



SONI Review of Prices 2026-31 (SRP26): Business Plan Data Tables (BPDT) Guidance

Commentary Guidance
May 2024



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we 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 through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs, Markets and Networks. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.



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 document sets out the Utility Regulator's (UR) business plan data tables (BPDT) supporting guidance. This sets out the UR requirements with respect to completion of the SONI 2026-31 business plan, data tables and supporting justification. The guidance has been updated to reflect the latest developments in the regulatory framework and RIGs reporting.

Audience

This document will be of interest to SONI, its customers, consumers and other stakeholders.

Consumer impact

The business plan is the key document for assessing SONI cost, outputs, activities and prices for the period covering 2026-31.

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1. Introduction

Background

- 1.1 This document sets out the Utility Regulator's (UR) overall guidance for the completion of the SRP26 price control Business Plan Data Templates (BPDTs) and completion of the business plan (BP) itself.
- 1.2 The guidance provides a framework for detail and information required to complete the SONI price control. This information will help the UR consider SONI's proposed performance, future costs, outputs and service delivery. The TSO is free to provide any additional information which it considers pertinent to the price control decisions.

Legal Framework

- 1.3 The data submission shall be provided under Condition 7 (Provision of Information to the Authority) of the TSO licence.

Components of the BPDTs

- 1.4 The BPDT guidance comprise of the following:
 - a) A data reporting template (in MS Excel format), which contains various spreadsheets for completion by SONI. The data template has been revised to be consistent with SONI's 2020-26 annual reporting framework.
 - b) This document, which contains specific guidance on completion of the data reporting template and the requirements for supporting commentary.
 - c) A separate guidance document on the business plan (BP) assessment and the various components contained therein. This document covers historical performance, self-assessment, VFM, risk management, resilience etc.
- 1.5 SONI's submission, completed in accordance with this BPDT guidance, should comprise of the following:
 - a) A completed reporting template (in MS Excel format).
 - b) Supporting commentary to the submission and the various completed worksheets (in MS Word or PDF format).
 - c) Any additional information or documentation requested in the guidance and / or which SONI deems appropriate to provide.
- 1.6 SONI's submission must be signed off by a Director of SONI confirming that to the best of their knowledge the information in the submission is correct.

Reporting Period and Timescales

- 1.7 The relevant reporting year for the provision of information runs from 01 October to 30 September of the following calendar year. For example, a reporting year of 2026-27 means the year beginning on 01 October 2026 and ended on 30 September 2027.
- 1.8 SONI must provide its submission, completed in accordance with the guidance, no later than 03 March 2025. Historical data should be consistent with cost information provided in the RIGS returns (after uplifting to base year prices).
- 1.9 Data tables typically cover the current price control period (2020-26) and the SRP26 period which runs from 01 October 2026 to 30 September 2031. All tables should be completed where possible.

Submission

- 1.10 SONI's completed submission should be submitted electronically to:
ciara.brennan@uregni.gov.uk and SONIUREGNI@uregni.gov.uk
- 1.11 Further to the initial submission, there will likely be further steps including:
- Questions and queries.
 - Site visit(s) to SONI to discuss and understand information.
 - Re-submission by SONI allowed (only with the express permission of UR).

Structure of this Document

- 1.12 The remainder of this document is structured as follows:
- a) Chapter 2 sets out overarching guidance for the completion of the BPDT spreadsheet.
 - b) Chapter 2.12 provides overarching guidance for the SRP26 business plan and supporting commentary.
 - c) Chapter 4 provides guidance for completion of SRP26 commentary on key issues not captured by the BPDT.
 - d) Chapters 5 to 34 provides detailed guidance on the completion of individual worksheets (tables) within the data template workbook and corresponding commentary.

2. General Instructions for Completion of Data Template Workbook

Contents

2.1 The data reporting template is an MS Excel workbook. This workbook contains:

- a) Reference worksheets, including:
 - i) An index.
 - ii) A key.
 - iii) Inflation figures for monetary values from nominal to real terms.
- b) Worksheets for SONI to complete, covering the following areas:
 - 1) Summary spreadsheet of revenue and staff numbers.
 - 2) SONI financial parameters.
 - 3) Revenue, profit and loss.
 - 4) Balance sheet.
 - 5) Cash flow statement.
 - 6) Proposed financial ratios.
 - 7) Frontier shift assumptions i.e. real price effects (RPEs) and productivity.
 - 8) Summary of new initiatives with detail of the impact on role/service and prioritisation.
 - 9) Opex staff costs provided in the B_t element of SONI's price control.
 - 10) Non-staff opex costs provided in the B_t term.
 - 11) Baseline opex costs (BO_t).
 - 12) Enhancement opex costs (UO_t).
 - 13) Uncertainty mechanism opex subject to cost sharing (E_t).
 - 14) Network planning, scoping & feasibility studies opex (SF_t).
 - 15) Connection fee costs and income (non-price control related).
 - 16) Connection projects costs and income (non-price control related).

- 17) Pension costs (PR_t).
- 18) Collection agent revenues for purposes of calculating the margin allowance ($CARV_t$).
- 19) Up-To-A-Cap uncertainty mechanism opex (D_t).
- 20) Up-To-A-Cap uncertainty mechanism capex (Z_t).
- 21) Transmission network pre-construction projects (TNPPs) and abandoned project (AB_PC_t) spend.
- 22) Base capex on buildings (BC_BDt) and non-buildings (BC_NB_t).
- 23) Enhancement capex spend on buildings (UC_BDt) and non-buildings (UC_NB_t).
- 24) Uncertainty mechanism capex subject to cost sharing (V_t).
- 25) RAB summary including the TNPP side-RAB.
- 26) Cost of ancillary services (A_t).
- 27) Price control projects delivery status report.
- 28) Key Performance Indicators.
- 29) Staff reporting by role and service area.
- 30) Business Carbon Footprint (BCF) reporting.

2.2 The worksheets must be completed by SONI taking into account the requirements set out in this guidance document. This chapter provides some general instruction for the workbook. Subsequent chapters contain more detailed guidance for SONI on each of the worksheets.

Data Entry

- 2.3 For ease of use, the cells of the worksheet are colour coded, with a key provided in the workbook. SONI should enter data into the yellow and pink input cells only. Grey cells are not to be completed and green cells represent copied information. Pink cells represent historical data and should not be changed unless numbers previously provided were wrong. If this is the case, the change must be identified and described in the supporting commentary. Blue cells are automatic formulas.
- 2.4 More generally, the structure of the worksheets should not be changed, and nor should worksheets be deleted without UR approval.
- 2.5 Unless stated otherwise, prices should be entered in **real terms** (April 2024 prices) in line with the base year which is **2023-24**. Costs should be provided in units of £000s (rounded to the nearest thousand pounds). Historical data is required to be inflated to a common price base (April 2024) using the information provided in the

'Inflation' workbook of the template.

- 2.6 SONI should provide data for the current price control period (2020-26) and for the SRP26 period (2026-31). Unless stated otherwise in the guidance, SONI should use the same policies and procedures to estimate and allocate costs as in the preparation of other submissions to the UR. Where this is not the case, any divergences from previous policies and procedures must be stated in the supporting commentary.
- 2.7 The data provided should include that from any affiliate or related undertaking of the licensee that either directly or indirectly provides goods and/or services to the licensee or forms part of the licensee's business, either separately or consolidated.
- 2.8 Descriptions of methodologies used to apportion or allocate costs (e.g. between individual categories of work, outputs, organisational entities or time periods) must be provided, including the calculations for such methodologies.
- 2.9 SONI may append additional information to their submission, and describe this in the supporting commentary, if it considers this is needed to provide an understanding of the data provided in the template and the associated context.

Template Errors

- 2.10 In the event of SONI identifying errors in the templates after they have been sent out for completion, the following procedure shall be followed:
 - a) Upon identifying an error, SONI should send details to the UR using this email: ciara.brennan@uregni.gov.uk and SONIUREGNI@uregni.gov.uk. SONI should not correct the error in the version to be submitted without the UR confirming it should do so.
 - b) The UR will assess the details provided to establish if there is an error.
 - c) If the UR considers it feasible and appropriate, UR will correct the error by amending the template and /or clarifying the guidance and confirm to SONI that it should use these for their submission.
 - d) If the UR considers it is not feasible or appropriate to amend, UR will log the issue and instruct SONI on the way forward.
- 2.11 If the UR identifies an error, we will follow the above steps b) to d). There are audit check formulas in the template, which should be used to check that numbers align where appropriate.

