



The Consumer Council Response to the SONI TSO Governance Consultation Proposals

Friday 25 June 2021

THE CONSUMER COUNCIL

1. The Consumer Council is a non-departmental public body (NDPB) established through the General Consumer Council (Northern Ireland) Order (The Order) 1984. Our principal statutory duty is to promote and safeguard the interests of consumers in Northern Ireland (NI).
2. We have specific statutory duties in relation to energy, postal services, transport, water and sewerage, and food affordability and accessibility. These include considering consumer complaints and enquiries, carrying out research, and educating and informing consumers.
3. Alongside The Order giving us powers to undertake enquiries, complaints, promote information and undertake research, the Energy (Northern Ireland) Order 2003 legislates for the Consumer Council to:
 - Investigate consumer complaints.
 - Represent the views of consumers.
 - Make proposals and provide advice and information on consumer matters.
 - Obtain and keep under review information about consumer issues and the views of consumers on these issues, including research into gas and electricity consumer issues.
 - Publish information in the consumer interest.
4. This work is further supported by the following legislation:
 - The Electricity (Northern Ireland) Order 1992 covering the quality of service, complaint handling and billing disputes of electricity suppliers.
 - The Gas (Northern Ireland) Order 1996 covering billing disputes of gas suppliers.
 - Energy Act (Northern Ireland) 2011 covering complaints about gas suppliers and their performance.
5. The Consumer Council welcomes the opportunity to respond to the System Operator for NI (SONI) Transmission System Operator (TSO) Governance Consultation Proposals.

CONSUMER PRINCIPLES

6. The Consumer Council uses eight consumer principles, shown in Figure 1, as a framework to consider service design and delivery, consumer impact, and to assess regulatory decisions from a consumer perspective.

Figure 1: The Consumer Council's Eight Consumer Principles



7. The consumer principles also establish a common language that all stakeholders (government, regulator, consumer representative bodies and industry) can use to meaningfully and constructively engage with consumers, and to develop trust and a better understanding of the value for money a company can provide.

SONI TSO GOVERNANCE CONSULTATION PROPOSALS

8. Prior to EirGrid's acquisition of SONI in 2009, the Consumer Council wrote to the Utility Regulator (UR) in NI and the Commission for Regulation of Utilities (CRU) in Ireland to highlight¹:

"The overriding issue arising from the proposal is to ensure that consumers in NI are treated on a fair and equitable basis with their counterparts in the Republic of Ireland."

9. Since 2009, SONI's role and influence on NI's electricity market has grown, taking over the planning of the transmission network in 2014, being central to the design and management of the Single Electricity Market (SEM) and now helping to inform the development of the Energy Strategy for NI².
10. The Consumer Council notes that because energy network and transmission companies are monopolies, their governance, the returns they earn, and how much they are able to charge households via their energy bills must be subject to regulatory scrutiny to protect consumers. A

¹ https://www.consumercouncil.org.uk/sites/default/files/original/The_proposed_acquisition_of_SONI_Limited_by_Eirgrid_plc.pdf

² <http://www.soni.ltd.uk/about/strategy-2025/>

regulator's remit in carrying out its scrutiny role is determined by the overarching legal framework and the specificities of a company's licence.

