

Bob Hanna  
EPF Independent Expert Panel Chair  
Ref: NET/E/TH/540

30 June 2022

Dear Bob,

### **Utility Regulator decision on SONI Forward Work Plan (FWP) 2021 to 2022.**

I am writing to you in context of your role as chair of the Evaluative Performance Framework. The Independent Expert Panel (the Panel) submitted its recommendations report<sup>1</sup> on SONI's performance in respect of the FWP<sup>2</sup> to the UR on 30 May 2022 following our consultation<sup>3</sup> on SONI's FWP. We thank the Panel for its valuable contribution and commitment to the process. We continue to look forward to working with the Panel as it carries out its important work in future EPF phases.

Following receipt, the UR has reviewed the Panel's recommendation report along with other relevant evidence (for example from stakeholders). This letter sets out our decision on the grade for SONI performance. The financial incentive provisions do not apply to this year of the price control but will do in future years of the scheme during this price control period.

### **Background**

SONI is the electricity Transmission System Operator (TSO) for Northern Ireland. Its performance can significantly affect consumer bills, security of supply and decarbonisation. Its influence on these outcomes is becoming even more important as our energy system rapidly changes, becomes more complex and integrates.

As part of our 2020 to 2025 SONI price control we introduced a new framework: the Evaluative Performance Framework (EPF).<sup>4</sup> The framework aims to incentivise SONI to take advantage of new opportunities and proactively respond to system issues, to bring the greatest benefit to Northern Ireland consumers - for example, a key aspect is in relation to NI consumer bills - across its full range of TSO roles, during this time of rapid change.

We appointed the Panel to provide recommendations to the UR on SONI's performance. In doing so, the Panel draws on evidence and views provided by the UR, SONI's customers, consumers, their representatives and other stakeholders (or stakeholder groups) in making

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<sup>1</sup> [SONI Evaluative Performance Framework \(EPF\): Independent Expert Panel Recommendations | Utility Regulator \(uregni.gov.uk\)](#)

<sup>2</sup> [Microsoft Word - Forward Work Plan 2021 to 2022 - entire doc \(soni.ltd.uk\)](#)

<sup>3</sup> Responses are set out here: [SONI Evaluative Performance Framework stakeholder responses to SONI FWP and invitation to stakeholder meeting | Utility Regulator \(uregni.gov.uk\)](#)

<sup>4</sup> Chapter 4 within the final link sets out our decision and context on the EPF. Chapter 2 sets out strategic expectations of how we are looking for SONI to change to benefit consumers : <https://www.uregni.gov.uk/files/uregni/media-files/Final%20determination%20main%20body.docx.pdf>

its evaluation. We have published detailed guidance to support and guide the Panel in making its recommendations and in setting out the process that should be followed which has been summarised above.<sup>5</sup> As the decision making body, the UR will then take full account of the Panel's recommendations and make its decisions on grade and financial incentive in line with our guidance. As this is the first year we have introduced the scheme the financial incentive provisions do not apply SONI's 2021/22 FWP.

## **UR decision**

We thank the Panel for its recommendation and fully support its findings after taking full account of its report. In coming to our decision we have reviewed and taken full account of the Panel's grades for each SONI role. We fully accept the Panel's grades and we set out the key considerations of our account of the Panel's recommendations in Annex 1. We agree with the Panel that SONI's performance under the FWP falls short of expectations in line with our Regulatory Guidance.

In summary, we agree with the Panel that while SONI met expectations across its System Operation and Adequacy role, it fell short of our expectations across its remaining roles: Independent Expert, System Planning and Contractual Interface. Overall, the plan met (but did not exceed) expectations in terms of ambition, but fell short of expectations in ensuring the plan was shaped by and responsive to stakeholder engagement, ensuring accountability, and also in taking account of our priorities of service performance.