Publication and Use

- 2.12 The workbook data and commentary will be used to assess SONI plans for the next price control period. UR may publish information SONI provide in the BPDT as part of the draft and final determinations. Given SONI has responsibility for producing the data and plan, the TSO should endeavour to publish as much of the submission

as feasible, subject to commercially sensitive redactions. This will aid stakeholder transparency and enhance TSO accountability in line with best practice.

3. **General Instructions for SRP26 Business Plan & Supporting Commentary**

3.1 SONI's BPDT submission must include supporting business plan commentary (in MS Word or PDF format) to the submission and the various completed worksheets.

3.2 In this chapter, we provide general instructions and requirements for this supporting commentary. The subsequent chapters contain more detailed guidance on the commentary required in relation to each of the completed workbooks.

Structure of SRP26 Business Plan & Commentary

3.3 The business plan (BP) and supporting commentary must contain:

- a) An executive summary – providing an overview of SRP20 performance, plans for SRP26, changes to costs, new initiatives, outputs / KPIs and the tariff / bill impact etc. This overview should provide the context to understand the key aspects of SONI's business plan.
- b) A section on the SONI business plan assessment, roles / responsibilities and SRP20 outturn performance etc – see separate guidance on completion of this detail.
- c) Detail on the strategic, regulatory, organisational and operational context of SRP26. This should include the TSO approach to development of the BP i.e. methodology, stakeholder engagement, assurance, prioritisation etc.
- d) Summary of financial parameters (WACC, margin etc), resilience, risk and financial ratios / sustainability.
- e) Real price effects (RPEs) for both opex and capex spend and the proposed productivity challenge. Known collectively as frontier shift.
- f) Proposed new strands of investment (new initiatives). This should include:
 - Detailed description of new programmes/projects;
 - Detailed needs case;
 - Costs / benefits;
 - Risk; and
 - Outputs / timing of delivery / impact.
- g) Detail on opex split by base, enhancement and cost expected to be funded via uncertainty mechanisms outside the price control. This should include additions/reductions to base, any benchmarking / efficiency assessments, special factors, atypicals or regional adjustments.

- h) Information on capex spend split by base, enhancement and cost expected to be funded via uncertainty mechanisms outside the price control. This should include additions/reductions to base, any benchmarking / efficiency assessments, special factors, atypicals or regional adjustments.
- i) Detail on pension contributions and deficits. This should include actuarial viewpoints and triennial valuations where appropriate.
- j) Breakdown of forecast revenues and impact on tariffs / customer bills.
- k) Summary of key outputs, outcomes, service expectations and KPIs resulting from the SRP26 investment.
- l) Detail on staff benchmarking, staff / resource changes, service areas impacted, rationale for change etc.
- m) Scope and results of consumer engagement and how this has informed plans for SRP26.
- n) Proposals regarding key areas such as the energy strategy, innovation, digitalisation, sustainability, incentives and customer satisfaction.
- o) Proposals for the reduction of business and network carbon footprint.

3.4 The requirements detailed in this chapter are the minimum that SONI should provide. The TSO should feel free to add any further detail as it considers appropriate.

Requirements and Guidance on BP Commentary

3.5 The supporting table commentary provides an opportunity for SONI to provide additional details, explanations and background information that should enable the UR to understand the data submitted in the workbooks and to put it in context.

3.6 The supporting table commentary should generally include:

- 1) A discussion on performance, including explanations of changes in values against previous years.
- 2) Additional details that may not be provided for within the workbooks, but which provides a fuller understanding of performance.
- 3) Changes to service performance or outputs that may explain cost movements.
- 4) Highlighting any exceptional and/or atypical items included within costs.
- 5) Describe the basis of any apportionments, recharges and allocations of costs and any changes in these, either from previous years or as applied in other reporting to the UR.

6) Any revision of historical numbers – along with explanation of what occurred and what lessons have been learned.

7) Any data that the licensee has been unable to report.

3.7 Specific guidance in relation to each individual table is set out in the following chapters of this guidance.

4. General Instructions for SRP26 Business Plan Commentary – Key Areas

Purpose and overview

- 4.1 The purpose of this chapter is to provide expectations on detail required for key areas not covered by the BPDT. This includes for example proposals regarding key areas such as the energy strategy, innovation, digitalisation, stakeholder engagement, incentives and customer satisfaction.

Digitalisation

- 4.2 As the energy system becomes more complicated and interlinked (through for example, decarbonisation and decentralisation), access to robust data and digitalised services (which use this data) will in turn, become more important.
- 4.3 This will ensure effective and more timely decisions are made to not only decarbonise, but ensure it is done in a least-cost way and is in the interests of and protects consumers.
- 4.4 SONI plays a key digitalisation role in the energy transition and holds important data. We also note the Department for the Economy has, through its energy strategy action plan, proposed creating a Digitised Energy System focusing on consumer data, system data, accessibility and smart technologies.
- 4.5 We expect SONI to submit a strategy with its business plan which we will then assess upon receipt during the draft determination stage. This should include:
- 1) A strategic vision and ambition on what digitalisation and data role SONI seeks to play across its roles and how this will benefit users and ultimately consumers in Northern Ireland.
 - 2) An assessment of best-practice innovation and lessons learned elsewhere and what may work in a Northern Ireland context.
 - 3) An assessment of user and stakeholder needs, strategy to engage and collaborate with users and stakeholders and clear resulting actions and how they link to consumer outcomes.
 - 4) A strategy for SONI to ensure that its workforce has the right capabilities, training, experience, culture and how it will embed ideas and learning into the organisation, across digital, data and technology areas.
 - 5) A strategy encompassing SONI's ownership of governance, corporate interactions and accountability to promote and account for a culture of digitalisation and data.
 - 6) A strategy for engaging and collaborating, co-ordinating with stakeholders (including how it links with whole system strategy), customers and taking

account of and aligning with consumer interests.

- 7) An action and delivery plan to meet users' and consumers' needs across SONI roles, to include cost, benefit, options, prioritisation, delivery/timing, milestones, treatment of uncertainty, how success will be measured.
- 8) A cybersecurity strategy that encompasses SONI's plans for the digitalisation of data and complies with the relevant network codes.

4.6 We may also consider whether licence conditions are required to underpin our approach to digitalisation and data. We are currently considering this area further.

4.7 We are conscious that this is a relatively new area of development and so flexibility may be required over time as expectations become clearer (for example, through government policy). We aim to make our approach as flexible as possible and necessary to achieve our aims.

Energy Strategy

4.8 Whilst the Department for the Economy (DfE) new energy strategy, and the Climate Change Act (Northern Ireland) 2022, both identify net zero carbon by 2050 as a policy objective, how the transition will develop in practice will be determined by future policy decisions, the development of technology and processes and how consumers respond to these changes.

4.9 The SRP26 price control must address this in a way which facilitates the pathway to net zero, while ensuring that investment is delivered at reasonable cost. The BP should signal how it intends to deliver on government policy whilst considering key issues such as:

- 1) Whole system planning and collaboration.
- 2) TSO:DSO interactions.
- 3) Facilitation of renewables and additional demand whilst maintaining focus on security of supply.
- 4) Development of offshore wind.
- 5) Control of costs and consideration of a just transition.

4.10 Delivery of government policy should be a key component of the business plan and should be clearly articulated in SONI plans.

Innovation

4.11 Delivery of services and outcomes will also be linked to innovation. We expect SONI to consider in its business plan how it can innovate across its service portfolio to help improve overall outcomes. We also expect it to explain how it will adopt an innovative approach across the price control period.