11. The Consumer Council provided a response to the UR's 'SONI Governance: a Call for Evidence' (CfE) in 2019. That response acknowledged the high level of interconnection between the NI and Republic of Ireland (ROI) electricity markets means that SONI, and EirGrid, continues to be one of the most influential players in the NI energy sector. It is therefore critical SONI adheres to regulatory and governance frameworks which ensure the interests of consumers in NI are fairly reflected, represented and protected.
12. In developing this consultation response, the Consumer Council met with SONI and EirGrid Board Members, and SONI Senior Management, in June 2021, who highlighted:
 - Concerns regarding the ability of the SONI and EirGrid Board to exercise their fiduciary duties, should SONI operate under any of the governance arrangements proposed by the UR.
 - The operation of SONI costs the average consumer only £1 per month.
 - The negative impact on NI consumers, such as the removal of the cost efficiencies delivered through the SEM, valued at around £35 million per annum.
 - SONI and EirGrid Board Members present stated they were content that the data provided at board level demonstrated that the NI consumer was being provided optimal efficiency.
 - The proportions of the respective Dispatch Balancing Cost facilities are consistent with the Market Operator Agreement between SONI and EirGrid, in which costs are allocated to SONI and EirGrid on a 25:75 percent basis and this acts as a subsidy to NI consumers.
 - There was a degree of support for some of the UR's proposals for increased transparency.
13. The Consumer Council would welcome clarity from SONI as to whether the lost cost efficiencies relate to the SEM, or to the operation of the SONI TSO activities. We are of the view:
 - The governance changes the UR proposes to make are to the SONI TSO Licence and not the SONI SEM Operator Licence. Therefore the changes should not impact on the operation of the SEM, and certainly not to the quantum of £35 million per annum.
 - £35 million per annum appears to be extremely high as a proportion of SONI's operating expenditure, given the SONI 2020-2025 Price Control Final Determination by the UR set operating allowances at £79.1 million for the five-year period.
14. The Consumer Council also understands that:
 - SONI, as the Single Electricity Market Operator (SEMO), operates a joint venture with EirGrid to operate the SEM on an all-island basis. This is formalised in the SONI Market Operator Licence.
 - SONI was unable to provide the UR with sufficient clarity on how the SONI and EirGrid Board ensured:

- the interests and needs of NI consumers were represented, protected and met, when decision making was prioritised and applied on an all-island basis;
 - all-island roles and responsibilities supported effective governance arrangements that focused on NI consumers, with the appropriate escalation, aggregation, delegation and risk management; and
 - the necessary accountabilities, alongside the skills and guidance to ensure the SONI and EirGrid Boards met their responsibilities to NI consumers effectively and efficiently.
- Governance arrangements proposed by the UR would lead to an independent SONI Board, thereby relieving the EirGrid Board of its current responsibilities and fiduciary duties relating to the governance of SONI. This would also apply if SONI was sold to a third party.
 - Matters relating to the SEMO are outside of the scope of this consultation process, as this consultation relates to the TSO regulatory licence and not SONI's SEMO Licence.
15. The UR met with the Consumer Council Board in June 2021 to provide an overview of the SONI TSO Governance consultation proposals.
16. The Consumer Council is committed to working with both the UR and SONI to ensure SONI's governance arrangements with EirGrid are transparent and in the best interest of NI consumers.
17. The Consumer Council's consultation response was approved by its Board. Our responses to the UR's consultation questions are detailed below.

Question 1: Do you agree with our vision for good governance and our assessment of whether SONI meets this vision?

18. The Consumer Council agrees with the UR's vision for good governance as it is aligned to the recommended guidance in the UK Corporate Governance Code (UKCGC). The UKCGC sets out governance principles and expected standards of good practice for companies regarding board composition and development, remuneration, shareholder relations, accountability and audit.
19. While we recognise SONI is a subsidiary of EirGrid, SONI has a very particular set of duties laid down in its TSO Licence, overseen by the UR, that are at the core of NI's electricity system and its economy. These include:
- Ensuring the development and maintenance of an efficient, co-ordinated and economical system of electricity transmission.
 - Contributing to security of supply through adequate transmission capacity and system reliability.
 - Facilitating competition in the supply and generation of electricity.
20. The TSO Licence also obliges SONI to undertake a number of activities, collectively referred to as the Transmission System Operator Business, which includes:
- Planning and operating, and co-ordinating and directing the flow of electricity onto and over, the transmission system.

- Maintaining security standards.
- Operating the balancing market and capacity market.
- Procuring system support services (including DS3³ services).

21. Despite these significant responsibilities to the citizens of NI, the Consumer Council notes the UR consultation reports the SONI Board does not:

- set the strategy or structure of the company;
- develop or sign off the SONI Business Plan for price controls; and
- does not have a formal oversight role in SONI's corporate governance arrangements or approach to risk management.

