

Alan Campbell SONI Ltd Castlereagh House, 12 Manse Road, Belfast, BT6 9RT

08 February 2023

Ref: NET/E/DH/630

Dear Alan

Application for the Authority's¹ consent to further extend the Connection Offer Timelines for Atlantic Hub Property Limited's Data Centre Project (MIC = 80 MW)

Thank you for your letter of 25 January 2023 ("the Letter").

We treat the Letter as a (further) application ("the **Second Application**") - made under Condition 25(5) of SONI's TSO Licence ("the **Licence**") - seeking the Authority's consent for an extension of the period within which SONI ("the **Licensee**") is obliged² to make Atlantic Hub Property Limited ("**AHPL**") an offer of terms for connection to the Northern Ireland Transmission System in respect of the connection of AHPL's Data Centre Project.

We start by setting out the relevant terms of Condition 25 of the Licence. We then set out some background before moving to the Second Application itself. We then detail consultation on the Second Application and some related interaction between AHPL and the Authority. We then move on by setting out our decision on the Second Application before closing with some observations on moving forward.

1. Condition 25 of the Licence.

Condition 25(5) provides, so far as relevant, as follows (our underlining added):

"[SONI] shall offer terms for agreements in accordance with paragraphs 1³ and 2 <u>as soon</u> <u>as practicable</u> and (<u>save where the Authority consents to a longer period</u>, which <u>consent</u> <u>may be given on the application of [SONI]</u> following consultation by [SONI] with the person making the application and such other persons as [SONI] considers may be affected or

¹ In this letter "we", "UR" "us", and "the Authority" are used interchangeably to refer to the Northern Ireland Authority for Utility Regulation.

² Where certain specified exceptions are not demonstrated as applicable.

³ Paragraph 2 of Condition 25 sets out the licence obligation to make an offer of terms for *connection* (subject to the exceptions set out in paragraph 6 of Condition 25). Paragraph 1 of Condition 25 relates to offers for use of the transmission system. The Second Application is concerned with the obligation in Condition 25(2).



interested) in any event not more than the <u>period specified in paragraph 7</u> after receipt by [SONI] of an application containing all such information as [SONI] may reasonably require for the purpose of formulating the terms of the offer . . ."

Condition 25(7) provides that the "period specified" in this case is three months.

2. Background

On 17 September 2020, SONI received an application from AHPL for a Condition 25(2) offer of connection in respect of the Atlantic Hub Data Centre project. An updated connection application was received by SONI on 27 January 2021. SONI deemed the AHPL application valid with effective date 9 April 2021.

On 24 June 2021, SONI applied (the **First Application**) to the Authority for consent to extend the (then) applicable Condition 25(5) period out from 8 July 2021 (being a date 3 months out from the effective date of the AHPL application for an offer of connection terms) to **8 February 2023.** A decision confirming the grant of the consent sought in the First Application was published on 6 July 2023 (the **6 July Letter**).⁴ This letter should be read with the 6 July Letter.

SONI now seeks – by its Second Application – to further extend the Condition 25(5) period out to **31 March 2023**.

3. The Second Application

The Second Application⁵ is summarised⁶ as follows.

The Letter sets out that:

"In line with Condition 25 (5) of the Licence, SONI hereby requests that the Authority consents to further extend the time required to issue the connection offer to AHPL for its data centre project from 8 February 2023 to 31 March 2023."

The Letter outlines a dependency between a connection offer to AHPL and the approval of a Transmission Network Pre-Construction Project (**TNPP**)⁷ application - made to the

⁴ 2021-07-06 SONI C25 Extension Atlantic Hub UR Letter.pdf

⁵ The Letter is presented in a way that aligns with the Authority's 2017 decision paper on connection extension applications: <u>Electricity Connections Review Decision Paper | Utility Regulator (uregni.gov.uk)</u>

⁶ This letter only set out a broad summary of the Second Application. The detail of the Letter/Second Application has been fully considered by the Authority in making the decision relayed in this letter.

