



# RP7 – NIE Networks Price Control 2025-2031

Draft Determination Annex W  
IT and Digitilisation  
NIE Networks  
November 2023



## About the Utility Regulator

The Utility Regulator is the economic regulator for electricity, gas and water in Northern Ireland. We are the only multi-sectoral economic regulator in the UK covering both energy and water.

We are an independent non-ministerial government department and our main duty is to promote and protect the short- and long-term interests of consumers.

Our role is to make sure that the energy and water utility industries in Northern Ireland are regulated, and developed within ministerial policy, as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly.

We are based at Queens House in Belfast. The Chief Executive and two Executive Directors lead teams in each of the main functional areas in the organisation: CEO Office; Price Controls, Networks and Energy Futures; and Markets and Consumer Protection.



### Our mission

To protect the short- and long-term interests of consumers of electricity, gas and water.



### Our vision

To ensure value and sustainability in energy and water.



### Our values

- Be a best practice regulator: transparent, consistent, proportionate, accountable and targeted.
- Be professional – listening, explaining and acting with integrity.
- Be a collaborative, co-operative and learning team.
- Be motivated and empowered to make a difference.



## Abstract

This annex provides the Utility Regulator's detailed assessment of NIE Networks' IT expenditure for the RP7 price control period.

## Audience

This document will likely be of interest to regulated companies, consumers, other regulatory bodies, government and other statutory bodies.

## Consumer impact

The overall consumer impact of RP7 is set out in the main draft determination report. The estimates of IT expenditure in this annex contribute to the determination of tariffs for RP7.



# Contents

<b>Executive Summary</b> .....	<b>2</b>
<b>1 Introduction</b> .....	<b>6</b>
<b>2 NIE Networks Digital &amp; IT submission</b> .....	<b>7</b>
<b>3 Consultant’s Report</b> .....	<b>10</b>
<b>4 NIE Networks Revised IT plan</b> .....	<b>13</b>
<b>5 UR review of NIE Networks Revised IT plan and approach to IT Allowances</b> .....	<b>16</b>
<b>6 IT Opex</b> .....	<b>30</b>

# Executive Summary

## Overview

The move towards a low-carbon economy will change the way we generate and use electricity in Northern Ireland (NI). New technologies, digitalisation and changing customer needs will require active management of flexible Distributed Energy Resources (DER), including generation, services and demand management. The electricity market will see significant change in the RP7 price control period and the NIE Networks Digital & IT plan is built upon a number of assumptions which may change over time. The ways in which market and customer requirements evolve may change the way in which projects are ultimately scoped, costed, benefited from and ultimately delivered, therefore, the current projections of the costs and benefits of a number of the projects may change.

Through our analysis of NIE Networks IT Non-Operational IT & Telecoms investment plan submission (covering the RP6 extension and RP7 periods) it became evident that NIE Networks will be facing significant IT challenges during the RP7 period.

In addition to the S/4HANA implementation requirement, there is a need to simultaneously digitally transform the business, build DSO capability, and deliver appropriate cyber security initiatives. Delivering against all of these requirements has resulted in a complex RP7 IT programme of unprecedented size and scope for the organisation and this has created a resource and deliverability challenge for NIE Networks.

It became clear to the UR that NIE Networks, and NI electricity consumers would benefit from a longer period to mature the planning of its large, highly complex but also highly relevant RP7 IT programme.

Therefore, we asked NIE Networks to replan its IT programme, after their initial IT business plan submission. NIE Networks subsequently developed a revised investment plan for a rescheduled programme (RP6 Extension and RP7 period). We asked NIE Networks to identify core projects that in their view, must be progressed during the RP6 Extension year and the first two years of the RP7 period (Phase 1). The UR consider core IT projects those that must be implemented for NIE Networks to ensure NIE Networks can progress with the IT delivery in Phase 1, for example projects that would have to adhere to vendor end-of-support dates, S/4HANA activities required to progress the migration and meet the SAP end-of-support date or foundational projects which facilitate core IT projects that are proposed to begin towards the end of the price control. We also asked NIE Networks to re-plan projects that were start in the years 3-6 of the price control (phase 2), these projects may not be time pressured to begin with or may benefit from further analysis, refinement, and

time to mature to increase confidence in timely and within-budget delivery, enabling a bottom-up determination of cost to be assessed at the end of year 2.

We have separated NIE Networks IT submission into the following sections;

- RP6 Extension year
- 99 projects and associated recurring opex
- SAP 4 Hana Implementation
- IT Opex Business As Usual (BAU) and Market Operations

Having analysed NIE Networks IT Non-Operational IT & Telecoms investment plans and NIE Networks subsequent replan of their IT programme we have structured the draft determination as follows:

### **RP6 Extension year**

We have assessed NIE Networks total request of £7.03m (21/22 prices) for the RP6 extension year and have proposed an allocation of £4.7m (21/22 prices). These allowances have been demonstrated further in Section 5.

### **99 Projects and associated recurring opex**

#### **RP7 Phase 1 Projects**

The UR have included proposed investment to cover a planned series of works for the 99 IT projects and associated recurring opex (changes Driven by Non-Network IT projects), up to the end of Year 2 of the price control (Phase 1), this will be subject to NIE Networks giving further consideration to the benefits and outputs of these projects.

There are some of the 99 projects (and their associated recurring opex requests) that NIE Networks has proposed to begin in Phase 1 of RP7 that the UR have not provided allowances for at the draft determination stage, the draft determination identifies these areas of NIE Networks submission that require greater consideration and/or supporting evidence.

In response to this draft determination, we invite NIE Networks to provide further information on these projects for RP6 extension and RP7 in advance of the final determination, some of which will be in relation to observations provided in Annex X. At this point we will re-assess any further information NIE Networks has provided in relation to Phase 1 projects. Therefore, we are not proposing to provide any disallowances in relation to the 99 projects in this draft determination.

For the 99 projects and the associated recurring opex, we have provided an allocation of money for the extension year and the first two years of RP7 in line with

the investment requested by NIE Networks in its Business Plan submission and this is reflected in our tariff and financeability calculations for RP7.

### **IT projects beginning in Phase 2 of RP7**

As part of the IT replan, NIE Networks has proposed various projects begin in Phase 2 of RP7. We will include a mechanism which will confirm the scope and cost for the remainder of the IT programme in advance of the start of Year 3 of the price control. We have accounted for this money for both opex and capex, within the tariffs and financeability as a placeholder as the best current information on the scale of the future NIE Networks submission.

### **SAP 4 Hana Implementation**

UR has proposed to include the investment requested by the company to begin its planned implementation of SAP 4 Hana in the first two years of the price control. This will be reviewed as the programme develops with the intention of confirming funding for subsequent years. The determination of future funding will take into account the actual expenditure by the company within the first two years accounting for any underspend against the provided allowance in the first two years of RP7.

### **Other IT Opex requests and Market Operations IT**

There are other elements of NIE Networks IT submission that are not associated with the 99 projects or recurring opex, these submissions were not subject to the NIE Networks revised IT plan. These areas of IT include Business as Usual IT & Telecoms costs, changes driven by Network IT projects, new IT Opex since base year 2021/22 and NIE Networks Market Operations (the Enduring Solution and Market Operations Business as usual for IT and Telecoms).

A high-level view of the UR proposed IT draft determination allowances has been provided in Table 1 (21/22 prices). The total value of NIE Networks request for the complete RP6 extension and RP7 IT programme is £264.7m (excluding connections). The total value of UR allowances for this period is £262.29m (excluding connections), this represents 99% of NIE Networks request which has been accounted for, within the tariffs and financeability as a placeholder this represents the best current information on the scale of the future NIE Networks submission. The 1% difference equates to £2.41m which is not provided for in this draft determination and is in relation to opex costs associated with Business as Usual IT & Telecoms costs and New IT Opex since base year 21/22. Having reviewed these costs, it is our view that some of these are not appropriate and therefore we have disallowed them at the draft determination stage, these are further detailed in this Annex.

RP6 Extension Year– 99 projects	Amount (£m)
NIE Networks Request	£7.03
UR Allowance	£4.7
RP7 – 99 projects	
NIE Networks Request (RP7 total)	£131.73
NIE Networks Request (Years 1 and 2)	£55.9
UR Allowance (Years 1 and 2)	£47.5
IT Business as usual – (Transmission and Distribution)	
NIE Networks Request Transmission and Distribution (RP7 total)	£68.4
UR Allowance	£48.8
Enduring Solution (Market Services)	
NIE Networks Request	£41.7
UR Allowance	£38.3
Market Operations BAU IT and Telecoms	
NIE Networks Request	£13.82
UR Allowance	£9.91
Total for NIE Networks request for the 99 projects for Phase 1 (RP6, RP7 years 1 and 2) and IT BAU.	
NIE Networks Request BAU IT and 99 projects RP6 Extension, Year 1 and 2)	£185.6
UR Allowance	£149.2
Total for NIE Networks IT request (includes 99 projects for RP6 Extension, RP7 and IT BAU).	
Total NIE Networks IT request	£264.7m
Total value of UR Allowance	£262.29m

**Table 1: UR draft determination allowances (excluding connection allocations)**

For the costs associated with the 99 IT projects and recurring opex associated with these projects for year 1 and 2 of the price control, the UR are not proposing to disapprove allowances at the draft determination stage, NIE Networks has the opportunity to provide further information to demonstrate the need for these projects before costs are finalised.

