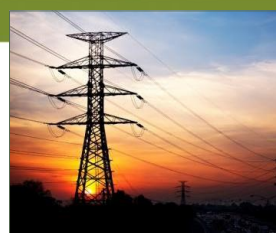


# SONI Annual Reporting: Regulatory Instructions and Guidance

Consultation on Proposed Regulatory  
Instructions and Guidance for SONI  
and Associated Annual Reporting  
Licence Modification

27 July 2018



## About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries and to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

### Our Mission

Value and sustainability in energy and water.

### Our Vision

We will make a difference for consumers by listening, innovating and leading.

### Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference.

Act with integrity.

## Abstract

This paper sets out the Utility Regulator's (UR's) proposals to introduce a regular reporting structure to SONI. The paper also sets out a proposed additional Licence condition to the SONI TSO Licence to allow for this reporting structure.

## Audience

This document is likely to be of interest to SONI, NIE Networks, electricity customers, other regulated companies in the energy industry, government and other statutory bodies and consumer groups with an interest in the energy industry.

## Consumer impact

This regular reporting structure will provide the Utility Regulator (UR') a greater ability to measure SONI's performance in general and specifically against their allowed revenue through their price control. This allowed revenue is funded by all electricity consumers in Northern Ireland. The reporting structure will also help inform future allowed revenue for SONI, ensuring ongoing efficiency and value for money for NI Consumers.

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## 1. Introduction

- 1.1 This document sets out the Utility Regulator's (the Authority) Regulatory Instructions and Guidance (RIGs) for the annual reporting of electricity transmission system operator (TSO) costs and outputs.
- 1.2 These RIGs provide a framework for the Authority to collect consistent information from SONI on an annual basis. This information will help the Authority monitor SONI's performance and, over time, will provide a database of performance that will inform SONI's subsequent price controls.

### Legal Framework

- 1.3 The information required in these RIGs shall be provided under Condition 7 (Provision of Information to the Authority) of SONI's transmission system operator licence.

### Components of the RIGs and annual reporting submission

- 1.4 The RIGs comprise:
- a) A data reporting template (in MS Excel format), which contains various spreadsheets for completion by SONI. The data template has been developed consistent with SONI's 2015-20 price control.
  - b) This document, which contains specific guidance on completion of the data reporting template and also the requirements for a supporting commentary.
- 1.5 SONI's submission, completed in accordance with these RIGs, will comprise:
- a) A completed data reporting template (in MS Excel format)
  - b) Supporting commentary to the submission and the various completed worksheets (in MS Word format)
  - c) Any additional information or documentation requested in the RIGs and / or which SONI deems appropriate to provide.
- 1.6 SONI's submission must be signed off by a Director of SONI confirming that to the best of their knowledge the information in the submission is correct.

### Reporting period and timescales

- 1.7 The relevant reporting year for the provision of information runs from 1 October to 30 September of the following calendar year. For example, a reporting year of 2015/16 means the year ended on 30 September 2016.
- 1.8 SONI must provide its submission, completed in accordance with these RIGs, no later than 31 January immediately following the end of the reporting year; that

is, four months after the end of the reporting year. For example, information for the reporting year ended 30 September 2018, must be provided by 31 January 2019.

- 1.9 SONI must provide its submission annually. As the RIGs were introduced after the start of the 2015-20 price control, SONI's first annual submission must include information on all the prior years of the current price control. That is, SONI's submission for reporting year 2017/18 (due no later than 31 January 2019) must also include data on reporting years 2015/16 and 2016/17.

## **Submission**

- 1.10 SONI's completed submission should be submitted electronically to:

[SONIUREGNI@uregni.gov.uk](mailto:SONIUREGNI@uregni.gov.uk)

- 1.11 Further to the initial submission there may be optional further steps:

- Questions and queries
- Site visit(s) to SONI to discuss and understand information
- Re-submission by SONI allowed (only with the express permission of UR)

## Structure of this document

1.12 The remainder of this document is structured as follows:

- a) Chapter 2 sets out overarching guidance for the completion of the data template
- b) Chapter 3 provides overarching guidance for the supporting commentary
- c) Chapter 4 and Appendix 1 contain the details of the required Licence modification. An Article 14 (2) Notice for this modification is also included.

