



RP7 – NIE Networks Price Control 2025-2031

Draft Determination Annex V
Evaluative Performance Framework
Guidance & Principles
NIE Networks
November 2023



About the Utility Regulator

The Utility Regulator is the economic regulator for electricity, gas and water in Northern Ireland. We are the only multi-sectoral economic regulator in the UK covering both energy and water.

We are an independent non-ministerial government department and our main duty is to promote and protect the short- and long-term interests of consumers.

Our role is to make sure that the energy and water utility industries in Northern Ireland are regulated, and developed within ministerial policy, as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly.

We are based at Queens House in Belfast. The Chief Executive and two Executive Directors lead teams in each of the main functional areas in the organisation: CEO Office; Price Controls, Networks and Energy Futures; and Markets and Consumer Protection.



Our mission

To protect the short- and long-term interests of consumers of electricity, gas and water.



Our vision

To ensure value and sustainability in energy and water.



Our values

- Be a best practice regulator: transparent, consistent, proportionate, accountable and targeted.
- Be professional – listening, explaining and acting with integrity.
- Be a collaborative, co-operative and learning team.
- Be motivated and empowered to make a difference.



Abstract

This sets out more detailed work on the design and guidance for our proposals for an annual evaluative framework to incentivise NIE Networks exceptional performance to deliver best in class. It expands further on the information within our main Draft Determination document.

Audience

This document will be of interest to NIE Networks, its customers, the Consumer Council Northern Ireland and other stakeholders.

Consumer impact

This framework will incentivise NIE Networks to take advantage of new opportunities, proactively progress initiatives in areas that will bring the greatest benefit to Northern Ireland customers and ensure they continually adapt to the emerging energy landscape. It will help integrate the consumer voice into the day-to-day running and decisions of NIE Networks and further develop a best practice approach into how the company will engage with and serve their customers.



Contents

Executive Summary	1
1. Introduction	3
2. Overview and Background	4
Principles.....	4
EPF Operation.....	6
NIE Networks Roles and Services.....	7
Service Performance.....	8
Performance Baseline.....	9
Longer Term Initiatives.....	10
3. Annual Process and Timelines	12
4. Evaluation Methodology	15
Evaluation of the Forward Plan.....	15
Grading the Forward Plan.....	18
Evaluation of Performance.....	20
Grading NIE Networks performance.....	22
Interaction with Consumer Engagement Advisory Panel (CEAP).....	23
5. Calculation of Incentive Amounts	24
6. EPF Panel	26
Annex 1: Examples of NIE Networks Roles and Services	28



Executive Summary

Evaluative Performance Framework Guidance & Principles for NIE Networks

The Evaluative Performance Framework (EPF) has been proposed as part of the NIE Networks RP7 price control. This Draft Determination annex identifies the principles for the EPF and provides guidance on how the assessment of NIE Networks performance will operate, timelines, incentive/penalty methodology and the nature of the EPF Panel.

The framework will aim to incentivise NIE Networks to take advantage of new opportunities, proactively progress initiatives in areas that will bring the greatest benefit to Northern Ireland customers and ensure we continually adapt to the emerging energy landscape. A key element of the EPF is to bring additional skills, insights and knowledge to the UR's review of NIE Networks' performance.

Principles

The following principles have been developed to incentivize NIE Networks to:

- improve its performance to maximise the efficiency of the whole electricity system for the benefit of customers;
- build constructive, value add relationships with key stakeholders;
- provide clear accountability to customers;
- have flexibility in a changing industry to find the best system solutions;
- develop new/emerging roles or initiatives that deliver de-carbonisation;
- engage with stakeholders in a balanced way that aims to hear and consider the best ideas from all voices.

Some of the key attributes of the framework are: Principles based, outcomes focus; Accountability; Flexibility and Adaptability; Holistic; Balanced decisions and proportionate risk/reward; and Transparency.

Guidance

NIE Networks will appoint and maintain an evaluation panel, comprising a set of individuals appointed for the purposes of evaluating the performance of NIE Networks. It is important that the panel is seen to represent a range of interests and expertise as well as operate independently to NIE Networks. To provide appropriate assurance in this the UR will retain the ability to veto any appointment.

In relation to each financial year in which the EPF is operational, there will be two phases of assessment by the panel:



- After the publication of NIE Networks annual Forward Plan, the panel will make an evaluation of it against a set of evaluation criteria.
- After the end of each financial year, the panel will make an evaluation of performance within that year, against the evaluation criteria concerning the NIE Networks plan delivery and wider performance.

For each of these two phases of assessment, the panel will determine a grade for NIE Networks proposed annual Forward Plan and set out its reasoning in a report to the UR. NIE Networks may ultimately be exposed to a positive incentive amount or a negative incentive amount. The incentive amounts are subject to caps on the maximum financial upside of £3M and maximum financial downside of £3M in relation to each financial year. This is symmetrical. To ensure appropriate levels of transparency all documentation associated with this process will be published.

The panel should draw on evidence and views provided by stakeholders in making its evaluation. The panel does not have any decision-making powers. Instead, its evaluation forms a recommendation that goes to the UR. The UR will then take full account of this recommendation as part of their decision on any financial reward or penalty. The financial reward or penalty will be calculated in accordance with the incentive calculation methodology set out within this annex.

Longer term thinking is an important behaviour that the EPF will incentivise. The panel should only take account of evidence where NIE Networks can demonstrate the consumer value driven by 'new' activity or undertaking 'existing' activity in new, more effective or innovative ways. We would also expect clear progression of initiatives previously identified in plans that could deliver future benefits for consumers. Where NIE Networks has previously been awarded a higher performance score on the basis of a planned initiative from a previous year's forward plan, this would be factored into the performance baseline going forward to ensure that those planned improvements are maintained.

