

# **SONI Evaluative Performance Framework**

## **Evaluation Report to UR of the EPF Panel Assessment of SONI Forward Work Plan**

**1 October 2021 to 30 September 2022**

### **Preamble**

Throughout this report, the following abbreviations are used:

UR is the Utility Regulator in Northern Ireland

EPF stands for Evaluative Performance Framework

SONI is the electricity transmission System Operator for Northern Ireland

### **Introduction**

As part of the 2020 to 2025 SONI price control, UR introduced the EPF, which aims to incentivise SONI to take advantage of new opportunities and proactively respond to system issues in order to bring the greatest benefit to Northern Ireland consumers.

One element of the new EPF is the creation of the EPF Panel to add independent expertise to the assessment of SONI's planned and actual performance.

The Panel's instructions are to provide recommendations to UR, taking account of evidence and views provided by UR, SONI's customers, consumers, their representatives and other stakeholders (or stakeholder groups) in making its evaluation.

UR has provided detailed guidance to support and guide the Panel in its work.

UR is the decision making authority.

This is the first year of operation of the EPF process; as such it is a transitional year running from March to June 2022.

## **Panel Assessment Process**

### Review of Forward Plan

The Panel followed the detailed guidance issued by UR in reviewing and evaluating the Forward Plan.

This involved applying the following criteria:

- Service Ambition
- UR Service Priority Alignment
- Stakeholder Engagement
- Service Accountability

to the assessment of the actions and behaviours that the Plan presents as contributing to four high-level Outcomes:

- Decarbonisation
- Grid security
- System-wide costs
- SONI service quality

in each of the four SONI roles:

- System operation and adequacy
- Independent expert
- System planning
- Commercial interface.

### Review of Submissions from the UR and other stakeholders on the Plan

Written submissions on the Plan were solicited by UR during a consultation period which concluded on 3 May 2022, and these were considered by the Panel.

### Participation in meetings with stakeholders on the Plan

Due to the very short timescale available in this first, transition year of the EPF process, this was accomplished by way of a Stakeholder Meeting held (virtually) on 25 May 2022. This was publicised in advance by UR.

13 stakeholders/stakeholder representative groups participated in this meeting, which was hosted and chaired by UR with SONI and the Panel in attendance.

During the first (open) part of this meeting, SONI made a presentation and stakeholders were invited to make comments and ask questions of SONI, which SONI responded to. In the second (closed) part, the Panel asked questions based on the Plan and information arising from the earlier session, and SONI provided responses.

## Panel Meetings

The Panel met on 3 occasions (not counting the Stakeholder Meeting); on 5 April, 10 May and 27 May.

## **Review of Forward Plan**

### General Panel Commentary on Forward Plan

This is the initial year of the EPF and the first Forward Plan submitted under it.

It is obvious that SONI has put a considerable amount of work into its preparation, and has shown clear intent to provide a Plan according to the guidance from UR. This has been helpful to the Panel in applying UR guidance to the assessment process.

However, this means it is not a particularly easy read for some stakeholders and certainly for some interested parties. There is a substantial amount of repetition, caused perhaps by prioritisation of structure over strategy.

It contains a significant amount of material which could be described as informative, but which does not directly address the EPF. Such material could have been provided in an Appendix. This would have allowed more focus on the EPF requirements, and the innovations and stakeholder impact, with related key performance indicators (KPIs), which SONI would wish to demonstrate.

Greater use of diagrams and graphics to explain key elements of the Plan would have allowed complex themes to be more easily represented, and therefore understood by non-technical stakeholders.

Stakeholders could have been assisted to be clear on where and how the various initiatives mentioned in the Plan related to each other, the hierarchies involved and the expectations for delivery from each - although this was not required by the UR guidance. A short explanatory statement, together with relevant diagrams, would allow stakeholders to understand the relationships between the policy and strategy framework provided by government, the SONI Corporate Plan, the "Shaping our Electricity Future" initiative, the SONI Innovation Initiative and other relevant reports.

There are many references to other important documents such as "Shaping Our Electricity Future" and the "NI Energy Strategy". It would have been helpful to have the specific references in these documents stated in the Plan, so that SONI could better describe how the Plan is contributing to the objectives of those documents through Plan-related Outcomes.

The Plan should have consistently contained sufficient material to demonstrate how it met each of the criteria within each role without the need for the Panel to study other documentation to elicit the required evidence.

The sections of the Plan dealing with technical aspects of the EPF can, to a limited extent, be mapped onto the framework; however, more consideration needs to be given to how the required qualitative deliverables can be more directly linked to clear evidence of ambition or tangible steps taken within the Plan. Assertions are made

which often cannot easily be mapped to evidence, making it difficult to determine the extent to which the activity meets the requirements of the EPF.