1.13 For questions and queries please contact;

Natalie Dowey or Jody O'Boyle

Utility Regulator

Queens House

14 Queen Street

Belfast BT1 6ED

[Natalie.Dowey@uregni.gov.uk](mailto:Natalie.Dowey@uregni.gov.uk) or [Jody.OBoyle@uregni.gov.uk](mailto:Jody.OBoyle@uregni.gov.uk)

## 2. General Instructions for Completion of Data Template Workbook

2.1 The data reporting template is an MS Excel workbook. This workbook contains:

- a) Reference worksheets, including:
  - i) An index
  - ii) A key
  - iii) Inflation figures for monetary values from nominal to real terms
- b) Worksheets for SONI to complete, covering the following areas:
  - i) Staff costs
  - ii) Pensions
  - iii) (Non-staff) operating costs for which allowances were provided in the  $B_t$  element of SONI's price control
  - iv) Costs recovered through the Transmission Network Pre-construction Projects (TNPP) and uncertainty ( $D_t$ ) mechanisms
  - v) Capital expenditure
  - vi) Costs of ancillary services
  - vii) System data and outputs

2.2 The worksheets must be completed by SONI taking into account the requirements set out in this guidance document. This chapter provides some general instruction for the workbook. Subsequent chapters contain more detailed guidance for SONI on each of the worksheets.

### Data entry

2.3 For ease of use, the cells of the worksheet are colour coded, with a key provided in the workbook. SONI should enter data into the yellow input cells only. Pink cells represent historical data and should not be changed unless numbers previously provided were inaccurate or were estimated/forecasted amounts. If this is the case, the change must be identified and described in the supporting commentary. More generally, the structure of the worksheets should not be changed, and nor should worksheets be deleted or additional ones added, without the instruction of the Authority.

2.4 Unless stated otherwise, prices should be entered in nominal terms and provided in units of £000s (rounded to the nearest thousand pounds). If conversion is required between nominal and real terms then the information provided in the 'Inflation' workbook of the template should be used. Any values of zero should be entered as such (and not just left blank).

2.5 SONI should provide data for the current reporting year and, for the first submission under this guidance previous reporting years in the 2015-20 price control as noted in para 1.9. SONI should also provide forecasts through to the



end of the regulatory period.

- 2.6 Unless stated otherwise in the RIGs, SONI should use the same policies and procedures to estimate and allocate costs as in the preparation of other submission to the Authority. Where this is not the case, any divergences from previous policies and procedures must be stated in the supporting commentary.
- 2.7 The data provided should include that from any affiliate or related undertaking of the licensee that either directly or indirectly provides goods and/or services to the licensee or forms part of the licensee's business, either separately or consolidated.
- 2.8 Descriptions of methodologies used to apportion or allocate costs (e.g. between individual categories of work, outputs, organisational entities or time periods) must be provided, including the calculations for such methodologies.
- 2.9 SONI may append additional information to its submission, and describe this in the supporting commentary (see Chapter 3), if it considers this is needed to provide an understanding of the information provided in the template and the associated context.
- 2.10 SONI must provide a reconciliation to the relevant year's regulatory accounts.

### **Template errors**

- 2.11 In the event of SONI identifying errors in the templates after they have been sent out for completion, the following procedure shall be followed:
- a) Upon identifying an error, SONI should send details to the Authority using this email: [Natalie.Dowey@uregni.gov.uk](mailto:Natalie.Dowey@uregni.gov.uk) and [Jody.OBoyle@uregni.gov.uk](mailto:Jody.OBoyle@uregni.gov.uk). SONI should not correct the error in the version to be submitted without the Authority confirming it should do so.
  - b) The Authority will assess the details provided to establish if there is an error.
  - c) If the Authority considers it feasible and appropriate for the current reporting year, the Authority will correct the error by amending the template and /or clarifying the guidance, and confirm to SONI that it should use these for their submission.
  - d) If the Authority considers it is *not* feasible and appropriate for the current reporting year, the Authority will log the error and address it when preparing templates and guidance for the following reporting year.
- 2.12 In the event that the Authority identifies an error, we will follow the above steps b) to d).

### 3. General Instructions for Supporting Commentary

3.1 SONI's submission must include supporting commentary (in MS Word format) to the submission and the various completed worksheets.