- 4.12 We would anticipate that SONI's business plan should detail how it believes any expenditure it seeks would work and how it can be incentivised to innovate. We would expect SONI to justify why certain projects should be treated as innovative and are distinct from SONI's broader service provision (which we expect to involve ongoing innovation).
- 4.13 Our criteria for assessment of SONI's rationale will follow that provided by us for NIE Networks. This should include, but may not be limited to, the following:
- 1) Quantified and robust costs and benefits.
 - 2) Need for, or rationale in support of additional funding.
 - 3) How SONI arrived at its chosen bid for innovation(s) and how this interacts with other innovation investments.
 - 4) How such a bid was identified/prioritised and justified in consultation with consumers and wider stakeholders.
 - 5) Why there exists a barrier towards innovation which requires some form of regulatory action to progress and the consequences of innovation(s) not happening.
 - 6) What deliverables might be expected from research/development or trials.
 - 7) Proposed treatment of risk and rewards.
 - 8) Description of how successful innovation(s) would be efficiently rolled out and how the innovation strategy would be reviewed and updated.
 - 9) How innovation is different to anything that has occurred previously, whether within SONI or the wider energy industry.

Stakeholder Engagement

- 4.14 The BP needs to evidence that stakeholders have been properly consulted. SONI must detail the following:
- 1) Who was consulted and when.
 - 2) What was consulted upon.
 - 3) How consultees views were gathered.
 - 4) Summary of key views, issues and priorities.
 - 5) How stakeholder feedback has helped shape the business plan.
- 4.15 As part of the last BP process, UR established the SECG (Stakeholder Expert Challenge Group) in order to aid plan development. It will be for SONI to determine if such an approach should be adopted again.

- 4.16 SONI must however demonstrate that its plans have been fully costed, challenged, scrutinised and shaped by a variety of stakeholder groups. It is also key that SONI demonstrates how it has prioritised investment based on stakeholder feedback.

Incentivisation

- 4.17 Within the previous price control the evaluative performance framework (EPF) and associated incentives was introduced. The conditional cost sharing (CCS) also commenced whilst the mechanistic cost sharing (MCS) was retained but the percentage was adjusted from 50% to 75%. In addition, an asymmetric cap and collar for combined penalties / rewards was introduced.
- 4.18 SONI's business plan should set out any thinking in relation to the incentive framework. This should include views on current arrangements, future proposals, rationale for change (if required), stakeholder views etc.
- 4.19 The plan should be able to demonstrate that any incentivisation proposals are in the best interests of consumers and is necessary to ensure best performance.

5. **Table 1: Price Control Build-Up**

Purpose and overview

- 5.1 The purpose of this table is to summarise expected SONI revenue in the various business areas and staff resource used, including both internal FTEs and staff resource recharged from the wider EirGrid group.
- 5.2 Staff utilised should align with the numbers reported for the base year and last year of SRP26 as set out in in Table 29 and Table 29a (Staff Resource Matrix). There are audit check formulas included in the workbook to this effect.

Instructions

- 5.3 The table comprises 27 lines, which are mostly automatically calculated from inputs provided in other tables. The exception is the k-factor and cost incentive amounts. Any figures in this table should be presented on a post-efficiency basis.

Company commentary

- 5.4 No supporting commentary is required for this table. All relevant detail should be captured in reporting against other input tables.

6. Table 2: Finance Parameters

Purpose and overview

- 6.1 The purpose of this table is to set out the various BP financial parameters including WACC values, inflation forecasts, margin on collection agent activities, Parent Company Guarantee (PCG) remuneration and return for asymmetric risk.
- 6.2 The table comprises 27 lines covering the various forms of remuneration for risk and finance.

Instructions

- 6.3 We expect SONI to provide information in this table based on the proposals of a notionally efficient TSO. The template requests CPIH forecasts for inflation and the various WACC parameters.
- 6.4 We also expect that SONI would use this table to set out its proposals for margin-based remuneration and its proposals for remuneration of any PCG. This table also includes rows for recompense of asymmetric risk (as in the CMA FD).

Company commentary

- 6.5 For the supporting commentary on the finance table, SONI should provide:
- 1) Justification in support of the various WACC parameters. This should include evidence for the actual costs SONI has incurred in raising debt.
 - 2) Potential ranges for WACC parameters and support for chosen position.
 - 3) Details on actual gearing levels and that which might be expected for a notionally efficient TSO.
 - 4) Basis of forecasts for CPIH inflation and collection agent revenue i.e. TUoS, ancillary services and imperfections.
 - 5) Evidence to support the collection agent margin percentage. This should include details on the actual cost of existing and proposed bank / credit facilities for this activity.
 - 6) Justification for the rate of remuneration for the PCG.
 - 7) Details on both the amount of revenue expected to be subject to asymmetric risk and explanation for proposals with respect to the risk rate.

7. Table 3: Profit & Loss

Purpose and overview

- 7.1 This table provides information about SONI TSO's revenues, costs and profits. The table is adapted from the previous business plan template for the 2020-26 price control.
- 7.2 The table comprises 41 lines covering revenue / income, costs, profit/loss and tax.

Instructions

- 7.3 This table contains data based on SONI's actual financial structure. This means that interest, depreciation, profits and tax should be consistent with SONI's regulatory accounts for the TSO business. This table should be completed in nominal prices.
- 7.4 The figures on costs and revenues for SRP26 should be based on SONI's best forecasts, taking account of the impact of any allowances / costs that may be requested / determined within-period.

Company commentary

- 7.5 For the supporting commentary on the P&L table, SONI should provide:
- 1) Basis of forecasts for revenue and costs.
 - 2) Reconciliation with regulated accounts.
 - 3) Information and explanation of SONI's corporate tax charge.

8. Table 4: Balance Sheet

Purpose and overview

- 8.1 This table contains SONI TSO's balance sheet. The table is adapted from the business plan template for the previous price control.
- 8.2 The table comprises 30 lines covering assets, reserves, liabilities etc.

Instructions

- 8.3 This table contains data based on SONI's actual financial structure and should be consistent with SONI's regulatory accounts. This table should be completed in nominal prices.
- 8.4 The figures should be based on SONI's best forecasts, taking account of the impact of any allowances/costs that may be requested/determined within-period. It should also reflect SONI's forecasts for equity or debt raised or repaid and dividends.
- 8.5 This worksheet will provide data from the regulatory accounts on a consistent and comparable basis and allow for forecasted closing balances to be used in financial modelling.

Company commentary

- 8.6 For the supporting commentary on the balance sheet table, SONI should provide:
- 1) Basis of forecasted figures.
 - 2) Reconciliation with regulated accounts.

9. Table 5: Cash Flow Statement

Purpose and overview

- 9.1 This table contains SONI's cash flow statement. The table comprises 30 lines covering cash flow, working capital, investment activities, financing activities etc.

Instructions

- 9.2 This table contains data based on SONI's actual financial structure and should be consistent with SONI's regulatory accounts. This table should be completed in nominal prices.
- 9.3 Information will be used to obtain data on a consistent and comparable basis across time; and to sense check any financial modelling. This sheet is linked to movements implied by the P&L and balance sheet as far as practicable.
- 9.4 Figures should be based on SONI's best forecasts, taking account of the impact of any allowances / costs that may be requested / determined within-period.

Company commentary

- 9.5 For the supporting commentary on this table, SONI should provide:
- 1) Basis of forecasted figures.
 - 2) Reconciliation with regulated accounts.

10. Table 6: Financial Ratios

Purpose and overview

- 10.1 This table will contain SONI's proposed financial ratios. We would expect SONI to propose appropriate financial ratios to support its business plan submission.
- 10.2 The table comprises several lines which SONI should tailor according to the proposed financial metric.

Instructions

- 10.3 It will be for SONI to determine what financial ratios it relies upon to ensure financial resilience. SONI will be required to justify its position and choices. Detail should be provided on both SONI's actual financial structure and a notionally efficient TSO.

Company commentary

- 10.4 For the supporting commentary on this table, SONI should provide:
- 1) Basis of financial ratios.
 - 2) Justification for the chosen ratio and the proposed level which the TSO considers will ensure financial resilience.
 - 3) Explanation of assumption behind the figures.
 - 4) Any sensitivity modelling undertaken on the ratios.
 - 5) Expectations of the financial ratios for a notionally efficient TSO.