This is the first year of SONI's new incentives framework. We recognise the work that SONI has put in and that our framework is a step change. While we have seen positive intent from SONI (in certain but not all areas of the plan), our incentive framework requires SONI to provide evidence in order to demonstrate its performance. In the absence of robust evidence, we are unable to provide higher scoring. We trust that SONI will be responsive to the Panel and our feedback. A broader concern, also picked up on by the Panel and stakeholders (including the UR) was around the accessibility of the plan.<sup>6</sup> We agree with these points, and while we recognise this is the first plan we are confident that SONI will draw on this feedback and practice elsewhere to address this for future plans.

## **Next steps**

This is a new process and so we are keen to take any feedback and learn any lessons for improvements that can be made. We also recognise that stakeholder feedback is a key aspect of the process and so we continue to encourage stakeholders to contribute usefully as they have done to date. SONI will publish its next FWP for the 2022/23 year and so we will invite stakeholders to input at this point.

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<sup>5</sup><https://www.uregni.gov.uk/files/uregni/documents/2021-11/epf-guidance.pdf>

<sup>6</sup> See relevant material in Panel Recommendations section entitled "General Panel Commentary on Forward Plan".

If you have any questions on the content of this letter please contact Ciaran MacCann  
([Ciaran.maccann@uregni.gov.uk](mailto:Ciaran.maccann@uregni.gov.uk)).



Yours sincerely

**Tanya Hedley**

**Director of Networks**

## **Annex 1 – Overview of evaluation process and UR determination**

The methodology for scoring the FWP follows that set out in the EPF guidance. This can be summarised as follows:

- **Step 1** – Allocate a score for each criteria based on whether the plan exceeds expectations (1), meets expectation (0) or falls short (-1) across four criteria for each SONI role:
  - **Service ambition:** The degree of ambition for improvements over time included in the plan, in relation to the four SONI outcomes, relative to past performance and existing working practices and processes.
  - **UR Service Priority Alignment:** The extent to which the new initiatives and areas of focus presented in the plan are aligned with the Service Priorities set by us (which in turn would be informed by stakeholders) or otherwise supported by strong evidence.
  - **Stakeholder Engagement:** The quality of stakeholder engagement and participation in developing the plan and the responsiveness that the plan shows to the views and concerns of stakeholders (to the extent not captured under alignment).
  - **Service Accountability:** The degree of clarity on the SONI's planned activities and initiatives and how the success or performance in relation to these would be assessed (e.g. detailed specification of deliverables and measures of success).
- **Step 2** - Calculate an aggregate score by multiplying the score for *service ambition* by two and adding this to the sum of the scores from the other three criteria.
- **Step 3** – Determine grades for each role by mapping raw scores to the relevant grade in the table as set out below.

Grade	Aggregate score for forward plan across four criteria
1: poor	Score of -3.0 or less
2: lagging	Score is -1.0, or less than -1.0 and more than -3.0
3: baseline	Score is more than -1.0 and less than 1.0
4: good	Score is 1.0, or more than 1.0 and less than 3.0
5: excellent	Score is 3.0, or more

- **Step 4** – Obtain an overall weighted average grade for the FWP by using the pre-determined weights as set out in the guidance.

On receipt of the Panel's recommendation report, we take account of its findings. We decide whether to accept in full the grading of the Panel, or to use adjusted grades for specific roles.

We expect to use adjusted grades in limited circumstances, we retain the right to provide an adjusted grade, in line with our statutory duties. If we decide to adopt an adjusted grade rather than the Panel's recommended grade in a specific area, we will:

- Follow the same guidance as set out in this document to determine that grade.
- Explain why we have taken a different view to the Panel.

Having considered fully the Panel's recommendations report and all of the supporting evidence and information, the UR has accepted the Panel grades for each role as set out in its recommendations report. The result is a 'baseline' grade for *System Operation & Adequacy* and a 'lagging' grade for the other three roles. The overall grade for the 2021-22 FWP is **2.28** as set out below.

