



SONI TSO Governance Consultation

Submission to the Utility Regulator of Northern Ireland, in respect of Prospect SONI members.

Introduction

Prospect represents 150,000 engineers, scientists, technical specialists and managers across the public and private sectors, and we are the largest union for professional engineers in the UK. For more than a century, Prospect, and its predecessor unions, has represented engineers, technical specialists and managers in the electricity supply industry, giving us a unique insight into the challenges and opportunities facing the electricity sector.

Prospect is the sole recognised trade union for staff at SONI Ltd., and more than 90% of staff are Prospect members. We have previously surveyed our members to inform our response to consultation on SONI Governance, and we have repeated that approach for this latest consultation process.

Summary

- Prospect welcomes and supports the proposals made by the Utility Regulator in this consultation process.
- This support is evidenced by the overwhelming majority of members employed at SONI.
- We would seek workplace representation on any newly constituted and independent SONI Board.
- The majority of staff overwhelmingly support the concept of a workplace representative within such a newly constituted and independent SONI Board.

Member Survey Results

To gather additional feedback on the UR proposal and of the views of the workforce Prospect members employed at SONI were sent a link to the Utility Regulator's consultation paper and a simple survey asking for a response on the following question:

Do you agree with the Proposed licence modifications to give effect to governance changes as detailed in Section 7 of the SONI TSO Governance: Consultation on modifications to the SONI TSO licence?

Yes	82%
No	2%
Unsure	16%

There is therefore overwhelming support from our members to what the Regulator proposes in respect of License modifications for future SONI TSO Governance arrangements.

Some members who responded as unsure provided comments that have been summarised later in this document.

We further asked members to respond on the issue of a workplace representative on any future SONI Board:

Are you of the opinion that any reconstituted SONI Board should have a SONI Staff Board Representative as a sitting Non-executive Director?

Yes	89%
No	2%
Unsure	9%

Members therefore have indicated overwhelming support for this aspect to be considered by the Regulator and adopted in its approach moving forward.

Prospect agrees that SONI should be recruiting non-executive directors from the widest possible net of suitable candidates with relevant experience. We believe this should include an employee from within the current SONI workforce.

We recognise that having a single worker on the SONI Board will not address the fundamental issue of the company's engagement with the workforce, and could risk being seen as a token nod towards employee participation at Board level. However, we believe that employee participation can bring a different perspective and challenge to the SONI Board and would be more likely to encourage transparency in the long-term. This issue needs to be seen in the context of recognising where success and value are generated in an organisation, in particular as a result of its staff, having an HR function that is explicitly aligned with SONI's strategic direction and which has sufficient influence at an appropriately senior level. This issue is particularly relevant in SONI TSO where the Company's main asset base is its employees. Such an arrangement if implemented would mirror that which the EirGrid Board already has in place.

Prospect has previously made submission on this matter in the last consultation process in June 2021, specifically we'd ask for the following comments made then to be considered again:

"Prospect also believes that SONI Board composition should reflect the interests of a broader range of stakeholders, beyond EirGrid shareholders. This is the spirit of the 2018 reforms to the UKCGC which placed greater emphasis on the interests of the 'wider

community' in Board decision-making. Mutual Energy offers a prominent Northern Ireland example of a company that operates successfully in the interests of a broader range of community stakeholders.

In line with this, Prospect believes there is a strong case for appointing at least one workforce representative (outside of the SONI executive team) to the SONI Board, to represent the interests of SONI staff. Such a step would be fully in line with the recommendations of the UKCGC on workforce representation, and would give the local SONI workforce a stronger voice in corporate governance, whilst also increasing the transparency and accountability of the Board. Given the recent deterioration in industrial relations outlined above, a worker representative on the SONI Board could also help to improve communication and trust between the top levels of the company and the workforce.”

The UR proposals as currently drafted may prohibit the appointment of a SONI staff member as a non-executive director to any re-constituted SONI Board. This observation makes reference to the clauses as set out in Section 7 of the UR recommendations. Prospect suggests that clauses are included in the SONI TSO License modifications to facilitate a staff Board representative.

Prospect members in SONI believe that given the importance of the staff Board representative and the many potential benefits that the presence of one could bring to the SONI Board, that the role should be reflected in the language used in the proposed SONI licence modifications. Specifically we request that the role is fully funded by the UR and identified as a line item in the funding section of the UR outcomes.

Member comments

Members were also provided with the opportunity to make further comment on the consultation proposals and the following section summarises the content of the comments which were received.

Member's comments fell into a number of broad themes including:

- A strong majority supported the proposed changes.
- Some expressed the view that the proposals did not go far enough to ensure SONI TSO independence.
- There was strong support for an elected staff representative on the newly constituted SONI Board.
- Concerns were voiced regarding the prioritisation of SONI staff wellbeing in any transitional period and beyond.
- Concerns were expressed relating to ensuring effective methods of two way communication between staff and the Company.
- Concerns were raised relating to the potential obstruction and/or obfuscation of the implementation of the proposed changes.