We have accounted for this proposed expenditure for both opex and capex, within both tariffs and financeability as a placeholder, as this represents the best current information on the scale of the future NIE Networks submission. We further describe each of these areas throughout this paper.



# 1 Introduction

- 1.1 This document provides the Utility Regulator's (UR) decision on Northern Ireland Electricity Networks' (NIE Networks) Non-Operational IT & Telecoms investment plans for the seven-year period from 1 April 2024 to 31 March 2031. This includes the RP6 Extension Year (2024/25) and the six years of RP7.
- 1.2 NIE Networks IT submission was provided as part of NIE Networks main business plan submission and additional annexes, including "NIE Networks RP7 Digital & IT Business Plan", "Market Ops RP7 Business Plan", "IT Appendix A6 - Detailed Costings" and "IT Appendix A7 - Project Briefs".
- 1.3 This Annex highlights the UR assessment of NIE Networks IT submission and subsequently our draft determination allowances.

## 2 NIE Networks Digital & IT submission

2.1 For the purposes of this review, we have separated NIE Networks IT submission request into 2 separate areas;

- NIE Networks proposed submission of 99 new IT projects
- NIE Networks submission of IT Opex

2.2 It is important to highlight that there are interdependencies between the 99 IT projects and the IT Opex requests, which we have taken into consideration in our analysis and draft allowances. One important interdependency can be seen within NIE Networks IT Opex submission, whereby there have been requests for allowances associated with “Changes Driven by Non Network IT projects”. Although included with the IT Opex area of the business plan, these costs are recurring opex requests directly related to a proportion of the 99 new IT projects.

2.3 Therefore, our analysis of NIE Networks IT submission considers both the 99 IT projects and the recurring opex associated with these projects together, as they are directly related.

### 99 IT Projects

2.4 NIE Networks identified the need for the delivery of 6 distinct programmes of work in RP7 that they envisage will enable them to meet their RP7 commitments and realise the future state IT architecture. These programmes of work consist of;

- Digital Transformation
- Open Data
- DSO Transition
- ERP
- Secure & stable
- Sustainability

2.5 These 6 programmes of work are made up of 99 individual IT projects totalling £152.79 (including connection allocations). The breakdown of costs through each programme of work across the RP7 programme is demonstrated below in Table 2.1.

Programme of Work	Total RP7 Project Costs (£m)		
	Total Project Cost	CAPEX	OPEX
Digital Transformation	13.11	12.90	0.21
Open Data	14.96	11.61	3.35
DSO Transition	17.31	15.26	2.05
ERP	68.89	68.33	0.56
Secure & Stable	37.68	31.55	6.13
Sustainability	0.85	0.78	0.06
Total	152.79	140.44	12.36

**Table 2.1: 99 IT projects opex and capex request**

### IT Opex

2.6 Within the IT Opex plan, NIE Networks has highlighted that they are proactively seeking to implement technology improvements to ensure IT and telecoms operating costs continue to represent the best value for money. NIE Networks has also indicated that during RP7 will see a significant increase in IT and Telecoms opex for a number of reasons, the reasons are summarised below;

- A growth in digitalisation
- Increased IT capex investments
- Increasing threat of cyber-attacks
- Cloud Services and a shift towards Software-as-a-Service (SaaS) by many vendors
- NIE Networks introducing new business functions
- Increasing data volumes driving hosting and processing costs

2.7 A summary of the NIE Networks IT & Telecoms opex request is demonstrated below;

TOTAL OPEX	24/25	25/26	26/27	27/28	28/29	29/30	30/31	RP7 Total
Costs (£m - 21/22 prices)								
Business as Usual IT & Telecoms costs	13.01	13.79	14.01	14.07	14.08	14.09	14.10	84.14
Changes driven by Non-Network IT projects	0.52	2.78	4.94	6.12	6.78	7.59	7.82	36.03
Changes driven by Network IT projects	0.51	1.02	1.03	1.04	1.04	1.05	1.06	6.24
New IT Opex since base year 2021/22	1.05	3.59	0.88	0.84	1.14	1.14	0.94	8.53
Non-Network IT	15.08	21.19	20.87	22.06	23.04	23.87	23.91	134.94

**Table 2.2: Summary of the NIE Networks IT & Telecoms opex request**

### 3 Consultant’s Report

3.1 The UR hired external consultants to carry out a review of NIE Networks IT submission, to opine on the IT Strategy and Business Cases for the 99 IT Projects proposed by NIE Networks business plan. The purpose of the engagement was to advise UR as to whether NIE Networks’ strategy and IT delivery programme was efficient and offered NI customers value for money. The consultants review considered the following area of NIE Networks IT plan.

Dimension	Item	In/Out of scope
Considerations	Costs outside of NIE Networks’ IT programme	Out of scope
	RP6 extension costs	Partially in scope
	RP7 costs (opex and capex)	In scope
Artefacts	IT Strategy	In scope
	DSO Strategy, Digitalisation Strategy, Cyber Strategy and RP7 Business Plan	Partially in scope – for information purposes only to provide additional context for programme themes.
	The answers to all questions posed by consultants to NIE Networks	In scope
	Detailed costing spreadsheets	In scope
	Project descriptions	In scope

**Table 3.1: Scope of consultant’s review**

3.2 The consultant’s report is provided in full as part of Annex X, however, below we have highlighted some of the key messages of the report.

3.3 Key Messages from Consultants Report were:

- a) A substantive, well-structured and accessible submission - NIE Networks has been extremely forthcoming and engaging throughout the review, providing prompt and helpful answers to questions; and during the review process we have seen demonstrable evidence of the work and contribution from many of the NIE Networks team.
- b) Reasonable Scope for a GB/NI DNO in 2023 - The scope aligns with the needs of a DNO in 2023 and is comparable to the projects put forward by GB DNOS as part of the RIIO-II price control.
- c) Large but understandable investment - The size of the project is significant but is understandable due to the significant ERP replacement and building of digital and DSO capabilities.

- d) Efficient NIE Networks Rates - The consultants carried out a benchmarking activity to compare a sample of NIE Networks' procurement rates with rates for similar roles. The consultants concluded that NIE Networks rates were fair, and no adjustments or additional challenges were necessary.
- e) Unprecedented scale of programme delivered by a relatively small DNO - NIE Networks does not have historical experience of delivering a programme of this scale. NIE Networks' own analysis points to the fact that larger GB DNOs are delivering programmes of comparable size.
- f) Programme complexity and interdependency - The programme comprises a busy and ambitious portfolio of projects. The ERP theme, measured as c 40% of the total investment, is a significant part of the programme. However, it is the dependency of the projects within the ERP theme on each other and, in turn, their dependency with other portfolio projects that demonstrates the overall degree of dependency and complexity within the programme.
- g) Lack of quantifiable benefits - more can be done to transform measurable benefits (such as speeding up a process) into clear metrics – and for some to be turned into financial indicators. The lack of quantifiable metrics, against which success can be measured, supplements our overarching view that NIE Networks need more time to develop a detailed programme plan.
- h) Mapping of projects to commitments may not be complete – The lack of a complete picture of mapping of projects to commitments means we are unable to confidently determine the impact on customers if any one project is removed or deprioritised from the programme.
- i) No interim architecture, lack of a “golden thread” - There are critical planning features which the consultants consider are missing in the submission evidence, such as interim architecture models. In addition, the link between business requirement, capability requirement and technology choice are not clear in places.

- j) A lack of prioritisation of projects - It is important that the portfolio of projects is prioritised. The consultants accept that the ERP theme would be most likely deemed 'mandatory'. However, there are other projects which could potentially be postponed if NIE Networks faces unanticipated constraints. Consequently, it would be helpful if the projects were prioritised using a methodology which was at least informed by a project's interdependency with others in the programme, benefit provided to customers and level of support to the RP7 commitments.
- k) Uncertainty in costs - NIE Networks raised concerns about the certainty of some ERP costs and asked for several price control reopeners. We understand from NIE Networks that the scope of these costs is limited to one SAP project, but nevertheless, this does not drive confidence in this aspect of the programme planning.

### **The consultant's conclusions and recommendation**

- 3.4 The consultants highlighted that they had low confidence that such a complex, interdependent and sizable programme can be delivered within the RP7 timescales. Stronger evidence is required that the programme, as it is set out, is achievable.
- 3.5 There is insufficient analysis and synthesis to make a bottom-up determination of costs without greater insight into how the IT investments are prioritised, drive quantifiable or measurable benefits and support the totality of NIE Networks own RP7 commitments.
- 3.6 The consultants conclude by recommending that that NIE Networks is given an opportunity to further analyse, refine and mature its programme and project plans to increase confidence in timely and within-budget delivery, enabling a bottom-up determination of cost.