11. Table 7: Frontier Shift

Purpose and overview

- 11.1 This table sets out SONI's assumptions about Real Price Effects (RPEs) and productivity. The table is split by opex and capex.
- 11.2 The template is presented at a disaggregated level to allow SONI flexibility to apply different RPE assumptions for individual cost areas, if such differentiation is appropriate.

Instructions

- 11.3 In the *weighting column*, the company is asked to insert its estimate of appropriate weights (of labour, materials, other etc) which they believe best reflects appropriate expenditure proportions for opex and capex. The company should make it clear in the commentary or (if preferred) a separate annex, whether they have used own company weights or adopted assumed weights for the frontier company etc.
- 11.4 The TSO is then asked to insert its nominal forecast input costs for each respective cost category (labour, materials, etc) for each year. The years in question are from the base year i.e. Year 1 = 2024-25.
- 11.5 The formulas are set up with the assumption that the inputs (nominal input prices, productivity assumptions and CPIH) will all be in percentage terms. Inflation should be forecast using CPIH.
- 11.6 The company should set then set out views on annual productivity improvement. The annual and cumulative frontier shift lines are calculated automatically. The cumulative effect is multiplied by the opex and capex cost base that is impacted.
- 11.7 It is our expectation that the frontier shift will be applied to base and enhancement opex and capex spend. It is not anticipated that other cost areas will be subject to these adjustments i.e. pensions, UM spend, TNPP spend, connections work etc.

Company commentary

- 11.8 For the supporting commentary on this table, SONI should provide:
 - 1) Rationale for their assumptions and data used for frontier shift in more detail either within the associated commentary, or alternatively via submission of a paper or annex on frontier shift.
 - 2) Justification for the weightings and nominal price forecasts.
 - 3) Benchmarking and evidence to support annual productivity assumptions.

12. Table 8: New Initiatives

Purpose and overview

- 12.1 This table sets out SONI's assumptions about new initiatives for enhancement spend. The spend should include both opex and capex resource split by individual projects.
- 12.2 The lines should be tailored by SONI depending upon the new initiatives which are driving costs. The sub-tables (T8a to T8x) will provide a further breakdown by project on the opex or capex cost lines being impacted.

Instructions

- 12.3 Initiative costs for each project should be copied from the Table 8 sub-tables. The sub-tables capture the individual areas where new costs are captured i.e. new staff, recharged staff, external consultancy, IT costs etc. SONI should add sub-tables as required depending on the number of new projects.
- 12.4 Within the supporting information cells the TSO should also identify the role and service being impacted and the classification of the project in terms of priority (essential, beneficial or optional).
- 12.5 We would also expect to see individual business cases to support the new projects and their associated spend. These projects can cover any area which is not currently subject to existing allowances or where significant increases are expected.
- 12.6 Any costs related to governance changes should be individually identified and separated by business function / service area and justified accordingly. SONI will need to identify which areas have been subject to derogation and which are subject to separation and the justification for why this is in the consumer interest.

Company commentary

- 12.7 For the supporting commentary on this table, SONI should provide business cases which detail the need for additional spend. Business cases should include the usual elements such as:
- 1) Needs case.
 - 2) Options considered.
 - 3) Impact / output of investment.
 - 4) Costs of current provision / level of service and the new or uplifted cost.
 - 5) Basis of cost assumptions.
 - 6) Associated benefits (monetary and non-monetary).

- 7) Risks.
- 8) Timing of delivery.
- 9) Targets for success.

12.8 SONI will need to ensure that the enhancement costs captured in this table by project aligns with the opex / capex enhancement costs recorded in Table 12 (opex) and Table 23 (capex) respectively.

13. Table 9: Operational Staff Costs

Purpose and overview

- 13.1 The purpose of this table is to provide detailed reporting around operational staff costs, one of the principal TSO cost items. This will help provide an understanding of staff costs and resource movements over time.

Instructions

- 13.2 The staff cost component in this table only relates to opex staff as determined by the B_t element of SONI's price control. Other opex or capex staff costs or FTE numbers should not be captured in this table. The exception is defined benefit employer pension cost contributions. These particular direct pension costs should not therefore be reported in any other tables.
- 13.3 The table is comprised of 27 lines in total. These lines cover direct staff costs, indirect staff costs, agency staff costs, and any other staff costs not reported in other worksheets.
- 13.4 The table also requires SONI to provide the number of full time equivalent SONI staff numbers. Separate provision has also been made in Lines 2 and 12 to capture the net FTE staff recharged to/from the wider EirGrid group.
- 13.5 All B_t staff costs should be recorded in this table. Opex staff costs included in connections, network planning or D_t projects should be expressly excluded to avoid double counting.
- 13.6 The staff cost and FTE numbers should align with the sum of the staff costs recorded in Tables 11, 12 & 13. There are audit check formulas included in the workbook to this effect. This approach aligns with the new price control licence drafting as set out below.

$$B_t = \left((BO_t + UO_t + E_t) \times \frac{CPIH_t}{CPIH_{2019}} \right)$$

- 13.7 For clarification, FTE numbers and costs only relate to those staff employed by SONI, recharged from the EirGrid group or agency staff. Any labour costs from private consultancy work should be captured under the professional fees' lines. However, if a consultant has been engaged by SONI to perform a staff substitution role, these costs and resources should be captured under the relevant agency cost lines (Line 21 and 22).
- 13.8 All financial costs should be recorded in real terms. FTE staff numbers should be reported to 1 decimal place (dp) based on how resources are allocated. SONI must provide both historical data and SRP26 values.
- 13.9 The table is identical to the RIGS reporting with the exception of an additional line

for the impact of frontier shift. Costs for the current price control period should reflect actuals. All SRP26 lines (except the last) should be completed on a pre-efficiency and pre-RPE basis. The final line will adjust for these elements to adjust costs in order to report costs on a post-efficiency basis.

Company commentary

13.10 For the supporting commentary on the B_t staff cost tables, SONI should provide:

- 1) Explanation for changes over time in the out-turn number of internal and recharged staff and / or the associated costs.
- 2) The methodologies for apportionment and allocation of staff costs, including any change in approach and its effect on out-turn values (i.e. a comparison of numbers under the previous approach and under the new approach).
- 3) The reasons for any increase / decrease in staff numbers and / or costs over the next price control period.
- 4) Explanation of variance against price control and uncertainty mechanism (E_t) opex staff allowances.
- 5) An explanation of agency staff usage and costs.
- 6) Detail on bonus payment criteria and justification.
- 7) Information on any other employee benefit schemes and their cost.
- 8) Background on changes to out-turn and / or forecast indirect staff costs.
- 9) Examples of any staff training undertaken.

14. Table 10: (Non-staff) Operating Costs

Purpose

- 14.1 The purpose of this table is to provide detailed reporting on the B_t non-staff operating costs. This will help provide an understanding of operating costs over time for IT and telecoms, professional fees, facilities, group recharges not related to staff and other expenses.

Instructions

- 14.2 Table 10 comprises 33 lines in total. These lines cover:
- a) Telecoms and IT costs.
 - b) Professional fees.
 - c) Facilities costs.
 - d) Recharges.
 - e) Other operating costs.
 - f) Frontier Shift.
- 14.3 All (non-staff) operating costs should be recorded in this table, except for those costs remunerated through other mechanisms. All Castlereagh House facility costs are funded via this licence term and should not be captured under other business areas. The negative facilities recharge (Line 21) should only relate to building costs allocated to SEMO activity.
- 14.4 The non-staff cost in this table should align with the sum of the non-staff costs recorded in Tables 11, 12 & 13. There are audit check formulas included in the workbook to this effect. This approach aligns with the new price control licence drafting as set out below.

$$B_t = \left((BO_t + UO_t + E_t) \times \frac{CPIH_t}{CPIH_{2019}} \right)$$

- 14.5 Financial costs should be recorded in real terms. SONI must provide both historical data and SRP26 forecast values.
- 14.6 The table is identical to the RIGS reporting with the exception of an additional line for the impact of frontier shift. Costs for the current price control period should reflect actuals. All SRP26 lines (except the last) should be completed on a pre-efficiency and pre-RPE basis. The final line will adjust for these elements to adjust costs in order to report costs on a post-efficiency basis.

