 plan
- Below acceptable performance: The TSO is behind its PR5 plan

The TSO must provide detailed reports on the progress of projects through the investment cycle. This should include detailed reporting on the number of projects at each stage, the length of time each project spends at each process step, the overall time for projects to move through the process and barriers to progress. Speed of delivery and efficiency of projects moving through the development pipeline is a critical success factor for PR5. Therefore the TSO should also include its project delivery performance against its approved PR5 plan<sup>8</sup> for 2021. The CRU will monitor the TSO’s performance against the targets and may adjust the metrics if required, in particular the upper target. The threshold for projects to be included in the balanced scorecard will be more than or equal to €2.5m.

The TSO’s IPD outturn submission, reviewed by the external auditor, should provide a clear audit trail from stakeholder feedback to the actions taken by the TSO in 2021. The PR5 audit reports should build upon the audit scope provided for the PR4 IPD submissions.<sup>9</sup> This sets out how performance assessment will be made on a more holistic basis taking into account the quality of decision-making covering system needs assessment, potential technology solutions, best option selection, and route selection & planning. The independent auditor will assess to what extent each of the sub-steps (within each phase) have been followed including whether lessons have been learned and whether process improvements are evident. The auditor will also assess the TSO’s project delivery against its PR5 plan for 2021. EirGrid will need to provide the external auditor with detail on the expected performance in 2021 (as determined in the PR5 Decision Paper) against the actual performance. This should compare each project (above €2.5m) expected performance, i.e. what step each project was due to be at by year end, against the 2021 actuals.

It should be noted that the CRU will be considering changes to this IPD incentive within the enduring PR5 User Guide. This is expected to be published in Q1 2022.

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<sup>8</sup> As per CRU/20/152

<sup>9</sup>Information Paper CRU/20/039 of March 2020 ‘Balanced Scorecard Framework for assessing TSO Performance on Investment Planning and Delivery’ sets out the audit scope for the final part of the PR4 period.

## **Part C - Joint Incentives**

## 13 Joint Incentives Overview

This section covers the two joint incentives for 2021, which includes the joint DSO/TSO incentive and the joint TSO/TAO Incentive. For each incentive, the network companies' proposals are summarised, the CRU provides commentary on the submissions, and the balanced scorecards that will apply for the assessment of the network companies 2021 performance are set out.

Joint incentives will establish the pathway towards achieving the targets as set out in the CAP. Collaboration and innovation will be key for all network companies. The aim of the joint incentives is to promote efficiencies through enhanced collaboration. The TSO/TAO joint incentives focus on network project delivery, while the TSO/DSO joint incentives promote a whole-of-system approach.

### 13.1 TAO/TSO Joint Incentive

Licensee	2021 Maximum Reward	2021 Maximum Penalty
TAO	+ €1.5 million	- €1.5 million
TSO	+ €0.2 million	- €0.1 million

The CRU determined that the TSO and TAO shall be subject to a financial incentive against the following areas:

- **Deployment of New Technology:** ensure that not only are the processes effective in enabling the trialling and piloting of new technology. But also, that the TSO and TAO actively deploy and use new technology on the grid. This metric could include optioneering assessments, deployment of technology and a review of effectiveness.
- **Project Initiation to CPP Agreed Phase:** this is an area where efficiencies can be achieved through enhanced collaboration. The TAO and TSO proposed a joint incentive to measure time taken from the issue of Indicative Programmes and CPPs by TSO to reaching CPP agreed with TAO in a calendar year.
- **Joint Process Improvement:** examine the TSO and TAOs performance on the quality and rigor of application of joint processes for identifying and implementing efficiencies in project and programme delivery and other areas of collaboration.
- **Asset and Programme Data Exchange:** examine the TSO and TAOs performance on the exchange of information and provision of access to transmission asset and transmission work planning and delivery IT systems, data libraries, asset data, and programme & portfolio data with respect to delivery of transmission network Capex for the PR5 programme. The TSO and TAO will prepare a list of systems and data records relating to transmission assets and transmission work planning and delivery that are required to be shared along with timelines for the provision of data to ensure efficient throughput of the PR5 common design and construction quality review process and eliminate the potential for conflicts. The PR5 reporting framework on data verification may also provide useful insights into the effectiveness of this metric.