## 4 NIE Networks Revised IT plan

### UR request for NIE Networks to revise their IT Plan

- 4.1 Having reviewed NIE Networks initial IT submission request in relation to the 99 IT projects and considered the consultancy report (Annex X), we are of the view that the majority of the 99 IT projects are relevant and appropriate for any prudent UK DNO to deliver. The UR are also confident that a lot of the proposed costs submitted by NIE Networks is realistic, and these estimates have been benchmarked by the consultants.
- 4.2 However, given that the NI electricity market will likely see significant change in the RP7 price control period and NIE Networks IT programme is complex, unprecedented in size and built upon a number of current assumptions which may change over time, it is both UR and our consultants view that NIE Networks, and Northern Ireland electricity consumers alike would benefit from a longer period for aspects of NIE Networks IT plan to mature. This would help ensure that IT needs, costs and scopes are developed further to ensure greater certainty.
- 4.3 Therefore, for these reasons demonstrated, the UR asked NIE Networks to replan its IT programme of the 99 projects and the associated recurring opex requests associated with these projects.
- 4.4 The UR asked NIE Networks to take a 2 phased approach in their replan of the IT programme in late September. Specifically, our ask included requesting NIE Networks to; - identify core projects that in their view must be progressed during the RP6 Extension year and the first two years of the RP7 period (Phase 1) to progress with the wider IT programme, until a potential review date. Examples of these core projects could include adherence to vendor end-of-support dates, S/4HANA activities required to progress the migration and meet the SAP end-of-support dates.
- 4.5 UR also asked NIE Networks to revise their IT plan to demonstrate projects that could be moved or delayed in the schedule, until after a review date, as well as including the size of the allowance required for both phases of the revised IT plan.

### NIE Networks submission of revised IT plan

- 4.6 Between 27/10/2023 and 30/10/2023, NIE Networks provided various documentation to support to their revised investment plan for a rescheduled programme of the 99 IT projects and associated recurring opex for the RP6 Extension and RP7.



4.7 Table 4.1 and Table 4.2 below demonstrate a high-level view of NIE Networks initial IT submission in relation to their re-planned IT submission (these tables include connections costs).

Total RP7 Initial Submission								RP7 Total
Costs (£m - 21/22 prices)	24/25	25/26	26/27	27/28	28/29	29/30	30/31	
Project Costs	17.93	31.51	37.33	35.12	25.55	17.57	5.72	152.79
Capex	15.26	28.43	34.42	33.69	22.92	16.46	4.51	140.44
One-off project Opex	2.67	3.08	2.91	1.43	2.62	1.11	1.21	12.36

**Table 4.1: NIE Networks initial RP7 IT submission**

Total RP7 Replan Submission								RP7 Total
Costs (£m - 21/22 prices)	24/25	25/26	26/27	27/28	28/29	29/30	30/31	
Project Costs	13.17	31.67	38.44	32.85	23.35	18.05	13.02	157.38
Capex	11.59	28.95	34.93	31.86	21.03	16.47	11.33	144.58
One-off project Opex	1.58	2.72	3.52	0.99	2.31	1.58	1.69	12.80

**Table 4.2: NIE Networks re-vised IT plan**

4.8 Table 4.3 below demonstrates a summary of costs movements from NIE Networks original plan to their revised plan

£m 2021/22 prices	Project Costs (Capex and Opex)			Recurring Opex
	RP6 Extension	RP7 Phase 1	RP7 Phase 2	RP7
Movement	4.76	-1.23	-3.31	0.81

**Table 4.3: Summary of cost movements from NIE Networks original IT submission to their revised plan**

#### RP6 Extension movements

4.9 Following the revision of the IT project plan, NIE Networks has reduced their planned investment by £4.76m for projects expected to be delivered during the RP6 Extension Year. Reductions in projects such as 'Online Data Portal' (£~~4.76~~) and 'NMS Integration and Gtech Consolidation' (£~~4.76~~) have contributed to these changes.

#### Phase 1 of RP7 movements

4.10 Following NIE Networks revision of the IT project plan, the planned investment has increased by £1.27m during Phase 1 of RP7. This increase is due to IT projects being brought forward by NIE Networks such as an increase of £~~1.27~~ for TEL06 - 'Craigavon Building IT & Telecoms

Services' due to delays in completing the new control centre build resulting in fit-out costs and purchase of new control room equipment now happening in Phase 1 of RP7 rather than RP6 / RP6 Extension.

#### **Phase 2 of RP7 movements**

- 4.11 Following revised planning of projects expected to be delivered during Phase 2 of RP7, the planned investment has increased by £3.31m. This increase is due to the various projects which have been pushed back from RP6 Extension / Phase 1 to Phase 2.

#### **Recurring Opex associated with the 99 projects**

- 4.12 The revising of IT projects has resulted in an overall reduction of £0.81m in recurring opex during the RP7 period.

## 5 UR review of NIE Networks Revised IT plan and approach to IT Allowances

5.1 Having analysed NIE Networks revised IT plan and considered our consultants advice, this chapter sets out the URs approach and draft allowances for the 99 IT projects and the recurring opex associated with these projects. This chapter has been divided as follows;

- Phase 1 IT Projects (RP6 extension, RP7 Year 1 and 2)
- SAP 4 HANA IT Projects
- Recurring Opex associated with the 99 IT projects
- Phase 2 IT projects (RP7 Years 3-6)

### Phase 1 IT Projects

5.2 NIE Networks has set out its proposals for the RP6 extension year and year 1 and 2 of RP7, below, Table 5.1 below details these proposals from a high-level perspective and the UR draft determination allowances, following our assessment.

RP7 Phase 1 - 99 projects £m 2021/22 prices	NIE Networks' Proposal (m)	Draft Determination allowance (m)	%
RP6 Extension Year	11.3	9.14	80%
RP7 Year 1	25.1	22	87%
RP7 Year 2	30.7	25.5	83%
<b>Total</b>	<b>67.2</b>	<b>56.7</b>	<b>84%</b>

**Table 5.1: NIE Networks Phase 1 Proposals for 99 projects and UR draft determination allowances**

- 5.3 Table 5.2 (RP6 Extension) and Table 5.3 (RP7 year 1 and 2) demonstrate the breakdown of these allowances in further detail.
- 5.4 For some of the IT projects that NIE Networks has proposed starting in Phase 1 of RP7, UR currently do not consider these as core projects which must be implemented before the review date to progress the IT programme, therefore we still require further information from NIE Networks to demonstrate that these projects should begin in Phase 1.
- 5.5 Subsequently, there are some projects that UR have not provided an allocated allowance for in Phase 1 of RP7 at the draft determination stage.

However, NIE Networks will have the opportunity to respond to this draft determination, using the information provided in Table 5.5 and the consultancy report (Annex X) to assist the provision of additional information that demonstrates the need that that these IT projects being in Phase 1 of RP7 (this includes the RP6 Extension IT projects). If NIE Networks provide sufficient evidence to demonstrate these are core projects that must start in Phase 1, we will re-consider providing allocation of allowances at the final determination stage for the RP6 Extension/Year 1 and 2 of the RP7 Price control.

### **Replanned RP6 extension year (21/22 prices)**

- 5.6 As demonstrated in Table 5.2 below, NIE Networks has requested a total of £11.3m for the RP6 extension year, however, this total includes £4.3m in allowances that has already been provided to NIE Networks for the extension year. Therefore, for the draft determination, UR will be proposing to make a determination on £7M (£11.3m minus £4.3m that has already been provided).
- 5.7 As part of our draft determination, we are propose providing an additional allowance of £4.9M at the RP6 extension year out of the requested £7m.
- 5.8 Table 5.2 below demonstrates the RP6 extension IT draft determination UR allowances. After reviewing both NIE Networks initial and replanned IT programme, the projects that we have provided a full allowance for in the RP6 extension year are projects that the UR consider are core projects that should begin in Phase 1 of RP7.
- 5.9 There are some IT projects that the UR are not providing an allowance for at draft determination stage, however, NIE Networks will have the opportunity to provide further information in response to this determination to demonstrate the need for these projects to begin in the RP6 extension year. There is one IT project that the UR are providing a partial allowance for the RP6 extension year allowance (“PRG01 - Programme Delivery”) at the draft determination.