Company commentary

14.7 For the supporting commentary on non-staff operating costs, SONI should provide:

- 1) Commentary on and explanation of changes in out-turn operating costs, including highlighting any atypical / exceptional costs.
- 2) Details of any cost items over £100,000 not individually listed in the existing line items.
- 3) The methodologies for apportionment and allocation of costs, including any change in approach.
- 4) A breakdown and details of intra-company recharges, including the allocation methodology.
- 5) The rationale for deviations against the price control allowance.
- 6) The reasons for any increase / decrease in operating costs over the price control period.
- 7) Background on any changes to previously provided out-turn values.

15. Table 11: Baseline Operating Costs

Purpose

- 15.1 The purpose of this table is to provide detailed reporting of the base opex (BO_t) staff and non-staff costs. This detail is also required in order to implement the Conditional Cost Sharing (CCS) approach as set out in the final determination and supporting CCS [Guidance](#).
- 15.2 The conditional cost-sharing approach builds on a conventional mechanistic cost sharing incentive approach, with a 25% incentive rate to any over or underspend against ex ante allowances.
- 15.3 However, the application of the incentive rate is not automatic. Rather, it is conditional on evidence about the nature and source of any over-spend or under-spend and will depend on the outcome of a regulatory assessment, using the process set out in the CCS Guidance document.

Instructions

- 15.4 Table 11 comprises 16 lines in total. These lines cover:
- a) Internal (and agency) staff numbers and costs.
 - b) Recharged staff numbers and costs.
 - c) Non-staff operating costs.
- 15.5 As per the CCS Guidance, the costs reported in this table should include base opex falling under the AO_t licence term with the exception of spend related to delivering initiatives as specified in the “*hypothecated funding*” tab of the spreadsheet “*SONI FD deliverables*”, which was published alongside the UR’s final determination. Any spend related to the E_t uncertainty mechanism should also be excluded.
- 15.6 Financial costs should be recorded in real terms. SONI must provide both historical data and SRP26 forecast values.
- 15.7 The table is identical to the RIGS reporting with the exception of an additional line for the impact of frontier shift. Costs for the current price control period should reflect actuals. All SRP26 lines (except the last) should be completed on a pre-efficiency and pre-RPE basis. The final line will adjust for these elements to adjust costs in order to report costs on a post-efficiency basis.

Company commentary

- 15.8 For the supporting commentary on the BO_t cost table, SONI should provide:
- 1) Explanation for changes over time in out-turn base costs and explanation of variance against budgets.

- 2) The methodologies for apportionment and allocation of costs.
- 3) Explanation of the baseline staff and cost for the SRP26 period.
- 4) Explanation of activities / expenditure which may no longer be required in the new price control period.
- 5) Details on service levels and outputs covered by base expenditure.

16. Table 12: Enhancement Operating Costs

Purpose

- 16.1 The purpose of this table is to provide detailed reporting on the enhancement or uplifted opex (UO_t) for staff and non-staff costs. This detail is required in order to assess SONI spend and performance against specifically funded projects and activities in the 2020-26 period.
- 16.2 The detail is also essential to assess the step change in additional enhancement spend for the SRP26 period.

Instructions

- 16.3 Table 12 comprises 16 lines in total. These lines cover:
- a) Internal (and agency) staff numbers and costs.
 - b) Recharged staff and costs.
 - c) Non-staff operating costs.
- 16.4 The historic costs reported in this table should include enhancement opex falling under the AO_t licence term related to spend in delivering initiatives as specified in the “*hypothecated funding*” tab of the spreadsheet “*SONI FD deliverables*”, which was published alongside the UR’s final determination.
- 16.5 Future SRP26 opex enhancement spend should reflect that requested under the new initiatives table (T8). Data should therefore be consistent with costs reported in the opex elements of the new initiatives sub-tables.
- 16.6 Financial costs should be recorded in real terms. SONI must provide both historical data and SRP26 forecast values.
- 16.7 The table is identical to the RIGS reporting with the exception of an additional line for the impact of frontier shift. Costs for the current price control period should reflect actuals. All SRP26 lines (except the last) should be completed on a pre-efficiency and pre-RPE basis. The final line will adjust for these elements to adjust costs in order to report costs on a post-efficiency basis.

Company commentary

- 16.8 For the supporting commentary on the UO_t cost table, SONI should provide:
- 1) Explanation for changes over time in the out-turn costs and explanation of variance against budgets and outputs.
 - 2) The methodologies for apportionment and allocation of costs.
 - 3) Explanation of variance against price control timings and delivery.

- 4) New initiatives driving cost changes in SRP26.
- 5) Interaction between base and enhancement spend in the current price control i.e. what activity has become BAU impacting on the SRP26 baseline and what is one-off in nature.

16.9 Reference can be made to Table 27 commentary on price control deliverables where detailed explanation of price control performance and new outputs should be provided.

17. Table 13: Uncertainty Mechanism Opex

Purpose

- 17.1 The purpose of this table is to provide detailed reporting on uncertainty mechanism opex (E_t) for staff and non-staff costs subject to cost sharing. This detail is required in order to assess SONI spend and performance against specifically funded uncertainty mechanism projects.
- 17.2 SONI should also report any forecast spend against projects which is expected to be incurred in the SRP26 period but has not been included as part of the business plan for whatever reason.

Instructions

- 17.3 Table 13 comprises 20 lines in total. These lines cover:
- a) Internal (and agency) staff numbers and costs.
 - b) Recharged staff and costs.
 - c) Non-staff operating costs.
 - d) Spend by project.
- 17.4 The costs reported in this table should only include opex related to uncertainty mechanism spend (E_t) subject to cost sharing. Spend is split by the various staff and non-staff costs and captured by project. These lines (L15 & L20) should return the same financial amount. Additional lines can be added to Section E (Spend by Project) as required if additional projects are approved.
- 17.5 Financial costs should be recorded in real terms. SONI must provide both historical data and SRP26 forecast values.

Company commentary

- 17.6 For the supporting commentary on the E_t cost table, SONI should provide:
- 1) Explanation for variance against budgets, timings and outputs.
 - 2) Impact of the spend on project objectives or targets as detailed in the relevant uncertainty mechanism requests.
 - 3) Rationale for SRP26 forecasts and detail as to why the project(s) is expected to be delivered via the uncertainty mechanism.
- 17.7 Reference can be made to Table 27 commentary on price control deliverables where detailed explanation of price control and non-price control funded outputs should be provided.

18. Table 14: Network Planning Opex

Purpose

- 18.1 The purpose of this table is to provide detailed reporting on the network planning, scoping and feasibility studies opex (SF_t) for staff and non-staff costs. This detail is required in order to assess SONI spend and performance in advancing TNPP projects to the point of regulatory approval.

Instructions

- 18.2 Table 14 comprises 15 lines in total. These lines cover:
- a) Network planning internal (and agency) staff numbers and costs.
 - b) Network planning recharged staff and costs.
 - c) Network planning non-staff operating costs.
- 18.3 The costs reported in this table should include costs that are reasonably attributable to transmission network planning, scoping and feasibility activities. This should include staff resource and consultancy work incurred in developing these projects.
- 18.4 Financial costs should be recorded in real terms. SONI must provide both historical data and SRP26 forecast values.

Company commentary

- 18.5 For the supporting commentary on the SF_t cost table, SONI should provide:
- 1) Explanation for changes over time in the out-turn costs and explanation of variance against budgets.
 - 2) The methodologies for apportionment and allocation of costs.
 - 3) Rationale for any increase / decrease in this activity between the current and next price control period.
- 18.6 There is no requirement in this table to report spend by individual project. SONI should however provide detail on the relevant projects and the type of consultancy support that has been necessary to procure in order to advance schemes.