⁷ See here for guidance: <u>Decisions and guidance to implement CMA Order on TNPPs & Dt Mechanism | Utility</u> <u>Regulator (uregni.gov.uk)</u>



Authority on 24 November 2022 (the **TNPP Application**) - to extend the 110 kV Coolkeeragh Substation.⁸ SONI asserts that it is unable to issue a relevant connection offer (to AHPL) before it has approval of the TNNP Application because any offer made subject to an approval of the TNPP Application would offend against a previous determination of the Authority.⁹

SONI further clarifies that at the time of the First Application:

"... the expectation was that the TNPP would be submitted to the Utility Regulator for approval in June 2022/July 2022. However, due to significant environmental issue[s] that were required to be considered at the Coolkeeragh site, further work was needed to determine the Preliminary Preferred Option for the TNPP project and therefore the TNPP submission was subsequently submitted on 24 November 2022."¹⁰

SONI records that the normal timeline for the Authority to review and decide on a TNPP application is 4 months. SONI highlights that its Second Application has been deliberately configured to align with the expected timelines in relation to a decision (by the Authority) on a TNPP application. It says this:

"[The extension sought by the Second Application] is being sought as a precautionary measure in the scenario that the approval of the TNPP may not be in place to allow the connection offer to be issued on or before 8 February 2023 and the requested timelines is based on the Utility Regulator requiring the normal 4-month period to issue a decision the 110 kV Coolkeeragh Substation TNPP (i.e. to 24 March 2023) and a further 1 week for SONI to consider that decision and seek internal approvals in terms of any conditions that may apply to it or costs that may not have been approved (i.e. to 31 March 2023)."

SONI further states that:

". . . although the SONI Application is seeking an extension to 31 March 2023, SONI will issue the connection offer to AHPL ahead of the requested 31 March 2023 date ahead of this where a TNPP decision to approve has been received and the SONI internal approvals are in place."

The Letter includes an assessment of the impact of the "extension" sought where it's to be granted (or not). SONI states that the impact of granting the extension:

⁸ <u>Transmission-Development-Plan-Northern-Ireland-2021-2030.pdf (soni.ltd.uk) – stated the</u> "driver for this project is renewable integration and security of supply," and that the estimated completion date is 2029.

⁹ The Letter refers to <u>DET-522_Determination - 23_June 2014_redacted.pdf (uregni.gov.uk)</u>. We say more about this determination in the "decision" section (6) of this letter.

¹⁰ The Authority notes that it has engaged with SONI in the period following the 6 July Letter as to general timelines associated with connection timelines.



". . . would be a potential delay of up to 7 weeks to the current timeframe to issue the connection offer to AHPL."

SONI's assessment of the impact of not granting an "extension" concludes:

"SONI will not be able to issue a connection offer to AHPL should a decision by the Utility Regulator to approve the TNPP project not be in place on 8 February 2023."

The Letter also includes a section on "alternative actions". In this section SONI concludes that:

"... in the absence of a decision by the Utility Regulator to approve the TNPP by 8 February 2023 then SONI will not be in a position to issue the connection offer to AHPL."

4. Consultation on the Second Application

An application by SONI under C 25(5) requires SONI to consult with:

"... the person making the application for connection: in this case AHPL and such other persons as [SONI] considers may be affected or interested."

SONI has consulted with AHPL and NIE Networks (in its capacity as the Transmission (asset) Owner ("**TAO**")). A summary¹¹ of the interactions is now set out.

<u>AHPL</u>

AHPL responded to SONI's consultation on 24 January 2023. In this response, AHPL commented that

". . . clearly, Atlantic Hub is extremely disappointed that SONI intends to seek a time extension to the provision of the connection offer until 31st March 2023. . . Atlantic Hub will necessarily have to plan for the worst case date of 31st March, which will seriously disrupt our engagement with our clients, presently planned to take place in mid-February."

AHPL also suggested an alternative approach as follows:

"You have advised in your email that you will continue to work on the connection offer with a view to it being finalised by 8 February. On that basis it would appear reasonable and very

¹¹ Again, this is only a broad summary of the relevant interactions. The detail of the interactions has been fully considered.



achievable for SONI to commit to providing Atlantic Hub with a non-executable version / draft, of the offer on that date. This would be crucial to continuing with our current planned client engagements. We accept, of course, that if the TNPP [Application]¹² has not been approved by that date then the executable version / draft, may vary from that issued on the earlier date.

I would ask that you advise should SONI not be open to the above request, to consent for us to consider making our own representations to UR on this matter as part of their considerations of the proposed derogation."

