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By email to:

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Dear Roisin

Re. SONI Governance call for evidence

This response is on behalf Mutual Energy which exists to own and operate energy infrastructure in the long-term interest of Northern Ireland energy consumers.

Mutual Energy owns and operates the Moyle Interconnector (Moyle) which links the electricity systems of Northern Ireland and Scotland, the Premier Transmission Pipeline System (PTPS), which consists of the Scotland to Northern Ireland natural gas transmission pipeline (SNIP), the Belfast Gas Transmission Pipeline (BGTP) and the West Transmission Pipelines (WTP). These assets are operated by Moyle Interconnector Ltd, Premier Transmission Limited, Belfast Gas Transmission Limited and West Transmission Limited respectively under their separate licences within the Mutual Energy group. These are strategically important energy transmission infrastructure and Mutual Energy aims to manage them in the interest of consumers to the highest standards of safety, reliability and efficiency.

SONI performs certain tasks on Moyle's behalf under a Collection Agency Agreement and Operating and Agency Agreement (both of which are required under our respective licences) and our gas businesses also have operational interaction with SONI as gas and electricity TSO's in Northern Ireland respectively. While we have not answered all questions or addressed all the potential issues raised in the consultation, we have sought to comment on areas where we may have some insight.

As the Utility Regulator ("UR") has highlighted, SONI performs a critical role for Northern Ireland and this will come into sharper focus as the energy transition gathers pace, particularly with the upcoming publication of the Energy Strategy for Northern Ireland and the ensuing change. It is therefore important that SONI is equipped and empowered to support and respond to such policy in the interests of Northern Ireland consumers.

Mutual Energy applies the UK Corporate Governance Code (“UKCGC”) so would agree with UR that this represents best practice for a regulated business taking an effective approach to balanced corporate governance. Specific key aspects of the UKCGC that we follow which chime with UR’s recommendations are appointment of an independent chair, a majority of independent NEDs and the establishment of board sub-committees - primarily a risk committee and audit committee along with nominations and remunerations committees. If options B, C or D were implemented, the SONI board’s nominations committee would likely lead the routine appointment of new board members, although the initial board appointments would likely need to be made by the shareholder in compliance with any new licence requirements. We note that UR also recommends the establishment of a ‘Grid Development and Investment’ committee by SONI. We would expect that grid development and investment is core to SONI’s operations so would be considered by the main SONI board.

In our response to UR’s previous call for evidence we opined that the appropriate management structure to deliver on SONI’s licence obligations should be for SONI’s board [and senior management] to determine (and be held accountable for) and that it is difficult for an external observer to comment on the effectiveness of EirGrid Group’s management structure in delivering on policy in NI. This remains the case although we note the evidence in the consultation paper around the lack of vires currently held by SONI’s board to make such decisions and have observed that SONI’s recent strategic publications generally mirror those of EirGrid - that is not to say that they shouldn’t, but the level of alignment should be to the benefit of customers in both jurisdictions.

In terms of mandating a particular staffing structure, we remain of the view that this is probably best determined by an effective SONI board with a full mandate although it is likely that this will at least require SONI’s executive leadership to report only to that board. It would be perverse if economies of scale and synergies were not achieved from SONI and EirGrid pooling their operational resources and expertise in particular areas and it seems to be in no one’s interest to lose these by preventing any resource sharing. Whilst there may also be inefficiencies for SONI in paying ‘EirGrid rates’ in some areas, the underlying issue appears to be insufficient transparency to determine overall value for money to SONI and Northern Ireland consumers versus transfer of value to EirGrid. Whilst SONI can only spend what UR assesses as value for money in the price control process, it appears that both a robust Service Level Agreement and System Operator Agreement between SONI and EirGrid should greatly improve the level of transparency and aid that process.

We hope that this feedback is useful and would be happy to discuss any aspect of it.

Yours sincerely

Unsigned as sent by email only

[Redacted signature]

[Redacted contact information]