Some material in the Plan, particularly relating to culture, is aspirational without accompanying evidence and/or metrics.

Some of the content (particularly relating to project descriptions) had been written some time ago and had not been updated before publication. In addition, many so-called “project descriptions” are, instead, statements of desired outcomes.

It was difficult for the Panel to ascertain the significance or relative importance of projects in the absence of costings or other quantitative information.

The EPF methodology is predicated on the ability to analyse evidence; this was not consistently demonstrated in this Plan. The undoubted high level of SONI performance on “business as usual” activities is not the core focus of the EPF; UR is seeking clear and tangible evidence of new steps leading to better services, practices, business models and technologies which lead to better outcomes for consumers.

The Panel had a number of observations of a technical nature arising from review of the Plan. These are not reported here as they are outwith the panel reporting parameters specified in the EPF guidance.

#### Criterion 1 – Service Ambition (all Roles)

The Plan is expected to show that the targets and activities planned represent a change from the baseline which contributes to the four stated SONI Outcomes. The Plan is expected to demonstrate pace, stretch and the extent to which the estimated costs are challenging. The targets set out do not provide historic data on various KPIs (subsequently provided by UR in their written stakeholder submission).

#### Criterion 2 – UR Service Priority Alignment (all Roles)

The UR Service Priorities are set out in Appendix 2 of the EPF guidance. They relate to a culture of engagement and collaboration with stakeholders, whole system collaboration and digitalisation and specific service improvements in relation to delivery. Some of these are addressed as part of Criterion 3, others are difficult to measure. The Plan, in describing how the various Roles are aligned with the UR Service Priorities, contains a large amount of aspirational material which is not backed up by practical evidence.

### Criterion 3 – Stakeholder Engagement (all Roles)

The Plan makes reference to a number of publications and data produced by SONI. Various engagement activities are described. The Plan is light on describing how the feedback from stakeholders is utilised and how it shapes what SONI does. While there are 251 references to stakeholders throughout the document, these are not categorised in any way, nor is there any description how engagement is tailored to meet the needs of various stakeholder groupings, or how feedback is used to drive improvement.

### Criterion 4 – Service Accountability (all Roles)

Assessment of this criterion is based on the provision of a clear description of what is being delivered (scope and quality), time-bound objectives (dates and milestones), a clear strategy for different Roles, clarity of metrics and performance measures – and how these have been shared with stakeholders and their feedback taken into account. Throughout the Plan, there are few numerically-based metrics used. Where timely delivery is quoted as a measure, little evidence is provided as to how this is to be measured or what the actual project target delivery dates are. There is no sense of how project slippage is considered when evaluating delivery against time.

## Roles – General Comments

Each of the sections dealing with the four specific roles contains a description of what SONI does and how SONI does it, and then describes some activities which are related to the area. Much of the text is descriptive, and, although it contributes to the baseline, there is little in the way of a baseline for KPIs or justification as to why certain KPIs were chosen, other than that stakeholders thought that they might be useful.

### Role 1 – System Operation and Adequacy

The text contains information about what SONI does in the various areas, and what publications and data are available. However, while alluding to activities which will take place in these areas, the text does not directly address the changes which contribute to the measures in the criteria.

DS3 is described as a key mechanism for making changes which contribute to the evolution of the wider electricity industry, for progressing decarbonisation and for making the necessary operational changes to contribute to the management of renewables on the system. DS3 began in 2011, new arrangements were introduced in 2016 and there is a further key date of 2024; however, it is not clear what change is taking place between the base year (2019-20) and the Transition year. The timelines stated in the various projects indicate longer-term dates and deliverables. Evidence of the in-year achievements would have aided in assessing progress for this Role.

On page 48, an investment requirement is identified under the heading “Market Design”. The EPF guidance states that unfunded activities, or those which require confirmation of funding, cannot be taken into account in the assessment of the Plan. Some clarification was later provided in answers to queries.

Page 50 refers to the need to agree future procurement arrangements for SONI in conjunction with EirGrid as soon as possible. The process required suggests that a lead time of up to four years may be needed from inception to new investment delivery.

Table 2 on Page 63 describes a numerical baseline and target for the Transition Year for various indicators. No explanation is provided as to why these targets are considered challenging or the rationale for choosing them.

## Role 1 – Deliverables

FWP001 – 15 describe various projects, some of which are moves towards digitisation of systems, some of which are the end stages of earlier projects and some of which are related to modernisation. Without any costings or resource data for these, it is difficult to understand their relative importance, and also to assess how much they have contributed, as measured by the various criteria, in the Transition year as compared to the baseline. Given that many projects span more than one year, more specific information is required relating to what achievements occurred within the year and what stretch or pace was achieved.