Ref.	IT Project	RP6 Extension Total request (21/22)	Proposed DD allowance (21/22)
FIN01	S/4 HANA & Enhanced Business Reporting	✂✂✂	✂✂✂
NOP03	NMS Developments	✂✂✂	✂✂✂
PRG01	Programme Delivery	✂✂✂	✂✂✂
INF07	Productivity Application Refresh	✂✂✂	✂✂✂
INF04	Host Infrastructure / Software Refresh	✂✂✂	✂✂✂
NOP04	CNS Replacement	✂✂✂	✂✂✂
CYB01	Cyber Security Infrastructure Enhancements & Renewal	✂✂✂	✂✂✂
DIG09	Hybrid Workplace Programme	✂✂✂	✂✂✂
DAT07	NMS integration and Gtech Consolidation	✂✂✂	✂✂✂
DAT15	Open Data Portal	✂✂✂	✂✂✂
PRG03	RP7 Manpower IT Costs	✂✂✂	✂✂✂
MOP03	SAP ISU Upgrade	✂✂✂	✂✂✂
TEL05	Mobile Device Estate Refresh	✂✂✂	✂✂✂
DAT16	LV Data Model	✂✂✂	✂✂✂
COM01	Internet Refresh	✂✂✂	✂✂✂
HS03	Public Awareness Online Interactions	✂✂✂	✂✂✂
DIG10	Vulnerable Customers	✂✂✂	✂✂✂
PRG02	Small Projects	✂✂✂	✂✂✂
TEL01	Corporate IT Data Network	✂✂✂	✂✂✂
MOP01	LiveQ Metering	✂✂✂	✂✂✂
HR01	LiveQ Mobile Timesheets	✂✂✂	✂✂✂
MOP02	LiveQ Meter Reading	✂✂✂	✂✂✂
TEL06	Craigavon Building IT & Telecoms Services	✂✂✂	✂✂✂
DIG08	Digital Services / Project Improvements	✂✂✂	✂✂✂
CUS03	Project Management System	✂✂✂	✂✂✂

Ref.	IT Project	RP6 Extension Total request (21/22)	Proposed DD allowance (21/22)
DAT13	Data Management Platform	✂✂✂	✂✂✂
FIN05	JMS Migration	✂✂✂	✂✂✂
FIN04	SAP BW / BOBI & Qlik Migration	✂✂✂	✂✂✂
MOP15	SAP BI Upgrade	✂✂✂	✂✂✂
MOP05	ServicePower (SOSA)	✂✂✂	✂✂✂
COM02	Intranet Refresh	✂✂✂	✂✂✂
FIN03	RIO continuous system improvements	✂✂✂	✂✂✂
SUS01	Embodied Carbon Footprint	✂✂✂	✂✂✂
AM03	C55 (ADST) Version Upgrade	✂✂✂	✂✂✂
INF01	Secure File Server	✂✂✂	✂✂✂
AM15	Land and Property Management System Implementation	✂✂✂	✂✂✂
TEL02	Corporate IT Voice Network	✂✂✂	✂✂✂
TEL03	Contact Centre telephony systems	✂✂✂	✂✂✂
DIG03	RPA – Process Automation Programme	✂✂✂	✂✂✂
	Total	£11,303,280	£9,145,348
	Total deducting allowances already provided	£7,031,465.13	£4,873,533.18

**Table 5.2: RP6 extension year draft determination allowances (21/22 prices)**

**Detailed allowances of NIE Networks revised IT projects proposed to start in Year 1 or 2 of RP7**

5.10 The UR agree with the need for the majority of IT projects that NIE Networks has proposed to begin in Year 1 or 2. Table 5.3 highlights these individual requested project costs and the UR allowances for the draft determination (excluding SAP 4 Hana projects).

REF	Brief Title	NIE Year 1 Request (25/26)	UR Allowance Year 1 (25/26)	NIE Year 2 Request (26/27)	UR Allowance Year 2 (26/27)
NOP03	NMS developments	✂✂✂	✂✂✂	✂✂✂	✂✂✂
PRG01	Programme Delivery	✂✂✂	✂✂✂	✂✂✂	✂✂✂
INF07	Productivity Application Refresh	✂✂✂	✂✂✂	✂✂✂	✂✂✂
INF04	Host Infrastructure / Software Refresh	✂✂✂	✂✂✂	✂✂✂	✂✂✂
NOP04	CNS Replacement	✂✂✂	✂✂✂	✂✂✂	✂✂✂
CYB01	Cyber Security Infrastructure Enhancements & Renewal	✂✂✂	✂✂✂	✂✂✂	✂✂✂
PRG03	RP7 Manpower IT Costs	✂✂✂	✂✂✂	✂✂✂	✂✂✂
MOP03	SAP ISU Upgrade	✂✂✂	✂✂✂	✂✂✂	✂✂✂
TEL05	Mobile Device Estate Refresh	✂✂✂	✂✂✂	✂✂✂	✂✂✂
DAT16	LV Data Model	✂✂✂	✂✂✂	✂✂✂	✂✂✂
COM01	Internet Refresh	✂✂✂	✂✂✂	✂✂✂	✂✂✂
DIG10	Vulnerable Customers	✂✂✂	✂✂✂	✂✂✂	✂✂✂
PRG02	Small Projects	✂✂✂	✂✂✂	✂✂✂	✂✂✂
TEL01	Corporate IT Data Network	✂✂✂	✂✂✂	✂✂✂	✂✂✂
MOP01	LiveQ Metering	✂✂✂	✂✂✂	✂✂✂	✂✂✂
MOP02	LiveQ Meter Reading	✂✂✂	✂✂✂	✂✂✂	✂✂✂
TEL06	Craigavon Building IT & Telecoms Services	✂✂✂	✂✂✂	✂✂✂	✂✂✂
CUS03	Project Management System	✂✂✂	✂✂✂	✂✂✂	✂✂✂
DAT13	Data Management Platform	✂✂✂	✂✂✂	✂✂✂	✂✂✂
FIN04	SAP BW / BOBI & Qlik migration	✂✂✂	✂✂✂	✂✂✂	✂✂✂
MOP15	SAP BI Upgrade	✂✂✂	✂✂✂	✂✂✂	✂✂✂
MOP05	ServicePower (SOSA)	✂✂✂	✂✂✂	✂✂✂	✂✂✂
COM02	Intranet Refresh	✂✂✂	✂✂✂	✂✂✂	✂✂✂
FIN03	RIO continuous system improvements	✂✂✂	✂✂✂	✂✂✂	✂✂✂
AM01	C55 (ADST) Version Upgrade	✂✂✂	✂✂✂	✂✂✂	✂✂✂
INF01	Secure File Server	✂✂✂	✂✂✂	✂✂✂	✂✂✂

REF	Brief Title	NIE Year 1 Request (25/26)	UR Allowance Year 1 (25/26)	NIE Year 2 Request (26/27)	UR Allowance Year 2 (26/27)
TEL02	Corporate IT Voice Network	✂✂✂	✂✂✂	✂✂✂	✂✂✂
TEL03	Contact Centre telephony systems	✂✂✂	✂✂✂	✂✂✂	✂✂✂
AM03	C55 (ADST) Portfolio Module	✂✂✂	✂✂✂	✂✂✂	✂✂✂
INF06	End User Device Refresh	✂✂✂	✂✂✂	✂✂✂	✂✂✂
FIN02	SAP ECC & SRM upgrades / improvements	✂✂✂	✂✂✂	✂✂✂	✂✂✂
DAAT02	One Maximo	✂✂✂	✂✂✂	✂✂✂	✂✂✂
AM05	Transformer Oil Monitoring Upgrade	✂✂✂	✂✂✂	✂✂✂	✂✂✂
MOP06	TIBCO Market Messaging	✂✂✂	✂✂✂	✂✂✂	✂✂✂
CYB03	Managed Cyber Security Services	✂✂✂	✂✂✂	✂✂✂	✂✂✂
MOP07	MV90 System Upgrades and Enhancements	✂✂✂	✂✂✂	✂✂✂	✂✂✂
DAT14	Cloud Analytics Platform	✂✂✂	✂✂✂	✂✂✂	✂✂✂
DAT03	ArcGIS Software Upgrade	✂✂✂	✂✂✂	✂✂✂	✂✂✂
DSO15	Neplan Development	✂✂✂	✂✂✂	✂✂✂	✂✂✂
MOP11	Revenue Services Database Replacement	✂✂✂	✂✂✂	✂✂✂	✂✂✂
AM14	OTN Operational Support System (OSS)	✂✂✂	✂✂✂	✂✂✂	✂✂✂
INF02	SharePoint	✂✂✂	✂✂✂	✂✂✂	✂✂✂
MOP04	Market Website and Web Services Upgrade	✂✂✂	✂✂✂	✂✂✂	✂✂✂
TEL04	Internet Service Replacement	✂✂✂	✂✂✂	✂✂✂	✂✂✂
	Subtotal Year 1 and 2	£13,059,137	£12,451,090	£12,123,332	£11,532,618
	Total allowance Year 1 and 2		£23,983,709		

**Table 5.3: UR allowances for Year 1 and Year 2 of RP7 (Excluding SAP projects and connection allocations)**



5.11 This allowance demonstrated in Table 5.3 is subject to NIE Networks providing further information in response to this draft determination in relation to each of these IT projects. NIE Networks should further demonstrate;

- the quantitative and financial benefits that each of these projects will deliver in RP7;
- the benefits and costs of these projects mapped to NIE Networks RP7 commitments; and
- the measurable outputs that these projects will aim to deliver in Phase 1 of RP7.