In a direct response to AHPL, sent on the 25 January 2023, SONI stated that:

"We also note your request with respect to SONI issuing AHPL with 'a non executable version / draft.' This is a separate issue to the extension request and something that SONI cannot commit to as it would require further consideration internally and also would require agreement with other parties (e.g. NIE Networks with respect to the Construction Offer and the passthroughs from that). We would advise that as part of SONI extension request, SONI will be providing all the consultation correspondences/responses as part of the request so the Utility Regulator will be aware of your views. However, any representations you may wish to make directly to with the Utility Regulator on the SONI extension request is a matter for AHPL and does not require SONI's consent."

SONI also stated that:

". . . having considered the AHPL response and views, SONI have concluded that the request for extension remains appropriate and furthermore have concluded that no changes to the proposal can be made with the rationale for the extensions request remaining valid and appropriate."

There was then a further email from AHPL to SONI dated 27 January 2023. In this email AHPL contested SONI's position as regards the "non-executable" or "draft" offer (the **NE/D Offer**). It said that the Authority should factor in SONI's position on the NE/D Offer as part of its deliberations on the Second Application. AHPL asked whether SONI would confirm whether its request for a NE/D Offer (by 8 February 2023) would be "facilitated".

SONI responded with an email of 1 February 2023 which included the following:

"We note your concerns and that you do not concur with SONI that the provision of a nonexecutable offer on . . .8 February 2023 is a separate issue from SONI's request for the further extension. The formal extension request under Condition 25(5) of the SONI Licence

¹² Our insertion for clarity purposes.



is in relation to the issuing of the formal connection offer only. It does not relate to a 'nonexecutable offer' / 'draft offer' therefore it is SONI's view that the request from AHPL for SONI to issue a 'non-executable offer' / 'draft offer' does not fall under the extension request under Condition 25(5) of the SONI Licence, nor is there any licence obligation on SONI to provide any party with a 'non-executable offer' / 'draft offer' at any stage of the connection offer process.

Therefore, as per below, SONI cannot commit to providing AHPL with a 'non-executable offer' or 'draft offer' at this stage. However, we are continuing to consider internally what elements of the connection offer we may be able to share ahead of any formal offer being issued (e.g., connection charges, timeframes, etc) and as part of this are also engaging with NIE Networks in relation to their associated Construction Offer. As per the consultation, SONI have already submitted its formal request to the Utility regulator on 25 January 2023. However, we will forward this further correspondence of AHPL's views on to the Utility Regulator as part of their considerations."

NIE Networks

NIE Networks responded to the SONI consultation on 20 January 2023 as follows:

"NIE Networks would support SONI's application for an extension to the 31st March 2023 for the reasons described in your email below. NIE Networks Construction Offer is being issued¹³ on the basis that the TNPP is approved providing a level of confidence the mesh extension which is fundamental to the proposed connection of Atlantic Hub Data Centre is a viable project."

5. Interaction between AHPL and the Authority

The Authority emailed SONI on 1 February 2023 asking SONI to forward the correspondence to AHPL. The email from the Authority confirmed that there was a facility for AHPL to make the direct representations (to the Authority) mentioned in its engagements with SONI (see above). The Authority confirmed that any direct representation should be made by close 3 February 2023 and copied to SONI. It was further confirmed that the facility should be used for representations not already made in AHPL's interactions with SONI (which the Authority already had).

AHPL emailed the Authority on 6 February 2023 in response to the facility offered by the Authority. The representations made were, accordingly, "late". AHPL also failed to copy the representations to SONI. The representations made also shadowed those made in the

¹³ The Letter confirms that a relevant Construction Offer (from NIE TAO) was received by SONI on 25 January 2023.



engagements – on the Second Application – between AHPL and SONI. They included the following:

"Whilst expressing disappointment, Atlantic Hub requested that SONI should mitigate, to some degree, the adverse impact of the further delay by providing Atlantic Hub with a non-executable version/draft of the connection offer by... 8th of February.

Atlantic Hub explained that it considered that this was both reasonable and deliverable since SONI had explained previously that it remained their plan to deliver the connection offer by . . . 8 February if they received TNPP approval.

It is on the basis that SONI will not commit to this mitigation that Atlantic Hub are now making this further input to the process of UR's consideration of the requested extension

In summary, Atlantic Hub would request that, if UR decides to agree to SONI's request for an extension, that it makes such an extension conditional on the provision of a nonexecutable version of a connection offer based on an assumption of TNPP approval.