## Role 1, Criterion 1 – Service Ambition

On Page 3, SONI asserts that its work in increasing System Non-Synchronous Penetration is world-leading. While this achievement is recognised and its significance understood, no comparators are provided in the Plan for the Panel to assess this. This also applies to the SONI statement about projects in its self-assessment. In relation to system security, no mention is made in the Plan of the need to address cyber-security risk issues. Whilst detail of how this is done is not a requirement of the Plan, there should be some assurance given to stakeholders that this is being addressed.

## Role 1, Criterion 2 – UR Service Priority Alignment

The description in the Plan of how SONI's work is aligned with the UR Priorities is largely an assertion that SONI is committed to the required culture of open and collaborative engagement. The text indicates evidence of providing information to stakeholders and hosting engagement events, but there is little evidence of how these engagements have changed anything. While the significant work on "Shaping Our Electricity Future" is referenced, there is very little description of how collaboration worked in consulting on specific topics.

## Role 1, Criterion 3 – Stakeholder Engagement

The stakeholder engagement section is largely descriptive of what happens. Although engagement with stakeholders continues, there is little description of how or where stakeholders' feedback has been taken account of in plans. Stakeholders are referred to generally with no attempt to categorise them in any way. This was later partially clarified in a stakeholder diagram provided in answer to queries from the Panel, but the Plan needs much more detail on how stakeholder engagement is undertaken and responded to.



### Role 1, Criterion 4 – Service Accountability

This section largely refers to SONI's planned activities as set out in the Deliverables, and the changes and innovations which SONI sees as necessary. The Panel would have benefitted from an estimate of the resources required for project delivery and the change achieved within the year rather than over the lifetime of the specific project. Some of the KPIs relate to delivering according to the set timetable. No evidence is provided as to why achieving these timescales is challenging or stretching, or if the timetable has changed since the inception of the project.

### Role 2 – Independent Expert

The Plan covers Expert Voice, Industry Governance and Engagement, followed by KPIs, Deliverables and Stakeholder Engagement and then evidence against the criteria. The performance indicators listed relate to timely publication of documents. While failure to meet set timescales could be perceived as poor performance, it is difficult to see how, without further evidence, timely publication alone can demonstrate a measure of success for an independent expert.

### Role 2 – Deliverables

The projects listed (FWP017 – 025) provide an overview of the role of SONI as an Independent Expert and in industry governance. KPIs are largely related to timely publication. In order to demonstrate pace, innovation and stretch, a measure of the impact of these interventions is required.

### Role 2, Criterion 1 – Service Ambition

Service ambition is described as an aspiration under this Role. Past consultations are described, and the input to the development of a number of key strategic documents is listed. However, there is little in the way of example of current plans which address this criterion.

### Role 2, Criterion 2 – UR Service Priority Alignment

Alignment with the UR priorities is described in terms of a culture of engagement with stakeholders and a whole systems approach. However, there is very limited description of other parts of the "whole system". Engagement is largely described in terms of conveying information to others, rather than a conversation in which listening to and taking account of the requirements of others is described.

### Role 2, Criterion 3 – Stakeholder Engagement

This section of the Plan largely covers publishing information, with a reference to the need to develop better conversations with stakeholders, but with no detail of how and when.

### Role 2, Criterion 4 – Service Accountability

This criterion requires a clear description of the activities related to the criterion, with a clear measure of how success and performance will be measured. Whilst the activities are listed, there is little to indicate how success will be measured, other than timely delivery of publications. There is no description of other methods of assessing how SONI's performance, as the independent voice, is assessed.

### Role 3 - System Planning

The Plan covers Assess and Communicate System Needs, Project Scoping and Feasibility, Outline Design and Consenting, Handover and Commissioning, followed by KPIs, Deliverables, Stakeholder Engagement, and then followed by evidence against the criteria. It contains a lot of information about the role of SONI. This would have been enhanced had it given a measure of the resource requirement necessary to undertake this work, either in terms of costs or staffing. KPIs are largely timetable based – successful delivery to time – rather than measures of what the delivery of the plan is likely to achieve.

### Role 3 – Deliverables

Projects FWP026 – 04 are listed under this Role. Many of these are large, ongoing, multi-annual projects; however, no indication of the cost or other resources required to deliver them is given. Although the outcomes are likely to be significant in the long term, it is not clear from the Plan if the work in the Plan year is significant. The Panel would have benefitted from an overview of the strategic importance of the whole project portfolio, and how it is changing to meet the needs of the system in the future – rather than simply a list of individual projects.

### Role 3, Criterion 1 – Service Ambition

There is little in the Plan covering Service Ambition within this Role. The Plan largely describes aspirations to drive transformation. Examples of activities could be described as “business as usual”.

### Role 3, Criterion 2 – UR Service Priority Alignment

Within this Role, engagement with NIE Networks is used as a descriptor of whole system collaboration. More evidence was required in order to demonstrate stretch, pace and innovation.

