

RP7 - NIE Networks Price Control 2025-2031

Final Determination Annex W
IT and Digitalisation
30 October 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 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. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.



Abstract

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

Audience

NIE Networks, consumers, consumer representatives, consumer groups, other regulated companies in the energy industry, government, and other bodies with an interest in the energy industry.

Consumer impact

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

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Executive Summary

Overview

NIE Networks' Business Plan submission included a Non-Operational IT & Telecoms investment plan which proposed total investment of £252.6m¹ (excluding connections).

NIE Networks' IT proposals were broken down into four areas:

a) 99 Specific IT projects

The 99 individual IT projects proposed to be delivered by NIE Networks during RP7 are grouped in 6 separate programmes of work (Digital Transformation, Enterprise & Resource Planning, Open Data, Secure & Stable IT Environment, Sustainability and DSO Transition).

While we support NIE Networks IT programme, we have provided allowances for Years 1 and 2 (Phase 1) of RP7, for certain IT projects which are critical to begin during this time of RP7. The remaining allowances will be subject to a reopener, after Year 2, once the scope and costs have become more certain.

b) IT Opex (Distribution and Transmission)

NIE Networks' distribution and transmission operational expenditure associated with IT can be further broken down into 4 separate categories (Business as Usual IT & Telecoms, Changes Driven by Non Network IT Projects, Changes Driven by Network IT Projects and New Opex since the base year 2021/2022). Each area is explored further throughout this annex. Table 1.1 below demonstrates we have allowed £50.1m out of £66.3m requested. The majority of this difference (£15.4m) is associated with "Changes Driven by Non Network IT Projects", this is recurring Opex associated with the 99 specific IT projects (such as annual licence fees). Similar to the 99 specific IT projects, we have only provided allowances for Years 1 and 2 of RP7 with the remaining requested amounts being considered as part of the reopener.

c) Enduring Solution (Market Services)

Enduring Solution costs are incurred by the NIE Networks' Market Operations business and relate to retail market IT services. These costs are split into IT Support Costs, Hardware, Software and Market Entry Costs and Market Services Staff Costs. As demonstrated in Table 1.1, we have awarded the majority of costs associated for the Enduring Solution. Similar to IT Opex

¹ Revised post draft determination from an original submission of £255.7m

(Distribution and Transmission), the majority of the difference (£1.5m) is associated with “Changes Driven by Non Network IT Projects”. These costs will be considered in the reopener.

d) Market Operations BAU IT and Telecoms

Again, as demonstrated in Table 1.1, we have provided the majority of the allowance associated with Market Operations BAU and IT Telecoms with the majority of difference (£4.7m) associated with “Changes Driven by Non Network IT Projects”.

There are some areas of IT Opex (Distribution and Transmission), Enduring Solution (Market Services) and Market Operations BAU IT and Telecoms which have not been provided for (£1.2m) and will not be part of the IT reopener. This is explored further in Chapter 5.

Our detailed assessment of company’s proposals is set out throughout this annex. Our assessment was supported by external consultants whose report is included as Annex X. While we have supported the company’s plans, we have not included some of the proposed expenditure in Year 3 to Year 6 of the price control pending further development by the company to refine its plans and further regulatory submissions and determination of additional allowances.

The increase in IT investment in RP7 is driven by two key issues:

- a) The need to replace the company general enterprise software (with SAP S/4 Hana) which will not have vendor support by the end of RP7.
- b) The need to respond to new challenges such as heightened cyber security and the need to support the transition to net zero.

The move towards a low-carbon economy will change the way we generate and use electricity in Northern Ireland. New technologies, digitalisation and changing customer needs will require active management of flexible Distributed Energy Resources (DER), including generation, services and demand management. This will require more intelligent and responsive system management to maximise the benefits.

It will support NIE Networks as it develops from a network operator to system operator and will enable consumers, generators and system service providers to engage in ways which minimise peak demands and maximise existing system capacity. It will help support digitalisation and publication of network and system data which will allow consumers to make more informed decisions on connections and use of the network.

Having reviewed the NIE Networks’ proposals, we concluded that it was reasonable.

As a result, we have included 99% of the required expenditure when we modelled future revenues and financeability for RP7. However, it became clear that there was merit in delaying our decision on funding parts of the IT programme to allow a longer period to undertake detailed planning to confirm the scope and costs of a large, complex but also highly relevant part of the RP7 IT programme.

To help mitigate the risk associated with this uncertainty, in the majority of cases, we have only provided allowances for Years 1 and 2 (Phase 1) of RP7 for certain IT projects. During these first two years of the price control, we expect NIE Networks to progress the development of these projects to allow a future determination of costs through a reopener mechanism. For example, this approach would allow the company to better define the work necessary to procure new systems to meet the SAP end-of-support date.

In one instance, for the project DIG01, we have provided an additional allowance (£~~25~~) for Year 3. This is the only project whereby an allowance has been provided in Phase 2 of RP7. For this reason, we have provided more allowance than requested by NIE Networks. This can be seen in Table 1.1 below in the “RP7 – 99 Projects” section.

