

Evaluative Performance Framework guidance

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1. Introduction

- 1.1 The Evaluative Performance Framework has been devised as part of the SONI 2020 to 2025 price control. This guidance document provides guidance around the processes and requirements involved in the Evaluative Performance Framework. In particular, it explains the processes and criteria used to assess SONI's performance; the reporting requirements placed on SONI; and the methodology we will use to determine an incentive payment or penalty.
- 1.2 The guidance is issued by UR as defined in the definitions section of Annex 1 of SONI's licence which places obligations on SONI (as stated therein the definition).
- 1.3 We would consult on any material changes to the guidance with SONI and affected parties. Any changes made to the guidance within the year, which materially change the way SONI's performance is assessed would not apply until the next year (unless there is agreement that a change is necessary, for example, to correct an error or to improve a process). The UR will also decide, subject to consultation whether the same overall process should be applied in the next price control, which is due to take effect from 1 October 2025.

2. Overview of the evaluative framework

2.1 This section provides an overview of the evaluative performance framework for SONI. It is structured as follows:

- High level framework goals
- Outcomes being targeted.
- The operation of the evaluative performance framework.
- SONI roles and services.
- Within-scope costs.
- Performance baseline

High level framework goals

2.2 We have set up the evaluative performance framework to incentivise SONI to:

- take an open, flexible and collaborative approach to responding to stakeholders and considering new innovative ideas.
- develop greater transparency and accountability to SONIs' operations in both its planning and performance reporting
- bring additional skills, insights and knowledge to our review of SONI's performance from use of independent experts
- encouraging action from SONI that contributes to the positive outcomes for consumers ("SONI outcomes")

Outcomes being targeted

2.3 The primary purpose of the evaluative performance framework is to provide financial and reputational incentives to SONI to encourage it to engage in actions and behaviours which contribute to four high-level outcomes ("SONI outcomes").

2.4 The four SONI outcomes are:

- **Decarbonisation.** The Northern Ireland electricity system supports government decarbonisation policy and targets.
- **Grid security.** Northern Ireland electricity customers receive secure and reliable electricity supplies.
- **System-wide costs.** Northern Ireland electricity consumers get good value for money which reflects efficiency within, and across, different parts of the Northern Ireland electricity system, over the short term and the longer term.

- **SONI service quality.** SONI provides an appropriate range and quality of services to participants in the Northern Ireland electricity system and other stakeholders.
- 2.5 An important feature of the EPF is that the panel will need to use its judgement in evaluating and reaching expectations on SONI's performance. This is largely because many of the outcomes we expect from SONI that benefit consumers cannot be derived from numerical targets and can be influenced by external factors SONI cannot fully control. In this context, it is likely to be important for SONI and the panel to give attention not only to evidence on outcomes but also to evidence concerning SONI initiatives or actions that can reasonably be expected to bring benefits in terms of SONI outcomes, and to evidence on the mechanisms through which SONI can have a positive impact.
- 2.6 In exercising its judgement it is helpful for the panel to understand that what we are ultimately seeking from SONI from this framework and in contributing to outcomes is **clear and tangible evidence that it is taking new steps within that year to deliver better services, practices, business models and technologies; and that, in doing so, SONI is contributing strongly to outcomes which consumers benefit from; and that it delivers strongly against these new steps.**
- 2.7 The role of these outcomes for different aspects of the evaluative performance framework is described in relevant sections of this guidance document.

The operation of the evaluative performance framework

- 2.8 The UR will establish and maintain an evaluation panel, comprising a set of individuals appointed for the purposes of evaluating the performance of SONI as part of the evaluative performance framework.
- 2.9 In relation to each financial year in which the evaluative performance framework is operational, there will be two phases of assessment by the panel:
- After the publication of SONI's 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 SONI's performance within that year, against the evaluation criteria concerning the SONI's plan delivery and wider performance.
- 2.10 For each of these two phases of assessment, the panel will determine a grade for each of four SONI roles, and set out its reasoning in a report to us. These grades are based on evaluation against Assessment Criteria with reference to a Performance Baseline. The grades should be a whole number from one to five, with five being the best. Sections 4 to 5 of this guidance document provide guidance on how the panel should make its evaluation and determine grades.
- 2.11 The individual members of the evaluation panel are required to 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.

- 2.12 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.
- 2.13 The panel does not have any decision-making powers. Instead, its evaluation forms a recommendation that goes to us. We will then take full account of this recommendation as part of our decision on any financial reward or penalty. We will either accept the grade determined by the panel or determine a grade ourselves, in which case we should set out our reasoning for differing to the panel.
- 2.14 The financial reward or penalty will be calculated in accordance with the incentive calculation methodology set out in section 7 of this document.

SONI roles and services

- 2.15 The panel should make separate assessments of SONI's forward plan, and its performance, in each of four SONI roles.
- 2.16 These SONI roles are as follows:
- System operation and adequacy.
 - Independent expert.
 - System planning.
 - Commercial interface.
- 2.17 SONI should ensure that information it provides to the panel and other stakeholders facilitates the carrying out of separate performance assessments for each of these roles.
- 2.18 Annex 1 provides guidance on the definition of these roles and the individual SONI services and activities that fall within each category.
- 2.19 Where SONI finds that its services, initiatives or activities cut across multiple roles, and the guidance in Annex 1 or otherwise issued by us does not specify how these should be categorised, SONI should allocate these to a single category. If SONI changes allocation to another category over time (for example, as part of a longer term initiative), then SONI will need to notify this clearly in the plan, setting out why it has changed. If activity cuts across multiple categories SONI should be clear on this and what the implications are (e.g. how it cuts across different roles why it sits in a particular category and the impact).
- 2.20 SONI should make clear in the documents that it produces for the purposes of the evaluative framework how it has allocated such services, initiatives or activities, insofar as this is material to those documents, and the reasoning for this. SONI should adopt a consistent approach to the allocation over time.

2.21 SONI should comply with any additional clarification or guidance provided by us on the categorisation of its services, initiatives or activities across the four SONI roles.

Understanding Performance Baseline

2.22 Several parts of the guidance in sections 4 and 5 of this document refer to a concept of the Performance Baseline. In particular:

- The guidance on the assessment of SONI's forward plan under the ambition criterion.
- The guidance on the assessment of SONI's performance under the stakeholder satisfaction criterion.
- The guidance on the assessment of SONI's performance under the adaptability criterion.
- The guidance on SONI's forward plan.
- The guidance on SONI's annual performance report.

2.23 The Performance Baseline is first and foremost a concept defined for the purpose of the evaluative framework. This concept can then be applied in practice by using a mixture of quantitative and qualitative evidence to determine what the baseline was (or would be) for a particular financial year and, in turn, how actual performance or planned initiatives lead to improved or worse performance against the baseline.

2.24 The Performance Baseline concerns SONI's "service performance" as introduced below. The Performance Baseline for a particular financial year is defined as the level of service performance which reflects the combination of the following:

- SONI's service performance in the financial year 2019/20; plus
- the improvements to SONI's 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 SONI has included in its forward plan for all previous financial years (excluding where applicable any performance improvements that were clearly presented by SONI as time-limited in those plans).

2.25 This provides a dynamic baseline from which to assess, for example whether new initiatives proposed in SONI's forward plan, or implemented outside of the plan, represent genuine improvements in performance. This baseline recognises that SONI's performance in a specific financial year is influenced by the starting position at the end of the 2019/20 financial year, which guards against unduly demanding expectations of what SONI can achieve in the 2020-25 period. It also ensures that

SONI 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 SONI's previous forward plans. This baseline also provides a reference point to use in the assessment of stakeholder satisfaction, so that SONI's performance within a particular year is not judged against unduly over-demanding or unduly under-demanding expectations.

- 2.26 The nature of the Performance Baseline, and the evidence to understand where it lies, will vary across SONI's different roles and services and may require quite granular information. However, we do not envisage that either SONI or the panel will engage in a comprehensive assessment of the Performance Baseline, and of SONI's performance against that baseline, across all of SONI's roles and services. This is neither practical nor proportionate for the purposes of the evaluative performance framework.
- 2.27 Instead, we expect that the Performance Baseline will be considered in a targeted way, insofar as is relevant to: (a) the assessment of SONI's forward plan under the ambition criterion and prioritising; (b) the assessment of SONI's performance under the stakeholder satisfaction criterion; and (c) the assessment of SONI's performance under the adaptability criterion. In each case, evidence on the Performance Baseline will be focused on the specific improvements that SONI plans to make, or has made, or the specific performance issues that stakeholders raise. And in each case it will be necessary for the evidence and assessment to prioritise the most important issues for the overall assessment.
- 2.28 For the purposes of this guidance, we define a concept of SONI's "service performance" as follows:
- Service performance concerns how SONI contributes to, and influences, the SONI outcomes, via its role in the provision of its services and the carrying out of its functions.
 - Service performance includes the quality of services that SONI provides directly to its customers, and the quality of the services and functions that it performs for the benefit of the NI electricity system and for participants in that system (e.g. the quality of system and network planning or the quality of its industry governance functions).
 - This concept of SONI's service performance is concerned with the quality of service that SONI 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, SONI's success in relation to the anticipation and mitigation of the effects of external factors would be relevant to its service performance.
 - Any aspect of SONI's services or activities that does not affect the desired outcomes should be treated as outside the scope of the assessment covered by this guidance.

2.29 With this concept of service performance, the relevant evidence on performance is likely to comprise a mix of quantitative and qualitative evidence, some of which may be quite granular. It is not sufficient to focus on a small number of KPIs or on metrics that only concern outcomes. Evidence on service performance might include, for example:

- Evidence on the levels of service performance that SONI targeted or planned to achieve and its approach to meeting those targets.
- Evidence from stakeholders: for example, stakeholder surveys; evidence on stakeholders' views about any changes over time in SONI's service performance; or evidence on the absence of concerns being raised by stakeholders about specific aspects of SONI's service performance.
- Evidence on the capabilities, resources and working practices that drive SONI's service performance (e.g. staff inputs, software capabilities, internal processes and methodologies).
- Metrics that directly concern service performance (e.g. aspects of SONI's service quality) and those that concern outcomes together with information on how SONI's service performance has contributed to these outcomes.