19. Table 15: Connection Fee Costs & Income

Purpose

- 19.1 The purpose of this table is to provide detailed reporting on connection fee costs and income. Within the SRP20 final determination, UR expressed a concern that SONI may be remunerated twice for overheads, once through the SSS/TUoS regulated revenue stream and once through the connection charge income.
- 19.2 A new licence term (CIO_t) has since been introduced to make such adjustments if considered necessary. This table will provide the relevant cost and income detail to determine if such an adjustment is required.

Instructions

- 19.3 Table 15 comprises 22 lines in total. These lines cover:
- a) Internal connection (and agency) staff numbers and costs.
 - b) Recharged connection staff and costs.
 - c) Non-staff connection operating costs.
 - d) Internal SONI connection costs.
 - e) External spend on connections including NIE Network costs and other third-party expenses.
 - f) Total connection costs.
 - g) Connections fee income.
- 19.4 The costs reported in this table should include costs that are reasonably attributable to connection fees. Historic costs should reflect actual spend and resource.
- 19.5 Income should relate to connection fee charges and any revenue receivable from customer pre-construction work requests. SONI should detail the different revenue streams as required. Financial costs and income should be recorded in real terms SONI must provide both historical data and SRP26 forecast values.

Company commentary

- 19.6 For the supporting commentary on the connection fee cost table, SONI should provide:
- 1) Detail on the level of connection fee costs and income.
 - 2) Detail on the number and type of connections in each year.
 - 3) Explanation of why connection fee income may be greater or less than the

connection costs.

- 4) The methodologies for apportionment and allocation of costs to connections.
- 5) Methodology for remuneration NIEN and other third parties for their connection expenses.
- 6) Explanation of any non-SONI related expenditure on connections.
- 7) Rationale for any increase / decrease in this activity between the current and next price control period.
- 8) SONI views on whether a CIO_t adjustment is required.

20. **Table 16: Connection Projects Costs & Income**

Purpose

- 20.1 The purpose of this table is to provide detailed reporting on connection project costs and income. This relates to any SONI pre-construction project work which is directly charged to connection customers but does not form part of the connection fee.
- 20.2 These projects cover all SONI pre-construction connection work which is not recovered via TNPP allowances. Both cost and income are therefore not price control related.

Instructions

- 20.3 Table 16 comprises 18 lines in total. These lines cover:
- a) Internal connection project (and agency) staff numbers and costs.
 - b) Recharged connection project staff and costs.
 - c) Non-staff connection operating costs.
 - d) Total connection project costs.
 - e) Connections project income.
- 20.4 The costs reported in this table should include actual costs that are reasonably attributable to connection project pre-construction work. Historic costs should reflect actual spend and resource.
- 20.5 Income should relate to connection project charges and revenue receivable from customer pre-construction work requests. SONI should detail the different revenue streams as required. Financial costs and income should be recorded in real terms SONI must provide both historical data and SRP26 forecast values.

Company commentary

- 20.6 For the supporting commentary on the connection project cost table, SONI should provide:
- 1) Detail on the level of connection project costs and income.
 - 2) Detail on the number and type of connection projects in each year.
 - 3) Explanation of why connection project income may be greater or less than the reported costs.

- 9) The methodologies for apportionment and allocation of costs to connection projects.
- 10) Rationale for any increase / decrease in this activity between the current and next price control period.
- 11) Explanation of any non-SONI related expenditure on connections.

21. Table 17: Pensions

Purpose

- 21.1 The purpose of this table is to provide detailed reporting of all of SONI's pension schemes. The detail will cover the membership profile, ongoing contributions of all schemes and the valuation and recovery plan for the Defined Benefit (DB) pension scheme.

Instructions

- 21.2 Table 17 comprises 19 lines in total. These lines cover:
- a) SONI defined benefit scheme membership.
 - b) DB deficit value and deficit repair payment.
 - c) Salary roll of members and ongoing contributions.
 - d) SONI defined benefit scheme – post deficit cut off March 2019.
 - e) Defined contribution (DC) scheme membership.
 - f) DC salary roll, contribution rate and ongoing contributions.
- 21.3 Values are as at year end unless otherwise stated. Detail on the pension schemes will cover all SONI staff including those involved in market operations. However, for the purposes of calculating the ongoing SONI TSO pension contributions, the salary roll information (L7 & L15) must exclude SEMO / SEMOpx staff. This is due to market operation pension costs being separately remunerated via the relevant SEMO price controls.
- 21.4 All financial costs should be recorded in real terms. SONI must provide both historical data and SRP26 forecast information.

Company commentary

- 21.5 For the supporting commentary on pensions, SONI should provide:
- 1) Commentary on and explanation of changes in out-turn pension expenditure i.e. changes in contribution rates or amounts as compared to either actuarial valuation or price control allowances.
 - 2) The reasons for any increase / decrease in pension costs over the price control period and expected changes for SRP26.
 - 3) How funds provided for any deficit repair are otherwise allocated in the event of a surplus in the Defined Benefit scheme.
 - 4) Detail on the split of ongoing contributions recovered via opex and capex.

22. Table 18: Collection Agent Revenues

Purpose

- 22.1 The purpose of this table is to capture spend in relation to revenue which SONI collects on others behalf. This reporting will ensure consistent information is used in the calculation of SONI's margin ($CARV_i$) as defined by the licence.

Instructions

- 22.2 Table 18 comprises 4 lines in total. These lines cover:
- a) Ancillary service costs.
 - b) TUoS revenue.
 - c) Imperfection costs.
- 22.3 The costs reported in this table will be used for the purpose of calculating SONI margin for collection agent activities. All financial costs should be recorded in real terms. SONI must provide both historical data and SRP26 forecast information.

Company commentary

- 22.4 SONI should provide detail on the basis of the forecasts for future costs. Details on the margin rate and its applicability should be provided in the financial parameters chapter.

23. Table 19: Up-To-A-Cap Uncertainty Mechanism Opex

Purpose

- 23.1 The purpose of this table is to provide detailed reporting on uncertainty mechanism opex (D_t) for staff and non-staff costs subject to a cap. This detail is required in order to assess SONI spend and performance against specifically funded uncertainty mechanism projects.
- 23.2 SONI should also report any forecast spend against projects which is expected to be incurred in the SRP26 period but has not been included as part of the business plan for whatever reason.

Instructions

- 23.3 Table 19 comprises 26 lines in total. These lines cover:
- a) Internal staff (and agency) numbers and costs.
 - b) Recharged staff and costs.
 - c) Non-staff operating costs.
 - d) Spend by project.
- 23.4 The costs reported in this table should only include opex related to uncertainty mechanism spend (D_t) subject to a cap. Spend is split by the various staff / non-staff costs and captured by project. These lines (L15 & L26) should return the same financial amount. Additional lines can be added to Section E (Spend by Project) as required, if more projects are approved.
- 23.5 Financial costs should be recorded in real terms. SONI must provide both historical data and SRP26 forecast values.

Company commentary

- 23.6 For the supporting commentary on the D_t cost table, SONI should provide:
- 1) Explanation for variance against budgets, timings and outputs.
 - 2) Impact of spend on project objectives or targets as detailed in the relevant uncertainty mechanism requests.
 - 3) Rationale for SRP26 forecasts and detail as to why the project(s) is expected to be delivered via the uncertainty mechanism.
- 23.7 Reference can be made to Table 27 commentary on price control deliverables where detailed explanation of funded outputs should be provided.

24. Table 20: Up-To-A-Cap Uncertainty Mechanism Capex

Purpose

- 24.1 The purpose of this table is to provide detailed reporting on uncertainty mechanism capex (Z_t) for staff and non-staff costs subject to a cap. This detail is required to assess SONI spend and performance against specifically funded uncertainty mechanism projects.
- 24.2 SONI should also report any forecast spend against projects which is expected to be incurred in the SRP26 period but has not been included as part of the business plan for whatever reason.

Instructions

- 24.3 Table 20 comprises 26 lines in total. These lines cover:
- a) Internal staff (and agency) numbers and costs.
 - b) Recharged staff and costs.
 - c) Non-staff capital costs.
 - d) Capital spend by project.
- 24.4 The costs reported in this table should only include capex related to uncertainty mechanism spend (Z_t) subject to a cap. Spend is split by the various staff and non-staff costs and captured by project. These lines (L15 & L26) should return the same financial amount. Additional lines can be added to Section E (Spend by Project) as required, if more projects are approved.
- 24.5 Financial costs should be recorded in real terms. SONI must provide both historical data and SRP26 forecast values.

