

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

Ref: NET/E/TH/536

24 June 2022

Dear Kevin,

**Re: RTU & UPS Replacement – Final Vt Approval**

Thank you for the capex *Zt* submission of the 29 April 2022 regarding costs for replacing end of life remote terminal units (RTUs) and uninterruptible power supply (UPS) systems.

Need is well established and the cost is additional to existing price control allowances. Having reviewed the submission and your response to the provisional decision, we are supportive of the project but remain unconvinced that this spend should be remunerated via the up-to-cap mechanism. This conclusion is based on the following:

- 1) Our guidance states that use of this mechanism should be the exception rather than the rule (See UM [Guidance](#), p10, para 3.22).
- 2) From responses, scope and costs seem relatively clear at this stage.
- 3) Use of up-to-cap provisions would not be in line with SONI's business plan approach, which envisaged cost-sharing.
- 4) Rationale for moving away from the business plan approach is not well justified.

Nor do we consider potential price volatility to be adequate reason to reinstate contingency on this occasion. Such an approach would, in our opinion, violate the 'fair bet' principle and impose unjustified asymmetric risk upon consumers.

Under *Annex 1 – para 8.5 and 8.6* of SONI's licence, we therefore approve a full allowance less contingency via the *Vt* mechanism. Costs will be recovered via the non-buildings RAB (*V\_NBt* term). For confirmation, amounts approved are detailed in the table below by tariff year [and in April 2019 prices for 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	£301.4k	£274.0k	£247.8k
2022-23	£459.8k	£418.0k	£378.0k
<b>Total</b>	<b>£761.2k</b>	<b>£692.0k</b>	<b>£625.7k</b>

UR understands that there is as yet no definitive programme in place for transfer of these assets to NIE Networks. Given that this process is uncertain and there is currently no mechanism under SONI's licence for disposal of assets, it is our view that full recovery of these capital costs should be undertaken via the TSO's non-buildings RAB.

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**

**cc** Carl Hashim (NIE Networks)  
Trevor Harron (NIE Networks)