The incentive payments shall be set by the CRU and will be informed by an independent audit<sup>10</sup> (similar to the IPD Incentive). The balanced scorecard framework will evaluate performance and be graded as “strong”, “acceptable” or “below acceptable”. The TSO/TAO were required to submit balanced scorecard proposals in Q1 2021 for consideration.

## 13.2 Proposals

The TSO and the TAO’s proposals for 2021 are set out below (1-4).

### 1. Deployment of New Technology (Weighting: 25%)

The TSO and TAO will work collaboratively to review new technologies for use in the Technology Toolbox for future transmission network planning and development. A programme of work for each asset category (Overhead lines, Underground Cables and Stations) is underway – developing steps required to transition these technologies to business as usual. It is proposed for 2021 to target the energisation and completion of three innovation projects for 2021. The Technology Toolbox tracker will be maintained and updated during 2021.

Approach	“Strong”	“Acceptable”	“Below Acceptable”
<b>Quantitative (Actual vs Target) And Qualitative</b>	<b>&gt;65% of Target</b> Demonstration of strong performance in the monitoring of the technology toolbox development.	<b>51%-65% of Target</b> Demonstrate acceptable performance in the monitoring of the technology toolbox development.	<b>&lt;50% of Target</b> Failure to demonstrate performance in the monitoring of the technology toolbox development.

### 2. Project Initiation to CPP Agreed Phase (Weighting: 25%)

Through collaboration it has been identified that the initiation phase of a project, from Indicative Programme (IP) issue to Committed Programme Parameter (CPP) agreement is an area where efficiencies can be achieved through enhanced collaboration, which will aid programme throughput. The TSO and TAO are proposing for 2021, to target the completion of 29 Project Initiation to CPP Agreed, measured from IP date received to CPP agreed within a 98-day timeframe.

Approach	“Strong”	“Acceptable”	“Below Acceptable”
<b>Quantitative (Actual vs Target)</b>	<b>&gt;80% of Target</b>	<b>50%-80% of Target</b>	<b>&lt;50% of Target</b>

### 3. Joint Process Improvement (Weighting: 25%)

The TSO and TAO will examine performance on the quality and rigor of application of joint processes for identifying and implementing efficiencies in project and programme delivery and

<sup>10</sup> Costs associated with the audits will be recoverable. The CRU has included additional revenues in the TSOs Opex for the additional reporting requirements.

other areas of collaboration. This will also be demonstrated by improvements in the Infrastructure Delivery Charter.

Approach	“Strong”	“Acceptable”	“Below Acceptable”
<b>Qualitative</b>	Demonstration of Strong project delivery process improvement performance.	Demonstration of Acceptable project delivery process improvement performance.	Failure to demonstrate project delivery process improvement performance

#### 4. Asset and Programme Data Exchange (Weighting: 25%)

The TAO and TSO are committed to the proactive and timely provision of information using appropriate systems and data sharing to efficiently deliver transmission network capex for the PR5 programme. During 2021, the TAO and TSO propose to examine and make a full inventory of Asset and Programme data exchange and provision of access to transmission asset and transmission work planning and delivery IT systems, data libraries, asset data and programme & portfolio data supporting transmission project delivery. The focus on future years will be to enhance the user experience of these systems. The inventory developed for 2021 will form the baseline for identifying data exchange improvements in the multi-year plan.

In addition, TAO and TSO propose improvements under two Asset and Programme Data Exchange headings during 2021:

- TAO will further enhance the access, data exchange and training processes for TSO Client Engineers to the Design Hub application. This is critical for timely Design Review by the TSO. Design hub also provides access to asset as-built records for TSO project development purposes.
- TSO and TAO will further enhance the information data exchange processes associated with the TOP.