1. Introduction

- 1.1 The Evaluative Performance Framework (EPF) has been proposed as part of the NIE Networks RP7 price control. The purpose of this document is to identify the principles for the EPF and provide guidance on how the proposed EPF would assess NIE Networks delivery for consumers. It provides detail around the processes to be adopted as part of the framework and describes the principles and requirements of the EPF. In particular, it explains the processes and criteria to be used to assess performance, the annual process and timelines, the methodology to be used to determine an incentive payment or penalty, and the composition of the EPF panel.

2. Overview and Background

- 2.1 The framework will aim to incentivise NIE Networks to take advantage of new opportunities, proactively progress initiatives in areas that will bring the greatest benefit to Northern Ireland customers and ensure we continually adapt to the emerging energy landscape. Some areas can be categorised as either new or emerging, with limited historic benchmark data to provide a basis for setting targets, and/or are subject to strong influence by exogenous factors. It is in these areas where the creation of an EPF can deliver the most benefit.
- 2.2 A key element of the new EPF is to bring additional skills, insights and knowledge to the UR's review of NIE Networks' performance. The EPF Panel will bring together independent expertise to assess and constructively challenge performance in the key defined areas in line with identified principles. Consideration will also be given to NIE Networks Roles and Services, Service Performance, the Performance Baseline and any longer-term initiatives.

Principles

- 2.3 The role of NIE Networks must change to meet the demands of Northern Ireland's evolving energy system. We recognize that NIE Networks has the potential to add significant value given its influence within it. With a view to impartiality, we have developed the following principles within this framework to incentivize NIE Networks to:
- improve its performance to maximise the efficiency of the whole electricity system for the benefit of customers;
 - build constructive, value add relationships with key stakeholders;
 - provide clear accountability to customers;
 - have flexibility in a changing industry to find the best system solutions;
 - develop new/emerging roles or initiatives that deliver de-carbonisation;
 - engage with stakeholders in a balanced way that aims to hear and consider the best ideas from all voices.
- 2.4 Some of the key attributes of the framework are:

- Principles based, outcomes focus: NIE Networks is assessed using clear targets and delivering performance improvements according to outcomes against a defined evaluative baseline. NIE Networks must focus on longer term outcomes and actions that affect overall delivery for customers beyond RP7 expectations.
- Accountability: there is a significant role for customers and stakeholders to hold NIE Networks to account by feeding in evidence and views to inform transparent evaluation of NIE Networks performance. UR provides its own impartial feedback, an important piece of evidence as it establishes our view as the Regulator on what 'good' looks like. An independent panel then considers evidence and makes recommendations to the UR who make the final decision.
- Flexibility and Adaptability: decisions are made on an annual basis to ensure performance can adapt over time. The framework is not a "mechanistic incentives framework" and so is sufficiently flexible to incentivize long-term decision making.
- Holistic: it covers targeted NIE Networks roles to ensure incentivisation in making efficient trade-offs across the many services provided, with clear standards outlined. NIE Networks will not be restricted to individual categories as proposals can cover several areas such as "innovation", "DSO and whole system approach" and/or "sustainability". Proposals relate to services which customers are paying for.
- Balanced decisions and proportionate risk/reward: the framework is evaluative; rewards or penalties are determined by how NIE Networks is delivering for consumers against key objectives. This framework is designed so that it:

- ◆ promotes the development of an innovative culture change;
 - ◆ does not reward/penalise NIE Networks for actions outside of its control;
 - ◆ does not rely purely on company only information which targets may predominantly rely on; and
 - ◆ considers that a purely targets/mechanistic/metrics only approach covers the range of behaviours to incentivise NIE Networks on (e.g. some relate to innovative actions which are hard to measure solely via a metric).
- Transparency: a proportionate level of reporting, public performance plans, and scrutiny to encourage reputational incentives. This achieves more transparency for customers and supports accountability.

EPF Operation

- 2.5 NIE Networks will appoint and maintain an evaluation panel, comprising a set of individuals appointed for the purposes of evaluating the performance of NIE Networks as part of the EPF. NIE Networks will engage with the UR and CCNI on the criteria used to appoint panel members. It is important that the panel is seen to represent a range of interests and expertise as well as operate independently to NIE Networks. To provide appropriate assurance in this the UR will retain the ability to veto any appointment. To allow the UR to do this NIE Networks will give written notice of any intended appointment and provide appropriate information relating to the intended appointee prior to appointment.
- 2.6 In relation to each financial year in which the EPF is operational, there will be two phases of assessment by the panel:
- After the publication of NIE Networks annual Forward Plan, the panel will make an evaluation of the plan against a set of evaluation criteria for the plan.
 - After the end of each financial year, the panel will make an evaluation of performance within that year, against the evaluation criteria concerning the NIE Networks plan delivery and wider performance.
- 2.7 For each of these two phases of assessment, the panel will determine a grade for NIE Networks proposed annual Forward Plan and set out its reasoning in a report to the UR. These grades are based on evaluation against Assessment Criteria with reference to a Performance Baseline.