2.30 It is also important to note that service performance is a dynamic concept, and we generally expect that a well-run company will make meaningful improvements over time: SONI might not demonstrate that it is exceeding our expectations (and due a financial reward under the evaluative performance framework) simply by undertaking new activity or making some improvements to performance. At the same time, the panel will need to use its judgement to recognise that the expected rate of performance improvement over time should not be so great that, in practice, there is limited scope for SONI to earn positive rewards from making improvements. Furthermore, the panel will need to factor in to its assessment that even well-run companies will face problems and delays from time to time, and the need to prioritise activity where it can contribute best to outcomes.

Longer term initiatives

2.31 Longer term thinking is an important behaviour that we want to incentivise. We recognise that for many aspects of SONI performance, such as system planning to use just one example, 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 SONI 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 SONI's actions; and (c) the sensitivity of the assessment to assumptions about the counterfactual.

2.32 The panel should only take account of evidence where SONI can demonstrate 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 (for example, captured as part of the 'Service Ambition' and 'Service Priority Alignment' criteria). It would be particularly relevant to present evidence from engagement with informed stakeholders to understand how SONI's 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 (for example, captured under 'Delivery' or 'Adaptability' criteria). Where SONI has previously been awarded a higher performance score on the basis of a planned initiative from a previous year's forward plan, this would generally be factored into the performance baseline going forward to ensure that those planned improvements are maintained.

Within-scope costs and other scoping considerations

- 2.33 The costs incurred by SONI form part of system-wide costs. They, therefore, relate to one of the four SONI outcomes above. In addition, other aspects of SONI's performance besides costs (e.g. quality of system and network planning) are likely to affect system-wide costs in the future.
- 2.34 For the purposes of the evaluative performance framework, some of the categories of costs incurred by SONI are outside the scope of the framework (and the panel's assessment of performance) and some are within scope. This rationale for excluding some costs from the scope of the evaluative performance framework is as follows:
- Some categories of SONI costs are subject to separate price control incentive arrangements (mechanistic cost-sharing incentive arrangements or conditional cost-sharing incentive arrangements), which provide a potential financial upside to SONI from spending less than an ex ante cost estimate made by the UR and a potential financial downside to SONI from spending more than the ex-ante cost estimate. The UR considered that it would not be appropriate to also include these costs within the scope of the financial incentives under the evaluative performance framework.
 - The level of costs that SONI incurs on Transmission Network Planning activities are not subject to direct financial incentives, but are subject to regulatory oversight and remuneration limits through the price control framework, via the approach of remuneration up to approved caps. While there may be benefits in principle from including these costs within the scope of the evaluative performance framework in future price control periods, we did not consider this to be necessary or proportionate at this stage of the development of the framework.
 - Other costs, specifically as pension deficit repair costs, are subject to separate price control arrangements. It is not the intended role of the evaluative performance framework to consider SONI's performance in relation to these costs.

- For TUoS and GTUoS costs, we considered that SONI had too little direct influence over these (at least in the short term) to justify their inclusion within the scope of the evaluative performance framework.

2.35 The costs incurred by SONI which are within scope of evaluative performance framework are as follows:

- System service support¹ and Dispatch balancing² external costs. These costs are not subject to any separate financial incentives or any other regulatory oversight or remuneration caps under the 2020-25 SONI price control framework.

2.36 For areas of performance which have significant all-island aspects:

- We and SONI would provide input to the panel, to highlight the relevance of all-island issues and interactions to the panel's evaluation of SONI's forward plan and performance.
- We may instruct the panel, in specific cases, to disregard certain aspects of SONI's performance if we consider this to be necessary in consequence of decisions taken by the SEM Committee.

2.37 Sections 8 and 10 of this document include guidance on the treatment of these costs as part of the evaluative performance framework.

The panel (and SONI) should seek clarification from us if it is unsure whether certain SONI costs fall inside or outside the scope of the scope of the framework.

¹ These are payments and charges are paid or levied by SONI. These are defined on SONI's website as relating to payments for services necessary for the secure operation and restoration of the electricity system. Other System Charges are intended to incentivise the optimum performance of generators connected to ensure efficient use of the power system

² These include constraint costs, uninstructed balances and testing charges

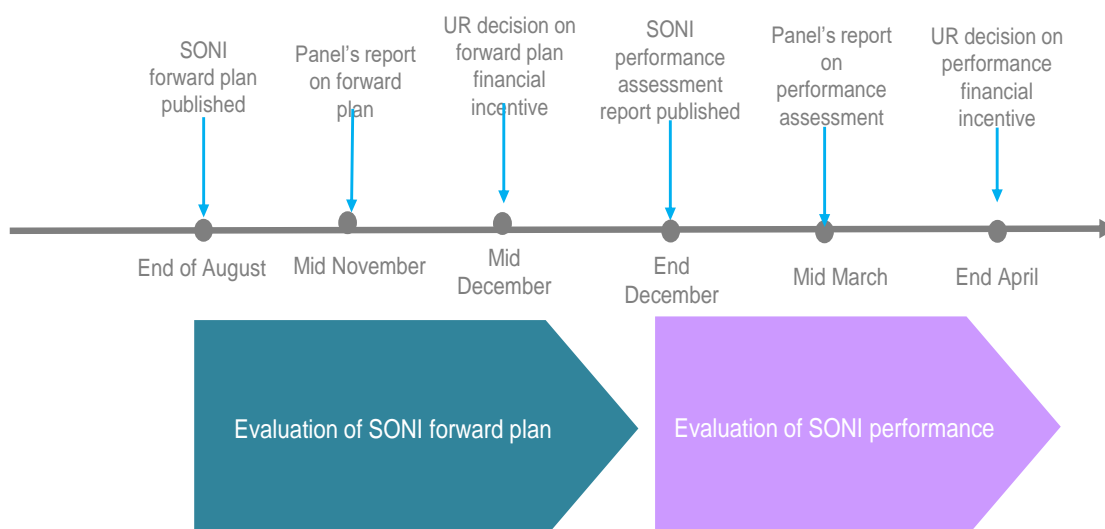
3. The annual process

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

3.2 For each financial year the process starts before the beginning of that year and continues beyond the end of that year:

- Steps 1 and 2 take place before the start of that year and concern SONI's preparation and publication of its annual forward plan.
- Steps 3 to 7 take place during that financial year, and mainly concern processes relating to the evaluation of the plan to towards the start of the year.
- Steps 8 to 10 take place after the end of the financial year and concern the evaluation of SONI's performance in that year.

3.3 The steps are described in more detail below. An overview of some of the key steps in the process is set out in the diagram below. The dates set out below are **not** applicable for year 2021/22 (the transitional year) and so apply thereafter year 2021/22. The transitional year dates and steps are set out in Annex 4 of this document.



Step 1: SONI's preparation of its forward plan

- 3.4 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, SONI should engage with stakeholders. SONI's engagement with stakeholders will be considered as part of the panel's evaluation of the SONI's forward plan
- 3.5 There is no formal requirement on SONI as part of this guidance to publish a draft forward plan. It is for SONI to determine the most effective way to engage with stakeholders (including the UR) as part of the development of its forward plan. For instance, this might involve publishing a draft forward plan, in sufficient time to enable it to take account of feedback. Or it might involve other forms of engagement, such as targeted engagement with specific stakeholder groups on the aspects of its plan that are most relevant to them.
- 3.6 In addition to stakeholder engagement, as part of the preparation of its plan SONI may decide to make submissions to us for additional price control funding (e.g. for new initiatives that could improve outcomes) under applicable price control uncertainty mechanisms.
- 3.7 Where aspects of SONI's plan are dependent on additional funding via price control uncertainty mechanisms, It is for SONI to make any submissions to us on funding for new initiatives sufficiently far in advance so that, if we decide to allow that funding after carrying out its review of the submission, SONI has time to include the initiative in its plan. We produce separate guidance on the uncertainty mechanisms applicable under the SONI price control and this is not covered in this document.

Step 2: SONI publication of its forward plan

- 3.8 SONI should publish a final version of its forward plan by the end of August.
- 3.9 Guidance on the contents and structure of the forward plan is provided in section 8.

Step 3: Stakeholder submissions to the panel on the plan

- 3.10 Upon SONI's publication of its forward plan, we will invite stakeholders to provide feedback and submissions on the plan to the evaluation panel.
- 3.11 We and other stakeholders will have six weeks to provide these submissions to the panel.

Step 4: The panel's evaluation report on the forward plan

- 3.12 Within two and half months' of the publication of SONI's forward plan [i.e. mid November], the panel should produce its evaluation report on the forward plan.
- 3.13 This will set out a recommended grade (a whole number from one to five) for each of the four SONI roles, and a summary of the panel's reasoning and consideration.

- 3.14 This report will be published on our website.
- 3.15 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.
- 3.16 Guidance on the panel's evaluation of the forward plan is provided in section 4.

Step 5: Determination of the forward plan incentive amount

- 3.17 We will publish its decision on the forward plan incentive amount by middle to end of December, or such later date that we consider appropriate. As part of the decision, for each SONI grade, we will set out whether we have accepted the grade recommended by the panel or determined an alternative grade (giving reasons for any alternative grade). We will apply the calculation methodology set out in section 7 to calculate the incentive amount.
- 3.18 Before publishing our decision we will engage with SONI, explaining our minded to position and reasoning, giving SONI the opportunity to provide its view to us. The engagement is not intended to introduce new evidence to the assessment process which has not already been considered or to provide a basis to challenge reasonable differences of opinion. The primary purpose will be to provide a safeguard against the potential for errors or oversight.

