

From: [REDACTED]
Sent: 08 February 2022 19:02
To: McLaughlin, Roisin <Roisin.McLaughlin@uregni.gov.uk>
Cc: UREGNI Electricity Networks Responses <Electricity_Networks_Responses@uregni.gov.uk>
Subject: Re: Response to the consultation on the proposed licence modifications.

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Ms. Roisin McLaughlin
The Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

Re: Response to the consultation on the proposed licence modifications.

Dear Ms. McLaughlin,

I wish to commend the Utility Regulator for your very well researched and thorough report entitled "SONI TSO Governance: Consultation on modifications to the SONI TSO licence" published on the 24th January 2022. I fully concur with your belief "that SONI needs to have a governance structure that is independent, transparent and accountable," which "is focused on delivering and protecting the needs of Northern Ireland consumers." The careful three year review from the call for evidence in 2019, the consultation on the proposals in 2021 and now the development of policy position regarding the proposed modifications to SONI TSO's licence follows the well-considered and in-depth review. The revelations that SONI has very limited input or influence on decision making has undermined its operation as a separate legal and independent entity, a complete change in the company structure and culture which has effectively made it subservient to the policies and strategies of its holding company Eirgrid Plc. This is highlighted within the report (Reference Page 37, para 3-23) "SONI has become increasingly integrated into EirGrid. UR's governance review has revealed the extent to which SONI's independence has been lost and accountability and transparency in SONI TSO's governance reduced. This has reached the point that management and oversight of SONI TSO licence responsibilities are effectively discharged by EirGrid and not by SONI. SONI is now integrated into EirGrid's decision making structures, which have the effect of creating a 'black box', resulting in a lack of transparency as to how decisions are made on SONI TSO functions." The loss of SONI's unique identity through the imposition of corporate branding by the holding company on all communication is another example of how the holding company has further diluted the image of SONI's independence in delivering services to its customer base in Northern Ireland.

The widely acclaimed and highly respected journalist Mr. Michael Fisher has given great prominence to the ongoing governance review of SONI the Transmission System Operator (TSO) for Northern Ireland by the Utility Regulator in the Northern Standard Newspaper over the past three years. I refer to the attached extract page 13, from the Northern Standard Newspaper dated Thursday 27th January 2022 in which Mr Fisher gives a detail breakdown of the board members of both SONI and Eirgrid, many interested parties including myself would not have been unaware that three out of the six members on SONI's board are also on the board of Eirgrid and two others have senior

management roles in the Eirgrid Group. Essentially, it would appear that all operational and corporate decisions for SONI are being initiated by the holding company and implemented by senior management under the direction of Eirgrid Plc.

The proposed licence modification notes that the Board of SONI TSO will need to consist of a majority of sufficiently independent non-executive directors is a welcome development and clearly sets out to address the current imbalance of the board with each director having one vote. The visible independence of SONI from the holding company will ensure regulation of the company as a standalone transmission system operator (TSO). The valid reason that "A SONI Board which has a majority of sufficiently independent directors serves to ensure good practice in terms of governance of TSO functions and decision making on an independent and transparent basis"(Reference Page 78, Para 7.4) is perfectly acceptable given the current governance arrangements. The establishment of separate and independent SONI management and staff teams will enhance the objective delivery of SONI licence responsibilities outside the control of Eirgrid Plc's shared financial resource model.

The licence requirement for approval of the independent SONI board to agree to changes proposed to be made to the System Operator Agreement (SOA), will correct the ongoing misaligned situation where the SOA was not meant to be 'internalised' between the two TSOs. I would agree with the UR's recommendation that the proposed newly appointed SONI board needs to be in a position to approve separate and specific SONI "Conflict of Interest" and "Whistle blower" Policies to deal with issues arising within their area of control. The existence of an independent board will promote a culture of openness within SONI to enhance transparency, participation and collaboration with external stakeholders (Reference Page 52, para 4-2)"An independent SONI Board and Management team would provide further controls and accountability for the allocation of costs attributed to SONI. Where the costs attributed to the TSO are predominantly fixed an independent Board and Management team could challenge those allocations further, benefiting Northern Ireland consumers and providing assurance on cost allocations to UR." This is further highlighted on page 81 para 7-8 which notes that "Greater independence from EirGrid will provide for greater transparency and Accountability of the SONI TSO business in relation to decision making, the costs being incurred by it and the reasons for those costs, greater alignment between the shareholder and consumer objectives, increased confidence of stakeholders in the development, operation and management of the Northern Ireland transmission network"

The UR will need to carefully manage and monitor the licence condition of providing derogations (Reference Page 81, para 7-13), "SONI will have an initial opportunity to apply to the UR for a derogation from the operationally separate requirement in respect of any function(s).", although time limited, the potential for extension for operational reasons may emerge. Decoupling of established procedures and processes during a radical change process can lead to unnecessary delays in expected outcomes, unless cultural values, and behaviour are addressed the successful implementation of the Licence modifications may be delayed and potentially hindered. The unwillingness of the holding company to engage constructively with the UR in the proposed licence change process over the past three years would suggest a reluctance to allow SONI the freedom to operate independently. The holding company are in unfamiliar territory and may fear that they will be relinquishing too much power and authority to SONI TSO as an independent entity and resort to dragging its feet on meeting the licence target dates. A movement towards more openness may require a significant cultural change from within the existing holding organisations hierarchy. The possibility for the erection of barriers by the holding company to the proposed changes would be a cause of concern for all the stakeholders and consumers, there is an immediate need for engagement and communication with the UT if transparency and openness are to be realised.

The Compliance Plan which is part E of the licence condition setting out the new “practices, procedures, systems and rules of conduct” and timescales for adoption of the proposed changes to SONI TSO will provide an early indication of progress on licence requirements. This will be critical in the evaluation of the success of the UR governance review in achieving its ultimate goal of ensuring that (Reference Page 80, para 7-6)”the SONI TSO business will from 1 July 2024 need to be managerially and operationally separate from EirGrid and any other company within the EirGrid group.”

The proposed licence modifications by the UR provide an exemplary basis of good governance for SONI TSO as a separate and identifiable business unit which will leave it better placed to independently manage its future development and costs in the best interests of Northern Ireland consumers. Thank you for the opportunity to make a response to the consultation process.

Yours Sincerely,

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Email:

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Refer to attached extract of Northern Standard Article 27th January 2022