A majority of respondents stated strong support for the proposed governance and associated licence changes, in line with the answers to specific questions above, with a number of members stating their agreement that the measures to further ensure SONI independence are appropriate. Members stated that the independence of SONI is critical to ensure protection of the entitlements of Northern Ireland consumers. Members expressed some concern that EirGrid might seek to find a way to circumvent the proposed measures and inhibit the future independence of SONI. Members indicated that they are largely indifferent to the ownership of SONI provided that they are able to work uninhibited on behalf of Northern Ireland Consumers and other stakeholders.

Members also espoused the importance of SONI being transparent and accountable to the Northern Ireland consumer and indicated concerns that a 'one size fits all' approach across multiple jurisdictions was unlikely to lead to optimal outcomes for the Northern Ireland consumer.

Members noted that where SONI staff indicate a desire to take a different approach to EirGrid this can be extremely challenging under the existing integrated structures, hierarchy and decision making processes. Members welcome the benefit that the proposed changes are intended to bring, in the context of empowering the SONI Board to take independent decisions.

Members raised concerns related to the potential challenge of the proposed changes by EirGrid which could inhibit or drag out the process and stated that the changes should be implemented as a matter of some urgency. Further concerns were stated that EirGrid could seek to impede the transition to the proposed governance approach or undermine the effective operation of SONI during the transition and beyond. Members indicated that further protections for staff from intimidation or inappropriate disciplinary action and/or additional measures to facilitate SONI staff in working to effectively implement the proposed changes, should be considered.

Members indicated that the detail of the Utility Regulators approach to ensuring the effective implementation of the proposed changes will be key to their efficacy in ensuring that desired outcomes and meaningful change occur (including appropriate Board composition and managerial and operational independence). There is concern that the changes could become little more than a cumbersome administrative exercise without delivering the important benefits for the Northern Ireland consumer as set out in the licence modifications consultation.

Whilst being broadly supportive of the outcome of the governance consultation, Members are conscious of the potential uncertainty that the transition to the new governance arrangements may bring. Members are hopeful that their wellbeing will be appropriately prioritised in the arrangements to manage this transition and the operation of SONI thereafter, including proactive consideration of effective and transparent communication methods and, in particular, engagement with staff representatives as appropriate.

Members expressed concern regarding the implications of the changes in terms of the ongoing ownership of SONI by EirGrid and the uncertainty for SONI staff that could result from the purchase of SONI by another party. Members stated that communication from the company in the context of the EirGrid and SONI responses and also the general approach to the governance consultation process has been arcane.

Members are concerned by the absence of any effective effort to gather and represent broader staff views in the Company approach to the governance review. They note that there has been no engagement, clarity or reassurance offered to staff in relation to statements made in both the EirGrid Group and SONI responses to the consultation, particularly in relation to comments made regarding the potential sale of SONI. Some members noted that parts of the documented EirGrid and SONI argumentation do not conform to their understanding of the area.

Members shared their view that it is critical to have a direct link between staff and the Board to ensure effective communication and to foster an open and constructive environment in that context. This is essential to ensure that the newly constituted Board has unimpeded access to an accurate portrayal of the views of staff and the insights that staff can provide on the state of the SONI TSO business. Equally, this is important so that that staff can have certainty that their point of view will be communicated effectively to the Board. Members indicate that in their view the best way to achieve these outcomes is to have an elected staff representative on the Board.

Members expressed some concern regarding the prospect of derogations under the proposed approach, noting the view that these should be by relatively limited exception, given that SONI was able to effectively operate fully independently and within its allowances awarded in previous Price Controls prior to the purchase by EirGrid in 2009. Some members recognised that in some areas, such as Real Time operations and under the provisions of the SAOA that there were obvious synergies which would be easily justified and maintained under the new governance arrangements as proposed by the UR.

Concerns were also expressed regarding the absence of a provision in the criteria for Sufficiently Independent non-executive directors to preclude employees (current or prior) of any entity (i.e. including entities outside of the EirGrid Group) where those affiliations could result in similar potential for conflicts of interest.

Members noted their concern regarding the potential for additional costs arising from the proposed new Board composition to impact on resourcing levels for BAU activities. Comments were also made that resourcing in SONI has been and is currently below appropriate levels, and well below the appropriate levels to ensure that an independent SONI could operate effectively.

Conclusion

Prospect members in SONI support Option C as set out by the Utility Regulator in this consultation process.

Prospect members strongly support the presence of a fully funded and elected workplace representative on any future SONI Board.