On this basis, the current SONI model does not fit the UR's vision for good governance.

22. The Consumer Council agrees with the UR's proposal that SONI should fully adopt the standards and principles set out in the UKCGC, or explain to NI consumers why it is not in their best interests to do so.

Question 2: Do you agree with our analysis of the effectiveness of the existing licence in mitigating the majority of concerns raised within the CfE?

23. The Consumer Council is concerned about the implications of weaknesses within SONI's existing TSO Licence, and the potential for detriment for consumers in NI as a result. Consequently, the Consumer Council agrees the existing licence should be enhanced, in order to provide necessary assurances that the interests of NI consumers are represented and protections safeguarded.

24. In particular, the TSO Licence should be developed to provide greater transparency by clarifying SONI's specific governance arrangements and reporting requirements to the UR, and to better reflect the needs of NI consumers.

25. In line with arrangements undertaken by other regulated suppliers in the electricity market, as the consumer representative body for NI, the Consumer Council recommends the UR introduces obligations for SONI to formalise consultation with, and reporting to, the Consumer Council.

Question 3: Have we adequately assessed the residual potential for harm given the current drafting of the Licence and statutory duties?

26. The Consumer Council recognises this consultation does not relate to harm that has occurred, rather it considers the potential for harm to NI consumers that could occur under SONI's current TSO Licence arrangements and statutory duties.

27. The Consumer Council accepts the UR assessment that there are risks to NI consumer interests and agrees changes could be made to the SONI TSO Licence to mitigate against these risks, particularly in the areas of potential:

- higher prices for NI consumers;

³ The SONI Delivering a Secure Sustainable Electricity System programme.

- misalignment of NI policy and the SONI approach to network development; and
- barriers to competition.

Question 4: Are there other committees or working groups not identified in the paper that readers are aware, that span both TSOs and that should be considered as part of any governance proposals?

28. The Consumer Council is not aware of any other committees or working groups that should be considered as part of the governance proposal.

Question 5: Do you agree with the areas for discussion on which we have focused and do you agree with the consultation options we have proposed in respect of the creating an effective SONI Board? If so, which of the four options do you favour?

29. The Consumer Council welcomes the UR's four governance scenarios for consideration.

30. The Consumer Council notes the measures in the NIE Networks Transmission and Distribution Licences are similar to Option D, which proposes a fully independent SONI board and an organisation that is wholly independent from direct EirGrid management, with additional governance structures to protect the interests of NI consumers.

31. There is also precedence in other regulated industries, as cited by the UR, including the Water Services Regulation Authority (OFWAT) which amended licence objectives of water companies in Great Britain (GB) to better balance the interests of consumers with those of shareholders.

32. The Consumer Council recommends the adoption of Option C will deliver the best outcome for NI consumers. This will result in a fully independent SONI Board, supported by independent management and staff, with UR approval for staff or services contracted from EirGrid.

33. The Consumer Council believes Option C provides transparency and accountability alongside potential efficiency savings by sharing of technical knowledge and staff expertise, which will benefit the operation of the Transmission System in NI, and as a consequence, its citizens.

34. The continued sharing of resources and expertise is paramount, given the potential for scarcity of the highly specialist technical staff SONI and EirGrid are required to employ.

35. The Consumer Council agrees the sharing of staff and/or service resources can only be undertaken with UR approval. This will increase transparency regarding resource allocation, thereby providing additional, independent assurance to NI consumers that resources are being correctly prioritised, and deployed and managed in an effective and efficient way.

Question 6: Irrespective of the option chosen, do you agree with our proposals in respect of the SONI Board that:

- **There should be a non-executive Chair of the SONI Board?**

36. The UKCGC principles for the division of board responsibilities set out:

"The Board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of

responsibilities between the leadership of the board and the executive leadership of the company's business."