Weights		Role 1 System Operation and Adequacy 27.5	Role 2 Independent Expert 25	Role 3 System Planning 25	Role 4 Commercial Interface 22.5
Criterion	Criterion	Score	Score	Score	Score
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>			

### Role 1: System Operation and Adequacy

We agree with the assessment grade recommended by the Panel and so we give a grade of 3. In terms of ambition, we agree with the Panel that SONI's ambition regarding Synchronous Non System Penetration (SNSP<sup>7</sup>) is positive albeit difficult to fully assess. In terms of service alignment, we agree with the Panel that while there is some evidence of SONI's alignment with service priorities, it is largely aspirational and the contribution to outcomes unclear. We agree with the Panel's comments that there was some partial evidence of stakeholder categorisation to understand shaping of the role. However, we found, that overall, there was little evidence of detail of how stakeholder engagement has influenced the FWP and of SONI responsiveness to stakeholder feedback. We also note that we found only limited evidence of SONI taking on board stakeholder feedback on influencing certain SONI performance commitments (for example, high level choice of certain types of metrics). In terms of accountability, we also agree with the Panel concerns around a lack of clarity in relation to timelines (and would further note the same regarding many deliverables).

<sup>7</sup> System Non-Synchronous Penetration (SNSP) is a real-time measure of the percentage of generation that comes from non-synchronous sources, such as wind and HVDC interconnector imports, relative to the system demand.

On the other hand, we also further consider SONI provides some evidence of clarity and relevance, particularly relating to (some but not all) performance commitments.

### **Role 2: Independent Expert**

We agree with the assessment grade given by the Panel and so we give a grade of 2. In terms of ambition, we agree with the Panel that the plans are largely aspirational and that it is difficult to assess the impact of certain aspects (like deliverables) in terms of ambition. We further consider that there is some evidence from SONI through its new strategic step to develop an annual innovation plan which has potential to create significant incremental improvements over time. In terms of service priorities, we agree with the Panel that there is some evidence of positive alignment but that aspects are missing or not well demonstrated. In terms of stakeholder engagement we agree with the Panel that the engagement described seems largely one-way. We further note that we could not find any tangible evidence of how the role has been shaped by engagement or SONI has been responsive to stakeholders. In terms of service accountability, we agree with the Panel that the way SONI plans to measure success for this role (timescales) is very narrow for a role which seeks to be an independent expert voice. We also consider that there was insufficient clarity in some of the newer types of deliverables (for example, the scope of the innovation plan and how its contents will deliver benefits was unclear).

### **Role 3: System Planning**

We agree with the assessment grade given by the Panel and so we give a grade of 2. In terms of ambition, we agree with the Panel the ambition is undermined as much of the activity is not new. In terms of service priority alignment, we agree with the Panel that there is very little detail and the articulation of whole system thinking was poorly aligned. As we set out in our response to the Panel, we think that there is an opportunity for significant improvement in this area. In terms of stakeholder engagement we agree with the Panel that the engagement described is largely one-way. We further note that we could find little to no tangible evidence of how the role has been shaped by engagement or that SONI has been responsive to stakeholders. We note that one stakeholder made a published response asking for further ways of capturing performance in a more holistic way and we consider that SONI could be reaching out to in advance to understand views. While we consider that the level of accountability proposed for the deliverables was reasonable (for example, with regard to timelines for delivery), we agree with the Panel that it was difficult to fully measure success as there was little information provided as to how this could be done.

### **Role 4: Contractual Interface**

We agree with the assessment grade given by the Panel and so we give a grade of 2. In terms of service ambition, we welcome SONI's commitment to bring the projects to energisation but agree with the Panel that it is difficult to understand why the work is stretching or challenging. On service priority, we agree with the Panel that there is little evidence provided overall for this criterion. On stakeholder engagement, we also agree that there is little evidence of responsiveness. On service accountability, we agree that there is some evidence but that the approach is narrow as it only covers feedback on delivery of projects to the Regulator.