

Kevin O'Neill
SONI Limited
Castlereagh House
12 Manse Road
Belfast
BT6 9RT

Ref: NET/E/TH/538

24 June 2022

Dear Kevin,

Re: Moyle Control System [Uplift Request] – Final Zt Approval

Thank you for the capex *Zt* submission of the 12 May 2022 regarding an uplift to costs in order to accommodate changes associated with the Moyle control system upgrade.

Having reviewed the submission and query responses, we are not totally convinced that all cost uplifts are fully justified. This is particularly true for the EMS vendor expenses and the additional project management fees. However, we have adopted a moderate position and allowed these costs given the requirement to align with the Moyle timetable.

However, some of the 15% contingency in relation to vendor costs has not been allowed. In spite of the time constraints listed, we do not think it necessary to provide all contingency due to the fact that activity is fully scoped and already well advanced. A 5% contingency has been provided to account for the possibility of unknown testing costs arising.

For confirmation, the final uplift approved is detailed in the table below by tariff year [and in April 2019 prices for ease of comparison with the current price control].

Tariff Year	SONI Claim (April 2022 prices)	UR Allowance (April 2022 prices)	UR Allowance (April 2019 prices)
2021-22	£135.7k	£107.9k	£97.6k
Total	£135.7k¹	£107.9k	£97.6k

This decision represents a revision to an existing uncertainty mechanism [allowance](#). The opex element (*Dt*) remains unchanged from the original position. The totality of the revised capex allowance is detailed below.

¹ This represents the revised uplift request post query responses. The initial claim was for an uplift of £169.2k (April 2022 prices).

Zt Allowance

For the capital element, the UR now gives notice to SONI that:

- 1) In accordance with paragraph 8.6 of Annex 1 of the licence, the application shall be treated as Special Project Costs.
- 2) Special Project Costs will be recovered under the Zt term and in accordance with paragraph 2.2(n) of Annex 1 of the licence.

UR has approved a total capital allowance of **£571.4k** for this project. This allowance supersedes that given on 18 October 2021. For confirmation, amounts approved under the Zt term are detailed in the table below by tariff year [and in April 2019 prices for ease of comparison with the new price control].

MCS Upgrade – Request and Final Zt Allowance			
Tariff Year	SONI Claim (April 2022 prices)	UR Allowance (April 2022 prices)	UR Allowance (April 2019 prices)
2021-22	£599.1k	£571.4k	£516.6k
Total	£599.1k	£571.4k	£516.6k

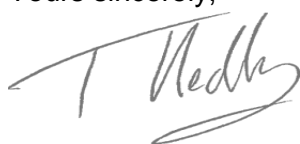
The capital approval set out above is subject to the following conditions:

- (a) SONI can recover the depreciation and return on actual spend up to the maximum amount approved.
- (b) Depreciation and return amounts can be recovered in tariffs from 2021-22 based on the maximum amount of £571.4k (April 2022 prices).
- (c) In accordance with paragraph 2.7(b)(iii) of Annex 1 of the TSO Licence, the straight line depreciation period for the approved amount is five years, starting with relevant year 2021-22.
- (d) Return will be calculated based on the prevailing WACC.

Given the timing of this application and approval, monies for 2021-22 could not be included in tariffs. These costs should therefore be recovered via the K-factor in 2023-24. Reporting of actual costs incurred should be included in the annual RIGS returns.

I trust this satisfies your requirements at this time. Should you have any comments, queries or issues, feel free to contact Ciaran MacCann.

Yours sincerely,



Tanya Hedley
Director of Network Operations