- 2.8 The individual members of the evaluation panel will feed into the evaluation process by drawing on their own knowledge, experience, perspective and insight. They should not act as representatives of any organisation or group that they are affiliated with. The panel is not intended to play the role of stakeholder representation directly. The panel should draw on evidence and views provided by stakeholders (or stakeholder groups) in making its evaluation. The Chair of the panel will have the ability to access both NIE Networks and the UR directly and separately from each other.
- 2.9 Secretariat support will be provided to the panel. If the secretariat is assigned by NIE Networks they will work confidentially and discreetly with the panel when required.
- 2.10 The panel does not have any decision-making powers. Instead, its evaluation forms a recommendation that goes to the UR. The UR will then take full account of this recommendation as part of their decision on any financial reward or penalty. The UR will then either accept the grade determined by the panel or in exceptional circumstances will determine a grade themselves, in which case they should set out clearly their reasoning for differing to the panel.
- 2.11 The financial reward or penalty will be calculated in accordance with the incentive calculation methodology set out in section 5 of this document.
- 2.12 While no specific period of review is scheduled for the EPF, should NIE Networks, UR or the EPF Panel consider that significant issues or failings of the framework exist, then an option to review the operation of the framework can be triggered.

NIE Networks Roles and Services

- 2.13 NIE Networks has well established quantitative performance targets for many of its roles which are subject to regulated allowances and associated oversight. It is proposed that such roles should not have been included within the scope of the EPF.
- 2.14 Roles have been proposed which link directly to NIE Networks' leadership role in facilitating the people of Northern Ireland to decarbonise their lives in line with the Northern Ireland Climate Change Act and Energy Strategy, through creating of a flexible, resilient and integrated energy system.
- 2.15 It should be noted that the presence of regulated allowances associated with particular roles does not preclude those roles from being assessed under the EPF, where these roles and initiatives are emerging or new and/or have limited historical benchmark data. The inclusion of these roles will ensure

heightened stakeholder engagement, alignment to stakeholders' changing needs throughout the period and incentivisation of performance beyond baseline expectations.

- 2.16 Areas that may come under the panel's consideration as part of its assessment include:
- DSO transition and whole system collaboration
 - Innovation
 - Sustainability
 - Customer service quality
- 2.17 The EPF will also drive NIE Networks to deliver additional customer benefits through new initiatives which complement the work it does but may not traditionally sit within NIE Networks' remit.
- 2.18 To assist the panel in its deliberations Annex 1: Examples of NIE Networks Roles and Services provides guidance on these roles and examples of NIE Networks' services and activities that fall within each category, noting that the precise services and activities will be determined and included within the yearly forward work plan. Services and activities within the four NIE Networks roles listed above which are considered as business-as-usual (BaU) will not be assessed under the EPF, rather new and emerging services and initiatives related to these roles will be the subject of the EPF assessment.
- 2.19 NIE Networks will make clear in the documents that it produces for the purposes of the EPF how it has allocated such services, initiatives or activities, insofar as this is material to those documents, and the reasoning for this. Where NIE Networks finds that its services, initiatives or activities cut across multiple roles, NIE Networks is able to allocate this to a single category but may specify how it cuts across different roles and why it best sits in a particular category.

Service Performance

- 2.20 Service performance concerns how NIE Networks contributes to, and influences, the NIE Networks outcomes, via its role in the provision of its services and the carrying out of its functions.
- 2.21 This concept of NIE Networks' service performance is concerned with the quality of service that NIE Networks provides or (credibly) targets, before the effects of variable external factors. For instance, deterioration in a measure

of service quality that is simply due to weather patterns that change from year to year would not represent a deterioration in service performance. Nonetheless, NIE Networks' success in relation to the anticipation and mitigation of the effects of external factors would be relevant to its service performance.

2.22 The relevant evidence on performance is likely to comprise a mix of quantitative and qualitative evidence. This might include, for example:

- Evidence on the levels of service performance that NIE Networks targeted or planned to achieve and its approach to meeting those targets.
- Evidence that NIE Networks has demonstrated a level of performance and efficiency that is outstanding in a particular area.
- Evidence from stakeholders: for example, stakeholder surveys; evidence on stakeholders' views about any changes over time in NIE Networks' service performance; or evidence on the absence of concerns being raised by stakeholders about specific aspects of NIE Networks' service performance.
- Evidence on how well has NIE Networks engaged with its stakeholders and responded to their requirements.
- Evidence on the capabilities, resources and working practices that influence and drive NIE Networks' service performance (e.g. staff inputs, data, software capabilities, internal processes and methodologies).
- Metrics that directly concern service performance and those that concern outcomes together with information on how NIE Networks' service performance has contributed to these outcomes.
- Practical examples of innovative solutions or approaches with significant impacts or benefits.

Performance Baseline

2.23 The Performance Baseline concerns NIE Networks' 'service performance' as introduced above. The Performance Baseline for a particular financial year reflects the combination of the following:

- NIE Networks' service performance in the financial year 2024/25; plus

- the improvements to NIE Networks' service performance that should be expected from the specific investment and initiatives that have been funded through the price control framework (including allowances in final determinations and via uncertainty mechanisms), up to and including the relevant financial year for the assessment; plus
- the improvements to service performance that NIE Networks' has included in its forward plan and successfully delivered for all previous financial years (excluding where applicable any performance improvements that were clearly presented by NIE Networks as time-limited in those plans). Where historic performance information is available then a rolling average shall be utilised to determine the improvements to service performance.

2.24 This provides a dynamic baseline from which to assess, for example whether new initiatives proposed in the forward plan, or implemented outside of the plan, represent genuine improvements in performance. This baseline recognises that performance in a specific financial year is influenced by the starting position at the end of the 2024/25 financial year, which guards against unduly demanding expectations of what NIE Networks can achieve in the 2025-2031 period. It also ensures that NIE Networks is not unduly rewarded for performance improvements that should already be expected as a result of price control funding for new investment or commitments made in previous Forward Plans. This baseline also provides a reference point to use in the assessment of stakeholder satisfaction, so that performance within a particular year is not judged against unduly over-demanding or unduly under-demanding expectations.