Approach	“Strong”	“Acceptable”	“Below Acceptable”
<b>(1) Availability of IT Systems</b>	Demonstration of Strong data sharing performance.	Demonstration of Acceptable data sharing performance.	Failure to demonstrate data sharing performance.
<b>(2) Provision of data</b>			

The TSO and TAO propose that the following principles and criteria should apply when auditing and assessing performance against the balanced scorecard:

- The TAO/TSO may seek an ex-post adjustment to the targets reported for a calendar year, particularly where third-party events, or exogenous events outside of the TAO’s or TSO’s control arise and create a measurable and justifiable deviation from planned or forecast performance.
  - Where such issues arise, these will be detailed in the annual TAO/TSO Incentives report and will include the reasons for any adjustments. Such target adjustments will be validated by the external auditor as part of their audit.

- Each of the metrics on the TAO/TSO PR5 balanced scorecard should be afforded equal weighting.
- The cost of the audit shall be recoverable under operational expenditure each year.

### 13.3 Balanced Scorecard

The TSO/TAO joint incentive balanced scorecard proposals are set out below and separated by planned TSO/TAO actions for 2021.

#### 1. Deployment of New Technology

The quantitative part of the scorecard for 2021 relates to delivery of 3 innovation projects and to the durations of the IP to CPP Agreed steps for the 29 specified projects which projects, which have different recommended audit score thresholds. The CRU will determine the incentive award primarily based on the outcomes for the 3 innovation projects but may modify the award after reviewing the quality of the Technology Toolbox status report. For this part audit advice will not be required.

Approach	“Strong”	“Acceptable”	“Below Acceptable”
<b>Quantitative (Actual vs Target)</b>	Completion of all 3 specified projects	Completion of the voltage uprate trial (CP1017) + one other specified project.	Failure to complete the voltage uprate trial (CP1017) or just one specified project completed.

The TSO/TAO should include a status report on the Technology Toolbox which:

- Categorises the new technologies within the toolbox by stage of assessment & readiness for deployment;
- For those deemed ready for deployment, summarises the potential benefits and the plans for trials / deployment;
- For the 3 specified innovation projects, describes:
  - the lessons learned in deploying the new technology
  - the main benefits achieved;
  - the conclusions on the scope for future deployment; and
- Summarises what specific steps the TSO & TAO are taking to ensure these new technologies feature as BAU in next year’s programme.

#### 2. Project Initiation to CPP Agreed Phase

The CRU considers that the IP to CPP Agreed thresholds, since they relate to the same actions, should be made consistent with the new reward scale for the IPD incentive i.e. Strong (>80%), Acceptable (80-70%), and Below Acceptable (<70%).

Approach	“Strong”	“Acceptable”	“Below Acceptable”
<b>Quantitative (Actual vs Target)</b>	>80% of Target	70-80%% of Target	<70% of Target

The CRU received a number of responses related to timeliness of infrastructure delivery during its PR5 consultation phase. With this in mind and while accepting the proposed IP to CPP agreed metric for the 2021 incentive purposes, the CRU requires the submission of a report setting out the time between each of the 6 steps for the 29 projects selected to be monitored. This should include a summary milestone schedule identifying the date of completion of each of the first 5 steps (as applicable) and for those achieving CPP agreement, indicate the proposed TOP delivery year(s). The TSO/TAO should identify and implement process improvements, where appropriate, on an ongoing basis.

In order to inform the CRU’s views on 2021, the TSO/TAO confirmed that the number of CPPs issued between 2016 and 2020 (see Figure 1). The target for CPPs Agreed, as proposed by TAO/TSO, has been accepted for 2021.