If the UR considers that such a direction is outwith its legal powers, Atlantic Hub requests that its direction should seek to at least influence such an outcome. As set out in the previous paragraph, Atlantic Hub considers that the provision of a non-executable/draft version of the connection offer is reasonable and deliverable by SONI.

In considering this input Atlantic Hub would wish to draw attention to the failure of SONI to comply with UR's [July 2021] determination. In that determination UR made it quite clear that 8th February was a long stop date and not a target date. The determination stated the following:-

"Our decision on the Application does not mean, and should not be interpreted as meaning, that SONI will now meet its C25 obligations in respect of the AHPL connection application provided it turns around an offer of terms by 8 February 2023. To the contrary, SONI remains obliged to make the requisite offer "as soon as practicable" and in any event, no later than 8 February 2023. The (new) C25 date (for AHPL's connection application) is a long stop date."

Based on its various interactions with SONI, and taking account of the direction that SONI should issue a connection offer, "in any event, no later than 8 February 2023" Atlantic Hub does not consider that SONI has complied with this aspect of UR's determination.

Furthermore, UR's determination placed an obligation on SONI to initiate a series of update reports, which would be informed by consultation with Atlantic Hub beginning no later than 14 February 2022. Atlantic Hub is not aware of any update reports having been prepared.



The reason that Atlantic Hub is raising these matters is that we feel that they have contributed to SONI's need for this second and further extension. Atlantic Hub considers that these matters are therefore relevant to SONI current request. If an extension is granted, we feel that it should include a specific onus on SONI to mitigate as far as possible the adverse impacts of their proposal, and Atlantic Hub considers that the provision of a non-executable offer by the previously agreed date of 8 February would provide some level of mitigation."

The Authority emailed AHPL on 6 February 2023 asking that AHPL explain why the representations made were "late". It was also asked to explain why the representations looked to largely shadow those already made by AHPL. AHPL was asked to return by 10.00 a.m. on 7 February 2023. It did not do so.

On 7 February 2023 the Authority emailed SONI (copying in AHPL) copying it into (a) the 6 February email from AHPL to the Authority and (b) the email from the Authority to AHPL of 6 February. SONI was asked to make any response by 4.00 p.m. on 7 February 2023. SONI emailed in on 15.42 on 7 February as follows:

"SONI would make the following comments viz. the AHPL email of 6 February:

- SONI note that AHPL have stated that "In our response we expressed disappointment at SONI's decision to seek a further extension, going on to explain that Atlantic Hub had planned engagements with clients in February, on the basis of the present UR determination and assurances from SONI that the connection offer would be provided by the 8th of February." SONI have made clear throughout that the issuing of the formal Connection Offer was and is subject to the approval of the TNPP for the Coolkeeragh 110 kV switchboard extension and this was the core reason for the original extension request that was granted by UR (i.e. a 'conditional offer' was not possible). In addition, at the last number of SONI/AHPL update calls, SONI indicated a short extension beyond the 8 February 2023 date may be required, should a decision to approve the TNPP not be in place on or before 8 February 2023.
- The request from SONI to the UR is in relation to UR's consent to extend the formal Connection Offer that would be issued under C25 of the SONI Licence. As has been explained to AHPL, anything else requested to be issued outside of this, such as a 'non-executable version/draft of the connection offer', does not fall under the remit of C25 of the SONI Licence and therefore is not relevant to the specific request made under C25.



SONI are continuing to consider this request, however, irrespective of whether or not SONI would have the ability to provide a non-executable version of the offer, doing so would present a number or risks to SONI. For example, setting a precedent that all applicants would have an expectation to receive a 'non-executable version/draft of the connection offer' as well as it being something that is outside of the SONI licence means any protections afforded to SONI under the SONI Licence would not be there for SONI.

