

Kevin O'Neill
Head of Commercial & Regulation
SONI Limited
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Ref: NET/E/JF/392

11 June 2021

Dear Kevin

Belfast Metropolitan Project – UR Allowance

Thank you for SONI's TNPP¹ submission of the 27 January 2021 with respect to the *Belfast Metropolitan Redevelopment Project*. We welcome the submission and the detail subsequently provided via the query process. We are further grateful for the presentation on this complicated network redevelopment.

Need for the project has been well documented. After internal UR scrutiny, allowance for SONI's pre-construction work is as follows:

	SONI Claim (April 2020 prices - £m)	UR Allowance (April 2020 prices - £m)	UR Allowance (April 2019 prices - £m)
Total	£3.72m	£3.53m	£3.49m²

The vast majority of the pre-construction budget (95%) has been approved. Some minor reductions have been made for the following reasons:

- a) The level of overheads attributable to the project has been brought into line with price control allowances.
- b) Some costs which the UR considers should be funded by opex allowances have been removed i.e. internal costs of developing the TNPP application and construction stage engagement with NIE Networks.
- c) Engagement costs which the UR consider excessive have been reduced based on a review of the detailed breakdown of activity costs.

Full calculations and explanation of the UR position is set out in spreadsheet information provided alongside this letter. We therefore approve spend up to a maximum of £3.53m [April 2020 prices] for this project under Annex 1, paragraph 2.4 of SONI's licence.

¹ TNPP = Transmission Network Pre-construction Project.

² Approval figures given in April 2019 prices in line with the price base for the 2020-25 price control.

The approved TNPP allowance sets the cap for costs which can be recovered in relation to this project. On conclusion of pre-construction work, SONI should endeavour to provide a completion report, as per TNPP guidance.

Within the closure report SONI should confirm the following:

- Actual SONI costs incurred (in nominal prices) by year and in totality.
- Total amount to be charged to NIE Networks (adjusted for inflation).
- Proposed timing of this payment (allowing for UR review).
- Phasing of completed activities e.g. Technical studies, Functional Specifications, TPI and Transmission Project Agreement etc.
- Variance against budget and timescales with associated commentary.
- Any other relevant detail as required.

Separate review and approval of the closure report will be required from the UR to allow transfer of monies from NIE Networks to SONI.

I trust this satisfies your requirements at this time. Should you have any comments, queries or issues regarding this letter, feel free to contact Jody O'Boyle.

Yours sincerely



John French
Chief Executive

cc: Alan Campbell (SONI)
Sarah Friedel (SONI)