

Sarah Friedel
Group Regulation
SONI Limited
Castlereagh House
12 Manse Road
Belfast
BT6 9RT

Ref: NET/E/TH/485

16 March 2022

Dear Sarah,

Re: EU Costs for 2020-21 – Final Et Approval

Thank you for the opex D_t submission of the 15 February 2022 regarding EU costs in respect of ENTSO-E and CORESO membership.

Given the expanding scope of activities associated with these organisations and the subsequent uplift in costs, we are content to provide the full amount requested. The amount approved under the E_t mechanism is detailed below in April 2021 prices (and in April 2019 prices for ease of comparison with the current price control).

Tariff Year	SONI Request (April 2021 prices)	UR Allowance (April 2021 prices)	UR Allowance (April 2019 prices)
2020-21	£107k	£107k	£105K

Choice of Mechanism

SONI has made the D_t request in line with the final determination, which signalled that additional allowances could be sought for these fees in the case of material cost increases. However, the updated Uncertainty Mechanism (UM) [guidance](#) states that, “We [the UR] will specify the mechanism in any approval decisions.” In paragraph 3.20 and 3.21 of the guidance it further states,

“To limit risks of distortions to SONI’s incentives and cost reporting, our starting position would be that the uncertainty mechanism applied should involve an approach to cost remuneration and cost incentives that is most aligned with that used within the SONI price control for other similar costs.

Most of SONI’s internal costs are subject to a conditional cost-sharing approach with a 25% incentive rate, and the uncertainty mechanism provided for under licence provisions E_t and V_t is most aligned with this (it involves mechanistic cost-sharing with a 25% incentive rate).”

Given that these costs already form part of base allowances subject to mechanistic cost sharing, it is our view that the E_t term is the most appropriate vehicle for cost recovery in this particular instance.

The SONI submission indicated that costs may yet rise further with the full impact of Brexit emerging in the next couple of years. If it is envisaged that this is the case and SONI needs to submit further requests, rather than a process of annual submissions/approvals, it may be acceptable for SONI to provide their best forecast of cost changes for the remaining four years of the price control.

This may be a more proportionate approach given the circumstances and will allow the issue to be resolved for the remainder of the period, as was the initial intention at the final determination.

Should you have any comments, queries or issues regarding this letter, feel free to contact Ciaran MacCann.

Yours sincerely,



Tanya Hedley
Director of Network Operations