### Role 3, Criterion 3 – Stakeholder Engagement

Again, stakeholder engagement is largely described as the provision of information to others. In this case, there is a reference to how feedback on consultation with NIE Networks affects the option appraisal. Without further measures, it was not possible to establish how stakeholder feedback is taken account of.

### Role 3, Criterion 4 – Service Accountability

The Plan mainly describes accountability as reporting to the Regulator or by publications on each individual project. Some longer-term documents are listed. Full service accountability is not possible to assess without more relevant performance measures which yield an understanding of what success “looks like”.

### Role 4 – Commercial Interface

The Plan covers Connection and Access Rights and Contractual Interface, followed by KPIs, Deliverables, Stakeholder Engagement, followed then by evidence against the criteria. The Plan covers the detail of what SONI does in relation to the various elements within this Role. Little is described in terms of management of expected changes to the system over the period of this Plan.

### Role 4 – Deliverables

Projects FWP042-043 relate to this Role. Again, no costing or resource requirement is provided to indicate the scale or relative importance of the projects.

### Role 4, Criterion 1 – Service Ambition

The Plan describes what need to be done in year to begin to achieve the four Outcomes. More detail on how and why the work is stretching or challenging was required to demonstrate the level of Service Ambition.

#### Role 4, Criterion 2 – UR Service Priority Alignment

Other than engagement with the Regulator and NIE Networks, little additional evidence is provided for this Role.

#### Role 4, Criterion 3 – Stakeholder Engagement

Within this Role, the Plan mentions stakeholder engagement with industry, with landowners and with NE Networks. There is very little mention of what happens to feedback from these stakeholders.

#### Role 4, Criterion 4 – Service Accountability

Service Accountability is described as being through feedback on delivery of projects to the Regulator. A wider approach, considering the requirements of the EPF, is necessary.

## Grading of the Forward Plan

UR provided the Panel with a mechanistic methodology for arriving at an overall assessment grade. (This is published on the UR website.) This involved attributing a score for how each criterion was met in each of the four SONI roles, arriving at an aggregate, weighted score across the criteria, then a corresponding grade for each role, and ultimately a weighted-average overall assessment grade for the Plan.

Each Panel member undertook the assessment separately in advance of the meeting of the Panel on 27 May 2022. In that meeting, the Panel considered evidence which emerged during the consultation process (including the Stakeholder Meeting), revisited individual scoring where appropriate, agreed a consensus score for each criterion and thus agreed grades for each role and an overall assessment grade for the Plan.

The results of this process are given in the following Table.

|                         |                               | <b>Role 1</b>                    | <b>Role 2</b>         | <b>Role 3</b>      | <b>Role 4</b>           |
|-------------------------|-------------------------------|----------------------------------|-----------------------|--------------------|-------------------------|
|                         |                               | System Operation<br>and Adequacy | Independent<br>Expert | System<br>Planning | Commercial<br>Interface |
| Weights                 |                               | 27.5                             | 25                    | 25                 | 22.5                    |
| <b>Criterion</b>        | <b>Criterion</b>              | <b>Score</b>                     | <b>Score</b>          | <b>Score</b>       | <b>Score</b>            |
| 1                       | Service Ambition              | 0                                | 0                     | 0                  | 0                       |
| 2                       | UR Service Priority Alignment | 0                                | 0                     | -1                 | -1                      |
| 3                       | Stakeholder Engagement        | 0                                | -1                    | -1                 | 0                       |
| 4                       | Service Accountability        | 0                                | -1                    | 0                  | 0                       |
| <b>Assessment Total</b> |                               | <b>0</b>                         | <b>-2</b>             | <b>-2</b>          | <b>-1</b>               |
| <b>Assessment Grade</b> |                               | <b>3</b>                         | <b>2</b>              | <b>2</b>           | <b>2</b>                |
| <b>Overall Grade</b>    | <b>Forward Plan</b>           | <b>2.275</b>                     |                       |                    |                         |

(The grades run from 1 (poor) to 5 (excellent). Grade 3 is “baseline”. See the UR’s published Evaluative Performance Framework guidance document for full details of the methodology.)

The Plan is therefore deemed (using the language in the guidance to the Panel) to:

- meet expectations with respect to the Service Ambition criterion
- fall short of expectations with respect to the UR Service Priority Alignment criterion
- fall short of expectations with respect to the Stakeholder Engagement criterion
- fall (just) short of expectations with respect to the service Accountability criterion

The Panel assessed overall grade for the Forward Work Plan, rounded to two decimal places as per UR guidance, is therefore 2.28.

The Plan meets the baseline grade for Role 1, System Operation and Adequacy.

Bob Hanna (Chair)

Tom Doran

Dr Scott King

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Dr Bernie Stuart

30 May 2022