Attachment OC-AQCIE-CIFQ-6.1a

RIIO Transmission (T1): Outputs and Incentives Summary

Performance Category	Output/Incentive	Ratemaking treatment	Incentive(s)	Description
Cost	Information Quality Incentive: Efficiency Incentive	PIM	Cost sharing factor for difference between allowed total expenditure and actual total expenditure.	The company's share of cost savings/overruns. Rewards transmission owners ("TOs") for pursuing cost savings throughout the plan term, and holds them accountable for spending more than the allowed amount.
	Information Quality Incentive: Additional Income	PIM	Reward/penalty based on the company's total expenditure forecast.	An additional amount the company is rewarded/ penalized based on the difference between the company's cost forecast and the regulator's cost forecast. The company receives a higher reward the closer its forecast is to the regulator's forecast. The company is penalized for an inflated forecast. Additional income value is given as a percentage of base totex. Incentivizes the company to submit an accurate cost forecast that is close to the regulator's cost forecast.
Reliability	Energy Not Supplied	PIM	Incentive rate of £16,000/MWh which is based on an estimate of the value of lost load. A collar on financial penalties limits the maximum penalty to 3% of allowed revenues.	Target Electricity Not Supplied ("ENS") value varies by company. The company is rewarded or penalized at rate of £16,000/MWH for going under/over this target. There are some exclusions as to what counts as ENS, and the commission has some discretion. Licence condition sets minimum performance standard. If company does not meet this performance standard, Ofgem can launch a license investigation and impose financial penalties.
Safety	Asset health and criticality with agreed targets and impacts on RIIO-T2 funding (Secondary Deliverable[1])	Discretionary financial incentive	A penalty/reward of 2.5% of the value of any over/under delivery of network replacement outputs.	Transmission owners are required to provide ratings of asset health, criticality and replacement priorities at annual intervals throughout the price control.
	Compliance with safety obligations set by the Health and Safety Executive	Other	Statutory requirements. No financial incentive.	The Electricity Safety Quality and Continuity Regulations of 2002 specify standards that TOs must adhere to with regards to their networks. The Health and Safety at Work Act of 1974 and Electricity at Work Regulations protect employees of TOs while at work.
Connections	Connect new generation capacity	Discretionary financial incentive	Requirement. Penalty of .5% of allowed revenue for failure to meet requirement. (Applies only to SPTL and SHETL)	Connect additional generation as specified by company-specific targets.
	To meet existing legal requirements	Other	General enforcement policy. Can be penalized under Authority's general enforcement powers. (Applies to all TOs)	An example on an existing legal requirement is to deliver connections obligations in a timely manner.
Availability	Prepare and maintain a Network Access Policy ("NAP")	Other	Reputational incentive. Potential financial incentives if relevant during development and update of NAP.	NAP details how responsibilities between System Operator ("SO") and TO are divided. The NAP should be continuously updated. Eventually the NAP can include financial incentives for the company for performing tasks specified by the NAP.
Customer Satisfaction	Develop customer/stakeholder satisfaction survey	PIM	Up to +/- 1% of allowed revenue.	Reward/penalty directly tied to the company's performance above/below a target survey score.
	Effective stakeholder engagement	Discretionary financial incentive	Up to .5% of allowed revenue via a discretionary reward scheme. (Reward only, no penalty)	Discretionary reward for delivering exceptional results through effective stakeholder engagement. The company will be able to apply for the reward on an annual basis and needs to demonstrate how stakeholder engagement directly led to benefits for consumers. Whether the company receives the reward or not is decided by an independent panel established by Ofgem.

Environmental	SF_6 leakage rate	PIM	Differences from baseline are subject to reward/penalty based on the non-traded carbon price for carbon equivalent emissions.	At the beginning of each year, the baseline target is calculated by adding together the emissions target from the previous year and the expected emissions rate from new asset additions in the current year, less the expected emissions from asset disposals in the current year. After the year is over, the actual leakage volume is calculated. The company is rewarded/penalized in proportion to the difference between the target leakage volume and the actual leakage volume.
	Environmental Discretionary Reward Scheme	Discretionary financial incentive	Positive reward available for leadership performance across different scorecard activities.	Discretionary reward based on the company's performance on a scorecard designed by Ofgem to assess whether the company has a systemic approach to implementing a low-carbon economy. Scorecard categories include effort undertaken to connect to low-carbon generation sources, approach taken to network development (i.e., outage planning) and others.
	Losses	Other	Reputational incentive. No financial incentives/allowances/cost trackers.	The company must publish an overall strategy for transmission losses and annual progress in implementation and impact on transmission losses.
	Visual amenity	Other	Initial allowance in rates plus cost tracker to cover the additional cost of mitigation technologies that are required to receive consent to build new transmission infrastructure from the Secretary of State. (Applies to NGET)	National Grid Electricity Transmission ("NGET") receives an initial allowance to cover the cost of undergrounding 10% of the new transmission assets it is expected to deliver during the plan term. Additionally, there is a cost tracker to adjust revenue if more/less undergrounding was undertaken. Tracker specifies how much NGET will be allowed to recover per length of underground cable installed.
			Initial expenditure cap of £500M to reduce the impact of existing infrastructure in designated areas. (Applies to NGET, SHETL, SPTL)	The company needs to develop and submit a plan for delivering visual amenity outputs in order to access funding under the expenditure cap. Increasing the cap is possible if the company can demonstrate via a willingness-to-pay study that the median willingness to pay is higher than what was assumed when the initial cap was set.
	Business Carbon Footprint ("BCF")	Other	Reputational incentive. No financial incentives/allowances/cost trackers.	The company must report carbon dioxide equivalent measures of their emissions related to specific business operation categories such as energy usage, operational and business transport, and fuel combustion.
Wider Works (Secondary Deliverable[1])	Install additional transfer capacity at network boundaries as specified in schedules of final decision documents.	Other	The company is given an initial allowance to cover the costs of building the boundary transfer capacity specified in Final Decision. During review periods, the initial allowance is adjusted upwards, if the company builds more transfer capacity than specified in the decision, or downwards, if the company builds less. The magnitude of the adjustment is determined by the Wider Works Volume Driver, which specifies the monetary adjustment per unit of transfer capacity. Thus, the adjustment is equal to the units of transfer capacity the company over/underbuilt multiplied by the per unit cost. Initial allowance and per unit costs are based on a unit cost study done by an engineering team. In the case of building more transfer capacity than specified in the decision, Ofgem reserves the right to review whether the additional capacity was necessary.	Wider works is an investment project intended to accommodate new generation and comply with security standards.

Notes:
1) Secondary Deliverables are investments undertaken in the current price control period that will ensure the efficient delivery of primary outputs in future periods.