Longer Term Initiatives

- 2.25 Longer term thinking is an important behaviour that the EPF will incentivise. It is recognised that for many aspects of NIE Networks' performance it can be difficult to reliably assess performance in terms of outcomes. This is due to a number of factors including
- a) the potential for long periods of time between action intended to bring an improvement and that improvement being fully realised;
 - b) a large influence of external factors on outcomes that are difficult to disentangle from the NIE Networks' actions; and
 - c) the sensitivity of the assessment to assumptions about the counterfactual.

- 2.26 The panel should only take account of evidence where NIE Networks can demonstrate the consumer value driven by 'new' activity or undertaking 'existing' activity in new, more effective or innovative ways. This could, for example, relate to a new step as part of an existing project, or effective delivery of a stage of a long-term project. This activity might include, for example: new processes; new systems; changes to methodologies and working practices; changes to interactions with other stakeholders. It would be particularly relevant to present evidence from engagement with informed stakeholders to understand how NIE Networks' strategy and actions fit with what stakeholders see as the key opportunities to bring about improvements. We would also expect clear progression of initiatives previously identified in plans that could deliver future benefits for consumers.
- 2.27 Where NIE Networks has previously been awarded a higher performance score on the basis of a planned initiative from a previous year's forward plan, this would be factored into the performance baseline going forward to ensure that those planned improvements are maintained.

3. Annual Process and Timelines

3.1 This section sets out the process to be used for the purposes of the evaluation of NIE Networks’ performance for each financial year. It specifies a series of steps, covering elements such as: NIE Networks’ preparation and publication of its annual Forward Plan; NIE Networks’ reporting on its performance; stakeholder submissions to the panel; the panel’s evaluation of NIE Networks’ plan and performance; and the determination of financial incentives by the UR.

3.2 The following, Figure 3.1, illustrates the indicative timeline.

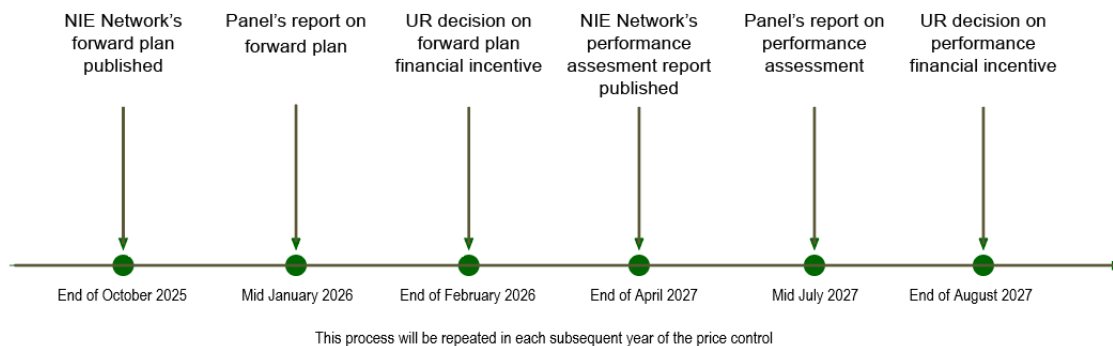


Figure 3.1: Evaluative Performance Framework Indicative Timeline.

Step 1: NIE Networks' Preparation of its Forward Plan

3.3 Before it publishes its annual Forward Plan for a specific financial year, and in addition to the internal work required to develop and produce its plan, NIE Networks can engage with stakeholders. If this occurs the engagement with stakeholders will be considered as part of the panel’s evaluation of the Forward Plan.

Step 2: NIE Networks Publication of the Forward Plan

3.4 NIE Networks should publish a final version of its Forward Plan by the end of October.

Step 3: Stakeholder Submissions to the Panel on the Plan

- 3.5 Upon the publication of the Forward Plan, NIE Networks will invite stakeholders to provide feedback and submissions on the plan that will then be made available to the evaluation panel and the Utility Regulator. Stakeholders will have six weeks to provide these submissions to the panel and an event will take place to allow engagement between stakeholder the panel and NIE Networks.

Step 4: The Panel's Evaluation Report on the Forward Plan

- 3.6 Within two and half months of the publication of the Forward Plan (i.e. mid-January), the panel should produce its evaluation report on it. This will set out a recommended grade and a summary of the panel's reasoning and consideration. This report will be published on the UR's website along with the responses to the NIE Networks Forward Plan consultation.
- 3.7 To inform its evaluation the panel will engage in the following:
- Review of the Forward Plan
 - Review of submissions from the UR and other stakeholders on the plan
 - Participation in meetings with stakeholders on the plan
- 3.8 Guidance on the panel's evaluation of the Forward Plan is provided in section 4.

Step 5: Determination of the forward plan incentive amount

- 3.9 The UR will write to NIE Networks informing them of its decision on the Forward Plan incentive amount by the end of February. This will be published.

Step 6: The annual performance report

- 3.10 By the end of April in each financial year, NIE Networks will publish on its website its annual performance report for the purposes of the EPF. This will be in the form of a consultation for stakeholders to provide their view of the NIE Networks report.

Step 7: Stakeholder submissions on performance report

- 3.11 The stakeholder submission will be made available to the panel and the Utility Regulator.

Step 8: The panel's evaluation report on performance

- 3.12 Within two and half months (mid-July) of the publication of the annual performance report, the panel should produce its evaluation report on NIE Networks' performance.
- 3.13 This will set out a recommended grade with a summary of the panel's reasoning and consideration. This report will be published on the UR's website along with the responses to the NIE Networks consultation.
- 3.14 Guidance on the panel's evaluation of the Forward Plan is provided in section 4.
- 3.15 To inform its evaluation the panel will engage in the following:
- Review of the annual performance report.
 - Review of submissions from the UR and other stakeholders on the report and other matters relevant to the evaluation.
 - Meetings with NIE Networks and stakeholders.
- 3.16 The panel, NIE Networks or the UR may consider there is value in a workshop or meetings to support different stages of the process. If this is the case this will be accommodated.
- 3.17 To inform the evaluation, the UR and the panel may seek clarifications and raise queries on the annual performance report. NIE Networks will respond to any queries promptly and in line with the general guidance.