Due to the additional evidence provided by NIE Networks in its response to our draft determination, we have provided an additional £10m (approx.) increasing our determined allowance from £144m to £154m. The reasons for this increase in determined allowances are explored in more detail in this annex.

A high-level view of the company’s submission and our draft and final determination allowances have been provided in Table 1.1. The total value of NIE Networks request for the RP7 IT programme is £252.6m (excluding connections). We have, in the main, supported the company’s plans and included 99% of its estimate when we modelled revenues and financeability. However, at this stage, we have only included determined allowances of £154.3m in the final determination licence allowance, pending the outcome of further development work by the company which will inform future decisions on additional allowances.

The company’s plans for IT investment in RP7 might have to be revised significantly with the proposed introduction of smart metering. Any changes relating to smart metering would have to be integrated into the work the company has already planned. The additional work may require a review of priorities and pace of work in the medium term. This issue will require careful consideration as part of the reopener for IT investment from Year 3 onwards.

RP7 – 99 projects	Draft Determination (£m)	Final Determination (£m)
NIE Networks' Request (RP7 total)	£131.7	£130.8
NIE Networks' Request (Years 1 and 2)	£55.9	£54.3
UR Allowance (Years 1 and 2)	£47.5	£54.4
IT Opex (Distribution and Transmission)	Draft Determination (£m)	Final Determination (£m)
NIE Networks' Request	£68.4	£66.3
UR Allowance	£48.8	£50.1
Enduring Solution (Market Services)	Draft Determination (£m)	Final Determination (£m)
NIE Networks' Request	£41.7	£41.7
UR Allowance	£38.3	£40.1
Market Operations BAU IT and Telecoms	Draft Determination (£m)	Final Determination (£m)
NIE Networks' Request	£13.8	£13.8
UR Allowance	£9.9	£9.9
Total allowance (Licence)	Draft Determination (£m)	Final Determination (£m)
NIE Networks' Request	£255.7	£252.6
UR Allowance	£144.5	£154.3
Total allowance (Totex)	Draft Determination (£m)	Final Determination (£m)
Total NIE Networks' IT request	£255.7	£252.6
Total Value of UR Allowance	£253.1	£251.3

Table 1.1: UR draft and final determination allowances (excluding RP6 extension and connection allocations)

1. Introduction

- 1.1 This annex provides Utility Regulator’s (UR) final 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. We awarded a final determination² allowance (£5.246m in 15/16 prices) for the IT allowances associated with the RP6 extension in May 2024.
- 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”. Following our draft determination publication, NIE Networks provided its response to our draft determination, which is further explored in Chapter 3.
- 1.3 This annex highlights our final determination allowance³ for IT and Digitalisation while demonstrating our considerations of the additional information provided in response to our draft determination and through meetings and additional queries answered by NIE Networks.

² <https://www.uregni.gov.uk/files/uregni/documents/2024-05/RP6%20Extension%20Year%20IT%20FD%20letter.pdf>

³ All figures in this Annex are in 21/22 prices, unless otherwise stated. Figures in Tables may not be exact due to rounding.

2. Background

- 2.1 As demonstrated through our draft determination, NIE Networks' IT Non-Operational IT & Telecoms investment plan submission would likely face significant IT challenges during the RP7 period.
- 2.2 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.
- 2.3 It became clear to us that NIE Networks, and Northern Ireland electricity consumers would benefit from a longer period to mature the planning of its large, highly complex but also highly relevant RP7 IT programme.
- 2.4 Therefore, before our draft determination publication, we requested that NIE Networks replan its IT programme. NIE Networks subsequently developed a revised investment plan for a rescheduled programme (RP6 Extension and RP7 period). We requested NIE Networks to identify core projects that in its view, must be progressed during the RP6 Extension year and the first two years of the RP7 period (Phase 1) and in turn, asked NIE Networks to replan projects that would start in Years 3-6 of the price control (Phase 2).

Draft determination

- 2.5 We 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), subject to NIE Networks giving further consideration to:
- 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.
- 2.6 The draft determination highlighted some of the 99 projects (and its associated recurring Opex requests) that NIE Networks proposed to begin in Phase 1 of RP7 that we did not provide allowances for at the draft determination stage. The following information was requested for these

projects:

- 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.

3. NIE Networks' Draft Determination Response

3.1 In its response, NIE Networks has considered the points highlighted in both our consultants (Gemserv) detailed report (Annex X) and our summary report and following ongoing engagement. NIE Networks provided a detailed written response which includes:

- **Projects with Allowances Allocated for Phase1 of RP7.** NIE Networks provided additional information with respect to the projects for which we were minded to provide expenditure in Phase 1 of RP7 in the draft determination.
- **Project with a Partial Allowance Allocated for Phase1 of RP7.** NIE Networks provided additional information with respect to the PRG01 project, for which we are minded to partially allow expenditure in Phase 1 of RP7 at draft determination.
- **Projects Not Approved at Draft Determination Stage.** NIE Networks provided additional information with respect to the projects for which we were not minded to provide expenditure in Phase 1 of RP7 at the draft determination.
- **Opex not allowed for at Draft Determination Stage.** NIE Networks provided additional information for the recurring Digital & IT Opex which we were minded to not allow for RP7 at the draft determination.
- **Mapped Projects to Commitments & Benefits.** NIE Networks has summarised additional information in relation to project costs and benefits, aligned to the RP7 business commitments. NIE Networks has also provided a New Business Value scorecard, scoring projects against a set of deliverables (NIE Networks has provided further detail in supporting spreadsheets which accompany the response).