- Given the above, and AHPL's request that UR makes any extension to the formal Connection Offer under C25 of the SONI Licence conditional upon the provision of a non-executable version of a connection offer based on an assumption of TNPP approval, then SONI's expectation would be that the UR would specifically instruct SONI to issue any such non-executable version of a connection offer given that this would be something outside of the SONI Licence.
- SONI note that AHPL have stated that "In considering this input Atlantic Hub would wish to draw attention to the failure of SONI to comply with UR's current determination. In that determination UR made it quite clear that 8th February was a long stop date and not a target date." The reasons for SONI seeking the UR's consent for a further short extension are set out in the formal request to UR and SONI have followed the processes as set out under C25 of the SONI Licence in doing so. In general where SONI is aware that there is a risk of not meeting the "period specified" under C25 then to ensure that it remains compliant with SONI Licence, SONI must seek UR's consent to extend the "period specified" the "period specified" being 8 February 2023 in this case.

AHPL emailed the Authority on 8 February 2023 explaining and apologising for the delay in providing its email of 6 February and the failure to respond (within the time given) to the Authority's email (to AHPL) of 6 February 2023. We accept AHPL's explanation and apology.

AHPL also explained that in so far as its 6 February email contained repetition this was by mere introduction to its more important point. It placed emphasis on the failure of SONI to meet the expectations set out in the 6 July 2021 Letter.

6. Our Decision on the Second Application

We judge the Second Application against our principal objective and general duties set out in Article 12 of the Energy (NI) Order 2003. Doing all this, our decision is to:

(i) accede to the Second Application, considering it justified; and accordingly



(ii) give consent (pursuant to Condition 25(5) of the Licence) to the extension of the period – within which SONI is required¹⁴ to make a connection offer to AHPL in respect of the relevant (110 kV) application made to SONI and effective 9 April 2021 - to 31 March 2023.

In making this decision, we have had proper and full regard to: (a) the Letter (and the matters recorded therein); (b) the consultation responses from AHPL and NIE Networks; (c) the further interaction between AHPL and SONI on the Second Application¹⁵; (d) the AHPL direct representations dated 6 February¹⁶ and the SONI emailed comments thereon dated 7 February (e) AHPL's email dated 8 February 2023.

We consider that SONI has made out a proper justification for the Second Application (for the reasons offered in the Letter). We make that finding despite entertaining some doubts about SONI's reliance on *DET 522* (2014). We note that that determination was made against a very different set of regulatory/factual circumstances. Furthermore, it is not clear that the decision carries the weight that SONI appears to attach to it. However, we do not consider that we need to resolve these issues for present purposes being satisfied that the Second Application is properly justified without reliance on the purported holding in DET 522.¹⁷

We note that NIE Networks is supportive of the Second Application.

We further note the relatively modest extension sought in the Second Application, particularly when compared to the extension sought in the First Application.

We acknowledge that AHPL has registered it's extreme disappointment at the making of the Second Application and referenced (unspecified) "serious disruption" to planned engagements with its clients scheduled for "*mid-February*" 2023.

We do not consider that the direct representations made by AHPL should cause us to refuse the Second Application. In essence, those direct representation argue for *a condition* to be attached to any consent offered in response to the Second Application. AHPL contends that the Authority should "mitigate" (the effects of) an extension (by consent) by "directing" SONI

¹⁴ Where the applicable Condition 25 offer exceptions are not demonstrated.

¹⁵ Namely, email from AHPL to SONI of 27 January 2023 and the SONI emailed response of 1 February 2023. ¹⁶ We have decided that we should pay regard to the direct representations made by AHPL despite the procedural failings surrounding the making of those representations. This might be a somewhat generous/benevolent approach, but we are persuaded by the contents of the AHPL email of 8 February 2023. ¹⁷ We further note that whilst the Authority will seek to have proper regard to the principle of consistency it does not operate (like the Courts) to a doctrine of precedent.



to make a NE/D Offer to AHPL (by 8 February 2023) or (it appears)¹⁸ making it a condition of the grant of any such consent that SONI make such an offer. We do not consider that it would be appropriate to do either of those things. Our reasons are as follows.

First, we do not consider that we have the legal power to make the grant of "consent" under Condition 25(5) subject to condition/s (by direction or otherwise). The licence provision does not speak of the consent being potentially conditional.

Second, and lest we be wrong in considering that the Condition 25(5) consent cannot be conditional, we further consider that the attachment of the condition sought by AHPL would not be appropriate in any event. SONI is not obliged (by statutory/licence provision) to make NE/D Offers to applicants seeking an offer for connection.

