

TSO PR5 Investment Planning & Delivery

Multi-Year Balanced Scorecard 2022-2026

22 October 2021



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1. Introduction and Context

The Commission for Regulation of Utilities (CRU) in its Price Review 5 (PR5) decisions CRU/20/152¹ and CRU/20/154² has confirmed the ambitious plans that EirGrid as the Transmission System Operator (TSO) has set out in its PR5 transmission capital programme working towards the delivery of 2030 climate change targets. CRU/20/154 Section 7.8 provides an overview of the aims and objectives of the PR5 Investment Planning and Delivery (IPD) incentives process. The TSO has incorporated these aims and objectives into the development of its PR5 Multi-Year IPD Balanced Scorecard 2022-2026.

This submission contains a proposed methodology to incentivise, audit and assess the TSO's investment planning and delivery performance during 2022-2026 using a multi-year Balanced Scorecard framework as requested by the CRU. It contains the specific targets for the 2022, 2023 and 2024 calendar years (as well as 2025 and 2026 at high level) as outlined in CRU/20/154, Section 7.8. The targets for subsequent years will be confirmed as part of the rolling annual submission and will be consistent with the TSO's ambitious programme delivery principles.

2. Overview of the PR5 Multi-Year IPD Balanced Scorecard 2022-2026

The PR5 multi-year IPD Balanced Scorecard 2022-2026 contains eleven different qualitative and quantitative metrics across the six steps of the transmission project development and delivery process. The PR5 multi-year IPD Balanced Scorecard is comprehensive, detailed and ambitious allowing the CRU to assess the TSO's performance over multiple years in a detailed manner across the six steps of the transmission investment planning and delivery process.

Qualitative aspects of the scorecard involve a review of the application of and alignment with the TSO's Governance processes and an assessment of process improvements developed which have a material impact on the TSO's project delivery capability and performance outcomes. Quantitative aspects of the multi-year scorecard outline the number of needs approved and of capital approvals brought through the governance processes in line with agreed plans and programmes. Additional metrics reference the TSO's collaboration with ESB Networks, the Transmission Asset Owner (TAO) in providing high-level scoping documents, in the form of a Committed Project Parameter (CPP) document, to commence the scoping and design processes carried out by the TAO. The multi-year scorecard also contains an annual performance component which is linked to the delivery of the baselined transmission capital outage programme by the TSO and TAO.

There are benefits in measuring and demonstrating the volume and timeliness of projects progressing through steps 1-6 of the six step process. These benefits include increased visibility of the throughput of projects in the planning and development stages as the TSO implements the required step changes to meet challenging delivery targets and to connect customers in a timely manner. The results that will be obtained from the regulated assessment of the PR5 multi-year IPD Balanced Scorecard 2022-2026 will

¹ <https://www.cru.ie/wp-content/uploads/2020/12/CRU20152-TSO-and-TAO-Transmission-Revenue-2021-20252.pdf>

² <https://www.cru.ie/wp-content/uploads/2020/12/CRU20154-PR5-Regulatory-Framework-Incentives-and-Reporting-1.pdf>

provide a comprehensive and detailed overview of the TSO’s investment and delivery performance during the period.

The following sections outline the metrics and specific targets to be assessed as part of the PR5 multi-year IPD Balanced Scorecard 2022-2026.

Multi-Year PR5 Balanced Scorecard 2022-2026 - Metrics				
Area	Metric No.	Weighting	Outcomes	Metric
Investment Planning	1	10%	Step 1 Approval of Need	Step 1 Needs Approvals (Specific target & adherence to Governance)
	2	10%	Step 2 Approval of Solution Options	Step 2 Capital Approvals (Specific target & adherence to Governance)
	3	30%	Step 3 Approval of Best Performing Option	Step 3 Capital Approvals (Specific target & adherence to Governance)
Delivery	4	20%	Step 4-5 Routing & Planning Process Approval	CPPs Issued to TAO (Specific target)
	5	30%	Step 6 - TOP Delivery	TOP Delivery Percentage Outturn
Demonstrated Transmission Programme Process Improvements			Achieved or Not Achieved	