Step 6: Mid-year performance update report

- 3.19 SONI should organise a mid-year performance update to the panel and stakeholders. This should comprise:
- A short mid-year performance update published by SONI.
 - A workshop with the panel and stakeholders to discuss the update, with ample opportunities for the panel and stakeholders to ask questions.
- 3.20 SONI should publish the mid-year performance update by the end of April in each financial year, concerning its performance and delivery in the first six months of the financial year (i.e. 1 October to 31 March). The workshop should be organised within two weeks following the publication of the update.
- 3.21 Guidance on the contents of the update are provided in section 9.
- 3.22 This mid-year performance update is not intended to displace the need for ongoing engagement during the financial year between SONI and stakeholders on its performance and delivery, and evolving customer needs.

Step 7: The annual performance report

3.23 By the end of December in each financial year, SONI should publish on its website its annual performance report for the purposes of the evaluative performance framework.

3.24 Guidance on the contents of the report are provided in section 10.

Step 8: Stakeholder submissions on performance report

3.25 There will be a review period of six weeks for stakeholders (including us) to make submissions on the SONI's annual performance report.

Step 9: The panel's evaluation report on performance

3.26 Within two and half months' - Mid March, of the publication of the SONI's annual performance report, the panel should produce its evaluation report on SONI performance.

3.27 This will set out a recommended grade (a whole number from one to five) for each of the four SONI roles, and a summary of the panel's reasoning and consideration.

3.28 This report will be published on our website.

3.29 Guidance on the panel's evaluation of the forward plan is provided in section 4.

3.30 To inform its evaluation the panel will engage in the following:

- Review of the annual performance report.
- Review of submissions from us and other stakeholders on the report and other matters relevant to the evaluation.
- Meetings with SONI and stakeholders.

3.31 SONI should attend one or more workshops/meetings organised by us (in our secretariat role for the panel) and attended by the panel and stakeholders, at which it will present evidence from its report and respond to comments and questions.

3.32 To inform the evaluation, we and the panel may seek clarifications and raise queries on the annual performance report. SONI should respond to any queries promptly and in line with the general guidance.

Step 10: Determination of the performance incentive amount

3.33 We will publish our decision on the performance incentive amount by end of April, or such later date that we consider appropriate. As part of the decision, for each SONI grade, we set out whether we have accepted the grade recommended by the panel or determined an alternative grade (giving reasons for any alternative grade). We will apply the calculation methodology set out in section 7 to calculate the incentive amount.

- 3.34 We will also confirm the overall incentive amount which reflects the combined effect of the forward plan incentive amount and the performance incentive amount.
- 3.35 Before publishing our decision we will engage with SONI, explaining our minded to position and reasoning, giving SONI the opportunity to provide its view to us. The engagement is not intended to introduce new evidence to the assessment process which has not already been considered or to provide a basis to challenge reasonable differences of opinion. The primary purpose will be to provide a safeguard against the potential for errors or oversight.

4. The evaluation of the forward plan

- 4.1 Guidance to the panel for the evaluation of the SONI's forward plan is set out in this section.
- 4.2 The forward plan will be evaluated separately for each SONI role. SONI should ensure that its forward plan is presented in a way that enables the panel to carry out a separate assessment by role.

Assessment criteria

- 4.3 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 SONI outcomes, relative to past performance and existing working practices and processes.
 - **UR Service Priority Alignment.** The extent to which the new initiatives and areas of focus presented in the plan are aligned with the Service Priorities set by us (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 SONI's 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).
- 4.4 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).
- 4.5 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).
- 4.6 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.

- 4.7 Where SONI seeks additional price control funding for specific new initiatives that it is proposing, these would be considered by us under the applicable price control uncertainty mechanisms. The review of such proposals, and the evidence supporting them, are a matter for us and outside the scope of the panel's assessment of the forward plan.
- 4.8 As part of its assessment of SONI's forward plan, the panel should take account of new initiatives, and their associated deliverables, which are included in the plan and which SONI 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 SONI.
 - Deliverables that SONI 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 SONI is seeking additional funding under price control uncertainty mechanisms, for which regulatory approval is still pending and SONI is prepared to commit to delivering these at its own financial risk (i.e. irrespective of whether funding approval is subsequently given).
- 4.9 The panel should disregard any proposals or new initiatives included in SONI's 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.

Guidance on the Service Ambition criterion

- 4.10 Under the service ambition criterion, the panel should consider the scale and pace of performance improvements over time that are included in the forward plan, relative to the Performance Baseline. The ultimate aim of any improvements in the plan should be to achieve improvements against the SONI outcomes across roles.
- 4.11 In considering the scale and pace of performance improvement the following are relevant against the SONI outcomes:
- a) Ambition of strategy across each role (scale)
 - b) Ambition of deliverables for each role (scale)
 - c) Ambition and challenge implied by the performance commitments within the plan: performance metrics and/or performance measures i.e. numerical and/or qualitative evidence (including measures of success) that could be used to measure performance (scale).
 - d) Evidence of potential for tangible net benefits from deliverables and activities

(scale)

- e) Stretch in terms of timescales being proposed for the deliverables (pace)
 - f) The extent to which the estimated costs are challenging (for costs within scope of the evaluative performance framework).
- 4.12 The panel should consider that the forward plan has **exceeded expectations** for ambition if there is evidence that the deliverables, performance commitments and timescales in the plan are reasonably stretching. To exceed the baseline, the improvements envisaged in the plan should go beyond low-hanging fruit and the resolution of performance problems that the panel would expect a well-run TSO to avoid as part of the continuous improvement process that should be expected of a well-managed business.
- 4.13 The panel should consider that the forward plan has **met expectations** if there is evidence that, overall, it includes deliverables, performance commitments and timescales which would provide and demonstrate significant incremental improvements over time, but not enough to warrant the view that the plan exceeds the baseline.
- 4.14 We would expect evidence of a clear quantification and/or articulation of the impacts associated with the actions that SONI's planning. Where there are material interventions or changes to arrangements, evidence may include a clear demonstration that SONI has, where appropriate, assessed multiple solutions to issues and chosen the ones that maximise consumer value and benefits to SONI outcomes. SONI should evidence that it is not proposing to solely pursue a TSO-led solution without considering whether pursuing or supporting other industry initiatives or considering whether activity could be undertaken by 3rd parties, could result in greater consumer value.
- 4.15 The panel should consider that the forward plan has **fallen short of expectations** for ambition if the panel's view is that the overall balance of evidence indicates that the plan 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 SONI role to fall short on ambition for that role.
- 4.16 The Panel should keep in mind that the assessment of the ambition criterion is made for the purposes of informing the scale and direction of financial incentives applied to SONI and it is not intended to be pejorative. It is possible that for some SONI roles in some financial years it may not be a priority or proportionate for SONI to propose improvements.
- 4.17 In making the assessment for this criterion, the panel should:
- Disregard aspects of the plan which represent aspirations without SONI being accountable for the achievement of these aspirations.
 - Disregard aspects of the plan which are conditional on us making increases

to price control allowances which have not yet been approved or which the UR has rejected.

- The panel should only take account of evidence where SONI can demonstrate consumer value driven by ‘new’ activity or through undertaking existing’ activity in new, more efficient or innovative ways. For example, SONI may identify a new and innovative way of approaching an existing activity that creates clear whole-system cost savings for consumers or develop a new solution to a system issue, as a result of an overarching project or initiative.

Guidance on the UR Service Priority Alignment criterion

- 4.18 Under the alignment criterion, the panel should consider the extent to which the new initiatives and areas of focus presented in the plan are aligned with the Strategic and Service Priorities set by us and specified in Annex 2.
- 4.19 The panel should consider that the forward plan has **exceeded expectations** for alignment if 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 Outcomes.
- 4.20 The panel should consider that the forward plan has **met expectations** for alignment if 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.
- 4.21 The panel should consider that the forward plan **has fallen short of expectations** if the plan does not meet the characteristics for either meeting or exceeding expectations.

Guidance on the Stakeholder Engagement criterion

- 4.22 Under the engagement criterion, the panel should consider the quality of stakeholder engagement in developing the plan. This includes:
- a) breadth and inclusivity of engagement across relevant stakeholders
 - b) breadth of engagement across its different roles and within roles across its service proposition.
 - c) demonstrating engagement is tailored to and fit for purpose for understanding stakeholder needs.
 - d) evidence that SONI is acting on stakeholder feedback and using it effectively, for example, to draw on benefits and drawbacks and using sound judgement to integrate it into its plan (this should, in turn, feed through to the service ambition criterion).
 - e) extent to which the engagement has the potential to lead to positive

outcomes for stakeholders and consumers (this should in turn feed through to the service ambition criterion).

- f) extent to which engagement reflects innovative thinking that may be recognised as smart and/or best practice.
- 4.23 The panel should consider that the forward plan has **exceeded expectations** for engagement if 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.
- 4.24 As part of this, we would also expect evidence of effective engagement with a wide range of 'new' types of actor³, including those who may be harder and challenging to reach. We would also expect a holistic and coordinated approach across a wide range of roles and service areas. This may include strong consideration of focus on service activity which may have had relatively less or no effective engagement focus to date, but where there is significant potential for positive material outcomes for consumers. We would also expect strong evidence of innovative thinking that may be recognised as smart and/or best practice in service areas which can ultimately lead to genuinely material positive outcomes for consumers.
- 4.25 The panel should consider that the forward plan has met **expectations for engagement** if there is evidence that SONI has carried out reasonable stakeholder engagement activities for the purposes of its plan and that stakeholders have had a significant influence on the plan.
- 4.26 As part of this we would expect that a broad and inclusive range of stakeholders will have been engaged using a variety of techniques tailored appropriately to those stakeholders' needs that SONI has acted on feedback and has demonstrated that engagement has the potential for positive outcomes.
- 4.27 The panel should consider that the forward plan has **fallen short of expectations** if the plan does not meet the characteristics for either meeting or exceeding expectations.
- 4.28 For the engagement criterion, the panel should disregard the influence of our Service Priorities (which themselves will reflect some stakeholder engagement by us) on the plan, and focus on more direct engagement by SONI. The influence of our Service Priorities should be captured under the alignment criterion.