**Phase 1 projects not currently approved at draft determination stage**

5.12 Table 5.4 demonstrates the projects NIE Networks have requested allowances for in Phase 1 of RP7 whereby the UR have not provided allowances for at the draft determination stage.

Brief Title	NIE Networks request - Year 1 (25/26)	NIE Networks request Year 2 (26/27)
Hybrid Workplace Programme	✘✘✘	✘✘✘
NMS Integration and Gtech Consolidation	✘✘✘	✘✘✘
Digital Services / Product Improvement	✘✘✘	✘✘✘
Embodied Carbon Footprint	✘✘✘	✘✘✘
Land and Property Management System Implementation	✘✘✘	✘✘✘
RPA – Process Automation Programme	✘✘✘	✘✘✘
Use of Metering Data in Network Planning	✘✘✘	✘✘✘
Contractor Portal	✘✘✘	✘✘✘
Implement Heat Up!	✘✘✘	✘✘✘
Development of EV Up!	✘✘✘	✘✘✘
Asset Systems Data Quality Projects	✘✘✘	✘✘✘
Advanced Drone Survey technology	✘✘✘	✘✘✘
Customer Self Serve Portal	✘✘✘	✘✘✘
Automated Messaging	✘✘✘	✘✘✘
Ground Based Lidar	✘✘✘	✘✘✘
TSO/DSO Interface	✘✘✘	✘✘✘
Flexible Connections Management System	✘✘✘	✘✘✘
AutoDesign Extension - LV Network Model	✘✘✘	✘✘✘
Public Awareness VR Technology	✘✘✘	✘✘✘
Safety Data Analysis and Reporting	✘✘✘	✘✘✘
Middleware	✘✘✘	✘✘✘
Unmetered online inventory portal	✘✘✘	✘✘✘
Subtotal Phase 1	£2,494,527	£4,657,214
Total Phase 1		£7,151,741

**Table 5.4: Phase 1 projects not currently approved at draft determination stage**

5.13 Table 5.5 below highlights the IT projects in Phase 1 that UR have not provided allowances for at the draft determination stage. This includes both RP6 extension and RP7 projects. The table column “UR Comments” provides some commentary in relation to our rationale for disallowances for each project.

5.14 However, it should be noted that as well as referring to the points demonstrated in the “UR comments” column, it is important that NIE Networks take into consideration the consultant’s report (Annex X) in providing any additional information to demonstrate the need for these projects starting in Phase 1. For example, as further explained in Annex X, further consideration should be taken in relation to;

- the prioritisation of IT projects;
- the quantitative and financial benefits that these projects will deliver throughout the price control period; and
- the benefits and costs of these projects mapped to NIE Networks RP7 commitments.

IT Project Title	Year of Price Control Period	Project Reference	UR comments
Hybrid Workplace Programme	RP6 Ext, Year 1 and Year 2 of RP7	DIG09	A lack of specifics as to exactly how the programme will be implemented and delivered. Further information needed in relation to the demonstration of cost benefits that this project will provide. We were unable to identify the efficiency and or process improvements through query responses UR121 and UR153.
NMS Integration and Gtech Consolidation	RP6 Ext, Year 1 and Year 2 of RP7	DAT07	Further information needed in relation to understand the recommendations and conclusions of the workshops carried out with the GIS vendors and further rationale needed to understand the new timings of the proposed projects.
Open Data Portal	RP6 Ext	DAT15	There has been a large reduction in planned expenditure (£1.43m) in NIE Networks revised IT plan for this project. Can NIE Networks demonstrate how the new proposed expenditure will deliver the same functionality required for the Open Data Portal project. Has NIE Networks considered the risk of loss in customer value in open data portals by not taking a more iterative approach to the scope and functionality of the project?
Online quotes for Small Connections Jobs	RP6 Ext, Year 1 and Year 2.	CON03	NIE Networks have stated in their revised plan of this project that <i>"This project has been pushed back from a June 2024 start date to commence in January 2025. This is to allow information emerging from a pilot project currently underway to be fully assessed before commencing the implementation"</i> Further explanation needed as to how the potential information from this pilot may affect and correlate to CON03. This project builds an interface to JMS which is planned to be replaced, therefore, UR believe there is a risk of a stranded asset. Can NIE Networks demonstrate if this work will need to be replicated to link with SAP?
Public Awareness Online Interactions	RP6 Ext	HS03	Clear evidence is needed to show how this is a core project that should occur in Phase 1 of RP7.
LiveQ Mobile Timesheets	RP6 Ext	HR01	Is this possibly a typo/duplicate and possibly should be MOP01 - LiveQ Meter Reading? This project has had a movement of £149,995 moved to RP6 Ext, which has been approved above.
Digital Services / Product Improvement	RP6 Ext, Year 1 and Year 2 of RP7	DIG08	Lack of definition in the scope of this project.
Embodied Carbon Footprint	RP6 Ext, Year 1 and Year 2 of RP7	SUS01	While there is a requirement in GB for DNOs, that is not the case yet in NI. Therefore, there is the risk of stranded investment here, proposed solutions may be replaced by other industry developments. Further need of timing to be demonstrated that this is a core project that needs to occur in Phase 1 of RP7.

IT Project Title	Year of Price Control Period	Project Reference	UR comments
Land and Property Management System Implementation	RP6 Ext, Year 1 of RP7	AM15	Further business justification for the outlay on this project needed, we would expect to see a clearer justification for the value to consumers that this project will bring.
RPA – Process Automation Programme	RP6 Ext, Year 1 and Year 2 of RP7	DIG03	Further definition of the scope of the programme needed. There is a likelihood that many business processes will be amended during RP7, we question the need for a separate initiative and consider this may cause more confusion or conflict with the major projects such as S/4 HANA.
Use of Metering Data in Network Planning	Year 1 and Year 2 of RP7	DSO17	Demonstration that this a core project that has to occur in Phase 1. Further demonstration needed to highlight the timing and spend of this project in relation to DAT14.
Contractor Portal	Year 1 and Year 2 of RP7	HS01	Further evidence needed to demonstrate how/why this is a Core Project that must be implemented in Phase 1 to ensure the IT programme can be progressed until the review date.
Implement Heat Up!	Year 1 of RP7		Further evidence needed to demonstrate how/why this is a Core Project that must be implemented in Phase 1 to ensure the IT programme can be progressed until the review date.
Development of EV Up!	Year 1 of RP7		Further evidence needed to demonstrate how/why this is a Core Project that must be implemented in Phase 1 to ensure the IT programme can be progressed until the review date.
Asset Systems Data Quality Projects	Year 1 and Year 2 of RP7	DAT10	Quality of Asset Data will likely be addressed as part of the scope of many of the other projects and having a separate initiative like this may risk causing confusion.
Advanced Drone Survey technology	Year 1 of RP7	CUS08	Further evidence needed to demonstrate how/why this is a Core Project that must be implemented in Phase 1 to ensure the IT programme can be progressed until the review date.
Customer Self-Serve Portal	Year 1 and Year 2 of RP7	DIG07	Whilst there are benefits for a customer self serve portal, we have questions about the overall solution proposed. Could the solution be tailored to match the actual usage of customers for example?
Automated Messaging	Year 1 and Year 2 of RP7	DIG05	Only 2 options highlighted, do nothing or implement automated messaging. Has more efficient cost-effective options been investigated to deliver the messages?
Ground Based Lidar	Year 2 of RP7	CUS10	Further evidence needed to demonstrate how/why this is a Core Project that must be implemented in Phase 1 to ensure the IT programme can be progressed until the review date.
TSO/DSO Interface	Year 2 of RP7	DSO04	Further information needed to demonstrate the timing around this project. Is the suggested pre-engagement critical to start in Phase 1 before the majority of the project is implemented in Phase 2?

IT Project Title	Year of Price Control Period	Project Reference	UR comments
Flexible Connections Management System	Year 2 of RP7	DSO05	Further understanding needed of the timing of this project, is it essential that the pilot starts in year 2?
AutoDesign Extension - LV Network Model	Year 2 of RP7	DSO10	Reliant of EV-Up and Heat-up projects implementation.
Public Awareness VR Technology	Year 2 of RP7	HS02	A lack of quantified benefits provided in relation to NIE Networks continuing "as-is" and utilising existing presentations versus utilising VR technology. A lack of options considered or exploration of additional methods that could be cost effective.
Safety Data Analysis and Reporting	Year 2 of RP7	HS04	Further evidence needed to demonstrate how/why this is a Core Project that must be implemented in Phase 1 to ensure the IT programme can be progressed until the review date.
Middleware	Year 2 of RP7	INF03	The actual applications to be integrated are not specified but just a general term 'cloud / on-premise integrations' is used (UR0132). Clear justification of the over £1.2m spend is required along with justification that this is the 'best' method to integrate with the Cloud as Middleware solutions bring additional complexity as well as cost.
Unmetered online inventory portal	Year 2 of RP7	MOP10	This is phase 1 expenditure- possibly a mistake/typo? Further evidence needed to demonstrate how/why this is a Core Project that must be implemented in Phase 1.
Programme Management	RP6 Extension, Year 1 and Year 2 of RP7	PRG01	Risk of conflicting governance and operational processes with a major SAP implementation methodology and approach conflicting with other internal governance approaches.