3.2 In this chapter we provide general instructions and requirements for this supporting commentary with the subsequent chapters containing more detailed guidance on the commentary required in relation to each of the completed workbooks. We do not provide a template for this submission.

#### Structure of Supporting Commentary

3.3 The supporting commentary must contain:

- a) An executive summary – providing an overview of performance, including material changes to costs and from price control allowances, as well as summarising the commentary. This overview should provide the context to understand the key aspects of SONI's performance in the price control.
- b) Table by table commentary – including explanations of trends, performance against allowances, likely future costs, and any challenges in implementing (or deviations from) the RIGs.

#### Requirements and Guidance on Commentary

3.4 The supporting commentary provides an opportunity for SONI to provide additional details, explanations and background information that should enable the Authority to better understand the data submitted in the workbooks and to put it in context.

3.5 The requirements detailed in this Chapter are the minimum that SONI should provide. The supporting commentary should include:

- a) A discussion on performance, including explanations of changes in values against previous years, and of expected future changes
- b) Additional details that may not be provided for within the workbooks but which provides a fuller understanding of performance
- c) Highlighting any exceptional and/or atypical items included within costs
- d) Highlighting and detailing any cost items of greater than £100k that are not individually listed within the existing templates (with the exceptions of costs related to Transmission Network Pre-construction Projects, which are subject to separate reporting requirements)
- e) A breakdown of costs that may have been included under the category "other" in the tables
- f) Describing the basis of any apportionments and allocations of indirect costs and any changes in these, either from previous years or as applied in other

- reporting to the Authority
- g) Describing any changes of the template or definitions that affect numbers
  - h) Any revision of historical numbers – along with explanation of what occurred and what lessons have been learned
  - i) Any data that the licensee has been unable to report
  - j) Why figures are left at zero
  - k) Any comments on ways of improving the workbook.

## 4. Proposed Licence Modification

- 4.2 The proposed Licence Modification is the addition of a new Licence condition to provide for the RIGs. The purpose of this Condition is to set out the scope, contents, and common governance arrangements for the RIGS.
- 4.3 The draft proposed Licence condition is included in Appendix 1. An Article 14(2) Notice in accordance with the Electricity (Northern Ireland) Order 1992 also accompanies this paper.
- 4.4 The Licence condition is drafted consistently with the RIGs condition that exists for all of the Gas TSOs in Northern Ireland<sup>1</sup>.

## 5. Next steps

- 5.1 This consultation seeks to gather stakeholder views on the appropriateness, accuracy and completeness of the Licence modifications, specified below, which the Authority proposes to make under Article 14 of the Electricity Order.
- 5.2 The Authority proposes to consult for a period of 28 days from the publication date of this document.
- 5.3 Any responses, representations or objections to this consultation will be considered by the Authority, prior to any decision.
- 5.4 Responses to this consultation paper should be submitted by 5pm on 24 August 2018. Responses should be sent to:

Natalie Dowey and Jody O'Boyle  
Utility Regulator

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<sup>1</sup> <https://www.uregni.gov.uk/gas-licences> (Conveyance Licences)

Queens House  
14 Queens Street  
Belfast BT1 6ER

[Natalie.Dowey@uregni.gov.uk](mailto:Natalie.Dowey@uregni.gov.uk) and [Jody.OBoyle@uregni.gov.uk](mailto:Jody.OBoyle@uregni.gov.uk)

5.5 The Utility Regulator's preference would be for responses to be submitted by e-mail.

5.6 Following review and consideration of the responses the UR will aim to publish its decision in September 2018.

5.7 Individual respondents may ask for their responses (in whole or in part) not to be published, or that their identity should be withheld from public disclosure. Where either of these is the case, the Utility Regulator will also ask respondents to supply the redacted version of the response that can be published.

5.8 As a public body and non-ministerial government department, the Utility Regulator is required to comply with the Freedom of Information Act (FOIA). The effect of FOIA may be that certain recorded information contained in consultation responses is required to be put into the public domain.

5.9 Note it is now possible that all responses made to consultations will be discoverable under FOIA, even if respondents ask us to treat responses as confidential.

5.10 It is therefore important that respondents take account of this and in particular, if asking the Utility Regulator to treat responses as confidential, respondents should specify why they consider the information in question should be treated as such.