Step 9: Determination of the performance incentive amount

- 3.18 The UR will write to NIE Networks to inform them of their decision on the performance incentive amount by end of August. This will be published. The calculation methodology set out in section 5 will be applied to calculate the incentive amount.
- 3.19 The UR will also confirm the overall incentive amount which reflects the combined effect of the Forward Plan incentive amount and the performance incentive amount.

4. Evaluation Methodology

Evaluation of the Forward Plan

- 4.1 NIE Networks will ensure that its Forward Plan is presented in a way that enables the panel to perform the required assessment.
- 4.2 For the evaluation of the Forward Plan, the key criteria for the panel to consider are as follows:
- **Service Ambition:** The degree of ambition for improvements over time included in the plan, in relation to the four NIE Networks' outcomes, relative to past performance and existing working practices and processes.
 - **UR Service Priority, Climate Change Act (NI) and Energy Strategy Alignment.** The extent to which the new initiatives and areas of focus presented in the plan are aligned with the Climate Change Act (NI), the DfE's Energy Strategy, and the Service Priorities set by the UR (which in turn would be informed by stakeholders) or otherwise supported by strong evidence.
 - **Stakeholder Engagement.** The quality of stakeholder engagement and participation in developing the plan and the responsiveness that the plan shows to the views and concerns of stakeholders (to the extent not captured under alignment).
 - **Service Accountability.** The degree of clarity on the NIE Networks' planned activities and initiatives and how the success or performance in relation to these would be assessed (e.g. detailed specification of deliverables and measures of success).
- 4.3 Stakeholder feedback on the plan is not an assessment criterion in its own right, but is likely to form part of the evidence base for the panel's assessment of the criteria set out above (e.g. we and other stakeholders may provide feedback on the alignment of the plan with the Service Priorities, on the accountability the plan provides, or on the responsiveness of the plan to stakeholder views).
- 4.4 For each of the four criteria above, the panel should determine which of the following three categories the plan fall under:
- a) Exceeds expectations
 - b) Meets expectations

c) Falls short of expectations (a shortfall)

4.5 We provide guidance below on how the panel should make this assessment for each criterion, and then guidance on how the panel should determine an overall grade for each role.

4.6 As part of its assessment of NIE Networks Forward Plan, the panel should take account of new initiatives, and their associated deliverables, which are included in the plan and which NIE Networks makes a firm commitment to carry out, insofar as these are relevant to the assessment. These may include, in particular:

- Deliverables that do not involve any material additional cost to NIE Networks.
- Deliverables that NIE Networks is content to fund from its existing price control allowances and/or the prospect of financial rewards under the evaluative performance framework.
- Deliverables for which we have approved additional funding via price control uncertainty mechanisms.
- Deliverables for which NIE Networks is seeking additional funding under price control uncertainty mechanisms, for which regulatory approval is still pending and NIE Networks is prepared to commit to delivering these at its own financial risk (i.e. irrespective of whether funding approval is subsequently given).

4.7 The panel should disregard any proposals or new initiatives included in NIE Networks Forward Plan which are conditional on additional price control funding and for which we have decided not to provide funding or for which our assessment is still pending.

4.8 Guidance is provided in [Table 4.1](#) below to expand on the expectations for each criterion.

Criterion	Guidance
<p>Service Ambition</p> <p>Considering the strategy, deliverables, performance measures, tangible benefits, stretch regarding timescales, cost related challenges</p>	<p>Exceeds expectations: Evidence provided to show deliverables, performance commitments and timescales are reasonably stretching and exceed baseline. Continuous improvement evident.</p> <p>Meets expectations: Evidence that, overall, it demonstrates deliverables, performance commitments and timescales which would provide incremental improvements over time, but not enough that it exceeds baseline.</p> <p>Falls short of expectations: Overall balance of evidence does not meet or exceed expectations. For example, the panel should find that a plan which includes no deliverables or performance commitments which would bring material improvements relative to business as usual for a particular NIE Networks role to fall short on ambition for that role.</p>
<p>UR Service Priority, Climate Change Act (NI) & Energy Strategy Alignment</p>	<p>Exceeds expectations: The panel finds that the new initiatives and improvements set out in the plan are generally tightly aligned with all the Service Priorities and have a strong contribution to the four NIE Networks Outcomes.</p> <p>Meets Expectations: The panel finds that the new initiatives set out in the plan are reasonably well aligned with the Service Priorities specified by us, with a strong justification for any new initiatives that are not directed at the Service Priorities.</p> <p>Falls short of expectations: The plan does not meet the characteristics for either meeting or exceeding expectations.</p>
<p>Stakeholder Engagement</p>	<p>Exceeds expectations: There is evidence that the views and insight from stakeholders have played a major role in the development of the plan, to lead to positive outcomes for stakeholders and consumers, and that there is strong stakeholder support for the plan.</p> <p>Meets expectations: There is evidence that NIE Networks has carried out reasonable stakeholder engagement activities for the purposes of its plan and that stakeholders have had a significant influence on the plan.</p> <p>Falls short of expectations: The plan does not meet the characteristics for either meeting or exceeding expectations.</p>