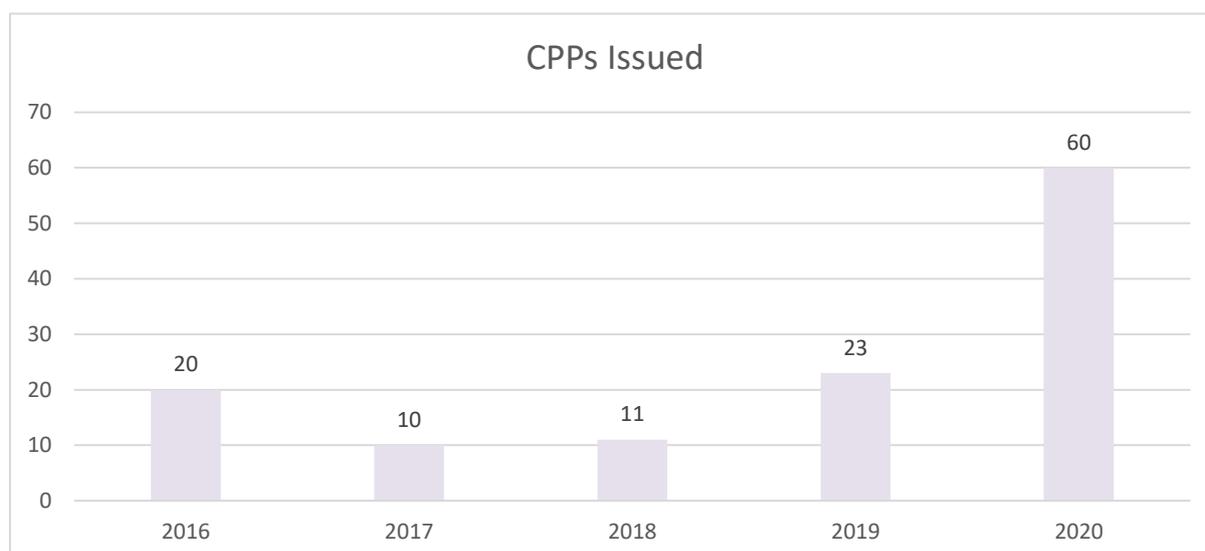


Figure 1 TAO - TSO CPPs Issued

In the CRU’s view, the proposal to ‘maintain the Technology Toolbox tracker’ may not drive forward new innovation where no additional technologies are expected to be added during 2021. However, value can be derived from submitting a status assessment of the technologies within the toolbox that identifies their readiness to be implemented and transition into business-as-usual use during PR5.

### 3. Joint Process Improvement

The CRU agrees that joint process improvement and data sharing components are qualitative and require assessment by independent audit.

Approach	“Strong”	“Acceptable”	“Below Acceptable”
<b>Qualitative</b>	Demonstration of Strong project delivery process improvement performance.	Demonstration of Acceptable project delivery process improvement performance.	Failure to demonstrate project delivery process improvement performance

#### 4. Asset and Programme Data Exchange

The focus for Asset and Programme Data Exchange should focus on the extent to which the Data Hub is made accessible to TSO engineers (together with appropriate training provision) and how much the ‘upstream pipeline’ of potential future projects is communicated to the TAO. The TAO and TSO propose to examine and make a full inventory of Asset and Programme data exchange and provision of access to transmission asset and transmission work planning and delivery IT systems, data libraries, asset data and programme & portfolio data supporting transmission project delivery. The value of the Inventory of Asset and Programme Data Exchange will also form an important part of this assessment and will need to be demonstrated by licensees.

Approach	“Strong”	“Acceptable”	“Below Acceptable”
<b>Provision of data</b>	Demonstration of Strong data sharing performance.	Demonstration of Acceptable data sharing performance.	Failure to demonstrate data sharing performance.

The CRU has determined that for 2021, the rewarding of the incentive will be as set out in Table 28 below.