37. Under the current governance arrangements, it is unclear if SONI is complying in structure or in spirit, with this principle of the UKCGC. The SONI Board, as per its website on 20 June 2021, is listed as:

Name	SONI Board	EirGrid Board
Dr Theresa Donaldson	Chair	Deputy Chair of EirGrid Board of Directors
Alan Campbell	Interim Managing Director	N/A
Tom Coughlan	Director	Non-Executive Director of EirGrid
Rodney Doyle	Director	Chief Operations Officer of EirGrid Group and General Manager of the SEMO
Aidan Skelly	Director	Chief Financial Officer of EirGrid Group
John Trethowan	Director	Non-Executive Director of EirGrid

Mark Foley, Chief Executive of EirGrid Group, is a member of SONI's Senior Management Team. The remaining Senior Management staff are SONI employees.

38. The Consumer Council notes the precedent from GB, where the revised governance arrangements for the National Grid ESO, the electricity system operator for GB, meant non-executive directors appointed to the ESO Board could not also sit on the National Grid Board.
39. None of the individuals on the SONI Board are independent of EirGrid, SONI's parent company. Therefore, there is no delineation of leadership and accountability between the responsibilities, governance arrangements and strategic priorities of the SONI Board and its Senior Management Team, and the EirGrid Board.
40. The Consumer Council believes SONI, as a regulated subsidiary of EirGrid, must act, make decisions and meet legal requirements that are in the full and best interests of NI consumers, and not its parent company, which operates on an all-island basis. SONI's own response to the TSO Governance CfE states:

"EirGrid Group operates through an integrated management structure."

41. To best serve NI consumers, we recommend SONI adopts a more transparent and accountable organisation structure that better balances proportionate alignment between subsidiary and parent company, with a clear delineation of responsibility, assurance, accountability and strategic focus between SONI and EirGrid leadership.
42. This requires the appointment of a non-executive Chair to the SONI Board who is wholly independent of EirGrid, with commensurate experience and understanding of NI and its economy, industry sectors, societal challenges, and consumer behaviours and insights. This is particularly important given the strategic role SONI plays in the NI energy landscape and the new Energy Strategy for NI.

- **The SONI MD should report to the SONI Board and not to the EirGrid CEO?**

43. The UKCGC principles set out:

- The need to meet responsibilities to shareholders and stakeholders, with the largest stakeholder group NI consumers.
- The need for independence, objective judgement and a clear division of responsibilities, underpinned by appropriate policies, processes, information, time and resources to function effectively and efficiently.

The Consumer Council believes SONI must meet these requirements from the perspective of what is in the best interests of NI consumers.

44. While the Consumer Council acknowledges an organisation's governance model does not directly dictate its operating model, it is difficult to foresee how an independent Board could deliver its fiduciary duties responsibly, effectively and ethically, if the SONI Managing Director did not report directly to the independent SONI Board, or was held accountable by it.

- **The SONI TSO Licence should be strengthened to explicitly protect the interests of NI consumers and balance their interests with those of other stakeholders, and require the SONI TSO to maintain managerial and operational independence as appropriate from EirGrid?**

45. The Consumer Council welcomes strengthening of the SONI TSO Licence to:

- Ensure alignment of strategic priorities and corporate objectives with, and explicit consideration of, the needs and interests of NI consumers. As referenced earlier, there is precedent from OFWAT in relation to the licence objectives of water companies in GB.
- Not only explicitly protect the interests of NI consumers and balance their interests with those of other stakeholders, but also ensure operational independence from EirGrid. This should stipulate the requirement for an independent SONI Chair and Board, supported by a dedicated, independent SONI Senior Management Team.

46. The Consumer Council notes there is no obligation in the SONI TSO Licence that requires formal consultation with the Consumer Council. Such obligations exist in the NIE Transmission Licence, NIE Distribution Licence and in all NI electricity supply licences. We therefore advocate the UR brings SONI in line with other regulated electricity suppliers and makes this a licence condition.

47. These licence amendments will serve to better protect the interests of NI consumers, whose views and needs may be different from those of ROI consumers. This in turn would encourage SONI to address the specific needs of NI consumers, recognise sub-regional considerations, societal challenges and consumer behaviours, and set NI-centric strategies and policies.