**Table 5.5: Phase 1 IT project disallowances at draft determination stage**

5.15 For the 99 IT projects we are proposing to not currently provide an allowance for at the draft determination, we have included the requested allowances for these projects within our assessment of financeability within later years of RP7. If these allowances are not provided as part of the final determination, these projects may still be included as part of Phase 2 of RP7.

#### **SAP 4 Hana Projects**

5.16 While the UR and our consultants understand the requirement to move to SAP 4 HANA and the benefits it can bring NIE Networks, we consider there are various potential risks in relation to the overall implementation of the ERP system, such as the large complexity of the programme, scheduling difficulties, the potential for delays and resourcing issues the reliance on many other projects on the SAP 4 HANA programme.

- 5.17 The UR have included the investment requested by NIE Networks to begin its planned implementation of SAP 4 HANA (FIN01, FIN05, DIG01) for the RP6 extension and the first two years of RP7. This will be reviewed as the programme develops with the intention of confirming funding for the subsequent years of RP7.
- 5.18 NIE Networks has requested £~~xx~~ (excluding connections) across 3 projects that relate to S4 Hana (S/4 HANA & enhanced Business reporting, JMS Migration and Customer Engagement Platform) for the RP7 price control period. UR will provide the full allowance for these years for the development and refinement of the SAP programme.
- 5.19 This reflects our view that the proposal is insufficiently developed at this time to determine any further allowance across the RP7 period, this view has been enforced by our consultant's recommendation that NIE Networks should complete a reassessment of the end-to-end detailed design phase involving the SAP modules and the projects integrating with it. This detailed planning would mitigate the need for multiple funding discussions.
- 5.20 We will have a re-opener for SAP, occurring in March 2027, we propose to consider any actual expenditure in regard to the Year 1 and 2 approved allowances, while considering any further requests from years 3-6. The UR intends to will work collaboratively with NIE Networks through the development of S/4 HANA. This expenditure will not be part of the 50/50 share mechanism and will have its own term within the licence.

REF	Brief Title	NIE Year 1 Request (25/26)	UR Allowance Year 1 (25/26)	NIE Year 2 Request (26/27)	UR Allowance Year 2 (26/27)
FIN01	S/4 HANA & enhanced business reporting	<del>xx</del>	<del>xx</del>	<del>xx</del>	<del>xx</del>
FIN05	JMS Migration	<del>xx</del>	<del>xx</del>	<del>xx</del>	<del>xx</del>
DIG01	Customer Engagement Platform	<del>xx</del>	<del>xx</del>	<del>xx</del>	<del>xx</del>
Subtotal year 1 and year 2		£9,588,038		£13,985,350	
Total year 1 and year 2		£23,573,389			

**Table 5.6: – SAP4 HANA allowances (RP7 Year 1 and 2, excluding connections)**

### Phase 2 IT Projects

- 5.21 NIE Networks has highlighted various projects that will not commence in Year 1 or Year 2 of RP7. These projects will be part of the March 2027 re-opener. The opportunity to replan within Phase 1 will allow NIE Networks to

address the consultancy report expectations and further refine its future submission.

- 5.22 The review in March 2027 will enable a more accurate assessment of the total allowance required for the RP7 period. However, in line with previous IT price controls, there will be flexibility for spend planned in Phase 1 to be replaced by other activities (as the business, market or customer demand evolves), for Phase 1 expenditure to be deferred to Phase 2 if required or Phase 2 expenditure to be brought forward to Phase 1 if necessary. Any such changes will be considered as part of the Phase 2 replan.

**Timing and Scope of the Reopener (the following dates are all provisional)**

- 5.23 NIE Networks will revisit its submission between April and September 2026. The output will be an updated submission document and associated spreadsheets, adjusted to recognise additional information available at that time, rather than a completely new submission.
- 5.24 The UR will intend to commence its assessment of the resubmission on 1 October 2026, to be completed by end of December 2026.
- 5.25 The potential future development of these projects will be discussed at UR/NIE Networks touch points during the first two years of the price control. Further discussions and confirmation on timelines can also be explored during these touch point with the licensee.
- 5.26 The UR will include a mechanism within the annex of the licence which will confirm the scope and cost for the remainder of the programme in advance of the start of Year 3 of the price control.



## 6 IT Opex

6.1 As part of NIE Networks business as usual IT costs, NIE Networks has requested a total allowance of £133M for RP7 of IT Opex. This is further broken down into the following 4 categories (Business as Usual IT & Telecoms, Changes Driven By Non Network IT projects, Changes Driven by Network IT projects and New IT Opex since the base year 2021/22) across Transmission, Distribution and Market Operations. The total requested BAU Opex as well as those further split into Transmission, Distribution, Connections and Market Operations is demonstrated in the tables below.

TOTAL OPEX								
Costs (£m - 21/22 prices)	24/25	25/26	26/27	27/28	28/29	29/30	30/31	RP7 Total
Business as Usual IT & Telecoms costs	13.01	13.79	14.01	14.07	14.08	14.09	14.10	84.14
Changes driven by Non Network IT projects	0.50	2.62	4.46	6.28	6.82	7.25	7.62	35.05
Changes driven by Network IT projects	0.51	1.02	1.03	1.04	1.04	1.05	1.06	6.24
New IT Opex since base year 2021/22	1.05	3.59	0.88	0.84	1.14	1.14	0.94	8.53
Non Network IT	15.07	21.03	20.39	22.22	23.08	23.53	23.72	133.96

**Table 6.1: NIE Networks Total IT Opex request including Transmission, Distribution, Connections and Market Operations allocations**

TRANSMISSION								
Costs (£m - 21/22 prices)	24/25	25/26	26/27	27/28	28/29	29/30	30/31	RP7 Total
Business as Usual IT & Telecoms costs	0.76	0.80	0.80	0.80	0.80	0.80	0.80	4.79
Changes driven by Non Network IT projects	0.05	0.22	0.38	0.56	0.60	0.66	0.71	3.14
Changes driven by Network IT projects	0.07	0.14	0.15	0.15	0.15	0.15	0.15	0.88
New IT Opex since base year 2021/22	0.10	0.34	0.09	0.09	0.11	0.11	0.09	0.83
Non Network IT	0.99	1.50	1.42	1.59	1.66	1.72	1.75	9.64

**Table 6.2: – NIE Networks Total IT Opex request for Transmission**

DISTRIBUTION								
Costs (£m - 21/22 prices)	24/25	25/26	26/27	27/28	28/29	29/30	30/31	RP7 Total
Business as Usual IT & Telecoms costs	4.65	4.85	4.84	4.85	4.86	4.86	4.87	29.13
Changes driven by Non Network IT projects	0.28	1.36	2.35	3.42	3.70	4.03	4.33	19.17
Changes driven by Network IT projects	0.43	0.88	0.89	0.89	0.90	0.90	0.91	5.36
New IT Opex since base year 2021/22	0.65	2.06	0.55	0.53	0.69	0.69	0.58	5.11
Non Network IT	6.01	9.14	8.63	9.69	10.14	10.48	10.69	58.77

**Table 6.3: NIE Networks Total IT Opex request for Distribution**

CONNECTIONS								
Costs (£m - 21/22 prices)	24/25	25/26	26/27	27/28	28/29	29/30	30/31	RP7 Total
Business as Usual IT & Telecoms costs	1.72	1.79	1.79	1.79	1.79	1.80	1.80	10.75
Changes driven by Non Network IT projects	0.10	0.45	0.83	1.05	1.15	1.20	1.21	5.89
Changes driven by Network IT projects	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New IT Opex since base year 2021/22	0.21	0.72	0.18	0.17	0.23	0.23	0.19	1.72
Non Network IT	2.03	2.96	2.79	3.01	3.18	3.23	3.20	18.36

**Table 6.4: – NIE Networks Total IT Opex for Connections**

MARKET OPERATIONS								
Costs (£m - 21/22 prices)	24/25	25/26	26/27	27/28	28/29	29/30	30/31	RP7 Total
Business as Usual IT & Telecoms costs (including ES)	5.88	6.36	6.58	6.63	6.63	6.63	6.63	39.47
Changes driven by Non Network IT projects	0.08	0.60	0.91	1.25	1.36	1.36	1.37	6.85
Changes driven by Network IT projects	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New IT Opex since base year 2021/22	0.09	0.47	0.06	0.06	0.10	0.10	0.07	0.88
Non Network IT	6.05	7.43	7.55	7.93	8.10	8.10	8.08	47.20

**Table 6.5: – NIE Networks Total IT Opex for Market Operations**

6.2 Below we will highlight our view on each of the individual 4 categories that make up NIE Networks IT Opex submission. Beginning with changes driven by Non-Network IT.