**Table 28 Detailed TSO/TAO Incentive Allocations**

Metric	Type	TSO Incentive Allocation (€m)	TAO Incentive Allocation (€m)
<b>1. Deployment of New Technology</b>	Quantitative	<ul style="list-style-type: none"> <li>Strong / +0.05</li> <li>Acceptable / +0.015</li> <li>Below Acceptable / -0.025</li> </ul>	<ul style="list-style-type: none"> <li>Strong / +0.375</li> <li>Acceptable / +0.1</li> <li>Below Acceptable / -0.375</li> </ul>
<b>2. Project Initiation to CPP Agreed</b>	Quantitative	<ul style="list-style-type: none"> <li>Strong / +0.05</li> <li>Acceptable / +0.015</li> <li>Below Acceptable / -0.025</li> </ul>	<ul style="list-style-type: none"> <li>Strong / +0.375</li> <li>Acceptable / +0.1</li> <li>Below Acceptable / -0.375</li> </ul>
<b>3. Joint Process Improvement</b>	Qualitative (Audit)	<ul style="list-style-type: none"> <li>Strong / +0.05</li> <li>Acceptable / +0.015</li> <li>Below Acceptable / -0.025</li> </ul>	<ul style="list-style-type: none"> <li>Strong / +0.375</li> <li>Acceptable / +0.1</li> <li>Below Acceptable / -0.375</li> </ul>
<b>4. Data Sharing</b>	Qualitative (Audit)	<ul style="list-style-type: none"> <li>Strong / +0.05</li> <li>Acceptable / +0.015</li> <li>Below Acceptable / -0.025</li> </ul>	<ul style="list-style-type: none"> <li>Strong / +0.375</li> <li>Acceptable / +0.1</li> <li>Below Acceptable / -0.375</li> </ul>

## 14 DSO/TSO Joint Incentive

Licensee	2021 Maximum Reward	2021 Maximum Penalty
DSO	+ €3 million	- €1 million
TSO	+ €0.2 million	- €0.1 million

The PR5 determination stated that the TSO/DSO joint incentive will require the TSO and DSO to submit a multi-year plan which sets out key milestones and targets against the following areas:

- Dispatch Down and Curtailment:** historically the TSO has played a central role in managing curtailment. However, with changes to the electricity system there is potential for a greater role for the DSO. The additional generation from the distribution system, the electrification of heat and transport and the changing role of the DSO will mean it could play an increased role in managing dispatch down.
- Security of Supply/Constraints:** while this is currently set out as a TSO incentive, it is noted that the DSO has an important role to play in security of supply and in particular given the operational arrangements in the Dublin region.
- Whole of system Approach:** the DSO and TSO will be incentivised to optimise the network as a whole rather than focusing on each network separately. Better coordination between the DSO and TSO could bring beneficial outcomes to consumers in the form of lower network tariffs compared to a scenario without coordination, a more efficient market and/or more reliable electricity supply. This coordination may also allow for the development of infrastructure that benefits both the distribution system but located on the transmission network and vice versa.

The SOs will be incentivised for ensuring that:

- their processes are effective in enabling the trialling, piloting, deployment and use of new technology on the grid and in their operations;
- they optimise the existing grid to minimise the need for new infrastructure, by using new technology where appropriate; and where new infrastructure needs to be built, they work together collaboratively to ensure timely delivery of this;
- they enable the provision of system services through new technology or remove barriers for existing technology to provide these services on the transmission and distribution systems; and
- they address whole system challenges such as dispatch down of renewable generation or security of supply challenges, particularly in the region of Dublin.

The TSO/DSO were required to submit balanced scorecard proposals in Q1 2021 for consideration.

## 14.1 Proposals

The TSO and the DSO provided a joint submission to CRU combining the requirements of both parts of the incentive. As part of their submission, The TSO and the DSO include a detailed 2021 task list and plan, covering the 9 action sets.