NIE Networks changes to IT programme as identified in its response to the draft determination

3.2 In its draft determination response, NIE Networks highlighted they would remove or defer some RP6 Extension/Phase 1 expenditure. This is detailed further below:

- All of the SUS01 expenditure (Embodied Carbon Footprint) planned for the RP6 Extension Year (£~~222~~) has now been deferred until Phase 1 of RP7 and £~~222~~k of new recurring opex has been

removed from 2026/27.

- The expenditure for HS04 (Safety Data Analysis and Reporting) in Year 2 of RP7 (£~~XXXX~~) has been removed as the functionality will be delivered as part of DIG09 (Hybrid Workplace Programme).
- All of the INF03 expenditure (Integration Middleware) planned for Year 2 of RP7 (£~~XXXX~~) has now been deferred until Phase 2 of RP7 and £~~XXXX~~k of new recurring opex has been removed from 2027/28.
- All of the HS01 expenditure (Contractor Portal) planned for Years 1 and 2 of RP7 (£~~XXXX~~) has now been deferred until Phase 2 of RP7.
- The MOP10 project (Unmetered online inventory portal) will now be delivered as part of the scope of DIG07 (Customer Self-serve Portal). As a result, the MOP10 project investment planned for Year 2 of RP7 (£~~XXXX~~) and the associated new recurring opex (£~~XXXX~~per annum for 4 years) have been removed as separate costs.
- All of the DAT10 expenditure (Asset Systems Data Quality Projects) planned for Years 1 and 2 of RP7 (£~~XXXX~~) has now been removed from the submission.

3.3 In two instances, NIE Networks proposes additional expenditure as part of its draft determination response. This is detailed further below;

- In relation to project CUS03 (Project Management System), NIE Networks has progressed the project significantly during RP6 and now proposes a different approach to delivery than that assumed in the project brief. Additional costing information now available following procurement activities has identified lower overall project implementation costs of £~~XXXX~~ compared to the previous submission forecast of £~~XXXX~~ (although forecast spend during the RP6 Extension period has increased, as all the implementation activity will now be completed during 2024/25). It has however increased RP7 recurring IT Opex by £~~XXXX~~ over the RP7 period.
- NIE Networks has added some additional expenditure to its IT Opex submission during Phase 1. There will be additional costs incurred in the production of the submission for the reopener in 2026/27 to engage external support for the strategy / architectural reviews and for the cost-benefit analysis process. The requirement to provide an updated submission during the period was not understood when the original submission was prepared. As a result, £~~XXXX~~ has been added to the forecast Opex in 2026/27.

4. Final Determination Allowance

4.1 Having analysed NIE Networks' response to our draft determination, this chapter provides our views (and in some cases those highlighted by our consultants) on NIE Networks' response, along with our final determination allowances, this Chapter is structured as follows:

- Projects with “Minded to” allowances allocated for Phase1 of RP7 at draft determination.
- SAP 4 HANA projects.
- Project (PRG01) with a partial allowance allocated for Phase1 of RP7 at draft determination.
- Projects not approved at draft determination stage.
- Phase 2 IT projects.
- Timing and scope of reopener.
- IT Opex final determination.

Projects with “Minded to” allowances allocated for Phase 1 of RP7 at draft determination

4.2 In our draft determination, we included proposed investment to cover a planned series of works for a number of 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 was subject to NIE Networks giving further consideration to the benefits and outputs of these projects.

4.3 In its response, NIE Networks provided the information necessary to provide us and our consultants with confidence that these projects should be provided with the full allowance as requested by NIE Networks and commence in Phase 1 of RP7. For each project, in its response to our draft determination, NIE Networks adequately identified the potential quantitative and financial benefits that each of these projects will deliver in RP7, mapped to NIE Networks RP7 commitments and the measurable outputs that these projects will aim to deliver in Phase 1 of RP7.

4.4 Table 4.1 demonstrates the allowance in draft determination and our final determination allowance. As demonstrated in Paragraph 3.2 and 3.3, NIE Networks made changes to its requested allowances in response to our draft determination, necessary changes have been reflected in Table 4.1.

