

Kevin O'Neill
Head of Commercial & Regulation
SONI Limited
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Ref: NET/E/JF/478

08 February 2022

Dear Kevin

Mid-Antrim Upgrade TNPP – Final UR Allowance

On 28 September 2021, SONI made an application for TNPP costs associated with the *Mid-Antrim Upgrade* project. The claim of **£4.4m** (April 2021 prices) covered the tariff years from 2016-17 and 2027-28.

UR provisionally approved a budget of **£3.9m** (April 2021 prices) on 18 January 2022 setting out the rationale for disallowance. SONI made representation on the issue on 01 February 2022. Following review of this response, UR has provided an uplifted final allowance of **£4.1m** (April 2021 prices).

For confirmation, total amounts approved are detailed in the table below [and in April 2019 prices for alignment with the current price control].

	SONI Claim (April 2021 prices - £m)	UR Allowance (April 2021 prices - £m)	UR Allowance (April 2019 prices - £m)
Total	£4.38m	£4.09m	£3.99m

The vast majority of the pre-construction budget (93.5%) has been approved. However, some reductions have been made for the following reasons:

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

Between provisional and final determination, UR has reinstated some internal SONI resource for wayleaves and made some minor adjustments to engagement costs. Full calculations and explanation of the UR position is set out in spreadsheet information provided alongside this letter.

With respect to the disallowed TNPP development costs, the SONI response stated that,

“The new price control is now in place, which has introduced a new funding mechanism for the feasibility studies. SONI will therefore apply this mechanism retrospectively to this project and plan to utilise the new mechanism for future TNPP submissions.”

For the avoidance of doubt, internal opex cost (not including consultancy work) incurred on developing this project in the last price control period (2015-20) cannot be retrospectively recovered under the new funding mechanism.

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.

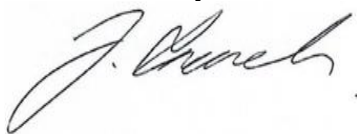
Within the closure report, SONI should confirm the following:

- 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 Ciaran MacCann.

Yours sincerely



John French
Chief Executive

cc: Raymond Smyth (SONI)
Sarah Friedel (SONI)
Niall McClements (SONI)
Natasha Sayee (SONI)