Guidance on the Accountability criterion

- 4.29 Under the accountability criterion, the panel should consider the degree of clarity on SONI's planned activities and initiatives and how the success or performance in relation to these would be assessed (e.g. detailed specification of deliverables and

³ For example, those actors SONI will need to engage in order to effectively to develop its whole system and cross vector planning.

measures of success). This could include consideration of extent to which:

- a) Deliverables are specific (clarity of what is being delivered in order for successful delivery to be measured e.g. scope and quality)
- b) Deliverables are time-bound (clarity of dates and milestones)
- c) Deliverables should link to and be justified by a clear and well-defined strategy for different role areas
- d) Performance commitments are specific (clarity of how metrics and other measures of performance will be measured to the extent to which details have been shared with stakeholders and feedback taken into account)
- e) Performance commitments are relevant (clarity of how metrics and other performance measures relate to outcomes and deliverables).

4.30 The panel should consider that the forward plan has **exceeded expectations for accountability** if it has confidence that both of the following conditions apply:

- The plan sets out a clear set of initiatives that SONI would carry out and provides sufficient detail on how the delivery and/or success of those initiatives would be measured and reported to ensure that SONI can be held accountable for delivery in relation to quality, scope and timing. In particular, the detail should be sufficient to prevent a situation where SONI can report full delivery but the quality and scope of deliverables is below that which was envisaged in the plan.
- The plan includes a clear set of performance commitments SONI would use to monitor performance, explains the relevance of these metrics to the four SONI outcomes, and proposes how its performance against these metrics can be judged (e.g. taking account of the influence of other parties or exogenous factors on metric performance).

4.31 The panel should consider that the forward plan has **met expectations for accountability** if it 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 SONI to be held to account for delivery of the key aspects of its plan, in relation to quality, scope and timing.

4.32 The panel should consider that the forward plan has **fallen short of expectations for accountability** if it does not meet the characteristics set out above for meeting or exceeding expectations.

4.33 For the assessment under the accountability criterion, the panel should disregard the accountability of SONI in relation to its delivery against formal price control outputs set as part of the our final determination or via within-period uncertainty mechanisms, or SONI's accountability for licence compliance, and focus on more discretionary aspects of the plan.

Grading the forward plan

- 4.34 For each SONI role, the panel should award a grade of 1 to 5, with 1 being the worst and 5 the best.
- 4.35 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 SONI 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.
- 4.36 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 SONI met expectations for that criterion, the score is 0.
 - If the assessment is that SONI exceeded expectations, the score is 1.
- 4.37 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.
- 4.38 The third step is to determine the overall assessment grade using the table below, which maps the grade to the aggregate score calculate in the second step

Table 1

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

5. The evaluation of performance

5.1 Guidance to the panel for the evaluation of the SONI's performance is set out in this section.

5.2 The panel should make a separate evaluation of performance for each SONI role for each financial year. SONI should 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.

Assessment criteria

5.3 For the assessment of the SONI's performance in each role, the key criteria for the panel to consider are as follows:

- **Delivery.** The extent to which SONI has delivered against (a) the specified deliverables and/or performance commitments from its forward plan; and (b) the specified price control outputs (or deliverables) set by us for new initiatives, and the justification for this delivery.
- **Stakeholder satisfaction.** The extent to which stakeholders are satisfied with the performance of SONI, taking its performance in 2019/20, as supplemented by its forward plan, as its baseline.
- **Adaptability.** The extent to which SONI has shown successful adaptation and agility, to the benefit of SONI outcomes, in responding to opportunities not anticipated in the forward plan.

5.4 As for the forward plan, the panel should categorise the plan, for the SONI role under consideration, into one of the following: meets expectations; exceeds expectations; or falls short of expectations (shortfall).

5.5 In the sub-sections that follow we provide guidance for the panel's assessment of SONI performance against each of the three criteria introduced above.

Guidance on the delivery criterion

5.6 Under the plan delivery criterion, the panel should consider the extent to which SONI has delivered against

- The specified deliverables and/or performance commitments from its forward plan, and the explanations provided by SONI for any deviations in outturn delivery versus the plan.
- The specified price control outputs (or deliverables) set by us for new initiatives, and the explanations provided by SONI for any deviations in outturn delivery.

5.7 Where delivery is mixed across different areas within a SONI role, the panel should

use its judgement in reaching on an overall view for that role, taking account of the potential implications for customers of delivery performance in different areas.

- 5.8 The panel should consider that SONI's performance **exceeds expectations for plan delivery** if there is evidence that SONI 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.
- 5.9 The panel should also consider SONI's 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 SONI performed well in mitigating the effects of these factors)
- 5.10 The panel should consider that SONI's performance **meets expectations** if there is evidence of both of the following:
- SONI 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, SONI has generally provided a reasonable explanation and SONI generally performed reasonably well in mitigating unexpected problems that arose.
- 5.11 The panel should consider that SONI's performance **falls short of expectations** if there is insufficient evidence for the panel to consider that it has met or exceeded the baseline.
- 5.12 Where SONI's forward plan had shortcomings or limitations in terms of accountability for a specific SONI role (e.g. a lack of detail on what would be delivered) the panel should ensure that SONI does not benefit unduly from any resultant ambiguity when it comes to the assessment against the delivery criterion for that role. For instance, where the plan gives rise to a range of reasonable interpretations of what is required for full delivery, the panel should try to strike a balance across those interpretations rather than holding SONI accountable for the least challenging interpretation.
- 5.13 As part of the assessment of delivery above, the panel should take into account SONI's outturn costs where these falls within the scope of the evaluative framework. The panel should disregard the SONI's outturn level expenditure on costs falling outside of the scope of evaluative performance framework.
- 5.14 SONI's forward plan should have included cost estimates (or ranges) for costs within scope of the assessment. Where applicable, the panel should treat the cost estimate (or range) as one of the relevant success measures, and take this into account alongside other aspects of delivery and performance as part of its overall assessment.

- 5.15 In doing so, the panel should consider evidence from SONI, and other stakeholders, on the performance of SONI in relation to the efficient management of these costs, in the light of the cost estimates from SONI's forward plan and other considerations. This should include for example evidence on:
- SONI's justification and/or explanation for costs diverging from the estimate or range from the plan.
 - The actions taken by SONI to control costs.
 - External factors that affected outturn costs.

Guidance on the stakeholder satisfaction criterion

- 5.16 Under the stakeholder satisfaction criterion, the panel should consider the extent to which stakeholders are satisfied with the performance of SONI in relation to the SONI role under consideration, drawing on views across a diversity of stakeholders.
- 5.17 The panel should ensure that the evidence it takes into account on stakeholder satisfaction, and the assessment it makes, is aligned with the Performance Baseline concept introduced in Section 2 of this guidance. This is important to ensure that SONI's performance within a particular year is not judged against unduly over-demanding or unduly under-demanding expectations.
- 5.18 For example, if a stakeholder expresses concern that performance has deteriorated compared to the Performance Baseline (see Section 2) then this is relevant to the assessment of a potential shortfall on the stakeholder satisfaction criterion. Furthermore, if a stakeholder expresses concern that the improvements against the Performance Baseline that were set out in SONI's forward plan have not materialised in practice, this would be also be relevant to the assessment of a potential shortfall on the stakeholder satisfaction criterion. However, if a stakeholder expresses concern that SONI has not sought to make feasible improvements compared to the Performance Baseline, and these have not been covered in either its forward plans or new initiatives approved by the UR, this would be outside the scope of the assessment of the stakeholder satisfaction criterion (though it may be relevant to the separate panel assessment under the adaptability criterion or assessment of SONI's forward plan).
- 5.19 The panel should consider any evidence from stakeholder satisfaction surveys provided by SONI, us or other stakeholders, but should not rely entirely on those surveys.
- 5.20 The panel should consider that SONI has **exceeded** expectations if the panel considers that, across different types of stakeholders and across different areas of interest to stakeholders within the relevant SONI role, SONI is generally perceived to have performed better than the Performance Baseline. This need not imply that all stakeholders share the same view.
- 5.21 The panel should consider that SONI has **met expectations** if the panel considers that, across different types of stakeholders and across different areas of interest to

stakeholders within the relevant SONI role, SONI is generally perceived to have performed in line with the baseline described above. This need not imply that all stakeholders share the same view.

5.22 The panel should consider that SONI has **fallen short of expectations** if the panel does not consider that stakeholder satisfaction is sufficient to exceed or meet the criteria as set out above.

5.23 The panel's assessment of this criterion should focus on the views and perceptions of stakeholders without trying to resolve questions on whether those views are appropriate or fair. The panel should consider any evidence from SONI (or other parties) that a particular stakeholder's views are unrepresentative, but the panel should not consider evidence that a stakeholder's view is misplaced or explained by mitigating factors. To the extent that SONI considers that negative feedback from a particular stakeholder would be resolved if that stakeholder was aware of the reasons for a perceived shortfall in its performance, this is something for SONI to manage through its ongoing relationship with stakeholders and not something the panel should seek to adjudicate on.

Guidance on the adaptability criterion

5.24 The panel should consider the extent to which SONI has shown successful adaptation and agility, to the benefit of SONI outcomes, by going beyond or deviating from its forward plan and price control outputs.

5.25 It is important that opportunities to perform well (or badly) on the adaptability criterion do not act to compromise the incentives on SONI in relation to the quality of SONI's forward plan. In this context, the evaluation panel's assessment for the adaptability criterion should be subject to qualifications reflecting the outcome of the panel's evaluation of the forward plan:

- The panel should not find that SONI has exceeded against the adaptability criterion for a specific SONI role if the panel has previously determined that the forward plan for that role was grade 1 or grade 2.
- The panel should not find that SONI has fallen short against the adaptability criterion for a specific SONI role if the panel previously determined that the forward plan for that role was grade 4 or 5.

5.26 Subject to the qualifications above, the panel should consider that SONI has **exceeded expectations** if, on the basis of the evidence available, it considers that SONI has exceeded the Performance Baseline and provided significant additional benefits in relation to SONI 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.