REF	Brief Title	NIE Year 1 Request (25/26)	NIE Year 2 Request (26/27)	UR Total Allowance Draft Determination	UR Total Allowance Final Determination
NOP03	NMS developments	✘✘✘	✘✘✘	✘✘✘	✘✘✘
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	✘✘✘	✘✘✘	✘✘✘	✘✘✘
MOP15	SAP BI Upgrade	✘✘✘	✘✘✘	✘✘✘	✘✘✘
MOP05	ServicePower (SOSA)	✘✘✘	✘✘✘	✘✘✘	✘✘✘
COM02	Intranet Refresh	✘✘✘	✘✘✘	✘✘✘	✘✘✘
FIN03	RIO continuous system improvements	✘✘✘	✘✘✘	✘✘✘	✘✘✘
AM01	C55 (ADST) Version Upgrade	✘✘✘	✘✘✘	✘✘✘	✘✘✘

REF	Brief Title	NIE Year 1 Request (25/26)	NIE Year 2 Request (26/27)	UR Total Allowance Draft Determination	UR Total Allowance Final Determination
INF01	Secure File Server	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘
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	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘
DAT02	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	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘
	Totals	£12,302,034	£8,741,022	£19,836,913	£19,339,816

Table 4.1: Final Determination for Projects with “Minded to” Allowances (excluding connections) Allocated for Phase1 of RP7 at Draft Determination

SAP 4 HANA Projects

- 4.5 In our draft determination, we acknowledged the requirement for NIE Networks to move to SAP 4 HANA and the benefits it can bring. However, we considered 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, as well as the reliance on many other projects on the SAP 4 HANA programme.
- 4.6 Similar to the projects highlighted above in Table 4.1, in its response to our draft determination, NIE Networks identified the potential benefits that each of these SAP projects will deliver in RP7, mapped to the RP7 commitments and provided measurable outputs that these projects will aim to deliver in Phase 1 of RP7.
- 4.7 Our position from the draft determination is unchanged. We have provided the investment requested by NIE Networks to begin its planned implementation of SAP 4 HANA (FIN01, FIN04, FIN05, DIG01) in our final determination for Phase 1. These projects will be reviewed as the programme develops, with the intention of confirming funding for Phase 2 of RP7.
- 4.8 For the project DIG01, we have provided an additional allowance (£~~XXXX~~ excluding connections) for Year 3. This is the only project whereby an allowance has been provided in Phase 2 of RP7. This difference can be seen in the total allowance from the draft determination to the final determination in Table 4.2 below.

REF	Brief Title	NIE Phase 1 Request	Draft Determination	Final Determination
FIN01	S/4 HANA & enhanced business reporting	£27,954,134	£27,954,134	£28,131,401
FIN04	SAP BW / BOBI & Qlik migration ⁴	£27,954,134	£27,954,134	£28,131,401
FIN05	JMS Migration	£27,954,134	£27,954,134	£28,131,401
DIG01	Customer Engagement Platform ⁵	£27,954,134	£27,954,134	£28,131,401
Totals		£27,954,134	£27,954,134	£28,131,401

Table 4.2: Final Determination for SAP Projects (Excluding Connections)

Project (PRG01) with a Partial Allowance Allocated for Phase1 of RP7 at draft determination

- 4.9 In our draft determination, we provided a partial allowance for “PRG01 Programme Management”, amounting to 50% of NIE Networks’ requested allowance in RP7 Phase 1. This resulted in an allowance over the 2-year period of £27,954,134 compared to a submission figure of £28,131,401 (including connections allocations).
- 4.10 As demonstrated in further detail in our consultant’s report (Annex X, Paragraph 3.6), we challenged the project in 3 ways (synergies, ramp-up and ramp-down and staff mix). Having considered NIE Networks’ response to our draft determination, along with subsequent discussions with the company, we agree with our consultant’s view that NIE Networks has provided sufficient additional evidence (including demonstrating the importance of a PMO function in reducing the delivery risk of the RP7 programme) to provide an increased allowance from our draft determination decision.
- 4.11 Our final allowance for Phase 1 of RP7 for PRG01 is £27,954,134 out of the requested £28,131,401. The £27,954,134 reduction results from our consultant’s and our own view that 30% to 50% of the PMO and Functional Analysts (3 proposed FTEs) proposed by NIE Networks could be remote or offshore resources. This results in a cost saving per resource of £27,954,134 per annum (or a total of £27,954,134 over the duration of Phase 1). This has been

⁴ As per NIE Networks response 2.40, FIN04 has been included in SAP projects Table 4.2 (and removed from Table 4.1)

⁵ DIG01 figures updated from Draft Determination to reflect correct allowance. As highlighted by NIE Networks Draft Determination response (2.40)

explained further in Annex X, Paragraph 3.6.

Projects not approved at draft determination stage

- 4.12 There are some of the 99 projects (and its associated recurring Opex requests) that NIE Networks has proposed to begin in Phase 1 of RP7 that we did not provide allowances for at the draft determination stage, as we required NIE Networks to provide further details and/or supporting evidence.
- 4.13 After careful consideration of NIE Networks' response to our draft determination and having various meetings with NIE Networks' IT team, we have reconsidered our allowances from the draft determination. The rationale behind our updated decisions behind individual projects have been described in further detail in Annex X. These updated allowances have been captured in Table 4.3.
- 4.14 In summary, the additional information provided by NIE Networks in its draft determination response and via subsequent queries, provided us, and our consultants, with the confidence to award NIE Networks of all of the requested allowance for Phase 1, in its latest post draft determination request (excluding PRG01, which has been discussed in Paragraph 4.9 of this annex and in Paragraph 4.7 of Annex X).
- 4.15 As previously demonstrated in Paragraph 3.2, as part of its post-draft determination review process, NIE Networks identified changes to the RP7 Digital & IT plan, resulting in some investment being removed or being deferred to Phase 2. For clarity, in Table 4.3 below, we have included the updated requests by NIE Networks, along with its original Business Plan request, our draft determination allowance and our final determination allowance.