**Table 29 TSO and DSO Joint Incentive Actions**

Action Set	TSO/DSO Targets
Action Set 1	TSO/DSO Programme Management and TSO/DSO Operating Model
Action Set 2	Market Development
Action Set 3	Operational Policies & Tools
Action Set 4	TSO/DSO Knowledge Sharing
Action Set 5	Tech. Enablement, Hybrids
Action Set 6	Tech. Enablement, Demand Side & LEUs
Action Set 7	Tech. Enablement, Distributed Resources
Action Set 8	Tech. Enablement, Battery Storage
Action Set 9	Security of Supply

In summary, the joint submission covered the following incentive objectives:

- **Managing dispatch down and curtailment**
  - Evaluating suitability of the existing system service arrangements and how the existing product mix needs to evolve (Action set 2, 3).
  - Delivery of support as required by the CRU/SEMC in defining the future market arrangements (Action set 2).
  - Facilitating greater levels of demand side response at an industrial level and development for consultation of a roadmap for residential demand side response (Action set 6).
- **Addressing security of supply**
  - Evaluation of system impacts of large-scale storage and of system and market operational tools to support their near-term deployment in TSO and DSO networks (Action set 8).
  - Initial planning and scoping of interaction between TSO and DSO control centre tools to manage constraints to facilitate the operational changes required to integrate renewable generation (Action set 3).
  - TSO/DSO engagement on potential network impacts of Large Energy Users (Action set 6).
- **Introducing a whole of system approach**
  - Whole of system approach to development of respective codes, standards and operational protocols (Action set 3,5,8).

- Develop proposals for compatible services for future market frameworks (Action set 2).
- Collaborate on telecommunication arrangements to evaluate synergies in relation to equipment provision (Action Set 4).
- **Enabling system services from new technology**
  - Readiness activities for facilitating residential aggregator participation in SEM (Action set 6).
  - Support the development of Future arrangements with analysis and proposals considering system needs, new technology impacts and existing barriers (Action set 2).
  - The development of system and market operational processes for storage, hybrids and demand side response (Action set 5,6,8).
- **Optimisation of the existing grid.**
  - Development of a flexible network management framework for future implementation (Action set 2).
  - Initiate congestion management product design and market arrangements development (Action set 2).
- **Deployment and Use of New Technology**
  - Review of the existing QTP processes and the development of proposals for Future Arrangements (Action set 2).
  - The development of system and market operational processes for storage and demand side response (Action set 6,8)
  - Assess options for greater flexibility in arrangements for hybrid connections (Action set 5).
- **Governance Arrangements**
  - Development of joint *Project Initiation Document*.
  - Implementation of a Joint risk-assessment based change control process.
  - Implementation of joint RAID (Risk, Actions, Issues, Decisions) register.
  - Reviewing and refining the TSO-DSO engagement arrangements at a working, management and executive level and developing support Terms of Reference (Action set 1).

## 14.2 Commentary on SOs submission

Overall, the TSO and DSO focus on the areas highlighted in the CRU decision, However, there are a number of points to note in regard to the SO's submission. High-level commentary on key points of the SO's submission is set out below.

### Narrative and linkages between actions and objectives

The narrative and linkages between actions and objectives is not clear and would be improved with simplification. Figure 2 attempts to set out the TSO/DSO's qualitative description of proposals for 2021.