Multi-Year Metrics 2022-2026

Multi-Year PR5 Balanced Scorecard 2022-2026 Metrics & Targets						
Metric No.	Metrics / Outcomes	2022 (Specific targets)	2023 (Specific targets)	2024 (Specific targets)	2025 High-Level	2026 High-Level
1	Step 1 Approval of Need	3 No. GW1 Approvals	1 No. GW1 Approvals	1 No. GW1 Approvals	Based on PR5 Programme Evolution	Based on PR6 Programme Evolution
2	Step 2 Approval of Solution Options	3 No. GW2 Capital Approvals	2 No. GW2 Capital Approvals	1 No. GW2 Capital Approvals	Based on PR5 Programme Evolution	Based on PR6 Programme Evolution
3	Step 3 Approval of Best Performing Option	22 No. GW3 Capital Approvals	19 No. GW3 Capital Approvals	10 No. GW3 Capital Approvals	Based on PR5 Programme Evolution	Based on PR6 Programme Evolution
4	Step 4-5 Routing & Planning Process Approval	25 No. CPPs Issued to TAO	25 No. CPPs Issued to TAO	25 No. CPPs Issued to TAO	Based on PR5 Programme Evolution	Based on PR6 Programme Evolution
5	Step 6 - TOP Delivery	TOP22 Baseline	TOP23 Baseline	TOP24 Baseline	TOP25 Baseline	TOP26 Baseline
Process Improvements		Process Improvements	Process Improvements	Process Improvements	Process Improvements	Process Improvements

Multi-Year Targets 2022-2026

2.1 Investment Planning - Steps 1-3

Includes qualitative and quantitative metrics which demonstrate the quality and robustness of the investment planning decision-making, the evidence for which is provided to support each gateway 1-3 decision. Once an investment decision is made at the end of step 3 the project is further scoped, the consenting process is undertaken, and it is progressed to the delivery steps and handed over to the TAO.

New quantitative metrics are included in PR5 for the timely achievement of approvals and capital approvals for strategically important projects in the PR5 programme and those above a certain financial threshold in order to meet climate action plan targets.

The following section includes details on each of the steps and the associated metrics;

Security of Supply, ATRs and System Reinforcements (Steps 1-3):

- In this context, the investments identified under steps 1-3 are brought forward in order to maintain security of supply in accordance with the TSO's licence requirements. These investments are set out in the annual Transmission Development Plan, which is submitted to the CRU for approval. The quality of decision-making in the option selection process, which ensures best value for the Transmission Use of System (TUoS) customer, is demonstrated in the documentation provided at gateways 1-3.

Refurbishment Projects (Steps 1-3):

- The refurbishment investment decisions progressed in steps 1-3 are required to extend the life of existing assets and are a core part of enabling the future operation of the transmission system without the need for major new build investment. The quality of decision-making is demonstrated in the documentation provided at the gateways 1-3, where relevant, thereby demonstrating best value for the TUoS consumer.

New Renewable and Demand Connections (Step 3):

- New connection and demand projects are approved in step 3 following the development of the connection offer and method as part of the TSO's connection offer process.

Oversight with respect to the quality of decision-making is provided by our six step process which ensures that investment planning and delivery is effective and fully comprehensive in its considerations.

Timely delivery of Investment Planning decisions

The addition of quantitative metrics in the PR5 IPD Balanced Scorecard allows for an assessment of timely project planning and delivery throughout the six steps of the framework.

2.2 Delivery - Steps 4-6

Steps 4-5: Qualitative measurement of the decisions made in steps 4 and 5.

In steps 4 and 5, the TSO is making decisions relating to a preferred location, a detailed site or a route for certain projects (step 4). It is also making decisions to lodge a planning application to the applicable statutory authority for relevant projects (step 5). It is proposed that the quality and robustness of these decisions will be reviewed by assessing the quality of the documentation provided to support these decisions. This is a qualitative metric.

Handover from TSO to TAO and timely delivery

New quantitative metrics are included in PR5 multi-year IPD scorecard for the timely issuing of CPP documents from the TSO to the TAO. This includes strategically important projects in the PR5 programme and those above a certain financial threshold. Quantitative assessment of the development and issuing of handover documentation from the TSO to the TAO in the form of the CPP document. The multi-year metrics represent an increase on PR4 delivery in this area aligning with TSO's commitments under PR5 and the Climate Action Plan.

Step 6: Quantitative demonstration of the completion of transmission projects in the annual Transmission Outage Programme (TOP), step 6.

Timely and ambitious delivery

The TSO develops ambitious annual transmission outage programmes and collaborates closely with the TAO, generators and customers to deliver the scheduled work within the programme. The step 6 TOP metric encompasses all aspects of the delivery of the baseline programme from development to in-season management, to change management and end of year outturn.

3. Performance Assessment and Incentive Award Scales

CRU/20/154 outlines a 3-point audit performance grading scale of “strong”, “acceptable” or “below acceptable” for the PR5 IPD Balanced Scorecard. The TSO notes that the weighting in the scorecard is provided to allow for the calculation and partial award of the joint incentive as appropriate. The TSO supports the approach where the CRU retains a degree of flexibility in the apportionment of a final annual IPD incentive award, within the multi-year framework, taking account of the supporting audit evidence that is provided by the TSO. This flexibility may include a **mid-point award** or **partial award** within the scale outlined below, as demonstrated by the TSO’s performance within the specific calendar year.