<p>Service Accountability</p> <p>Deliverables are specific, time-bound, align with strategy, performance commitments are specific and relevant.</p>	<p>Exceeds expectations: The Panel has confidence that both of the following conditions apply:</p> <ol style="list-style-type: none"> 1. The plan sets out a clear set of initiatives and provides sufficient detail on how the delivery and/or success of those initiatives would be measured and reported in relation to quality, scope and timing. In particular, the detail should be sufficient to prevent a situation where NIE Networks can report full delivery, but the quality and scope of deliverables is below that which was envisaged in the plan. 2. The plan includes a clear set of performance commitments to monitor performance, explains the relevance of these metrics to the four NIE Networks outcomes, and proposes how its performance against these metrics can be judged. <p>Meets expectations: The plan does not meet the conditions above to exceed expectations, but the panel's assessment is that, overall, the plan provides a reasonable amount of information and reporting arrangements to enable NIE Networks to be held to account for delivery of the key aspects of its plan, in relation to quality, scope and timing.</p> <p>Falls short of expectations: The plan does not meet the characteristics set out above for meeting or exceeding expectations.</p>
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Table 4.1: Evaluation of the Forward Plan - Expectations for each criterion

Grading the Forward Plan

- 4.9 For each NIE Networks role, the panel should award a grade of 1 to 5, with 1 being the worst and 5 the best.
- 4.10 In the case of the Forward Plan, we provide relatively mechanistic guidance for the panel in terms of the mapping between the assessment against individual criteria and the grade awarded to the plan in respect of each NIE Networks role. This reflects our view that the assessment criteria reflect separate dimensions in which the quality of the plan may vary, with limited overlap, and our view that the benefits to predictability outweigh limitations to the panel's discretion. Furthermore, the approach captures our policy intention to give greater weight to the ambition criterion than the other three criteria for the purposes of the assessment of the Forward Plan.
- 4.11 The first step is to calculate a score for each of the criteria. This is done as follows:
- If the assessment is that there is was shortfall on that criterion, the score for that criterion is -1 (minus 1).
 - If the assessment is that NIE Networks met expectations for that criterion, the score is 0.

- If the assessment is that NIE Networks exceeded expectations, the score is 1.

4.12 The second step is to calculate an aggregate score across criteria by multiplying the score for ambition by two and adding this to the sum of the scores from the other three criteria.

4.13 The third step is to determine the overall assessment grade using [Table 4.2](#) below, which maps the grade to the aggregate score calculate in the second step.

Grade	Aggregate score for Forward Plan across four criteria
1: poor	Score of -3.0 or less
2: lagging	Score is -1.0, or less than -1.0 and more than -3.0
3: baseline	Score is more than -1.0 and less than 1.0
4: good	Score is 1.0, or more than 1.0 and less than 3.0
5: excellent	Score is 3.0, or more

Table 4.2: Overall Assessment Grade

4.14 In order to assist the panel, an example is provided in Figure 4.1 below.

	Role 1 DSO Transition & Whole System Collaboration	Role 2 Innovation	Role 3 Sustainability	Role 4 Customer Service Quality
Weights	X	X	X	X
Criterion				
1 Service Ambition	0	0	0	1
2 UR Service Priority, Climate Change Act (NI) & Energy Strategy Alignment	-1	-1	0	0
3 Stakeholder Engagement	-1	0	0	0
4 Service Accountability	0	-1	0	0
Assessment Total	-2	-2	0	2
Assessment Grade	2	2	3	4
Overall Grade FWP	Calculated by multiplying each role assessment grade by relevant weight, then total to 2 decimal places			

Figure 4.1: Example of determining the overall assessment grade

4.15 In the above example, a score is provided for each criterion within each role as specified at the start of the section 4.2.

4.16 A score of 0 corresponds to the criteria meets expectations, -1 corresponds to falls short of expectations and 1 corresponds to exceeds expectations. The panel is able to apply the number to one decimal point.

4.17 Guidance is provided as to scoring each criterion above in the section titled 'Evaluation of the Forward Plan'.

Evaluation of Performance

4.18 The panel should make a separate evaluation of performance for each NIE Networks' role for each financial year. NIE Networks will ensure that its performance report and other submissions relevant to the assessment are presented in a way that enables the panel to carry out a separate assessment by role.

4.19 For the assessment of the performance in each role, the key criteria for the panel to consider are as follows:

- **Delivery.** The extent to which NIE Networks has delivered against (a) the specified deliverables and/or performance commitments from the Forward Plan; and (b) the specified price control outputs (or deliverables) set by the UR for new initiatives where new or additional allowances have been provided for, and the justification for this delivery.
- **Stakeholder satisfaction.** The extent to which stakeholders are satisfied with the performance of NIE Networks, taking its performance in 2024/25, as supplemented by its Forward Plan, as its baseline.
- **Adaptability.** The extent to which NIE Networks has shown successful adaptation and agility, to the benefit of NIE Networks outcomes, in responding to opportunities not anticipated in the Forward Plan.

4.20 As for the Forward Plan, the panel should categorise the plan, for the NIE Networks role under consideration, into one of the following: exceeds expectations; meets expectations; or falls short of expectations (shortfall).