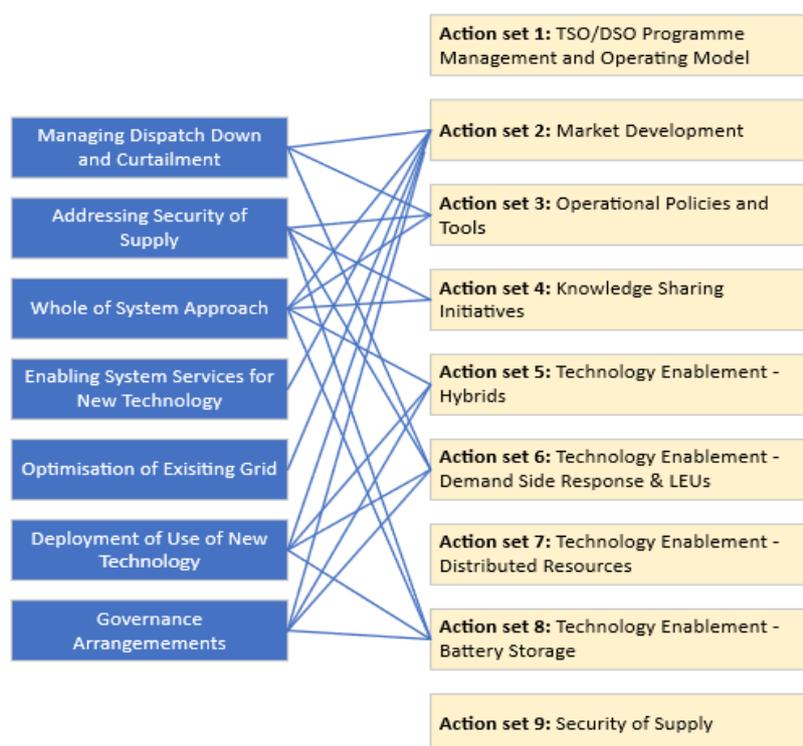


Figure 2 TSO/DSO 2021 Submission - Conceptual Linkages

The submission also includes an appendix which gives a detailed track list and a task progression diagram and would have benefitted from the inclusion of a timeline. This makes it difficult to follow and track.

### Local security of supply and renewable dispatch

Local security of supply and renewable dispatch down outcomes are incentivised elsewhere (TSO incentive framework) so it is right that much of the focus of this initiative is about how the network companies collaborate to contribute to these better outcomes. Consequently, e.g. a joint governance programme; joint market development (of products, Codes, congestion management processes); knowledge sharing; and streamlining of telecommunications requirements are all appropriate. However, some of these perhaps may not go far enough:

- Operational Policies and Tools (Action 3) focusses on sharing scarcity analysis (being developed under the Flexibility Initiative) and doesn't include any reviews of operational policies e.g. relating to renewable dispatch down and curtailment of distribution connected plant or to congestion management.
- Knowledge Sharing (Action 4) appears to stop halfway through the year when you might expect initial implications of the decision on 'the vision and principles of the operating model on data sharing to be explored in Q4.

### 14.3 TSO Balanced Scorecard

Table 30 presents the balanced scorecard for the TSO's objectives under the TSO/DSO joint Incentive. The TSO has separate incentives for Renewable Dispatch Down and Local Security of Supply so that this incentive requires demonstration of collaboration with the DSO to make further gains. Reflecting the 2021 focus on whole-of-system preparations, the CRU proposes this aspect receives the largest share (50%) of the maximum incentive/penalty.

Assessment against the balanced scorecard elements for 2021 will be based on the quality and delivery of project milestones and submissions: Each area of the balanced scorecard will be assessed against the following:

- (20%) quality of the plan and defined actions;
- (40%) quality of implementation of the plan; and
- (40%) effectiveness of the plan and demonstrable impacts.

The Balanced Scorecard for 2021 is set out in the Table 30Table 16 below. When finalising the PR5 User Guide, the CRU will consider whether a harmonised balanced scorecard is more appropriate going forward.

**Table 30 Detailed TSO Balanced Scorecard Requirements & Incentive Allocations**

Aspect	Requirement/Deliverable	Upside (€m)	Downside (€m)
<b>Dispatch down and curtailment</b>	Although no specific plans or reviews of operating policies were presented directly relating to dispatch down and curtailment, an incentive/penalty will be applied if the TSO are successful/unsuccessful in demonstrating benefits in collaborative actions with the DSO in 2021 resulting in reduced dispatch down/ and or curtailment compared to 2020 levels after allowing for the impact of COVID e.g. on overall system demand. Positive incentive award will require clear evidence to show how the TSO's collaborative actions led to a curtailment reduction for this assessment period. A strong submission will show a clear link to whole system benefits,	0.05	0.025