### **Changes Driven by Non-Network IT (Recurring Opex)**

- 6.3 “The changes driven by Non-Network IT” (recurring opex) which have been included within NIE Networks overall Total Opex (Table 6.1), are associated with a number of the 99 IT projects, therefore, NIE Networks has included these costs within their revised IT plan.
- 6.4 NIE Networks has requested a total of £35.05M (including connection cost allocations) of recurring opex over the RP7 period, the recurring opex is associated with approximately 2/3rds of the 99 IT projects. For Phase 1 of the IT programme, NIE Networks has requested £31.8M in recurring opex, the IT projects that make up this amount are demonstrated in Table 6.6 below.
- 6.5 We propose to allow £4.5M (excluding connections) for the recurring opex for years 1 and 2 of RP7, we are proposing not to provide recurring opex allowances for Phase 2 (years 3-6 of RP7) for any of the requested projects. It is our view that these potential allowances should be part of the re-opener at the end of Year 2, as they are linked to the 99 projects and therefore should be treated as one. The breakdown of our allowances is demonstrated below in Table 6.6.
- 6.6 Table 6.6 highlights the projects that we have provided recurring opex allowances for in relation to the 99 IT projects for Phase 1 of RP7, we have therefore provided the associated recurring opex with these projects for years 1 and 2 of RP7.

Opex Changes Resulting from Non Network IT Projects included in the IT Business Plan								RP7 Phase 1 NIE Networks Request	RP7 Phase 1 Draft Determination Allowance
£k in 21/22 prices		Apr-25	Apr--26	Apr-27	Apr-28	Apr-29	Apr-30		
		Mar-26	Mar-27	Mar-28	Mar-29	Mar-30	Mar-31		
CYB01	Additional Opex associated with new Cyber projects	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
CYB03	Enhanced Cyber Security Service	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DAT13	Data Management Platform	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DSO15	Neplan Development	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
FIN01	S/4 HANA & enhanced Business reporting	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
FIN04	SAP BW / BOBI & Qlik migration	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
FIN05	JMS Migration	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
INF07	Productivity Applications Refresh - M365 Licenses	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
INF04	Host Infrastructure / Software Refresh	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
NOP03	NMS Developments	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
PRG03	Opex associated with the RP7 manpower plan	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
TEL01	Corporate IT Data Network	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
TEL03	Contact Centre telephony systems	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
AM15	LPMS Implementation	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
CON03	Online Quotes for Small Connections Jobs	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂

CUS08	Advanced Drone Technology Survey	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
CUS10	Ground Based Lidar	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DAT06	Data Management Maturity Progression	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DAT15	Open Data Portal	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DIG09	Hybrid Workplace Programme	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DSO03	Flexible Power Platform	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DSO07	System Improvements for LCT Notification	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DSO08	Development of EV Up	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DSO09	Implement Heat Up	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
FIN06	Timesheet recording tool for Indirects	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
INF03	Middleware	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
SUS01	Embodied Carbon Footprint	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
AM01	C55 (ADST) Portfolio Module	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
AM05	Transformer Oil Monitoring Upgrade	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
AM08	Land & Property Mgmt System	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
AM10	Monitoring Information Database	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
AM11	Cable/plant partial discharge monitoring system	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
AM12	Visual Data Management Tool (LiDAR)	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
AM13	Electronic AMI Process	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂

AM14	OTN Operational Support System (OSS)	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
CUS04	Work Management System	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DAT02	OneMaximo	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DAT07	Gtech Consolidation	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DAT09	Asset Data Systems Integration	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DAT14	Cloud Analytics Platform	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DAT17	Data Warehouse Upgrade	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DIG01	Customer Engagement Platform	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DIG02	Digital Dashboards and Smart Reporting	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DIG03	Process Automation	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DIG05	Automated Messaging	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DIG06	Contact Centre Enhancements	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DIG07	Customer Self Serve Portal	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DSO04	TSO/DSO Interface	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DSO05	Flexible Connections Management System	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DSO11	LV Monitoring Systems	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DSO12	HV Monitoring Systems Disturbance Recorders	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DSO13	Network Data Management & Analytics	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
DSO14	PI Historian Upgrade	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂

DSO16	Flexibility Services Enduring Solution	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
INF02	SharePoint	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
INF07	Additional Internet Pipe bandwidth	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
MOP10	Unmetered Inventory Portal	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
SUS03	Natural Capital	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
TEL04	Internet Service Replacement	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
TEL06	Craigavon Building IT & Telecoms Services	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
TOTAL allowance (including connections)		2,622	4,463	6,145	6,332	6,156	6,147	31,865	5,723
Total allowance (excluding connections)									4,573

**Table 6.6: Recurring Opex Allowances**

6.7 In advance of the draft determination, we invite NIE Networks to provide further information in relation to the recurring opex projects that our draft determination has proposed not to provide allowances, this includes recurring opex beyond Phase 1 of RP7. Any additional information provided by NIE Networks, will be re-assessed before the final determination.

6.8 We have accounted for this proposed expenditure for the recurring opex for RP7, within both tariffs and financeability as a placeholder, as this represents the best current information on the scale of the future NIE Networks submission.

6.9 The remaining areas of NIE Networks IT Opex submission consists of

- BAU IT and Telecoms
- Changes driven by Network IT projects, and
- New IT Opex since base year 2021/22

These IT areas have not been included as part of NIE Networks revised IT plan, and unlike the 99 IT projects and recurring opex, any proposed disallowance in the draft determination have not been accounted for, within the tariffs and financeability as a placeholder.

## Business as Usual IT & Telecoms

6.10 For Business as Usual IT and Telecoms, NIE Networks has combined IT with the Enduring Solution (Market Operations) as demonstrated in the Table 6.7 below. In paragraph 6.21 below, we look at the Enduring Solution costs separately.

£m	RP7					
	25/26	26/27	27/28	28/29	29/30	30/31
2021/2022 Prices						
Core IT	6.84	6.84	6.84	6.84	6.84	6.84
Corporate Telecoms	1.06	1.06	1.07	1.08	1.09	1.10
Operational Telecoms	0.88	0.88	0.88	0.88	0.88	0.88
Enduring Solution	5.01	5.23	5.28	5.28	5.28	5.28
Sub Total per year	13.79	14.01	14.07	14.08	14.09	14.10
Total request for RP7	84.14					

**Table 6.7: Business as usual IT & Telecoms breakdown**

- 6.11 Within the Core IT line from Table 6.7, NIE Networks have indicated that some of these costs such as Service Management, Infrastructure Support, Applications Support and Software Licencing have increased from RP6 years.
- 6.12 NIE Networks has highlighted that these increases have been due to the implementation of various new mobile and corporate business applications which require additional support effort from inhouse and 3rd party suppliers and associated 3rd party license costs. Additional cloud charges for services such as Microsoft Azure and Zoom are also driving cost increases in this area.
- 6.13 The UR agree with NIE Networks rationale behind these costs increases from RP6 for Core IT, corporate and operational telecoms are justified by NIE Networks, therefore in the draft determination we have provide the full requested allowance to NIE Networks for BAU IT and Telecoms Costs across Distribution and Transmission.

### Changes Driven by Network IT Projects

- 6.14 Networks has requested £6.2M for changes opex changes resulting from Network IT Projects included in the Network Investment Plan. These costs are only associated with transmission and distribution cost lines and are further split into 2 lines as demonstrated below.



£k 21/22 prices		April – 24 Mar - 25	April – 25 Mar - 26	April – 26 Mar - 27	April – 27 Mar - 28	April – 28 Mar - 29	April – 29 Mar - 30	April – 30 Mar - 31	RP7 Total
<b>Opex Changes Resulting from Network IT Projects</b>									
NIP-01	LV Monitor Data & Communication Costs	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘
NIP-02	Network Automation Devices	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘
<b>TOTAL</b>		506	1,025	1,031	1,037	1,044	1,050	1,056	6,243

**Table 6.8: - Changes Driven by Networks IT Projects**

6.15 The UR are content with the proposed requests from NIE Networks in relation to the LV Monitor Data and Communications and the network Automation Devices (NIP-01 & NIP-02), these costs relate to 3685 ground-mounted distribution substations and 1773 pole mounted units will have LV monitors installed. During RP7, the LV data storage and analysis will be managed as a service from the 3rd party vendors providing the monitoring devices.

6.16 As part of our query process (UR0409), NIE Network have confirmed the costs shown are based upon the lowest quotations from potential vendors for communications and data hosting and analysis services. We propose to provide the full allowance.

