

Alan Campbell
Managing Director
SONI Ltd

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24 January 2024

Dear Alan,

Utility Regulator decision on SONI Forward Work Plan (FWP) 2023/2024

Thank you, and all your team, for the hard work and engagement in the Evaluative Performance Framework (EPF) process. I am writing to advise of the Utility Regulator's decision on the grading of SONI's 2023/24 Forward Work Plan (FWP) and the associated incentive amount under the EPF.

We received the EPF Panel's (the Panel) Evaluation Report in December 2023. The report provided a comprehensive assessment of SONI's FWP for 2023/24, 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 **3.55** of SONI's FWP.

Background

As part of our 2020 to 2025 SONI price control we introduced the "Evaluative Performance Framework"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 2023. 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: Annual Forward Plan 2023/2024 - call for feedback and date of stakeholder workshop | Utility Regulator \(uregni.gov.uk\)](#)

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, 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 **3.55** and subsequent financial incentive of £224k⁴ 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 that 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, service ambition exceeded expectations, Service priority and stakeholder engagement both met our expectations and service accountability fell below our expectations
- **Independent Expert:** service ambition exceeded expectations, Service priority and stakeholder engagement both met our expectations and service accountability fell below our expectations
- **System Planning:** again, service ambition exceeded expectations, Service priority and stakeholder engagement both met our expectations and service accountability fell below our expectations
- **Commercial Interface:** SONI met our expectations in terms of this role for service ambition, service priority and stakeholder engagement, however fell short of expectations for service accountability.

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

This is the third 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.

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.

Next steps

We will publish our decision on the EPF accompanied by the EPF Panel's report.

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

Please pass on our thanks to the other members of the team. We look forward to your further engagement in your continued journey of improvement. 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