Nor, to be clear, do we consider that it would be appropriate to "direct" SONI to make a NE/D Offer to AHPL (by 8 February 2023) as part or outside of our decision on the Second Application. We have no legal power to do so. Nor would it be appropriate to do so even if we did have such a power. Again, SONI is not obliged (by statutory/licence provisions) to provide a NE/D Offer to connection applicants.

We recognise that AHPL has asserted – in its direct representations – that SONI has breached the terms of the 6 July 2021 Letter "determination" on the First Application. We do not see how AHPL's direct representations substantiate that claim. Certain "various interactions" are posited as support for the assertion made but are not elaborated on.

Moreover, our reading of the documents is that SONI understands that it is obliged to make a Condition 25 (2) Offer as soon as practicable and in any event by the (operable) longer (Condition 25(5)) period. The Letter confirms that SONI will make a Condition 25(2) Offer within one week or so of receipt of any TNPP Application approval (assumed received by 24 Match 2023) and not simply by the extended longer period effected by this decision (i.e., by 31 March 2023). This seems to demonstrate that SONI is mindful of its licence obligations. We consider that the making of the Second Application was an appropriate step for SONI to take in all the circumstances.

Nor do we consider that AHPL's direct representations (as further elaborated in the AHPL 8 February email) - concerning alleged failures regarding the expectations described in our 6 July 2021 Letter - have any real bearing on our present decision.

¹⁸ The direct representations might be read so that "direction" and "condition" are used interchangeably. We have decided to view the direct representations as being more expansive and asking for either conditionality in any consent (by direct or otherwise) or a parallel direction (separate to or additional to any consent).



We can confirm that SONI did engage with the Authority in the period after the 6 July 2021 Letter. A first update report was provided by 14 February 2022. The Authority raised certain challenges in respect of that report to include questioning why the February update report had not been shared with AHPL. A letter from SONI of 27 April 2022 confirmed¹⁹ that the February update report would be shared with AHPL. It is unclear whether that happened.

It seems clear that there have, however, been regular update meetings between SONI and AHPL following the 6 July 2021 Letter. Further, the matter of Coolkeeragh Substation Extensions and possible impact on future Coolkeeragh connections was raised in monthly meetings between the Authority and SONI in the early autumn of 2022, at which SONI also advised of the anticipated submission of the related TNPP Application. We can note here the explanation offered in the Letter as to why the TNPP Application was not – as had been expected – formulated in the summer of 2022.

In the circumstances, we fail to see how any failure by SONI to provide AHPL with the update report/s anticipated in our 6 July 2021 Letter (or any other related failure so far as the expectations outlined in the 6 July 2021 Letter is concerned) could be considered a factor warranting a refusal of the Second Application or the making of a direction/conditional consent providing for a NE/D Offer by 8 February 2023.

It is for these reasons that we grant the Second Application.

We confirm that the grant of the consent sought in the Second Application does not absolve SONI of its licence obligation to make a Condition 25(2) Offer to AHPL as soon as practicable. The grant of "consent" simply means that SONI is – as it appears to understand - now obliged²⁰ by the terms of its licence to make a Condition 25(2) offer to AHPL – in respect of the relevant application from AHPL – as soon as practicable *and in any event by 31 March 2023*.

7. Moving forward

Our expectation is that SONI will continue to work with AHPL - within the scope of its regulatory obligations – so that the relevant Condition 25(2) offer for connection can be made within the (now) applicable Condition 25(5) period. We stand ready to assist the parties where we can. We shall facilitate any reasonable request from AHPL for a meeting.

¹⁹ That letter also confirmed a commitment to publish a Need and Options report in respect of works at Coolkeeragh Sub Station. Related reports were published by SONI on 30 November 2022. They are here: <u>https://www.soni.ltd.uk/media/documents/Coolkeeragh-110kV-Fault-Level-Needs-Report-FINAL.pdf</u> and here: <u>https://www.soni.ltd.uk/media/documents/Coolkeeragh-110kV-Extension-Options-Report-FINAL.pdf</u> ²⁰ Assuming that none of the applicable exceptions are demonstrated.



We are aware of the significance of the TNPP Application. We can confirm that it is under active consideration.

This letter shall be published and placed on the Electricity Register.

We trust this is satisfactory. If you have any queries, please contact Jody O'Boyle.

Yours sincerely,

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Donald Henry Networks and Energy Futures Director