4.21 Guidance is provided in [Table 4.3](#) below to expand on the expectations for each criterion.

Criterion	Guidance
Delivery	<p>Exceeds expectations: If there is evidence that NIE Networks has, in all material respects, delivered in line with (or in excess of) all of the deliverables, milestones, success measures and/or performance commitments specified in its forward plan for the purposes of accountability. The panel should also consider NIE Networks performance exceeds expectations for the baseline if its delivery falls somewhat short of the scenario above, but it provides a compelling explanation as to why those shortfalls are consistent with strong performance in delivery (e.g. due to factors that could not reasonably have been planned for and where NIE Networks performed well in mitigating the effects of these factors).</p> <p>Meets expectations: If there is evidence of both of the following:</p> <ul style="list-style-type: none"> • NIE Networks has mostly but not entirely delivered in line with (or in excess of) the deliverables, milestones, success measures and/or performance metrics specified in its forward plan for the purposes of accountability. • Where delivery has fallen short, NIE Networks has generally provided a reasonable explanation and NIE Networks generally performed reasonably well in mitigating unexpected problems that arose. <p>Falls short of expectations: if there is insufficient evidence for the panel to consider that it has met or exceeded the baseline.</p>
Stakeholder Satisfaction	<p>Exceeds expectations: If the panel considers that, across different types of stakeholders and across different areas of interest to stakeholders within the relevant NIE Networks role, NIE Networks is generally perceived to have performed better than the Performance Baseline. This need not imply that all stakeholders share the same view. NIE Networks are expected to encounter challenges throughout the life of a project, given those projects are typically longer in duration. NIE Networks should include any evidence to support why any shortfalls are consistent with a strong performance.</p> <p>Meets expectations: If the panel considers that, across different types of stakeholders and across different areas of interest to stakeholders within the relevant NIE Networks role, NIE Networks is generally perceived to have performed in line with the baseline described above. This need not imply that all stakeholders share the same view.</p> <p>Falls short of expectations: if the panel does not consider that stakeholder satisfaction is sufficient to exceed or meet the criteria as set out above.</p>

Adaptability	<p>Exceeds expectations: if, on the basis of the evidence available, it considers that NIE Networks has exceeded the Performance Baseline and provided significant additional benefits in relation to NIE Networks outcomes, by going beyond, or deviating from, the set of deliverables and commitments from its forward plan and the outputs set by us as part of approvals for price control funding.</p> <p>Falls short of expectations: if, on the basis of the evidence available, the panel considers that NIE Networks generally did not take readily-available and low-cost opportunities within the year to improve performance relative to the Performance Baseline (including but not limited to opportunities highlighted via feedback from the panel and other stakeholders on its forward plan).</p> <p>Meets expectations: if it views NIE Networks performance as neither falling short nor exceeding the criterion.</p>
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Table 4.3: Evaluation of Performance - Expectations for each criterion

Grading NIE Networks performance

- 4.22 For the assessment of the NIE Networks' performance, we have not set out a prescriptive mapping of how the assessment for each individual criterion should translate into the overall grade for performance.
- 4.23 We intend for the panel to have some scope for discretion and judgment, especially in the light of the degree of overlap between some of the criteria (e.g. stakeholder satisfaction and delivery). Furthermore, it is possible that in some circumstances it may be appropriate for the panel to give greater attention to one criterion relative to the others, to ensure that the grading of performance is representative of overall performance within a specific NIE Networks role. At the same time, it is important for both practicality and predictability to provide some guidance to the panel on how an overall grade would be determined in the light of the individual assessment criteria.
- 4.24 For each of the roles, the panel should grade NIE Networks' overall performance on a scale of 1 to 5, as follows:
- Grade 1: poor: Overall is clearly poor, for example NIE Networks have fallen short in most or all criteria and not exceeded any.
 - Grade 2: lagging: Overall performance lies between grades 1 and 3, for example with a shortfall for one criterion and meeting expectations in the others.
 - Grade 3: baseline: Overall performance in line with expectations, for example NIE Networks has met all criteria or there is a balance of exceed and shortfall across the criteria.

- Grade 4: good: Overall performance lies between grades 3 and 5, for example with NIE Networks exceeding one criterion and meeting the other two.
- Grade 5: excellent: Overall performance is clearly excellent, for example NIE Networks has exceeded against most or all criteria and not fallen short in any.

4.25 The use of examples in the points above is intentional to allow some discretion to the panel. For instance, the panel should have discretion to grade performance as baseline if one criterion exceeds or falls short while the other two criteria meet the baseline, or as good if two criteria exceeds and one falls short, if it considers that this would best reflect overall performance for the role.

4.26 An example scenario is provided in Figure 4.2 below to bring together various scenarios and demonstrate how the expectations align with the grading set out above.

	Role 1 DSO Transition & Whole System Collaboration	Role 2 Innovation	Role 3 Sustainability	Role 4 Customer Service Quality
Weights	X	X	X	X
Criterion				
1 Delivery	0	0	0	1
2 Stakeholder Satisfaction	-1	-1	0	0
3 Adaptability	-1	0	0	0
Assessment Total	1	2	3	4
Assessment Grade	1	2	3	4
Overall Grade Performance Report	Calculated by multiplying each role assessment grade by relevant weight, then total to 2 decimal places			

Figure 4.2: Example Scenario

Interaction with Consumer Engagement Advisory Panel (CEAP)

4.27 The CEAP provides a valuable and important role in representing the interests of stakeholder groups within the current price control including agreeing and reporting of key performance metrics within the current price control. While aiming to utilise the expertise of CEAP within the process, but mindful of not compromising its existing role, CEAP will discuss and provide feedback on the inputs into the NIE Networks' Forward Plan and performance report prior to publication, providing valuable input to aid the development of the plan and ensuring alignment with stakeholder needs. Members of CEAP will be able to provide individual responses to the NIE Networks consultations.

5. Calculation of Incentive Amounts

5.1 The EPF provides for financial incentives in relation to the two phases of assessment in each financial year:

- The evaluation of NIE Networks' Forward Plan.
- The evaluation of NIE Networks' performance against the plan.

5.2 Across these two phases of assessments, NIE Networks may ultimately be exposed to a positive incentive amount (e.g. which might be seen as a financial reward for good planning/performance) or a negative incentive amount (e.g. which might be seen as a financial penalty for poor planning/performance).