Company commentary

- 24.6 For the supporting commentary on the Z_t cost table, SONI should provide:
- 1) Explanation for variance against budgets, timings and outputs.
 - 2) Impact of spend on project objectives or targets as detailed in the relevant uncertainty mechanism requests.
 - 3) Rationale for SRP26 forecasts and detail as to why the project(s) is expected to be delivered via the uncertainty mechanism.
- 24.7 Reference can be made to Table 27 commentary on price control deliverables where detailed explanation of funded outputs should be provided.

25. Table 21: TNPP Capex

Purpose

- 25.1 The purpose of this table is to provide an overview of the costs of Transmission Network Pre-construction Projects (TNPP). This detail is required in order to monitor SONI spend against specifically funded pre-construction activity. The table also captures detail on any projects that are subject to abandonment.

Instructions

- 25.2 Table 21 comprises 30 lines in total. These lines cover:
- a) Internal staff (and agency) numbers and costs.
 - b) Recharged staff and costs.
 - c) Non-staff capital costs.
 - d) TNPP spend by project.
 - e) Detail on abandoned project costs (AB_PC_t).
- 25.3 The costs reported in this table should only include capex related to TNPP projects subject to a cap. Spend is split by the various staff / non-staff costs and captured by project. These lines (L15 & L26) should return the same financial amount. Additional lines can be added to Section E (Spend by Project) as required, if more projects are approved.
- 25.4 Financial costs should be recorded in real terms. SONI must provide both historical data and SRP26 forecast values.

Company commentary

- 25.5 Individual TNPPs are subject to separate annual reporting arrangements and are not decided as part of the price control. The data on these items are therefore intended to be a summary. They are also to provide costs split into relevant years for individual projects to aid overall reporting.
- 25.6 For the supporting commentary on this cost table, SONI only needs to provide detail should there be an abandoned project. Under such circumstances, SONI should detail why this issue has arisen and why abandonment is considered the best course of action.
- 25.7 SONI should however provide some commentary on the basis of the SRP26 projects and forecast changes in spend between price controls.

26. Table 22: Baseline Capex

Purpose

- 26.1 The purpose of this table is to provide an overview of the base capital spend attributable to the buildings (BC_BDt) and non-buildings (BC_NB_t) RAB. This detail is also required in order to implement the Conditional Cost Sharing (CCS) approach as set out in the SRP20 final determination and supporting CCS [Guidance](#).
- 26.2 The conditional cost-sharing approach builds on a conventional mechanistic cost sharing incentive approach, with a 25% incentive rate to any over or underspend against ex ante allowances. However, the application of the incentive rate is not automatic. Rather, it is conditional on evidence about the nature and source of any over-spend or under-spend and will depend on the outcome of a regulatory assessment, using the process set out in the Guidance document.

Instructions

- 26.3 Table 22 comprises 27 lines in total. These lines cover:
- a) Internal capex (and agency) staff numbers and costs.
 - b) Recharged capex staff and costs.
 - c) Non-staff capital costs.
 - d) Baseline capital spend on buildings by project.
 - e) Baseline non-building capital spend by project.
- 26.4 As per the CCS Guidance, the costs reported in this table should include base capex falling under the AC_R_t licence term with the exception of spend related to delivering initiatives as specified in the “*hypothecated funding*” tab of the spreadsheet “SONI FD [deliverables](#)”, which was published alongside the UR’s final determination. Any spend related to the V_t mechanism should also be excluded.
- 26.5 Financial costs should be recorded in real terms. SONI must provide both historical data and SRP26 forecast values.
- 26.6 The table is identical to the RIGS reporting with the exception of an additional line for the impact of frontier shift. Costs for the current price control period should reflect actuals. All SRP26 lines (except the last) should be completed on a pre-efficiency and pre-RPE basis. The final line will adjust for these elements to adjust costs in order to report costs on a post-efficiency basis.

Company commentary

- 26.7 For the supporting commentary on base capex (BC_R_t), SONI should provide:

- 1) Explanation for changes over time in out-turn base costs and explanation of variance against budgets.
- 2) The methodologies for apportionment and allocation of costs.
- 3) Explanation of the baseline capex for the SRP26 period.
- 4) Interaction between base and enhancement spend in the current price control i.e. what activity has become BAU capex impacting on the SRP26 baseline and what is one-off in nature.

27. Table 23: Enhancement Capex

Purpose

- 27.1 The purpose of this table is to provide an overview of the enhancement or uplifted capital spend attributable to the buildings (UC_BDt) and non-buildings (UC_NB_t) RAB. This detail is required in order to assess SONI spend and performance against specifically funded projects and activities in the 2020-26 period.
- 27.2 The detail is also essential to assess the step change in additional enhancement capex spend for the SRP26 period.

Instructions

- 27.3 Table 23 comprises 42 lines in total. These lines cover:
- a) Internal capex (and agency) staff numbers and costs.
 - b) Recharged capex staff and costs.
 - c) Non-staff capital costs.
 - d) Enhancement capital spend on buildings by project.
 - e) Enhancement non-building capital spend by project.
- 27.4 The historic costs reported in this table should include enhancement capex falling under the AC_R_t licence term related to spend in delivering initiatives as specified in the “*hypothecated funding*” tab of the spreadsheet “*SONI FD deliverables*”, which was published alongside the UR’s final determination.
- 27.5 SONI should also report spend on new projects for the SRP26 period. Future SRP26 capex enhancement spend should reflect that requested under the new initiatives table (T8). Data should therefore be consistent with costs reported in the capex elements of the new initiatives sub-tables.
- 27.6 Financial costs should be recorded in real terms. SONI must provide both historical data and SRP26 forecast values.

Company commentary

- 27.7 For the supporting commentary on enhancement capex (UC_R_t), SONI should provide:
- 1) Explanation for changes over time in the out-turn costs and explanation of variance against budgets and outputs.
 - 2) The methodologies for apportionment and allocation of costs.
 - 3) Explanation of variance against price control timings and delivery.

- 4) Rationale for changes in the level of capex spend between the current and new price control period.

27.8 Reference can be made to Table 27 commentary on price control deliverables where detailed explanation of price control performance should be provided.

28. Table 24: Uncertainty Mechanism Capex

Purpose

- 28.1 The purpose of this table is to provide an overview of the uncertainty mechanism capital spend attributable to the buildings (V_{BDt}) and non-buildings (V_{NB_i}) RAB but subject to cost sharing. This detail is required to assess SONI spend and performance against specifically funded uncertainty mechanism projects.
- 28.2 SONI should also report any forecast spend against projects which is expected to be incurred in the SRP26 period but has not been included as part of the business plan for whatever reason.

Instructions

- 28.3 Table 24 comprises 26 lines in total. These lines cover:
- a) Internal capex (and agency) staff numbers and costs.
 - b) Recharged capex staff and costs.
 - c) Non-staff capital costs.
 - d) UM capital spend on buildings by project.
 - e) UM non-building capital spend by project.
- 28.4 The costs reported in this table should include UM capex falling under the V_t licence term. These costs relate to spend in delivering initiatives funded outside the price control but subject to cost sharing. Spend is split by the various staff / non-staff costs and captured by project. The lines captured in sections E and F can be added to as additional projects are approved.
- 28.5 Financial costs should be recorded in real terms. SONI must provide both historical data and SRP26 forecast values.

Company commentary

- 28.6 For the supporting commentary on the V_t cost table, SONI should provide:
- 1) Explanation for variance against budgets, timings and outputs.
 - 2) Impact of spend on project objectives or targets as detailed in the relevant uncertainty mechanism requests.
 - 4) Rationale for SRP26 forecasts and detail as to why the project(s) is expected to be delivered via the uncertainty mechanism.
- 28.7 Reference can be made to Table 27 commentary on price control deliverables where detailed explanation of outputs should be provided.