5.27 The opportunities for additional benefits may reflect, for example:

- Feedback from the panel or stakeholders on the forward plan for that year.

- Concerns with SONI performance raised by stakeholders which were not tackled in the forward plan.
 - New opportunities identified by SONI during the year.
 - Unexpected issues that arose during the year which affected (or could have affected) SONI customers and outcomes.
- 5.28 Subject to the qualifications above, the panel should consider that SONI has **fallen short of expectations** if, on the basis of the evidence available, the panel considers that SONI 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).
- 5.29 The panel should consider that SONI has **met expectations** if it views SONI's performance as neither falling short nor exceeding the criterion.
- 5.30 Where the panel's assessment considers SONI's response to feedback on the forward plan, the panel should recognise the fact that this feedback was provided some way into the financial year and SONI would need time to adapt its activities and approach.
- 5.31 As far as practical, the panel should seek to distinguish carefully between the assessment under this criterion from the assessment under the criteria relating to plan delivery and price control output delivery. The assessments for the delivery criteria concern whether SONI has delivered as planned and, if not, whether there is a good explanation for this. The assessment for the adaptation criterion concerns the additional value, if any, from SONI going beyond or deviating from the plan. The panel's assessment should be consistent across criteria. For example, the panel should not penalise SONI under the delivery criteria for a specific plan deviation while rewarding SONI for that deviation under the adaptability criterion.

Grading SONI performance

- 5.32 For the assessment of the SONI's 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.
- 5.33 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 SONI 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.
- 5.34 For each of the roles, the panel should grade SONI's overall performance on a scale of 1 to 5, as follows:

- **Grade 1: poor:** Overall is clearly poor, for example SONI has 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 SONI 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 SONI exceeding one criterion and meeting the other two.
- **Grade 5: excellent:** Overall performance is clearly excellent, for example SONI has exceeded against most or all criteria and not fallen short in any.

5.35 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.

6. Further guidance for the panel's evaluation

- 6.1 We provide below some further guidance which has applicability across both the assessment of the forward plan and the assessment of performance.
- 6.2 A fundamental principle of the framework is that the onus is on SONI to provide evidence of its performance. In order for SONI to achieve a grade above the baseline grade, there needs to be clear evidence that it has gone beyond the baseline. It is the role of the panel to come to its decision on the basis of the evidence available and it should avoid any decision that is based on giving SONI the benefit of the doubt in areas where information is lacking.
- 6.3 For each of the individual assessment criteria, the panel should reach the best view it can in light of the evidence and time available for its assessment. It is possible that a different view might be reached if the process allowed for a highly detailed and time-consuming investigation of particular matters of relevance, but this is not the intended role for the evaluative performance framework.
- 6.4 In making assessment under individual criteria, and in determining an overall grade, there may be instances where the panel finds both strong and weak areas of performance within a role. The panel should use its expertise and informed judgement to evaluate where the balance of performance lies. For example, this may include consideration of the significance of any strong/weak performance for SONI outcomes and the confidence the panel has in the various strands of evidence before it.
- 6.5 For some aspects of the assessment, the panel is likely to draw heavily on input from SONI and other stakeholders, for instance where it is impractical for the panel to get into technical details of whether SONI has delivered all aspects of its forward plan or price control deliverables. The panel should recognise that SONI is often best-placed to provide evidence, based on its internal knowledge and systems.
- 6.6 In determining a grade, the panel should be mindful that this will form the basis of a recommendation to us on the level of incentive penalty or reward. The panel should record and explain its reasons for the grades it determines. Furthermore, the panel may wish to indicate within its report cases where its grading was a close call between scores: for example, this may be indicated by noting whether a specific score was 'low' or 'high' (e.g. a high 2 or a low 4). Such notes would not have direct impacts on the calculation of incentive payments, but would provide relevant information for our formal determination of the incentive reward or penalty and could provide useful feedback to SONI and other stakeholders.
- 6.7 We consider that panel members must make recommendations in accordance with the EPF guidance on the basis of evidence available. All panel members will have equal voting rights. The Chair will support the panel to achieve score and recommendations by consensus. If the panel members do not agree on the scores to be awarded, the voting exercise would determine the final scores. If the votes are

equally distributed then the Chair would have the final say.

7. Calculation of the incentive amounts

- 7.1 The evaluative performance framework provides for financial incentives in relation to the two phases of assessment in each financial year:
- The evaluation of SONI's forward plan.
 - The evaluation of SONI's performance plan.
- 7.2 Across these two phases of assessments, SONI 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).
- 7.3 Subject to any applicable caps on the incentive amount, a positive incentive amount will lead to a corresponding increase in the SONI's maximum regulation revenue from SSS/TUoS tariffs revenue under the price control framework and a negative incentive amount will lead to a corresponding decrease the SONI's maximum regulation revenue from SSS/TUoS tariffs revenue under the price control framework.
- 7.4 This section sets out how the overall incentive amounts will be calculated (before adjustment for any applicable caps). There are three stages:
- Stage 1: determination of final grades by role.
 - Stage 2: calculation of the overall grade.
 - Stage 3: calculation of overall incentive amounts before caps.
- 7.5 This provides for the overall incentive amount in respect of the financial year, covering both the forward plan and the performance assessment. We explain below how we will determine individual incentive amounts for each of the forward plan phase and the performance phase, as envisaged in the annual process covered in section 3 of this guidance.
- 7.6 The final part of this section discusses the potential for adjustments to the incentive amounts from the application of caps on the maximum financial upside or downside to SONI across both the evaluative performance framework and price control cost-sharing incentives.

Stage 1: Determination of final grades by role

- 7.7 For both the evaluation of the annual forward plan, and the evaluation of SONI's 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.
- 7.8 We will determine a final grade for each SONI role, which will be a whole number from 1 to 5 (5 being the best).

- 7.9 On receipt of the panel's report, we will decide whether to accept in full the grading of the evaluation panel, or to use adjusted grades for specific roles.
- 7.10 If we decide to adopt an adjusted grade rather than the evaluation panel's grade in a specific area, we will:
- Follow the same guidance as set out in this document to determine that grade.
 - Explain why we have taken a different view to the evaluation panel.
- 7.11 We expect to use adjusted grades in limited circumstances, and recognise the need to. However, we consider it appropriate, at least for a new and untested performance framework introduced for the 2020-25 period, to retain scope for regulatory judgement, in the light of our statutory duties, on the financial incentive amount,

Stage 2: Calculation of the overall grade

- 7.12 For each of the evaluation of the annual forward plan, and the evaluation of SONIs performance, we will calculate a weighted-average grade across the four SONI roles using a common set of weights applied to the grades from stage 1 above.
- 7.13 The weights are as follows:
- System operation and adequacy: 27.5%
 - Independent expert: 25%
 - System planning: 25%
 - Commercial interface: 22.5%
- 7.14 We will then take the sum of the weighted-average grade for the forward plan and the weighted-average grade for performance and divide by two to calculate an "overall grade" for the financial year. The overall grade should be rounded to two decimal places.

Stage 3: Calculation of overall incentive amount before caps

- 7.15 The overall incentive amount (before application of any caps) 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 £800,000. 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 £375,000. 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.

Decomposition of incentive amount between forward plan and performance

- 7.16 Stage 3 above provides the overall incentive amount in respect of the financial year, covering both the forward plan and the performance assessment.
- 7.17 The annual process set out in section 3 of this guidance envisages that an incentive amount will be separately determined for the forward plan assessment and for the assessment of performance. This will be done as follows.
- 7.18 We will complete stage 1 and finalise grades in respect of the forward plan during the financial year, following the panel's assessment of the forward plan and before the assessment of performance. The incentive amount for the forward plan will be calculated by taking the final grades for the forward plan, and completing stages 2 and 3 above under the hypothetical assumption that the weighted-average grade for the performance assessment will be grade 3 (i.e. baseline).
- 7.19 The overall incentive amount will be calculated following the panel's assessment of performance and our confirmation of the weighted-average grade for performance.
- 7.20 The incentive amount for performance will be calculated by deducting the incentive amount for the forward plan from the overall incentive amount.

Illustration of potential outcomes for difference scenarios on grades

- 7.21 The possible outcomes under the evaluative performance framework incentive structure are illustrated in the table below which shows overall incentive amount for different combinations of grades for the assessment of the forward plan and the assessment of performance. These are figures before the caps apply.

Table 2: Illustration of possible incentive outcomes (before caps)

Forward plan grade	Performance grade				
	1	2	3	4	5
1	-£750,000	-£562,500	-£375,000	-£187,500	£0
2	-£562,500	-£375,000	-£187,500	£0	£400,000
3	-£375,000	-£187,500	£0	£400,000	£800,000
4	-£187,500	£0	£400,000	£800,000	£1,200,000
5	£0	£400,000	£800,000	£1,200,000	£1,600,000

Application of caps on incentive amounts

- 7.22 The incentive amounts are subject to caps on the maximum financial upside and maximum financial downside for SONI (pre-corporation tax) in relation to each financial year.

The maximum annual financial upside is £1.25, and the maximum annual downside

is -£0.75m. These caps apply to the net performance of SONI across the following elements:

- The overall incentive amount from stage 3 above
- The conditional cost-sharing arrangements applied to part of SONI's costs.
- The mechanistic cost-sharing incentives for costs of new initiatives with hypothecated ex ante funding and associated price control deliverables.

7.23 The application of any caps can only be done once all three incentive amounts are known and is not something to be determined as part of the annual process for the evaluative performance framework.

8. Guidance on the forward plan

- 8.1 This section presents guidance on SONI's annual forward plan, which is required from SONI in step 2 of the process set out in Section 3.
- 8.2 Beyond the specific guidance in this section, SONI should familiarise itself with the guidance for the panel on the evaluation of the forward plan and performance in the relevant sections above, and include information in the plan which supports those evaluations.

