

Alan Campbell
Managing Director
SONI Ltd
Ref: NET/E/TH/628

3rd February 2023

Dear Alan,

Utility Regulator decision on SONI Forward Work Plan (FWP) 2022/23

I wish to notify you of the Utility Regulator's decision on the grading of SONI's 2022/23 Forward Work Plan (FWP) and the associated incentive amount.

We received the EPF Panel's (the Panel) Evaluation Report in December 2022. The report provided a comprehensive assessment of SONI's FWP for 2022/23, in line with the Guidance¹. The report provided clear recommendations and set out the Panel's grading of the FWP.

After consideration of the EPF Panel's report and recommendations and taking account of the evidence available to us², the Utility Regulator has decided to accept the Panel's recommendation and subsequent grading of **3.53** of SONI's FWP.

Background

As part of our 2020 to 2025 SONI price control we introduced the "Evaluative Performance Framework" (EPF).³ The EPF framework aims to incentivise SONI to demonstrate collaboration with stakeholders, innovation, greater transparency and accountability in its operations in planning and performance reporting, ultimately to the greater benefit of the Northern Ireland consumers.

As you are aware, the Panel was appointed to independently assess SONI's FWP and make recommendations to us. In conducting their review, the Panel considered a wide range of evidence, including views from both UR and stakeholders. The Panel also participated in meetings with UR and the stakeholder workshop in November 2022. The Panel advised us they have followed the process, as per the published Guidance, to arrive at a recommended overall grade for this phase of the EPF.

¹ <https://www.uregni.gov.uk/files/uregni/documents/2021-11/epf-guidance.pdf>

² SONI Evaluative Performance Framework: SONI's Annual Forward Plan 2022/23 - Call for Evidence and date for stakeholder workshop | Utility Regulator ([uregni.gov.uk](https://www.uregni.gov.uk))

³ 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>

UR's Decision

As the decision-making body, the UR has taken full account of the Panel's recommendations and has made its decision on grade and financial incentive for the FWP phase. We agree with the Panel's recommendation and support its proposed grade of **3.53** and subsequent financial incentive of £208k⁴ for the Forward Plan phase⁵. The financial incentive for the year will be adjusted after the end of the year to reflect SONI's performance against its plan. This assessment of the financial incentive for the Forward Plan is calculated on the assumption SONI's performance against its plan will be graded as 3 (meets expectations).

In coming to our decision, we have taken full account of the Panel's grades for each SONI role. We agree with the Panel that SONI's performance under the FWP meets expectations in line with our Regulatory Guidance.

We agree with the Panel's views on SONI's 4 Roles, which we summarise as follows:

- **System Operation and Adequacy:** generally, SONI met our expectations in this role, exceeding in terms of Service Ambition
- **Independent Expert:** service ambition exceeded expectations and Service priority met our expectations. However, stakeholder engagement and service accountability both fell below our expectations
- **System Planning:** again, SONI generally met our expectations in this role, exceeding in terms of Service Ambition
- **Commercial Interface:** SONI met our expectations in terms of this role

Overall, the plan exceeded expectations in terms of ambition, met expectations with respect to the UR Service Priority Alignment criterion but fell short of expectations (just) in terms of Stakeholder Engagement and Service Accountability criterion.

This is the second year of the EPF incentive framework, and we share the Panel's views that there have been improvements in SONI's FWP. However, we expect to see further improvements in next year's FWP. This is not a static process, and we need evidence of improvements year-on-year to achieve the same level of incentive as part of this iterative process. We trust that SONI will be responsive to the Panel and our feedback.

Next steps

We are always open to feedback or any suggestions for improvements. This is a relatively new process and the next phase of the annual process will be the Mid-year performance update,

⁴ Nominal Year = April 2023 prices

⁵ As per section 7 of the Guidance, the EPF provides for financial incentives in relation to two phases of assessment in each financial year i.e., SONI's Forward Plan and its Performance Plan, ultimately arriving at an overall incentive outcome. A positive incentive amount, across these two phases, will lead to a corresponding increase in SONI's maximum regulation revenue from SSS/TUoS tariffs revenue under the price control framework and a negative incentive amount will lead to a corresponding decrease in SONI's maximum regulation revenue from SSS/TUoS tariffs.

whereby SONI will provide a short mid-year performance update (report) and facilitate a workshop. We will notify our stakeholders accordingly.

We look forward to working with you, as we continue to deliver this workstream and complete the review cycle for this SONI financial year.

If you have any questions on the content of this letter, please contact Ciara Brennan (ciara.brennan@uregni.gov.uk).



Yours sincerely,

Tanya Hedley

Director of Price Controls