48. The Consumer Council notes the Office of Gas and Electricity Markets (OFGEM), also outlined in the UR's consultation document, acknowledges issues with the alignment of shareholder and consumer objectives in its recent consultation paper, Review of GB energy system operation⁴. The paper also sets out the resulting potential biases, such as:

⁴ <https://www.ofgem.gov.uk/publications-and-updates/review-gb-energy-system-operation>

- Advice from system operators to government, the regulator and other stakeholders may be, or perceived to be, in companies' interests rather than in the interests of consumers.
 - System operators may act, or be perceived to act, to increase the size of affiliated companies' transmission asset bases, thereby increasing the commercial return of those businesses.
 - System operators may be, or be perceived to be, biased towards affiliated companies in the design, facilitation or operation of competitive markets or processes where affiliated companies can participate directly or where the markets provide investment signals for less transmission.
- **The SONI TSO Licence should also specify the scope and duties of the SONI Board ('matters reserved') and do you agree with those proposed duties?**
49. It is essential the SONI TSO Licence clearly specifies the scope and duties of the SONI Board, so it is given the authority to govern SONI independently of EirGrid.
50. Reinforcing the independence of the SONI Board in the TSO Licence will provide clarity and transparency around the scope of delegated and 'matters reserved' and will serve to allay any perception that the SONI TSO is less than independent from the EirGrid TSO, and not designed to fully meet the needs to NI consumers.
51. The Consumer Council agrees the SONI Board, in order to ensure operational independence, should have responsibility for ensuring full compliance with licence obligations, financial control and governance of internal management and operational policies of SONI.
- **The UKCGC makes reference to the need for specific sub-committees in exercising good governance. Should these sub-committees be adopted for the SONI Board and should an additional sub-committee be required to discuss and approve NI network policy, development and investment plans and proposals?**
52. The Consumer Council agrees Board sub-committees are essential to delivering robust and transparent governance, and necessary to address specific priorities or issues that require specialist areas of expertise. An independent SONI Board is likely to come to the same conclusion.
53. The Consumer Council is unclear as to how the UR intends to make additional sub-committees a requirement, but would support the incorporation of the following Board sub-committees into the SONI TSO Licence:
- a. NI Grid Development and Investment Committee: This committee should oversee the NI-specific grid development requirements that will result from the Energy Strategy for NI, led by the Department for the Economy. Without such a committee, the needs of NI consumers may not be appropriately addressed in relation to delivering net-zero at least cost for NI consumers.
 - b. Audit and Risk Assurance Committee: An Audit and Risk Assurance Committee is fundamental to: (i) supporting an independent SONI Board in its role of leading the assessment and management of risk, (ii) critically challenging and reviewing the risk management framework and the adequacy and effectiveness of internal controls within

SONI's governance, operations, compliance and information systems, and (iii) monitoring compliance with SONI's TSO Licence.

- c. Nominations Committee and Remuneration Committee: As noted by the UR, an independent Board must be able to oversee its own succession planning and to recruit both executive and non-executive directors appropriately qualified to serve the needs of SONI, and consequently the needs of NI consumers.

54. Establishment of these four Board sub-committees will help to engender trust in SONI and strengthen transparency of decision making through the publication of committee minutes and independent audit reports, as well as ensuring clear alignment between SONI's Business Plan and stakeholder priorities, its operating environment including budgets, and the associated risks.

Question 7: In Options B, C and D, should the SONI Board no longer be appointed by shareholders? If so, who should appoint the Board?

55. Given the technical aspects of SONI's activities, shareholders should select qualified individuals with the suitable skills and experience, whose appointment would then be independently ratified by the UR. The Consumer Council notes the precedent from GB, where OFWAT has adopted a similar, albeit less formal, process.

Question 8: In regard to each option proposed, do you agree with our proposals in respect of SONI management and resources?

56. The Consumer Council agrees with the UR proposals in respect of SONI management and resources. Each option improves transparency and accountability and SONI management autonomy, which is likely to be beneficial to NI consumers.