Ref.	Brief Title	NIE Networks' BP Request Phase 1	Draft Determination Allowance	NIE Networks' Updated Request	Final Determination Allowance
DIG09	Hybrid Workplace Programme	✘✘✘	✘✘✘	✘✘✘	✘✘✘
DAT07	NMS Integration and Gtech Consolidation	✘✘✘	✘✘✘	✘✘✘	✘✘✘
DIG08	Digital Services / Product Improvement	✘✘✘	✘✘✘	✘✘✘	✘✘✘
SUS01 ⁶	Embodied Carbon Footprint	✘✘✘	✘✘✘	✘✘✘	✘✘✘
AM15	Land and Property Management System (LPMS) Implementation	✘✘✘	✘✘✘	✘✘✘	✘✘✘
DIG03	RPA – Process Automation Programme	✘✘✘	✘✘✘	✘✘✘	✘✘✘
DSO17	Use of Metering Data in Network Planning	✘✘✘	✘✘✘	✘✘✘	✘✘✘
HS01 ⁷	Contractor Portal	✘✘✘	✘✘✘	✘✘✘	✘✘✘
DSO09	Implement Heat Up!	✘✘✘	✘✘✘	✘✘✘	✘✘✘
DSO08	Development of EV Up!	✘✘✘	✘✘✘	✘✘✘	✘✘✘
DAT10 ⁸	Asset Systems Data Quality Projects	✘✘✘	✘✘✘	✘✘✘	✘✘✘
CUS08	Advanced Drone Survey technology	✘✘✘	✘✘✘	✘✘✘	✘✘✘
DIG07	Customer Self Serve Portal	✘✘✘	✘✘✘	✘✘✘	✘✘✘
DIG05	Automated Messaging	✘✘✘	✘✘✘	✘✘✘	✘✘✘
CUS10	Ground Based Lidar	✘✘✘	✘✘✘	✘✘✘	✘✘✘
DSO04	TSO/DSO Interface	✘✘✘	✘✘✘	✘✘✘	✘✘✘
DSO05	Flexible Connections Management System	✘✘✘	✘✘✘	✘✘✘	✘✘✘

⁶ As per NIE Networks response to our Draft Determination SUS01 has a revised total request

DSO10	AutoDesign Extension - LV Network Model	✘✘✘	✘✘✘	✘✘✘	✘✘✘
HS02	Public Awareness VR Technology	✘✘✘	✘✘✘	✘✘✘	✘✘✘
HS04 ⁹	Safety Data Analysis and Reporting	✘✘✘	✘✘✘	✘✘✘	✘✘✘
INF03 ¹⁰	Middleware	✘✘✘	✘✘✘	✘✘✘	✘✘✘
MOP10 ¹¹	Unmetered online inventory portal	✘✘✘	✘✘✘	✘✘✘	✘✘✘
	Total Phase 1	£7.1m	£0	£4.64m	£4.64m

Table 4.3: Allowances (Excluding Connections) for projects not allocated an allowance at the Draft Determination

Phase 2 IT projects

4.16 NIE Networks has highlighted various projects that will not commence in Year 1 or Year 2 of RP7 and some projects which begin in Phase 1 and continue into Phase 2. These projects will be part of the March 2027 reopener. The opportunity to replan within Phase 1 will allow NIE Networks to address our consultant's report expectations and further refine its future submission as set out throughout Annex X.

4.17 The review should enable a more accurate assessment of the total allowance required for these projects in Phase 2 of the RP7 period. However, there will be flexibility for Phase 1 expenditure to be deferred to Phase 2 if required. Any such changes will be considered as part of the Phase 2 replan. Project underspend in Years 1 and 2 (Phase 1) may affect future reopener allowances.

Timing and scope of the reopener

4.18 NIE Networks will submit its request for Phase 2 IT (the IT reopener) in October 2026 to us. The output will be an updated submission document with evidence and associated spreadsheets, adjusted to recognise additional

⁷ As per NIE Networks' response (6.22) to our Draft Determination, there is no longer a need for HS01

⁸ As per NIE Networks' response (6.12) to the Draft Determination. DAT10 is no longer required in Phase 1.

⁹ As per NIE Networks' response (6.24) to the Draft Determination. HS04 is no longer required in Phase 1.

¹⁰ As per NIE Networks' response (6.25) to the Draft Determination. INF03 is no longer required in Phase 1.

¹¹ As per NIE Networks' response (6.26) to the Draft Determination. MOP10 is no longer required in Phase 1.

information available at that time.