5.3 A positive incentive amount will lead to a corresponding increase in NIE Networks' maximum regulation revenue from DUoS tariffs revenue under the price control framework and a negative incentive amount will lead to a corresponding decrease in the NIE Networks' maximum regulation revenue from DUoS tariffs revenue under the price control framework.

Stage 1 – Determination of Final Grades by Role

5.4 For both the evaluation of the annual Forward Plan, and the evaluation of NIE Networks' performance, the determination of any financial reward or penalty will be a matter for the UR, in the light of the grades recommended by the panel.

Stage 2 – Calculation of the Overall Incentive Amount

5.5 The overall grade is an average of the Forward Plan grade and the performance report grade. This grade will be used to calculate the overall incentive amount.

5.6 The overall incentive amount will be calculated as follows:

- If the overall grade is above 3, then the incentive amount will be calculated as the overall grade minus 3, multiplied by £1,500,000. This will be a positive number, indicating a financial reward under the incentive scheme.
- If the overall grade is below 3, then the incentive amount will be calculated as the overall grade minus 3, multiplied by £1,500,000. This will be a negative number, indicating a financial penalty under the incentive scheme.

- If the overall grade is 3, the incentive amount will be zero.

5.7 The incentive amounts are subject to caps on the maximum financial upside and maximum financial downside in relation to each financial year and is symmetrical as demonstrated in Figure 5.1 below.

		Performance Grade				
		1	2	3	4	5
Forward Plan Grade	1	-£3,000,000	-£2,250,000	-£1,500,000	-£750,000	£0
	2	-£2,250,000	-£1,500,000	-£750,000	£0	£750,000
	3	-£1,500,000	-£750,000	£0	£750,000	£1,500,000
	4	-£750,000	£0	£750,000	£1,500,000	£2,250,000
	5	£0	£750,000	£1,500,000	£2,250,000	£3,000,000

Figure 5.1: Incentive Caps

6. EPF Panel

- 6.1 A key element of the EPF is to bring additional skills, insights and knowledge to the UR review of NIE Networks' performance. It will be the role of the EPF Panel to independently assess and constructively challenge NIE Networks' performance. The panel should make separate assessments of the Forward Plan and its performance.
- 6.2 NIE Networks will establish the EPF Panel to include up to 5 members (4 independent expert panel member, plus 1 independent expert panel member chair). The panel will independently assess performance annually under two phases: an assessment of NIE Networks' Forward Plan (how it is going to perform) and an assessment of its performance (how it has performed). The EPF Panel will provide recommendations to UR under each phase. In doing so, the EPF Panel will also draw on evidence and views provided by UR, NIE Networks' customers, consumers, their representatives and other stakeholders (or stakeholder groups) in making its evaluation as part of each phase.
- 6.3 As an independent expert, the EPF panel member will:
- Challenge and impartially assess NIE Networks' performance based on a range of evidence.
 - Score and provide a recommendation according to UR guidance and evaluation criteria based on this assessment.
 - Work well within a team of other panel members and stakeholders, and be able to engage in a way, which clearly and constructively challenges NIE Networks.
 - Provide independent judgement and an external perspective which is disaggregated from any other organisation which they have an affiliation.
- 6.4 Candidates must be of mid to senior level experience¹ who have the ability to effectively challenge and evaluate NIE Networks' performance to further the interests of Northern Ireland consumers. Candidates must not have been an employee of NIE Networks within the last 5 years. Appointed members will

¹ "Mid-Senior/Board-level" may include working at: organisational board level; or senior civil service level; or equivalent; or working at senior manager, director or CEO level or demonstration of a significant deputising role, or leading divisions or personnel or teams within an organization to be considered as evidence of working at mid to senior level. We note that this list is comprised as a guide and is not intended to be exhaustive and so we are open to other appropriate evidence.

serve on the EPF Panel to assess NIE Networks performance for the whole of the price control period.

6.5 The independent expert EPF Panel member will demonstrate all the following skills:

- Ability to evaluate critically based on a range of (potentially conflicting) evidence, and provide recommendations based on objective criteria as set out in the UR guidance.
- Ability to think strategically and ‘see the big picture’.
- Ability to listen and challenge in a constructive manner and have the drive to proactively engage to deliver results.
- Display strong communication skills to make an effective contribution to discussions across multiple stakeholders.

6.6 Applicants must also be able to demonstrate expertise, knowledge and experience in essentially one or desirably two or more of the following areas:

- Customer experience – demonstrate experience in developing an understanding of customer needs and can demonstrate a passion for delivering exceptional customer experience and driving customer satisfaction.
- Energy strategy and transition – demonstrate expertise in energy system and energy transition issues and delivery of policies and programmes to affect their implementation, including the ability to collaborate and co-ordinate across an integrated landscape.
- Digital & innovation – demonstrate experience in digital data, technological or transformational change and demonstrate knowledge and insight to the role of digitalisation in the energy transition.
- Sustainability – demonstrate experience and knowledge in the delivery of sustainability, environmental, social and governance practices, programmes and reporting frameworks.
- Proven track record of operating at a strategic level or as an independent expert in other jurisdictions (perhaps applying electricity system operation knowledge) and/or from other regulatory utility sectors to the benefit of consumers.

Annex 1: Examples of NIE Networks Roles and Services

NIE Networks Role	NIE Networks service for assessment under the EPF
DSO and Whole System	Flex First Data Provision Engagement and Collaboration
Innovation	Delivery of ex-ante funded innovation projects Network Innovation Fund Wider innovation activity
Sustainability	Becoming a net zero organisation Environmental stewardship and social development
Customer Service	Supporting vulnerable customers Enhancing customer service Supporting customers with Energy Transition Enhancing Connections services Supporting competition in connections