Publication

- 8.3 SONI should publish its forward plan on its website.
- 8.4 Where there is any confidential or commercially sensitive information, this should be redacted, with the full confidential version provided to the panel and us. Any redactions should be closely targeted on confidential material rather than applied to whole sections or annexes.

Structure

- 8.5 The plan should contain a clear structure, with table of contents.
- 8.6 The plan should use a hierarchical structure with high-level summaries before the main content, and more detailed information provided in supporting appendices or annexes.
- 8.7 The forward plan should present a separate plan for each of the four SONI roles.
- 8.8 For each SONI role, the plan should demonstrate consideration of each individual service area within that role (see Annex 1). It is not necessary to structure the plan by service area (though this is an option). We also consider that service activity description within Annex 1 may be useful for SONI to structure and set out information as part of its Performance Baseline; and also to map any performance improvements against in some instances (for example, stakeholder views on existing activity against stakeholder views on where and how improvements need to be made). It may also be useful for the panel and UR to seek feedback from stakeholders on SONI performance when exercising our roles within the evaluative performance framework.
- 8.9 SONI may also include a cross-cutting section (or sections) in its forward plan, for example to explain its long-term strategy and its approach to managing interactions between different roles. This cross-cutting material should be referred to where relevant in the parts of the plan focused on a particular SONI role.
- 8.10 For performance commitments and other performance information (see below), SONI may then view that these are influenced by SONI's actions and performance across more than one SONI role, and that it would not be appropriate to treat them as relating to performance in a single SONI role. In these circumstances, the plan

should:

- Include a common section (or sections) on performance commitments and other performance information.
- Refer to this where relevant within the plan for each role.
- Within the plan for each role, explain clearly how it plans to improve performance in relation to the metric or information through its actions in that role, and explain how the success or delivery of those actions could be distinguished.

Main focus of the plan

8.11 The main focus of the forward plan for each role should concern:

- **Deliverables.** The plan should include a series of deliverables, falling within the financial year the plan covers, which reflect outputs from, or verifiable progress towards (i.e. milestones), initiatives that SONI is carrying out, or plans to carry out, in that role to improve performance and outcomes.
- **Performance commitments.** Insofar as SONI considers it useful, practical and proportionate, it should include performance commitments, in the form of committed targets against specified performance metrics. These targets may be a single number or a range.
- **Other performance information.** The plan should also identify other performance metrics or information that SONI considers relevant to informing its performance in that role during the financial year.

8.12 All deliverables (including individual milestones), performance commitments and other performance information should be easily identified within the plan, and have a unique ID number.

8.13 More information on the deliverables, performance commitments and other performance information is provided below.

Scope of deliverables included in the plan

8.14 The deliverables in the plan should include, but not be limited to, any deliverables required as part of SONI's approval of price control funding for new initiatives (either approved in the 2020-25 final determinations or via within-period uncertainty mechanisms).

8.15 If SONI has had additional funding approved by the UR under price control uncertainty mechanisms, it should include the associated deliverables in its plan and set out the benefits of these deliverables in support of the quality of its plan and the scale of improvements over time.

8.16 Beyond deliverables associated with additional price control allowances approved

by the UR for specific initiatives, the plan should include deliverables that SONI has developed as a means to improve outcomes and performance using existing cost allowances. These may reflect, for example:

- SONI's consideration of how base cost allowances set as part of the 2020-25 final determinations can be best directed towards improving performance and outcomes with the SONI role.
 - Engagement with stakeholders on potential shortcomings in current levels of performance and/or opportunities for improvements over time.
- 8.17 The plan may also include deliverables associated with new initiatives for which SONI is seeking additional funding under price control uncertainty mechanisms, where regulatory approval is still pending, provided that SONI is prepared to commit to delivering these at its own financial risk (i.e. irrespective of whether funding approval under the uncertainty mechanism process is subsequently given).
- 8.18 The plan should only include deliverables that SONI is making a firm commitment to deliver. It should not include deliverables which would be conditional on it being allowed additional price control funding in cases where we have decided not to provide funding or where our assessment under price control uncertainty mechanisms is still pending.
- 8.19 If SONI considers that it requires additional price control funding as part of its plan development, it is the responsibility of SONI to make use of available price control uncertainty mechanisms in good time and to support its submissions to us with good evidence and justification.
- 8.20 SONI should not use its forward plan to challenge or dispute any decisions taken by (or pending from) us in relation to price control uncertainty mechanisms (this is a matter it should raise separately with us if relevant). It is not the intended role of the evaluation panel to be drawn into review of the evidence provided by SONI as part of separate processes for uncertainty mechanism.

Deliverables and accountability

- 8.21 The plan should ensure that all deliverables included in the plan meet the following requirements to ensure SONI's accountability for delivery:
- **Well-specified:** the plan should set out clearly what is to be delivered in practice, and/or how successful delivery would be measured, in order for delivery to be verified. This may require a significant amount of detail on the scope and quality of what is planned.
 - **Time-bound:** the plan should contain clear dates for delivery, using milestones within the financial year for initiatives which are to be delivered over several years, as well as
- 8.22 Where deliverables are to be delivered over more than one year, SONI should provide clear information on what deliverables were included in plans from previous

financial years, and any changes to the scope or timeframes for delivery (and the reasons for this).

Justification for deliverables

- 8.23 Where deliverables are included in an annual plan for the first time (or significantly modified), the plan should explain their rationale, by reference to each of the following (at least insofar as SONI considers relevant):
- **Outcomes:** the plan should articulate how the deliverables are likely to achieve overall improvements against SONI outcomes, taking account of potential trade-offs across outcomes.
 - **UR Service Priorities:** the plan should explain the extent to which the deliverables are aligned with the Service Priorities specified by us, including by how they meet Outcomes.
 - **Stakeholder engagement:** the plan should explain how the deliverables have been shaped by effective stakeholder engagement.
 - **SONI strategy.** The plan should place the deliverables within the context of the SONI's longer-term plans for the SONI role and its wider strategy.
- 8.24 The plan should explain how SONI has sought to prioritise its plans and deliverables.

Performance commitments and other performance information

- 8.25 The performance commitments and performance information should be aligned with (but may go beyond) the specified performance information in annex [x].
- 8.26 Where the plan includes performance commitments and other quantitative performance information for a particular SONI role, they should come with clear and unambiguous examples of the SONI's key actions and explanations of the wider context. They should provide information on:
- **Measurement.** A detailed specification of how metrics are to be measured in a way that avoids ambiguity and dispute (this is not required if we have produced published guidance on measurement for the purposes of the evaluative framework).
 - **Relationship to outcomes.** How the metric links to SONI outcomes and provides evidence of performance.
 - **SONI's influence.** How SONI's actions, behaviour and performance can influence the metrics (recognising that a metric may be affected by action across more than one SONI role).
 - **Other influences.** How the metric may be influenced by other parties

besides SONI and by external factors.

- **Simplicity:** metrics or other performance information should be as simple as possible and clearly defined.

8.27 SONI is required to include in its annual performance report reporting against the set of specified performance information set out in annex 3.

8.28 All deliverables should be assigned to an individual SONI role in Annex 1.

Ambition

8.29 For all performance commitments and deliverables, the plan may should explain the extent to which SONI considers these to be challenging, stretching and ambitious (and support this view with evidence).

8.30 For deliverables and new initiatives this might include comparisons with system operators in other jurisdictions, or other organisations, to show the degree of innovation. It might also include evidence on the scale and pace of improvement being targeted.

8.31 For performance commitments, this should include reference to historical levels and the likely influence of external factors (e.g. external factors may mean that some metrics are on an upward trend over time).

Stakeholder engagement

8.32 The plan should describe what stakeholder engagement it has drawn on as part of its preparation of the plan, and explain how this engagement has influenced the plan.

8.33 Where relevant, the plan may identify specific issues where SONI has taken a different approach to that sought by some stakeholders and the rationale for this.

Within-scope costs

8.34 The guidance in section 2 specifies which categories of SONI costs are within scope of the evaluative performance framework.

8.35 The plan should include SONI's central cost estimates (or a cost ranges around a central estimate if SONI considers more appropriate) for costs falling with scope of the framework. This should be supported by an explanation of the basis for the estimates, taking account of the levels of historical costs (where relevant) and other factors.

8.36 The plan should include an explanation of the key ways that SONI can influence these costs, and any plans that SONI has for how it will improve performance in relation to these costs during the financial year (or over a longer timeframe if applicable). The plan should also provide an explanation of the key external factors that will affect the outturn level of these costs.

- 8.37 Where relevant, the plan may also explain SONI's planned approach to managing trade-offs between costs and other aspects of delivery such as scope, quality and timeliness.

Forward plan self-assessment

SONI should include in its forward plan a self-assessment of the plan against the guidance set out in section 4, and thus a proposed grade (or grade range) for its plan in each role which is explained by reference to the evidence contained in the report. SONI's self-assessment would not be expected to match or predict the panel's assessment, but it will enable a more targeted review by the panel and it will assist stakeholders who are interested in making submissions to the panel.

9. The mid-year performance update

- 9.1 This section presents guidance on the mid-year performance update, which is expected of SONI under step 6 from Section 3 above.

Scope and format

- 9.2 The purpose of the mid-year performance update is to provide an update on the most important aspects of SONI's delivery and performance in the year to date.
- 9.3 This might take the form of a short report, or a pack of slides, prepared ahead of a workshop event.
- 9.4 The workshop event should involve presentations from SONI, and ample opportunity for the panel and stakeholders to raise questions on the update.
- 9.5 It is not expected that the mid-year performance update will involve the same level of detail as the annual performance report, but SONI should take account of the guidance on the annual performance report in section 10 in considering what information is most important to present.
- 9.6 The mid-year performance update should include an update on delivery against the deliverables from the forward plan, an update on performance against any performance commitments, and other pertinent information on performance against SONI outcomes.
- 9.7 The mid-year performance update should highlight areas where SONI is going beyond its plan, or deviating from its plan, to improve overall outcomes.
- 9.8 The mid-year performance update should include an update on stakeholder satisfaction, including any key issues emerging in the year to date.