- 4.19 We will commence the assessment of the resubmission once received from NIE Networks, with a decision to be reached in advance of Year 3 of RP7.
- 4.20 The potential future development of these projects will be discussed at UR/NIE Networks touch points during Phase 1 of the price control. Further discussions and confirmation of exact timelines can also be explored during these touch point with the licensee.
- 4.21 We concur with the views expressed by our consultants in Annex X. We recommend NIE Networks consider the information contained in this Annex, including the information in the “Suggested Evidence at Reopener” sections. This aims to inform NIE Networks’ planning, suggesting additional evidence that would aid our assessment of the relevant projects at the reopener of the RP7 Price Control.
- 4.22 We have included a mechanism within NIE Networks’ licence, which will facilitate the reopener in advance of the start of Year 3 of the price control.

5. IT Opex Final Determination

- 5.1 There are other elements of NIE Networks' IT submission that are not associated with the 99 projects or recurring Opex (changes driven by Non Network IT projects). These submissions are 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).
- 5.2 In response to our draft determination NIE Networks indicated that in two instances, NIE Networks' proposes additional expenditure in relation to IT Opex. NIE Networks' commentary in relation to this additional expenditure is highlighted below in Paragraphs 5.3 and 5.4.
- 5.3 "In relation to project CUS03 (Project Management System), NIE Networks has progressed the project significantly during RP6 and now proposes a different approach to delivery than that assumed in the project brief. Additional costing information now available following procurement activities has identified lower overall project implementation costs of £~~XXXX~~ compared to the previous submission forecast of £~~XXXX~~ (although forecast spend during the RP6 Extension period has increased, as all the implementation activity will now be completed during 2024/25). It has however increased RP7 recurring IT Opex by £~~XXXX~~ over the RP7 period".
- 5.4 "NIE Networks has added some additional expenditure to its IT Opex submission during Phase 1. There will be additional costs incurred in the production of the submission for the reopener in 2026/27 to engage external support for the strategy / architectural reviews and for the cost-benefit analysis process. The requirement to provide an updated submission during the period was not understood when the original submission was prepared. As a result, £500k has been added to the forecast Opex in 2026/27".
- 5.5 As part of NIE Networks' business as usual IT costs, NIE Networks has requested an updated total allowance of £134.78m (from £133.96m before the draft determination response) 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	2.76	4.52	6.20	6.88	7.32	7.69	35.37
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	1.38	0.84	1.14	1.14	0.94	9.03
Total	15.07	21.17	20.95	22.15	23.14	23.60	23.78	134.78

Table 5.1: NIE Networks' Total IT Opex including connections (updated version submitted post draft determination response)

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	0.24	0.40	0.56	0.62	0.67	0.72	3.20
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	0.13	0.09	0.11	0.11	0.09	0.83
Total	0.99	1.52	1.47	1.59	1.67	1.73	1.76	9.75

Table 5.2: 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	1.47	2.42	3.41	3.77	4.10	4.40	19.58
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	0.83	0.53	0.69	0.69	0.58	5.38
Total	6.01	9.26	8.97	9.68	10.22	10.56	10.76	59.45

Table 5.3: 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	0.81	1.02	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	0.28	0.17	0.23	0.23	0.19	1.72
Total	2.03	2.96	2.88	2.98	3.18	3.23	3.20	18.42

Table 5.4: 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	0.90	1.20	1.34	1.34	1.35	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	0.14	0.06	0.10	0.10	0.07	0.88
Total	6.05	7.43	7.62	7.89	8.08	8.08	8.06	47.16

Table 5.5: NIE Networks' Total IT Opex for market operations

5.6 Below we highlight our final determination views 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)

5.7 "The changes driven by Non-Network IT" (recurring Opex) which have been included within NIE Networks overall Total Opex (Table 5.6), are associated with a number of the 99 IT projects, therefore, NIE Networks has included these costs within its revised IT plan.

5.8 NIE Networks has requested a total of £35.37m (including connection cost allocations) of recurring Opex over the full 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 £31.9m in recurring Opex.

5.9 At the draft determination, we proposed to allow £4.5m (excluding connections) for the recurring Opex for Year 1 and 2 of RP7. For the final determination we are proposing to provide £6.02m (excluding connections).

- 5.10 Similar to our decision in our draft determination, 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 reopener at the end of Year 2, as they are linked to the 99 projects and therefore should be treated as such. We recognise that NIE Networks' response acknowledges that this approach protects NIE Networks and customers as the actual costs of operating many of the new solutions will be fully understood at the point of the reopener and the allowance will reflect that certainty.
- 5.11 The breakdown of our allowances is demonstrated below in Table 5.6.

Opex Changes Resulting from Non Network IT Projects included in the IT Business Plan								RP7 Phase 1 NIE Networks' Request	RP7 Phase 1 Final 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	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂ ✂	✂✂✂	✂✂✂

CUS03	Project Management System	✂ ✂	✂ ✂	✂ ✂	✂ ✂	✂ ✂	✂ ✂	✂✂✂	✂✂✂
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 Final Determination allowance (including connections)		2,760	4,521	6,108	6,295	6,119	6,110	31,912	7,280
Total Final Determination allowance (excluding connections)									6,019

Table 5.6: Final Determination Recurring Opex Allowances

5.12 We have accounted for this proposed expenditure from Year 3 onwards for the recurring Opex, within both tariffs and financeability as a placeholder, as this represents the best current information on the scale of the future NIE Networks' submission.