Question 9: Irrespective of the option chosen, do you agree with our proposals in respect of other governance arrangements that:

- **The transparency between the operations of EirGrid and SONI TSOs could be sufficiently improved through a SOA and its associated governance, or are there further proposals you would make?**

57. The Consumer Council notes the SONI Response to SONI Governance Call for Evidence states:

"A System Operator Agreement (SOA) is in place."

However, evidence provided by SONI to the UR on 27 February 2020 states SONI is:

"Confident it fulfils the requirements which a SOA is designed to enable it to fulfil, through the cohesive team structure."

58. The Consumer Council notes that fulfilling 'the requirements which an SOA is designed to enable' does not necessarily equate to an SOA being in place. Therefore, the Consumer Council shares the concern of the UR when it states:

"The evidence we have received appears to indicate that there is no SOA in place between EirGrid and SONI TSOs, as required by the Licence, which should set out the interface between

the two TSOs and facilitate and enable constructive challenge and resolution of differences between the TSOs.”

59. Certainly, it appears SONI is not acting transparently in its correspondence with the UR. Resultantly, the Consumer Council believes an SOA is required to improve transparency, including between the operations of the EirGrid and SONI TSOs.

60. The Consumer Council notes the SONI TSO Licence explains an SOA:

“Is designed so as to:

a. At all times protect the interests of consumers of electricity in Northern Ireland and Ireland.

b. Promote good industry practice and efficiency in the implementation and administration of the matters covered by the System Operator Agreement.”

61. We agree an SOA should be implemented to ensure the necessary level of transparency in relation to operational interactions between SONI TSO and the rest of the EirGrid group, where activities were undertaken on behalf of the Licensee.

- **Whilst not a public document for commercial reasons, do you believe it appropriate for UR to require SONI TSO to draw up and maintain an SLA to provide greater transparency and accountability for the services provided from across the EirGrid group to SONI TSO or from SONI TSO to the EirGrid Group?**

62. A Service Level Agreement is fundamental to providing greater transparency and accountability for the services provided from across the EirGrid Group to SONI TSO, or from SONI TSO to the EirGrid Group. It is good governance to do so and if SONI was owned by a different entity, such a document would be in place.

EirGrid’s ownership of SONI is not sufficient reason not to have a Service Level Agreement between two regulated companies, whose shared goal must be to best serve their respective consumer and stakeholder groups.

- **Do you believe that the current EirGrid whistleblowing policy is effective to the extent it is applied to SONI or should SONI have its own published policy with suitable escalation routes to the SONI Board?**

63. Whistleblowing policies are critical to: (i) protecting customers and staff by addressing fraud and misconduct, and (ii) promoting a culture of trust, openness, transparency and good governance. Whilst there is no legal requirement to have a whistleblowing policy, the UKCGC stipulates listed companies must have a whistleblowing policy in place, or explain why they do not.

64. The Consumer Council recommends, in line with UKCGC principles, SONI should publish its own whistleblowing policy, and at each level of decision making, set out the appropriate escalation, delegation and responsibilities. This policy should stipulate that the UR is to be given sight of whistleblowing complaints and their outcomes. It should be supported by clear procedures for engaging with, and protecting, its staff and NI consumers.

- **Do you agree with the need for SONI to publish a policy in respect of resolving any conflicts of interest that may arise, either between SONI and EirGrid TSOs, or between the interests of consumers within Republic of Ireland and NI?**

65. The Consumer Council agrees SONI and EirGrid should publish a policy that clearly outlines how conflicts of interests between their respective TSOs or consumer groups, are to be resolved. This will assist in achieving one of the objectives of this consultation, to increase the level of trust that consumers, businesses and the energy sector in NI, have in SONI.

- **Do you agree with our proposals for a specific Compliance Plan in respect of the implementation of a more independent board and management, including an annual review by an independent Compliance Officer?**

66. The Consumer Council supports the proposal for a specific Compliance Plan in respect of the implementation of an independent SONI Board and the management of this Board and Senior Management Team. This Compliance Plan, and the subsequent review thereof by an independent Compliance Officer, will assist in embedding the new corporate structures.