29. Table 25: RAB Summary

Purpose

- 29.1 The purpose of this table is to provide an overview of the size of the Regulatory Asset Base (RAB) applicable to SONI. The table breaks down capital assets by spend and the expected returns from each RAB.

Instructions

- 29.2 Table 25 comprises 40 lines in total. These lines cover:
- a) Buildings RAB.
 - b) Non-buildings RAB.
 - c) Special projects RAB.
 - d) The 2015-20 capital overspend.
 - e) Total RAB.
 - f) TNPP side-RAB.
- 29.3 Financial costs should be recorded in real terms. SONI must provide both historical data and SRP26 forecast values. Data should be provided back to the 2020-21 tariff year.

Company commentary

- 29.4 Detailed commentary is not required for this table. SONI is however asked to detail how RAB additions have been arrived at where they differ from actual expenditure.

30. Table 26: Ancillary Services

Purpose

- 30.1 The purpose of this table is to provide an overview ancillary service costs (A_t) incurred by the TSO.

Instructions

- 30.2 Table 26 comprises 19 lines in total. These lines cover the various system services provided by generators.
- 30.3 Financial costs should be recorded in real terms. SONI must provide both historical data and SRP26 forecast values.

Company commentary

- 30.4 For the supporting commentary on the A_t cost table, SONI should provide:
- 1) Explanation for changes in costs over time.
 - 2) Any detail on changes to services provided and issues which may affect costs.
 - 3) Rationale / basis for forecasts of future expenditure.

31. Table 27: Price Control Deliverables

Purpose

- 31.1 The purpose of this table is to provide an update on delivery against current and future price control outputs, service expectations and uncertainty mechanism projects. The detail is required to monitor SONI performance and delivery against the regulatory contract and consumer expectations.

Instructions

- 31.2 Table 27 comprises 73 lines in total and two columns. Lines 1-44 cover the various agreed outputs from the current price control as well as service expectations and uncertainty mechanism projects. Lines 45-73 cover the projects and service expectations for the SRP26 period.
- 31.3 Projects reflect those as defined in the SONI business plan or subsequently approved via uncertainty mechanisms. The lines captured in sections G and J (Non-Price Control Funded Outputs) can be added to as required.
- 31.4 For each historical work area, SONI is asked to provide two pieces of information. The first column is a status report as to how delivery against the project is progressing. This includes three possible responses:
- 1) Not Started.
 - 2) In Progress.
 - 3) Completed.
- 31.5 The second column is a delivery date for project completion. If the status update is 'Not Started' or 'In Progress', the delivery date should reflect an estimate of when the output or service will be provided. If the project is already completed, the date will reflect the timing of delivery.
- 31.6 For SRP26 the TSO is only expected to list the outputs and the estimated delivery date. No detail is required for project status as it is assumed that none of these projects will have commenced.

Company commentary

- 31.7 SONI should provide detailed commentary by project on output and service expectation delivery. This should include detail on:
- 1) Explanation of variance against forecast delivery for each project / activity in terms of timings, outputs, delays etc.
 - 2) Impact of any spend on project objectives or targets.

- 3) Details of sub-initiative¹ delivery (if applicable), output changes and explanation of lessons learned.
- 4) Interaction between SRP20 project delivery and whether some projects will run into SRP26.
- 5) Any changes to the proposed activities / scope of SRP20 projects.
- 6) Any impact of delayed delivery on the current price control.

¹ Sub-initiatives refer to distinct elements of a project output. For instance, in the D1 (End of Life Assets) project the sub-initiatives would refer to the desktop refresh, software upgrades, operating system upgrades etc.

32. Table 28: Key Performance Indicators

Purpose

- 32.1 The purpose of this table is to provide SONI the opportunity to demonstrate improvements in service delivery by way of KPI monitoring.

Instructions

- 32.2 Table 28 comprises 10 lines though SONI should tailor this as required. The TSO should set out any KPIs which are being proposed for the SRP26 period. This should include detail on historic performance if available.
- 32.3 It will be for SONI to decide the basis of the KPIs and the targets proposed for the new price control.

Company commentary

- 32.4 SONI should provide detailed commentary on KPIs. This should include detail on:
- 1) Explanation of the KPI and how it is defined / measured.
 - 2) Why this particular KPI has been targeted / prioritised.
 - 3) How targets have been forecast.
 - 4) How spend levels are expected to impact on performance.
 - 5) Consumer expectations around performance delivery.

33. Table 29: Staff Resource Matrix

Purpose

- 33.1 The purpose of this table is to capture staff numbers by role / service area. The detail will help fulfil some of the requirements for enhanced transparency as set out in [Annex 3](#) (see para 3.4, p34) of the SRP20 final determination. The data will allow for greater understanding of SONI staff allocations to different business areas and the expected change over the SRP26 period.
- 33.2 The table will help support understanding of resource allocation by business area and should help set future allowances. Detail has also been asked for Standard Occupational Classification (SOC) equivalents. This detail will help enable future staff salary benchmarking.

Instructions

- 33.3 Table 29 comprises 65 lines and numerous columns. Lines 1-30 cover the SONI staff split by role and service (including support staff). They also detail how many of the headcount staff are capitalised.
- 33.4 Lines 31-65 cover the SOC equivalents. SONI should endeavour to match their headcount staff to the corresponding standard occupational classification. This detail will be used for benchmarking purposes and to help understand resource requirements. SONI is free to amend the SOC lines to provide further detail by 3 and 4-digit SOC codes if it thinks appropriate.
- 33.5 The data in this table only covers the base year (2023-24). SONI is also asked to complete T29a which relates to the final year of the SRP26 period (2030-31). The FTE resource should align with that reported in the Table 1 summary information.
- 33.6 The columns relate to the different service areas as identified under each role. These areas are based on those identified in the SONI forward work plan for 2021-22. These areas can however be amended should SONI wish. Separate provision has also been made for support staff separation (as per the RIGS submission).

Company commentary

- 33.7 SONI should provide commentary on the role / service staff matrix. This should include:
- 1) Explanation of staff allocation process and calculations behind the completion of the table.
 - 2) Detail on SOC2, SOC3 and SOC4 equivalent decisions.
 - 3) Details of change in resource activity by role / service over time and reasons for these changes.

34. Table 30: Business Carbon Footprint

Purpose

- 34.1 The purpose of this table is to collect information on TSOs' Business Carbon Footprint (BCF), in tonnes of CO₂ equivalent, in order for us to assess the environmental impact of operations.

Instructions

- 34.2 In recognition of the fact that many of the data elements are likely to be additional to TSOs' current reporting we have not asked for the provision of this information prior to the start of the SRP26 period. We would ask that SONI use the intervening period to put in place appropriate mechanisms to gather and report the required information on an ongoing basis.
- 34.3 The reporting methodology must be compliant with the principles of the Greenhouse Gas Protocol (GHG Protocol)².
- 34.4 In summary, the BCF reporting must be:
- Relevant: the inventory must reflect the substance and economic reality of the company's business relationships, not merely its legal form.
 - Complete: all relevant emission sources must be included (where in practice lack of data or cost of gathering could be a limiting factor, justification must be provided in the commentary to the business plan submission).
 - Consistent: accounting approaches, inventory boundary and calculation methodology must be applied consistently over time.
 - Transparent: information on the processes, procedures, assumptions and limitations of the BCF reporting must be disclosed in a clear, factual, neutral and understandable manner, enabling internal and external verifiers to attest to its credibility.
 - Accurate: GHG measurements, estimates, or calculations must be systemically neither over nor under the emissions value, as far as can be judged, and uncertainties be reduced as far as practicable.
- 34.5 It is anticipated that data will need to be estimated under two scenarios:
- 1) When the type of emissions is not measured.

² See World Business Council for Sustainable Development/World Resource Institute: The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf> for further details.

- 2) When there is measurement data, but an estimate is required as the data is not at the same level of granularity as required by the summary BCF worksheet.

Company commentary

- 34.6 The commentary to the business plan submission must include details of any auditing/certification completed to verify emissions data.
- 34.7 The commentary must also include details on the reporting boundaries and on any allocation model used to apportion emissions across a corporate group.