5.13 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

5.14 Unlike the 99 IT projects and recurring Opex, these allowances have been provided for in the final determination for the full RP7 period and are not part of the IT reopener.

Business as usual IT & telecoms

5.15 For BAU IT and Telecoms, NIE Networks has combined IT with the Enduring Solution (Market Operations), as demonstrated in Table 5.7 below. The requests from NIE Networks are unchanged from the draft determination, in

Paragraph 5.25 below, we look at the Enduring Solution costs separately

£m	RP7							FD Request	FD Allowance
	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	41.04	41.04	
Corporate Telecoms	1.06	1.06	1.07	1.08	1.09	1.10	6.47	6.47	
Operational Telecoms	0.88	0.88	0.88	0.88	0.88	0.88	5.28	5.28	
Enduring Solution	5.01	5.23	5.28	5.28	5.28	5.28	31.34	31.34	
Total (Including Connections)	13.79	14.01	14.07	14.08	14.09	14.10	84.14	84.14	
Total (Excluding Connections)	12.00	12.22	12.28	12.28	12.29	12.30	73.39	73.39	

Table 5.7: Business as usual IT & Telecoms final determination

- 5.16 Within the Core IT line from Table 5.7, our draft determination indicated that some of these costs such as Service Management, Infrastructure Support, Applications Support and Software Licencing have increased from RP6 years. The company 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.
- 5.17 As highlighted in our draft determination, we agree with NIE Networks' rationale behind these cost increases from RP6 for Core IT, corporate and operational telecoms. Therefore, our final determination remains the same as that set out in our draft determination, with the full allowance awarded to NIE Networks for BAU IT and Telecoms Costs across distribution and transmission as demonstrated in Table 5.7.

Changes Driven by Network IT Projects

- 5.18 NIE Networks has requested £6.2m for 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 two 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	RP7 Final Determination Allowance
Opex Changes Resulting from Network IT Projects										
NIP-01	LV Monitor Data & Communication Costs	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘
NIP-02	Network Automation Devices	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘	⌘⌘⌘
TOTAL		506	1,025	1,031	1,037	1,044	1,050	1,056	6,243	6,243

Table 5.8: Changes driven by networks IT projects final determination (Transmission and distribution only)

- 5.19 We proposed the provision of a full allowance in our draft determination for the 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 3,685 ground-mounted distribution substations and 1,773 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.
- 5.20 Our final determination position remains the same as our draft determination, by providing the full requested allowance of £6.2m.

New IT Opex since base year 2021/22

- 5.21 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 Table 5.9 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/ Reopener	✂✂✂ ✂	✂✂✂ ✂	✂✂✂ ✂	✂✂✂ ✂	✂✂✂ ✂	✂✂✂ ✂	✂✂✂ ✂	✂✂✂	✂✂✂
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									9,033	7,833
TOTAL RP7 request/allowance excluding connection allocations									7,214	6,259

Table 5.9: – New IT Opex since base year 2021/22

- 5.22 NIE Networks highlighted that as part of its response to our draft determination they have requested an additional £0.5m (as highlighted in Year 2 of Opex-02 in Table 5.9). The request is for the production of the submission for the IT reopener in 2026/27.
- 5.23 In our draft determination, we provided an allowance for the majority of the proposed new opex charges that have been included within the scope of the base year.
- 5.24 In our draft determination, we demonstrated that we did not agree with NIE Networks' request for £0.7m for support for RP8 preparation. We do not agree with NIE Networks' updated, additional request of £0.5m as seen in "Opex-02" for RP7 reopener at the end of Year 2.
- 5.25 While we agree that there is importance in the preparation for the next price control period and we recognise NIE Networks' draft determination response, that this area of IT has been carried out on a bottom-up basis. It remains our view that, an efficient licensee would have these preparation costs built into its business costs via its annual RIGs reporting and ongoing business plan preparations.
- 5.26 Therefore, our final determination allowance remains the same as demonstrated in our draft determination. We will be providing an allowance of £6.3m out of the total requested £7.2m (excluding connections).

Enduring solution

- 5.27 NIE Networks has requested £41.7m for enduring solution costs over the RP7 period. These costs are made up of IT Support Costs, Hardware,

Software and Market Entry Costs and Market Services Staff Costs. We provided an allowance at the draft determination of £38.3m out of a requested £41.7m. The breakdown of requested allowances is demonstrated in Table 5.10.