	demonstrating actions that deliver quantifiable outcomes.		
<b>Security of supply/constraints particularly in the Dublin region</b>	The level of collaboration with the DSO in bringing the first HV/MV flexible product to market will be important here including presentation of the value to The TSO of collaboration with the DSO and any insights gained through collaboration. The TSO should document the collaborative steps taken to improve the outcome for market participants. Insufficient collaboration would be indicated by inconsistencies between existing system services products and the new Flexibility product or a lack of clarity about whether potential providers can ‘stack’ the new Flexibility product with other services.	0.05	0.025
<b>Whole of system approach</b>	The quality of the outputs including the PID, the vision/principles of the operating model and the flexible network management agreement will be important for assessment here. All project documents should clearly demonstrate the benefits of a whole system approach.	0.1	0.05

## 14.4 DSO Balanced Scorecard

The DSO has more to do to achieve the PR5 aims, and this is reflected in the overall incentive values available and in the larger incentive available for collaboration with the TSO under this incentive. The DSO is separately incentivised via the Flexibility Initiative which includes identification of technical scarcity and the scope for potential flexibility solutions. It also includes the market offering of the first flexibility product, jointly with the TSO to address security of supply issues in the Dublin area. The DSO will need to demonstrate its collaboration with the TSO to gain incentive awards under this initiative. The CRU proposes that the incentive / penalty amounts be split equally between the 3 incentive objectives.

**Table 31 Detailed DSO Balanced Scorecard Requirements & Incentive Allocations**

Aspect	Requirement/Deliverable	Upside (€m)	Downside (€m)
<b>Enabling the market to respond to technical scarcities or security challenges</b>	<p>Evidence of collaboration with the TSO would include:</p> <ul style="list-style-type: none"> <li>- design of, and consultation on, mechanisms to allow multiple legal entities behind a single connection point.</li> <li>- delivery of a roadmap for residential demand side response consultation (building on previous TSO trial).</li> </ul> <p>Insufficient collaboration with the TSO would be indicated by:</p>	1.0	0.33

	<ul style="list-style-type: none"> <li>- not demonstrating progress of the impact assessment on the Grid and Distribution Codes relating to multiple legal entities sharing a connection point.</li> </ul>		
<p><b>Enabling increased renewable integration or reduce their downward redispatch</b></p>	<p>Evidence of collaboration with the TSO would include:</p> <ul style="list-style-type: none"> <li>- plans for consistent treatment of hybrid connections, and battery storage within Grid &amp; Distribution Codes.</li> <li>- review of limitations of existing system / market arrangements for battery energy storage systems and progress on the interim solution.</li> </ul> <p>Insufficient collaboration with the TSO would be indicated by:</p> <ul style="list-style-type: none"> <li>- inconsistencies between, or lack of clarity in, the Grid and Distribution Codes relating to hybrid connections or battery storage.</li> <li>- failure to identify substantive barriers to battery storage.</li> <li>- failure to bring forward plans to review operating policies and procedures relating to renewable downward redispatch.</li> </ul>	1.0	0.33
<p><b>Addressing security of supply challenges</b></p>	<p>Demonstration of collaboration required in the assessment of scarcity, identification of potential solutions, design of the flexibility product, and the offering to market.</p> <p>Insufficient collaboration with the TSO would be indicated by:</p> <ul style="list-style-type: none"> <li>- inconsistencies between existing system services products and the new Flexibility product;</li> <li>- not benefiting from The TSO's experience in operating market auctions.</li> </ul>	1.0	0.34

## 15 Next Steps

The balanced scorecards, as set out, will apply for 2021 only. The network companies have consulted on their multi-year proposals and the finalised proposals will be approved in Q1 2022. Future multi-year plans will be consulted on and submitted to the CRU in September each year. Based on the submissions, the CRU will publish a decision, by year-end, on the milestones, deliverable targets and weightings for the following year.