**New IT Opex since Base Year 2021/22**

6.17 NIE Networks has requested £8.5M (including connections) in relation to “New Opex charges not included in the Base Year” these are costs that NIE Networks had not accumulated in the base year and therefore are considered to be additional to the base year allowances for RP7. The individual requests and draft determination allowances are demonstrated in the table below.

New Opex charges not included in the Base Year - unrelated to RP7 projects									RP7	
£k in 21/22 prices									Total Request	UR Allowance
		Apr-24	Apr-25	Apr-26	Apr-27	Apr-28	Apr-29	Apr-30		
		Mar-25	Mar-26	Mar-27	Mar-28	Mar-29	Mar-30	Mar-31		
Opex-01	Managed Service Reprocurement	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
Opex-02	Support for RP8 preparation	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
Opex-03	Darktrace - Atos Monitoring Service (Corporate)	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
Opex-04	ForcePoint Hybrid Proxy (Corporate)	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
Opex-05	Tripwire VSS Service (Corporate)	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
Opex-06	SCADA iHost Support	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
Opex-07	SCADA SOC/SIEM (Darktrace)	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
Opex-08	Additional NMS Licenses	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
Opex-09	EA LV Planning Module (WinDebut replacement)	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
Opex-10	LCT Forecasting Model (Experion Mosaic)	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
Opex-11	Open Data Platform & DSO Dashboard	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
Opex-12	Mini VxRail Craigavon/Omagh Licensing & Support	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
Opex-13	Microsoft MPSA Software Assurance (Data Centre)	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
Opex-14	Managed Service Transition	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
Opex-15	ESG Tool	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂

Opex-16	ESRI License Support & Maintenance	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
Opex-17	Cirrus	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
Opex-18	Cyber Intelligence Threat Service	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
Opex-19	Power BI additional licenses	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂
TOTAL RP7 request/allowance including connection allocations									8,533	7,833
TOTAL RP7 request/allowance excluding connection allocations									6,817	6,259

**Table 6.9: – New IT Opex since Base Year 2021/22**

- 6.18 The UR agree with the majority of the proposed new opex charges that have been included within the scope of the base year. For example, NIE Networks has highlighted various opex charges not included in the base year which include the costs for additional licences (Opex-06, Opex-08, Opex-12, Opex-13, Opex-19), some of these costs relate to maintaining cyber security and NIS regulations (Opex-03, Opex-04, Opex-05, Opex-07 and Opex-18).
- 6.19 The UR do not agree with NIE Networks request for £0.7M Support for RP8 preparation “Opex-02”, while we agree that there is important in preparation of the next price control period, we will consider this as part of NIE Network’s benchmark costs, as an efficient licensee would have built this into their business costs.
- 6.20 Therefore, in the draft determination we will be providing an allowance of £6.2m out of the total requested £6.8m (excluding connections).

### **Enduring Solution**

- 6.21 NIE Networks has requested £41.7M for the enduring solution over the RP7 period. These costs into IT Support Costs, Hardware, Software and Market Entry Costs and Market Services Staff Costs. The breakdown of requested allowances is demonstrated below.

£m 2021/22 Prices	RP7						
Enduring Solutions	25/26	26/27	27/28	28/29	29/30	30/31	Total RP7 request
Enduring Solution							RP7 request
Service Management	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
Infrastructure Support	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
Applications Support	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
Corporate Network	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
Software Licenses	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
3rd Party Telecoms charges	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
Market Costs	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
Changes Driven By Non Network IT	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
Market Service Staff Costs	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
ES Total	6.62	6.88	7.04	7.08	7.08	7.08	41.701

**Table 6.10: – Enduring Solution requested allowances**

- 6.22 Costs have remained fairly consistent in the course of RP6 as the Enduring Solution IT systems and processes have become fully established. However, following the separation of the TIBCO system, NIE Networks has highlighted that the costs are increasing into RP7. There has been a total increase of approximately £10m from RP6 across the enduring solution, NIE Networks has explained this increase due to the additional hardware, software, and maintenance of the standalone TIBCO system.
- 6.23 UR agree with majority of NIE Networks proposals including the rationale described in NIE Networks business plan that make up the requested costs for Telecoms, Software and TIBCO System Maintenance Costs. However, UR note that NIE Networks has stated that in relation to Market Entry Costs the RP7 plan has assumed that there will be one new market entrant per annum during RP7. There are currently 6 domestic electricity energy suppliers and 2 additional I&C only suppliers. In the last decade there has been 3 new market entrants, therefore proposing 1 new entrant per year is an ambitious target. We will therefore be proposing a reduction of the Market Cost line above to bring it into line with previous market entry trends.
- 6.24 NIE Networks has requested £2.03M for Changes driven by Non Network IT, the UR will provide a draft allowance of £0.45M to reflect the Market

Operation cost allowances in the “Changes Driven by Non-Network IT” (Recurring OPEX, Section 6.3).

6.25 NIE Networks has requested £8.3 for Market Service staff, this is for 29 Full Time Equivalents (FTEs) across Market Services, an increase from 23.5FTEs in as per the 2023 RIGS. The breakdown of the 29 FTEs is provided below along with the UR draft determination allowances.

Dimension	NIE Networks requested FTE resources	Draft Determination FTE allowance
Market Registration	4	4
Data Aggregation	4	4
DUoS Billing	4	4
Metering Reading exceptions	4	4
MV90	4	4
CX111	2	2
Central Design Authority	2	1
Systems Management	3	2
SAP Analyst	1	1
Market Services Manager	1	1
Total RP7 request	29	27

**Table 6.11: – Market service FTE requests**

6.26 £8.3M equates to an average of £47,700 per FTE per annum across the Market Services area. In relation to this average cost per FTE, the UR are in agreement with NIE Networks proposals that the requested average FTE amount of £47,700 is appropriate.

6.27 While we do agree with the functional areas and the need for increases in FTEs in market services, at this time we are unconvinced that the quantification of numbers is justified across the Central Design Authority and the Systems Management areas.

6.28 In relation to the Central Design Authority functional area, further evidence is needed to understand how further workload resulting the de-harmonisation of the market system in 2021 warrants to the need for an additional FTE.

6.29 In relation to the Market Systems (Systems Management), the further system changes that have resulted in NIE Networks request for an additional FTE are anticipatory. We require further evidence to demonstrate what these changes could be and how they warrant an additional FTE.

- 6.30 We have proposed to disallow 1 FTE from the Central Design Authority and 1 FTE from the Systems Management Functional Areas. Therefore, in total, we have provided an allowance of 27 FTEs (increasing from 23.5 FTEs) out of the proposed 29 requested FTEs in NIE Networks business plan.
- 6.31 The UR have provided an allowance at the Draft Determination of £38.3M from a requested £41.7M.

£m 21/22 Prices	RP7						Total RP7 request	UR Proposed Allowance
	25/26	26/27	27/28	28/29	29/30	30/31		
Service Management	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
Infrastructure Support	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
Applications Support	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
Corporate Network	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
Software Licenses	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
3rd Party Telecoms charges	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
Market Costs	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
Changes Driven By Non Network IT	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
Market Service Staff Costs	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂	✂✂
ES Total	6.62	6.88	7.04	7.08	7.08	7.08	41.701	38.3

**Table 6.12: Enduring Solution draft determination allowances**

**Other Operating Costs Incurred by Market Operations – IT and Telecoms**

- 6.32 NIE Networks have requested £13.8m for the operating costs of providing general IT infrastructure and telecoms including costs associated with the provision and support of IT and telecoms for office-based staff and hand-held communication devices used by field staff for work management and to capture meter readings.
- 6.33 The £13.8m requested allowance can be further broken down into the following lines, as demonstrated in Table 6.13.

£m	RP7						Total request (m)	Total dd allowance (m)
	25/26	26/27	27/28	28/29	29/30	30/31	RP7	RP7
Market Ops BAU & IT Telecoms	1.35	1.35	1.35	1.35	1.36	1.36	8.12	8.12
Changes Driven by Non-Network IT projects – IT and Telecoms	0.39	0.66	0.88	0.96	0.96	0.97	4.82	1
New IT Opex since base year 2021/22 – IT and Telecoms	0.47	0.06	0.06	0.10	0.10	0.07	0.88	0.77
							<b>13.8</b>	<b>9.9</b>

**Table 6.13: - Market Operations for IT and Telecoms allowances**

- 6.34 The UR have proposed a total allowance of £9.9m out of the requested £13.8. The UR are content with the costs proposed by NIE Networks for Market Ops BAU & IT Telecoms and have provided the full requested allowance.
- 6.35 The UR have provided a total allowance of £1m for changes driven by Non-Network IT projects out of the total requested £4.82m. This allowance reflects the Market Operation cost allowances in the “Changes Driven by Non-Network IT” (Recurring opex).
- 6.36 For the “New IT Opex since base year 21/22” the UR have provided a total allowance of £0.77m out of the £0.88m requested by NIE Networks, this reduction reflects the disallowances associated with the Market Operations cost allocation (£~~XXXX~~) linked to “Support for RP8 preparation” Table 6.9.