£m 21/22 Prices	RP7							Total RP7 request	Draft Determination 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 5.10: Enduring solution draft determination allowance

- 5.28 In our draft determination, we agreed with the 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.
- 5.29 However, we also noted in our draft determination, 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 (equating to £1.93m over RP7). Our draft determination indicated that in the last decade there has been 3 new market entrants, therefore we suggested that NIE Networks' proposal of 1 new entrant per year was an ambitious target. We proposed an allowance of the Market Cost line of £0.64m (as demonstrated in Table 5.10).
- 5.30 Having reviewed NIE Networks' response to our draft determination, we have now amended our final decision. Through NIE Networks' response to our draft determination and subsequent meetings, we now recognise that there has been a total of 13 new market entrants in the 14 years since the NI

retail market opened in 2011. NIE Networks provided robust evidence to demonstrate these market entrants.

- 5.31 In receiving this new evidence, we provide the full allowance as requested by NIE Networks of £1.93m as part of our final determination.

Changes driven by non-network IT

- 5.32 NIE Networks has requested £2.03m for Changes driven by Non Network IT, in our draft determination we provided an allowance of £0.45m. Our final determination decision remains the same. This allowance reflects the Market Operation cost allowances demonstrated in the “Changes Driven by Non-Network IT”.

Market service staff costs

- 5.33 NIE Networks has requested £8.3m for Market Service staff, this is for 29 Full Time Equivalent (FTEs) across Market Services, an increase from 23.5 FTEs in as per the 2023 RIGS. The breakdown of the 29 FTEs is provided below along with our 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 5.11: Market service FTE draft determination allowance

- 5.34 The draft determination demonstrated that we were unconvinced that the quantification of FTEs was justified across the Central Design Authority and the Systems Management areas.
- 5.35 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 the need for an additional FTE.

5.36 NIE Networks provided additional information in its response to our draft determination in relation to our queries. This additional information provided us with the evidence needed to justify the need for the full requested FTE allowances (£8.3m) across the Central Design Authority and the Systems Management areas.

5.37 Subsequently, we have provided an allowance at the final determination of £40.11m, representing an increase from the draft determination allowance of £38.3m. This has been displayed in further detail in Table 5.12.

£m 21/22 Prices	RP7 request							Total RP7 request	FD Allowance
	25/26	26/27	27/28	28/29	29/30	30/31			
Service Management	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Infrastructure Support	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Applications Support	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Corporate Network	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Software Licenses	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
3rd Party Telecoms charges	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Market Costs	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Changes Driven By Non Network IT	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Market Service Staff Costs	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
ES Total	6.62	6.88	7.04	7.08	7.08	7.08	41.7	40.11	

Table 5.12: Enduring solution final determination allowances

Other operating costs incurred by market operations – IT and telecoms

5.38 NIE Networks has 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.

- 5.39 The £13.8m requested allowance can be further broken down into the following lines, as demonstrated in Table 5.13.

£m	RP7						Total request (m)	Total FD 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	0.65	0.84	0.94	0.94	0.95	4.7	1.03
New IT Opex since base year 2021/22 – IT and Telecoms	0.47	0.14	0.06	0.10	0.10	0.07	0.95	0.77
Total	2.21	2.06	1.41	1.41	1.41	1.42	13.78	9.93

Table 5.13: Market Operations for IT and Telecoms Allowances for Final Determination

- 5.40 The decision in our final determination remains the same as those set out in our draft determination with a final allowance of £9.93m out of the requested £13.8m.
- 5.41 We have provided a total allowance of £1.03m for changes driven by Non-Network IT projects out of the total requested £4.7m. This allowance reflects the Market Operation cost allowances associated with “Changes Driven by Non-Network IT” (recurring Opex). The £1.03m equates to NIE Networks requests in Year 1 and Year 2, the remaining costs for Phase 2 of RP7 will be reconsidered as part of the IT reopener.
- 5.42 For the “New IT Opex since base year 21/22” we have provided a total allowance of £0.77m out of the £0.95m requested by NIE Networks, this reduction reflects the allowances not provided, for that is associated with the Market Operations cost allocations linked to “Support for RP8 preparation/RP7 Reopener” in Table 5.9.

6. Conclusions and Next Steps

- 6.1 The outcomes of our deliberations on IT and Digitalisation can be summarised as follows:
- a) Provision of an allowance for Years 1 and 2 (Phase 1) for the 99 IT projects and associated recurring Opex of £60.4m (excluding connections).
 - b) The remaining Years 3-6 will be considered as part of an IT reopener occurring after Year 2. The output will be an updated submission in October 2026, including documentation and associated spreadsheets, adjusted to recognise additional information.
 - c) Our consultant's report (Annex X) highlights "Suggested Evidence at Reopener" sections. This will aim to inform NIE Networks' planning, suggesting additional evidence that would aid UR's assessment of the relevant projects at the reopener.
 - d) We welcome further discussions (including the confirmation of exact timelines) during touch points with the licensee throughout Years 1 and 2 of RP7.
 - e) For IT Opex, Enduring Solution and Market operations, we have provided an allowance of £96m (excluding recurring Opex allowances) for the RP7 period. These elements of IT and Digitalisation will not be part of the IT reopener.
 - f) The total value of our allowances for RP7 is £251.3m (excluding connections), this represents 99% of NIE Networks request which has been accounted for, within the financeability as a placeholder this represents the best current information on the scale of the future NIE Networks' submission.