Publication

- 9.9 SONI should publish the material from the mid-year performance update on its website.
- 9.10 Where there is any confidential or commercially sensitive information, this should be redacted, with the full confidential version provided to the panel and us. Any redactions should be closely targeted on confidential material rather than applied to whole sections or annexes.

10. The annual performance report

- 10.1 This section presents guidance on SONI's annual performance report, which is required from SONI under step 7 from Section 3 above.
- 10.2 Beyond the specific guidance in this section, SONI should familiarise itself with the guidance for the panel on the evaluation of performance in the relevant sections above, and include information in the report which supports that evaluations.
- 10.3 SONI's assessment of its performance should not be an exercise that only starts after the end of the price control financial year which the assessment concerns. SONI should be actively monitoring and reviewing its performance throughout the year. It may also be appropriate for SONI to provide stakeholders with updates on specific aspects of performance, or performance metrics, on a regular basis throughout the year.
- 10.4 This guidance does not cover detailed reporting of costs via the RIGs process.

Publication

- 10.5 SONI should publish its performance report on its website. Where there is any confidential or commercially sensitive information, this should be redacted.
- 10.6 Where there is any confidential or commercially sensitive information, this should be redacted, with the full confidential version provided to the panel and us. Any redactions should be closely targeted on confidential material rather than applied to whole sections or annexes.

Structure

- 10.7 Insofar as is practical, the structure of the annual performance report for a financial year should be aligned with the structure from the forward plan for that year (and in turn with the guidance on structure of the forward plan in section 8 above).

Delivery of the plan

- 10.8 The annual performance should provide clear information on SONI's delivery against the deliverables and performance commitments from the forward plan.
- 10.9 In the case of deliverables from the annual plan (including but not limited to deliverables specified by us as part of price control approval for specific initiatives), the report should provide information on what is delivered. This should be in terms of whether the deliverables specified in the plan were delivered in terms of all key dimensions such as scope, quality and timeframes, and the nature and extent of any under-delivery.
- 10.10 The report should also include information and evidence on the benefits derived from deliverables, in terms of SONI outcomes.

- 10.11 Where SONI has under-delivered against deliverables, it should explain and evidence the reasoning for this and, where applicable, how it sought to mitigate the scale and impacts of under-delivery.
- 10.12 In the case of performance commitments, the report should explain and evidence how SONI's actions (including its actions arising from its strategies, decisions, initiatives, working practices, methodologies and behaviours) have contributed to performance. The report should seek to distinguish, as far as practical, the influence of SONI from that of other parties and external factors.

Stakeholder satisfaction

- 10.13 SONI should engage with a range of different stakeholders to gain insight on stakeholders' views on its performance in relation to each of the service areas with the role.

Beneficial plan deviations and wider performance

- 10.14 SONI should provide evidence on any areas where it has deviated from its plan in a way that provides significant additional benefit in terms of SONI outcomes.
- 10.15 SONI should also provide evidence on any areas where it has gone beyond its forward plan (e.g. in terms of the level of ambition in specific areas or new initiatives not included in the plan) in a way that provides significant additional benefit in terms of SONI outcomes.
- 10.16 In both types of cases, SONI should provide evidence that its performance has exceeded historical performance levels from the Performance Baseline (or higher Performance Baselines if previous forward plans included improvements against those levels).

Within-scope costs

- 10.17 The guidance in Section 2 specifies which categories SONI costs are within scope of the evaluative performance framework. The performance report should include outturn expenditure information for costs falling within scope of the framework.
- 10.18 Given the timing of the annual performance report, this cost information may not have been through SONI's internal audit processes. SONI should use best endeavours to ensure its material accuracy, and manage its internal cost reporting and verification processes to give priority to cost data needed for the annual performance report.
- 10.19 The report should include outturn expenditure relative to central cost estimates (or ranges around central estimates) from the SONI's forward plan.
- 10.20 The report should explain how SONI considers that it has performed in relation to the costs within scope of the evaluative performance framework. This should take account of:

- Trade-offs between costs and other aspects of delivery such as scope, quality and timeliness.
- The impact of external factors on the outturn level of these costs.

Lessons learned

- 10.21 The performance report should primarily be backward-looking to inform the panel's evaluation. But the plan should also include information on lessons learned which can then be taken into account for forward plans and performance in subsequent years.

Self-assessment of performance

- 10.22 SONI should include in its report a self-assessment of performance against the guidance set out in Section 5, and thus a proposed grade (or grade range) for its performance in each role which is explained by reference to the evidence contained in the report. SONI's self-assessment would not be expected to match or predict the panel's assessment, but it will enable a more targeted review by the panel and it will assist stakeholders who are interested in making submissions to the panel.

11. General standards of conduct on reporting

11.1 This document includes general standards of conduct that should apply to all reporting performed by SONI in relation to the evaluative performance framework. This includes the annual forward plan, the mid-year performance update and the annual performance report. It also includes responses to queries raised by the panel, the UR or other stakeholders as part of processes under the framework.

11.2 SONI should ensure that:

- All reports and responses are accessible to a range of stakeholders, giving prominence to the most pertinent information, with more detailed technical material provided in support (e.g. in appendices).
- All reports and responses provide a fair and balanced picture of SONI's performance, including, for example areas, of stronger performance and areas of weaker performance.
- Due care and attention is taken to ensuring that information is, to the best of SONI's knowledge at the time of provision, accurate, correct and complete.
- Where SONI identifies that inaccurate information has been reported, SONI should notify us and make corrections as soon as practically possible. Where material amendments are made to any information provided in a report, these amendments should be clearly communicated to stakeholders and clearly identified in the reports.

Annex 1: SONI Roles and services

SONI Role	SONI Service	Existing Activities (taken from SONI BP Appendix A ⁴)
System operation and adequacy	Scheduling & dispatch	Least cost deviation; Priority dispatch; System security; Forecasting demand and intermittent generation; Common grid model; Cyber security; IT/Telecoms for forecasting.
	Ensuring system adequacy and market development	Capacity: Capacity market delivery. System services: Facilitation of renewable generation (increase SNSP & EU sysFlex); System services market design, procurement and delivery; Performance monitoring of system services Wider systems operations activities: Outage planning; Emergency preparedness & black start; Protection policy and ops; TSSPS operating security standards.
Independent expert	Expert voice	NI voice (dealing with requests and invitations from decision makers UR and DfE and informing stakeholders of SONI issues that impact them); Representation in Europe (ENTSOE, access to expertise in other TSOs, ITC mechanism); Transparency information (REMIT and provides data to European transparency platform).
	Industry governance	Grid code management; EU network code implementation, Capacity market code;
	Regulatory engagement	Transparency for regulatory purposes, quality of information provision to regulator, especially in relation to TSO service quality outcome.
System planning	Assess & communicate system needs	Identify future needs (Future energy scenarios); Determining transmission investment plan (TDPNI and TYTFS); Energy system analysis (modelling of system needs and input to capacity auctions); Generation capacity forecast statement.
	Project scoping & feasibility	Project definition; Long list of options; Shortlisting and identify option; Determine stakeholder engagement process; Funding approval from UR; TIA is a key source/enabler/link with NIEN.

⁴ The exception is the 'regulatory engagement' service which is a service area that we have added upon review of the business plan.

	Outline design & consenting	Route and technology selection; Environmental studies; Planning app and engagement; Project analysis; Acquisition and landowner consents and engagement.
	Handover & commissioning	Issue functional spec to NIEN; Review and accept design specification; TPI prep for NIEN, Review need case, support NIE D5 app, enter into TPA; Agree easement compensation; Project commissioning and closure.
Commercial interface	Connection and access rights	Enquiries, feasibility assessment; Connection offers; Access rights; TUoS Contracting.
	Contractual interface	Moyle interconnector services; SSS tariffing and settlement; System services settlement; Industry back-up CRM & Balancing market; ENTSO-E ITC mechanism.

Annex 2: UR Strategic and Service Priorities

- 11.1 We have split priorities into UR stakeholder strategic ones and energy transition and UR service focused ones. Many of these expectations are things which are harder to measure (through for example performance metrics) but are critical behavioural and expectations that we feel are very important to excellent SONI performance from 2020 to 2025 and beyond.
- 11.2 Service focused priorities capture more focused and explicit customer facing aspects from SONI's role, which we, and stakeholders, see as important over the 2020 and 2025 period and beyond. These are areas where we consider there is considerable merit in SONI focusing on as they are areas where SONI can provide customer and consumer value.
- 11.3 At the same time, we recognise that what SONI does is complicated, cross-cutting across its various roles, and the market and policy environment is uncertain and will change over time. We are conscious that stakeholders have fed back to us that there are particular aspects of SONI company culture which ultimately affect how it delivers service. We agree with many of these and feel that, while we recognise there is some overlap between these and service priorities, it is worth capturing many of them explicitly given their important contribution to SONI performance.

UR stakeholder strategic priorities

- 11.4 We feel that the following (inter-linking) priorities are areas for SONI to focus on and improve. We expect to see evidence that SONI is taking on this feedback within its forward performance plan:
- **A culture of effective engagement and collaboration:** stakeholders have spoken of the need for effective engagement being foundational in everything that SONI does and being embedded into organisational culture rather than simply as a process to be followed. They spoke of the need for SONI to listen and actively collaborate with stakeholders and customers, rather than focus on a more educational or one-way style engagement. They also conveyed the need for SONI to better engage and collaborate with non-traditional actors and technologies. We have also raised concerns that SONI's engagement is overly focused on service activity where it is difficult to see further tangible value for money, given that SONI has developed a level of maturity and experience already (such as engagement related to furthering the development of network infrastructure).
 - **A culture of open and collaborative innovation:** stakeholders have spoken of the importance of SONI innovation not just being essential for SONI, but also to help third parties learn how they can best help SONI and develop new services. This will entail not only SONI learning from other stakeholders and customers (including more non-traditional actors) but potentially allowing them to lead and co-design SONI activity where appropriate (for example as part of practical projects). Stakeholders also questioned how new ideas are developed and how

a culture of open and collaborative innovation will be embedded within the organisation.