5.11 The Utility Regulator has also published a privacy notice for consumers and stakeholders which set out the approach to data retention in respect of consultations. This can be found at <https://www.uregni.gov.uk/privacy-notice> or, alternatively, a copy can be obtained by calling 028 9031 1575 or by email at [info@uregni.gov.uk](mailto:info@uregni.gov.uk).

5.12 This paper is available in alternative formats such as audio, Braille etc. If an alternative format is required, please contact the office of the Utility Regulator, which will be happy to assist.

## Article 14 (2) Notice

### THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION NOTICE UNDER ARTICLE 14(2) OF THE ELECTRICITY (NORTHERN IRELAND) ORDER 1992 (AS AMENDED)

#### MODIFICATIONS PROPOSED TO SONI LIMITED ELECTRICITY TRANSMISSION LICENCE

The Northern Ireland Authority for Utility Regulation (“the Authority”) proposes to modify the conditions of a licence in exercise of its powers under Article 14(1) of the Electricity (Northern Ireland) Order 1992<sup>2</sup> (the “**Order**”),

In accordance with Article 14(2) of the Order the Authority gives notice as follows:

1. The Authority proposes to make modifications to the electricity transmission licence (the “**Licence**”) held by SONI Limited (the “**Licensee**”). The modification adds an additional condition, Condition 41 to the Licence.
2. The effect of the proposed modification is to include a specific ‘Regulatory Instructions and Guidance’ condition. This condition outlines specific reporting conditions enabling the Authority to administer the Annex 1 Charge Restrictions of the Licence
3. Section 4 “Proposed Licence Modification” in this document sets out the proposed modifications being made under Article 14(2) of the Order in more detail.
4. The proposed modification to the Licence is available to view on the Utility Regulators Website<sup>3</sup>.
5. Representations with respect to the proposed modifications may be made **on or before 24 August 2018** by writing to or by emailing:

Natalie Dowey and Jody O’Boyle  
Utility Regulator  
Queens House  
14 Queen Street

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<sup>2</sup> Article 14 of the Electricity (Northern Ireland) Order 1992 was amended by regulation 4 of the Gas and Electricity Licence Modifications and Appeals Regulations (Northern Ireland) 2015 See here:

<http://www.legislation.gov.uk/nisr/2015/1/regulation/4/made>

<sup>3</sup> <https://www.uregni.gov.uk/consultations>

Belfast  
BT1 6ED

E-mail: [Natalie.Dowey@uregni.gov.uk](mailto:Natalie.Dowey@uregni.gov.uk) and [Jody.O'Boyle@uregni.gov.uk](mailto:Jody.O'Boyle@uregni.gov.uk)

6. The Authority has, in accordance with Article 14(4) of the Order, sent a copy of this notice to the Licensee, the Department for Economy (DfE) and also to the General Consumer Council.

7. Dated this 27 day of July 2018.



Jenny Pyper

**For and on behalf of the Northern Ireland Authority for Utility Regulation**

Cc

June Ingram, DfE

Robin McCormick, SONI Limited

John French (CEO), Consumer Council for Northern Ireland

## Appendix 1

### Condition 41. Regulatory Instructions and Guidance

- 1 The purpose of this Condition is to set out the scope, contents, and common governance arrangements for the Regulatory Instructions and Guidance (“RIGs”) published by the Authority pursuant to this Condition.
- 2 The RIGs are the primary means by which the Authority directs the Licensee to collect and provide the information to the Authority that the Authority needs to enable it to administer the Annex 1 Charge Restrictions of this Licence and any determinations made by the Authority under or for the purposes of the Annex 1 Charge Restrictions.

#### Licensee’s obligation under this Condition

- 3 Unless and so far as the Authority otherwise consents, the Licensee must have in place and maintain appropriate systems, processes, and procedures to enable it:
  - (a) to estimate, measure, and record the information detailed in the RIGs (“specified information”); and
  - (b) to provide such information to the Authority in respect of such periods and within such timeframes as are specified in the RIGs.
- 4 To facilitate compliance with paragraph 3 of this Condition, the accounting records and other records kept by the Licensee with respect to the specified information must:
  - (a) be so arranged as to ensure that such information can be separately identified and reasonably attributed as between the Licensee’s business and the business of any affiliate, associated business or related undertaking of the Licensee; and
  - (b) be maintained for a period of eight years, or such shorter period as set out in the RIGs, from the date that they are made.