Performance	Strong	Acceptable	Below Acceptable
Steps 1-5 Audit assessment (70%)	Full Assurance	Satisfactory Assurance	Limited Assurance/ Unsatisfactory Assurance
TOP Delivery (30%)	≥75%	74%-61%	≤60%
Maximum Incentive Applicable	€0.9m	0% payment; Recovery of Audit reasonable cost only	-€0.5m

Demonstrating a Strong Performance

In order to demonstrate strong performance during PR5 the TSO will also outline the additional measures undertaken and results achieved over and above what could have been reasonably expected during the period. The TSO will be required to outline where and how it has achieved the additional results as part of its annual audit process to secure a strong performance rating. The TSO will demonstrate how it goes above and beyond expectations to meet the project delivery challenges central to TSO commitments under PR5 and the Climate Action Plan.

The TSO will provide evidence of the process improvements developed and implemented across any of the six steps of the Framework for Grid Development as part of the annual audit assessment. It is entirely feasible that process improvements are developed, implemented and become operational over multiple calendar years. The TSO will advise as to when a process improvement has sufficient operational maturity to be considered within the audit process for a particular calendar year within the multi-year IPD scorecard. The process improvement where needed will be deemed as achieved or not achieved as part of the audit process. An award equal to 10% of the incentive award will be available for the achievement of process improvements, with the remainder of the award/penalty split between the metrics/performance across the six steps of the framework.

Ex Post Adjustment Process

The TSO will review its annual performance across the six steps of the Framework for Grid Development and will evaluate how third party actions, or events outside of its control, may have resulted in a measurable and justifiable deviation from planned or forecast performance. Where third party actions have facilitated accelerated delivery, this too will be noted in the audit process. This *ex post* adjustment process may lead to the exclusion of specific targets arising from such actions or events. This process will be documented and form part of the annual audit assessment process.

Annual Audit Assessment Principles and Process

1. The TSO will procure the services of an external auditor to undertake an annual *ex post* audit assessment of the applicable calendar year performance within the multi-year PR5 IPD Balanced Scorecard.
2. The audit scope will contain a representative mix of the qualitative and quantitative metrics across a sample of major projects within the applicable calendar year.
3. A final audit assessment report, with accompanying TSO commentary, will be provided to the CRU³.
4. TSO will provide a high-level summary of its outturn performance, following confirmation from the CRU, in its annual IPD report, a draft of which is published for consultation and also reviewed by the CRU prior to final publication.
5. The cost of the audit shall be recoverable by the TSO under opex each year.

Summary

The PR5 multi-year IPD Incentive framework represents a detailed view of the activities that the TSO proposes to undertake across the six step process during 2022 to 2024 and is indicative of the type and scale of activities planned for 2025 and 2026. The assessment methodology is extensive and provides a high level of assurance that the TSO is delivering against its targets to a high standard, in a timely and efficient manner, and that it continuously seeks to go above and beyond what is required.

The operation of the IPD Incentive Balanced Scorecard framework scoring mechanism has shown that greater flexibility across the 3 point scale would be beneficial to holistically acknowledge the areas where the TSO has received the maximum audit assurance. The TSO believes that such a balanced and nuanced scoring approach is important for an incentive framework so that it can continue to operate to stretched targets.

³ The IPD incentive audit report is provided to the CRU as part of the annual audit assessment and is commercially sensitive. The IPD incentive audit reports are not for external publication

4. Next steps

The consultation period will run for four weeks, beginning on 22 October 2021 and closing on 19 November 2021.

Stakeholders are invited to respond to the following Consultation Question -

The purpose of the Investment Planning and Delivery multi-year incentive is to improve transparency over the efficiency with which the TSO's Investment Planning and Delivery processes are undertaken. Do you have comments on the activities proposed to achieve this aim as part of the Investment Planning and Delivery multi-year plan?

Consultation responses are invited until COB on 19 November 2021 and can be sent to info@eirgrid.com.

If you do not wish your consultation response to be published post submission, please mark it as confidential. Please note that all responses will be shared with the CRU in any case.

Appendix – Acronyms

ATR – Associated Transmission Reinforcement
CPP – Committed Project Parameter Document
CRU – Commission for Regulation of Utilities
GW – Gateway
IPD – Investment Planning and Delivery
PR4/PR5/PR6 – Price Review 4/5/6
TAO – Transmission Asset Owner
TOP – Transmission Outage Programme
TSO – Transmission System Operator
TUoS – Transmission Use of System