- **A culture of organisational learning, accountability and planning that supports SONI agility and responsiveness in meeting policy, regulatory and market development.** Stakeholders have spoken of the need for more effective hands-on practical projects more-so than desk-based reviews/planning, learning practical lessons from trials and real projects with a range of 3rd parties. Stakeholders also gave tangible and persuasive examples of how SONI could be learning approaches, processes and methodologies from other jurisdictions in areas such as system service and control centre design and system planning, whilst at the same time encouraging SONI to learn about and solve bespoke local issues, noting unique circumstances in Northern Ireland. We expect SONI to work effectively with the regulator to assist it in carrying out its regulatory duties. For example, SONI should be clearly providing accurate information which we require, as is proportionate and appropriate, within the timescales agreed, to support the regulator in undertaking its work to further the interest of consumers. Finally, stakeholders drew on consumer opportunities that the energy transition is likely to bring and questioned how SONI's organisational governance and people planning will be able to take advantage of these (noting gaps).

UR energy transition service priorities

- **Collaborating and coordinating to promote a holistic, customer based service approach to digitalisation:** we consider that SONI should be taking an ambitious and lead role in this area given its level of system influence. This will not simply require transparency from SONI in terms of openly sharing its relevant data and making its SONI actions transparent to enable market participants make efficient operational and investment decisions, in a way in which we expect a well-functioning, efficient SONI to do; but to embrace a broader, more holistic digitalisation role and culture that enables SONI to reach out to 3rd parties and listen to and learn from them. This broader role should support customer facing SONI service design and not simply be aimed at enhancing internal TSO processes.

We consider that this will be relevant to a range of SONI service activity, for example, Dispatch and scheduling (energy forecasting)” and “Ensuring system adequacy and market development (system services)” and “Assessing and communication of system needs”.

- **Developing markets through competition and stakeholder engagement and collaboration.** The way SONI designs and procures system services and its approach to dispatch and scheduling can affect providers’ ability to compete and revenue available, and affect price signals and cost in wholesale market.

We consider that SONI should be actively and as swiftly, as is possible, addressing barriers to market participation by non-traditional technologies and actors. SONI should be ensuring the rules and processes for procuring system

services (and/or dispatch and scheduling) maximise competition where possible (e.g. continue to move to more market based approaches where in consumer interests), and are fair (e.g. design facilitates existing and new providers to compete on a level playing irrespective of size or type) and transparent. SONI should be actively partnering, innovating and collaborating with industry and other 3rd parties, including new actors, in preparing and implementing future projects and programmes of work where it can see additional benefit for consumers.

- **Whole system collaboration and coordination with 3rd parties, and NIE Networks across its various roles as a TO, DNO and DSO.** SONI should be comprehensive, ambitious and collaborative in undertaking a whole system role. It should be reflecting on how its role can influence good outcomes, across the a) electricity transmission to distribution interface, b) across the wider electricity value chain and c) on a cross-sector or cross-vector basis.

In terms of its role in coordinating and collaborating across the distribution and transmission interface, it will need to be careful to build a common understanding of where actions taken by one system/network operator could have cross-network impacts, identify and implement actions (innovative and/or other) that optimise synergies, and develop processes with NIE Networks that ensure optimal resource utilisation. Given our concerns about the clarity of SONI's proposals in terms of the DSO and TSO interface, we also expect SONI to work with NIE Networks to ensure that there is clear delineation of role and responsibility between the TSO and the DSO functions. We will engage further with parties on this in early 2021.

We consider that there is further scope for SONI to consider how non-network options can further integrated into its service activity (for example, in terms of improving its system planning), which may reduce the need for network reinforcement. We also seek greater transparency and continued improvements in the SONI's assessments and decisions for system planning / network planning purposes (e.g. options considered, rationale for proposed approach) and (ii) greater transparency and continued improvements in the methodologies and tools used for system planning / network planning purposes.

This broad whole system expectation is likely to cut across many SONI TSO services but may be particularly value adding its "Dispatch and scheduling" and "Ensuring system adequacy and market development" and "Assessing and communication of system needs", and to some extent "Project scoping and feasibility" and "connection access rights" activity.

Other UR service priorities

- 11.5 These are other specific service priorities largely relating to wholesales markets activity. For the most part we consider that good performance in these areas is activity that we would already expect to be part of the baseline activity of a reasonable and efficient TSO.

- **SONI should be considering ways to seek to minimise the imposition of constraint groups in dispatch to that extent only necessary for system security and safety in line with its obligations.** Constraint groups should be continually tested for necessity and SONI should seek to find higher degrees of granularity within the groups so as to avoid unnecessary divorcing of the dispatch instructions sent to generators from the optimal economic schedules and Physical Notifications produced by the scheduling software and markets respectively. SONI should proactively test their assumptions around the limits of equipment that might otherwise be ‘taken as read’ as inputs to the formulation of the constraint groups. Powerflow, transient stability and other appropriate studies should be regularly and actively reviewed to challenge the necessity of the imposition of the constraint groups, and to find opportunities to relax any components that can be relaxed without compromising prudent system operation. SONI should also regularly engage with NIE Networks, Moyle and with generators in the pursuit of constraint group optimisation. While we expect close co-operation with the EirGrid TSO, SONI should not necessarily be bound by decisions or assumptions made by EirGrid TSO on the constraint groups imposed in the Republic of Ireland and should also demonstrably and actively challenge constraints imposed or proposed to be imposed in the Republic of Ireland.
- **In terms of capacity market delivery, SONI should co-ordinate with EirGrid in delivering the CRM and the Capacity Auctions, to ensure that all milestones and associated processes are met on time in keeping with published and approved timetables.** SONI should also continuously improve quality control checks related to the CRM, to ensure the avoidance of errors that could negatively impact market participants. For example, errors in the qualification processes, auction processes and in the other processes contained in the Capacity Market Code. SONI should strive to support market participants with regard to facilitating the entry of new capacity within the market and should be proactive in its engagement with market participants and ensure that any administrative barriers to the entry of new capacity are minimised to ensure that the CRM is as simple as possible for market participants to navigate. For example, this could include ensuring that SONI has a formal process which reviews CRM processes, and considers customer feedback, to ensure that on-boarding / registration / qualification are not more detailed/complex than is necessary; and that SONI works pragmatically and responsively to help its diverse base of market participants by proactively providing them with the information they need. SONI should ensure that the rules and processes associated with Capacity Market Code Modifications are adhered to. This includes meeting milestones in regards to reporting and ensuring that change records are updated as and when required following the implementation of a modification to the code. As experience is gained in operating the CRM, SONI should propose novel Code modifications to improve the transparency and efficiency of the processes within it.

Annex 3: Specified performance information

The performance information in the table below was provided by SONI to UR in the form of metrics. The types of information listed below may need to be updated over time as and where necessary.

We consider that these could be relevant as performance information for SONI to report on as part of the framework, and could be feasible from the start of the framework. Many of these will need accompanying information from SONI to demonstrate how **its actions** have affected desirable outcomes. We also consider that many will require further work (for example, to develop and clarify the methodology and measurement, demonstrate stretch, consider lessons learned potentially from other jurisdictions – see examples of Ofgem performance information which could be relevant).

These are also likely to benefit from further input from stakeholders. We summarise some of their feedback from their responses to our July 2020 draft determination. It is unclear whether stakeholders have seen the metrics proposed by SONI to us.

Performance information	Stakeholder views on our July 2020 draft determination	Potential for inclusion as performance information
RES-E (%)	Stakeholders with an interest in renewable generation expressed support for incentivisation in this area, noting that while some of it is likely to be outside of SONI's control SONI still has significant influence.	Yes (potentially as a metric)
SNSP (%)	Stakeholders with an interest in renewable generation expressed support for incentivisation in this area, and provided views on targets that should be set and by when.	Yes (potentially as a metric)
Renewable Dispatch Down (%)	Stakeholders with an interest in renewable generation expressed support for incentivisation in this area. They also noted there could be areas outside of SONI's control, and discussed briefly how a metric could be set.	Yes (potentially as a metric)
System Minutes Lost (SML)	NIE Networks had concerns that that use of this as a target based metric could negatively affect NIE Networks performance.	Potentially (as reporting information)
System Frequency (%)	No comment	Yes (as reporting information)
Cyber Security (Maturity Score)	No comment	Potentially as reporting information

Imperfections (£)	Some stakeholders with an interest in renewable generation noted the increase in these costs as a concern	Yes (as a metric)
Internal Costs (£)	No comment	Yes
Stakeholder Engagement	Stakeholders with an interest in renewable generation expressed support for survey based format with a metric	Yes (potentially as a metric based on survey format)
New Technology Deployment	No comment	Yes (potentially as reporting information)

Respondents to our July 2020 consultation (and SECG members) also raised other areas not specifically included within SONI's proposals that we consider SONI may at least want to consider:

- Reduction of minimum generation
- Emissions Reporting

We also note that Ofgem has set a range of metrics and 'regularly reported evidence' as part of its framework, and proposed refinements to improve clarity, simplicity, accountability and ambition after running its framework for 3 years: there may be lessons that can be learned. While we understand SONI and National Grid operate in different jurisdictions, many of the issues faced by each are very similar, as are the broad directions of travel in energy transition thinking.

We encourage SONI to comprehensively consider any lessons learned. For example, some of these from Ofgem proposals (spend on 'balancing costs against a benchmark' and 'stakeholder satisfaction survey' have read across to SONI proposals and/or stakeholder views. There may be some, for example, '% of system services procured through competitive means' that become increasingly relevant over time (see our service priorities). We ask SONI to take a critical consideration of read across and gaps which may be relevant to NI.

Annex 4: Transitional year timings

Step 2 and 3	Early to Mid-March 2022
Step 4	Mid to end May 2022
Step 5	Mid to end June 2022