#### Scope and content of RIGs

- 5        Subject to paragraphs 6 and 7 of this Condition, the matters that may be included, or for which provision may be made, in the RIGs are:
- (a) instructions and guidance on the establishment of systems, processes, procedures, and ways for recording and providing specified information;
  - (b) instructions and guidance on the standards of accuracy and reliability that are applicable to the recording of specified information (including different classes of such information);
  - (c) a timetable for the development of such systems, processes, and procedures as are required to achieve such standards;
  - (d) the methodology for calculating or deriving numbers comprising specified information;
  - (e) provision with respect to the meaning of words and phrases used in defining specified information;
  - (f) requirements as to the form and manner in which, or the frequency with which, specified information must be recorded;
  - (g) requirements as to the form and manner in which, or the frequency with which, specified information must be provided to the Authority;
  - (h) requirements as to which (if any) of the specified information is to be subject to audit, the terms on which an auditor is to be appointed by the Licensee for that purpose, and the nature of the audit to be carried out by that person;
  - (i) requirements as to the circumstances in which the Authority may appoint an examiner to examine the recording of the specified information by the Licensee;
  - (j) a statement on whether and to what extent each category of the specified information is required for the purposes of the RIGs; and
  - (k) provision about how the Authority intends to monitor, assess, and enforce compliance with the RIGs (as to which, see also paragraphs 15 and 16).



- 6 The provisions of the RIGs must not exceed what is reasonably required to achieve the purposes of this Condition, having regard to the materiality of the costs likely to be incurred by the Licensee in complying with those provisions.
- 7 No specified information may exceed what could be requested from the Licensee by the Authority under Condition 7 paragraph 1.

#### Development and modification of the RIGs

- 8 The Authority may issue new RIGs or modify any existing RIGs by issuing a direction for that purpose to the Licensee.
- 9 Data collected in relation to each formula year must be reported according to the RIGs issued to the Licensee by the Authority as they may be (where applicable) modified in line with this Condition.
- 10 A direction issued by the Authority under paragraph 8 of this Condition will be of no effect unless the Authority has first:
- (a) given notice to the Licensee that it proposes to issue new RIGs or (as the case may be) to modify the RIGs:
    - (I) specifying the date on which it proposes that the provisions of the document to be issued or modified should take effect;
    - (II) setting out the text of the RIGs to be issued or (as the case may be) modified and the Authority's reasons for proposing to issue or modify it; and
    - (III) specifying the time (which will not be less than a period of 28 days from the date of the notice) within which representations in response to such proposals may be made; and
  - (b) considered any representations in response to the notice that are duly made and not withdrawn.

- 11 The requirements for the issuing of new RIGs or modification of existing RIGs set out in paragraph 10 of this Condition may be satisfied by actions taken by the Authority before as well as after the coming into effect of this Condition.

#### Requirements for new or more detailed information

- 12 This section applies if any modified or new RIGs have the effect of introducing a requirement to provide:
- (c) a new category of specified information; or
  - (d) an existing category of specified information to a greater level of detail,  
  
which has not previously been collected by the Licensee, whether under the provisions of the RIGs or otherwise.
- 13 Where this section applies, the Licensee may provide estimates to the Authority in respect of the relevant category of specified information for any formula year specified by the Authority.
- 14 The estimates that are mentioned in paragraph 13 of this Condition may be derived from such other information available to the Licensee as may be appropriate for that purpose.

#### Compliance with the provision of the RIGs

- 15 The Licensee must at all times comply with the provisions of the RIGs for the time being in force pursuant to this Condition.
- 16 Nothing in this Condition requires the Licensee to provide any documents or give any information that it could not be compelled to produce or give in evidence in civil proceedings before a court.

#### Definitions

- 17 For the purposes of this Condition:

**"examiner"**

means, in relation to the RIGs, a person whose degree of knowledge and experience of the matters that are the subject of the RIGs will enable him to properly carry out and complete the tasks required of him under the terms of his nomination by the Authority pursuant to the provisions of the RIGs;

**"specified information"**

means information (or a category of information) that is so described or defined in the RIGs.