- **Do you believe there is a need to amend the SONI TSO licence to require access on a non-discriminatory basis to UK companies who provide services to SONI through EirGrid joint procurement?**

67. The UK Government has confirmed EU Exit will have no material change to the procurement regime following the end of the transition period. The two main differences are:

- The introduction of a UK only e-notification portal, Find a Tender, to publish, access and respond to procurement notices, replacing the Official Journal of the European Union (OJEU) and Tenders Electronic Daily (TED) for UK procurement.
- Following the transfer of the EU Commission's supervisory functions to the Cabinet Office, it is now responsible for reviewing the financial thresholds for UK procurement, and updating the procedures for the electronic communications of tenders.

68. Given these differences from the procurement regime followed by the EirGrid Group, the Consumer Council recommends relevant procurement notices undertaken by the EirGrid Group are published on OJEU, TED and Find a Tender, to assist NI and GB companies to access and respond to future opportunities.

Question 10: Do you have any views on our analysis of the cost and benefits of the various options?

69. Upon meeting with SONI and EirGrid Board Members, and SONI Senior Management in June 2021, the Consumer Council recommended SONI provides additional information to give assurances that the allocation of costs between the SONI and EirGrid TSOs were equitable, and there was no risk to NI consumers facing a higher proportion of costs. SONI confirmed it would provide its interpretation of the cost impact to NI consumers in its own consultation response.

70. To ensure the needs of NI consumers are being met and costs are being apportioned in a fair and transparent manner, the Consumer Council will seek ongoing engagement with the UR and SONI in order to understand SONI's interpretation and analysis of this issue.

Question 11

- **We ask SONI to provide any information available quantifying cost efficiencies and synergies which it says arise from the current governance structure.**
71. The Consumer Council welcomes this request. It is in consumers' interests that the UR understands any opportunities for economies of scale, synergies and efficiencies.
72. This is of particular importance because as outlined in Point 12, during our engagement with the SONI and EirGrid Board Members, and SONI Senior Management, they indicated that the lost cost efficiencies could run to £35 million per annum.
73. As previously outlined, the Consumer Council would welcome clarity from SONI as to whether the costs relate to the SEM, or specifically to the operation of SONI. We are of the view:
- The proposed governance arrangements to the SONI TSO Licence should not impact on the operation of the SEM, and certainly not to that quantum.
 - £35 million per annum appears to be extremely high as a proportion of SONI's operating expenditure, given the SONI 2020-2025 Price Control Final Determination by the UR set operating allowances at £79.1 million for the five-year period.
- **Do you agree that none of our proposed options for governance changes would not give rise to a material incremental impact on the TSO cost of debt, above that which has been allowed for under the 2020-25 TSO price control decision?**
74. While excessive regulation could impact on a company's cost of debt, the implementation of good governance arrangements should have no bearing on the cost of debt.
- **Does your view change on the above issues given our proposal to undertake a formal review of the effectiveness of any new proposals two years after implementation?**
75. No. The Consumer Council welcomes a robust, formal review of the effectiveness of any new proposals that are implemented.

CONCLUSION

76. The Consumer Council supports UR's review of SONI's governance. NI consumers are entitled to robust governance arrangements that can ensure SONI's strategies, policies and projects:
- Are fully aligned to the needs of NI consumers.
 - Help consumers across NI meet future challenges by delivering a just, affordable and secure energy transition.
 - Are acting in the best interests of NI consumers through transparent and accountable governance and evidence-based decision-making.
 - Enable and facilitate an integrated, flexible and reliable energy system that supports the ambitions of the Energy Strategy for NI.

77. As a regulated company, SONI is ultimately accountable to the citizens of NI. This accountability must be underpinned by transparency in respect of its operational activities, and the activities of its staff and Board. This consultation process is a welcome step in providing the assurances required to ensure SONI is operating in the public interest of NI.
78. The Consumer Council looks forward to continuing our engagement with UR, SONI and stakeholders across the energy sector throughout this review.

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25 June 2021