

DECISION TO MODIFY SONI LIMITED'S TRANSMISSION LICENCE

**Two-year extension to the current
SONI Price Control (SRP20)
Decision Paper
28 May 2025**

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.

The graphic features a dark blue background with a large green square in the top right corner. The Utility Regulator logo is in the top left. The content is organized into two columns. The left column contains 'OUR MISSION' and 'OUR VISION'. The right column contains 'OUR VALUES' followed by five values: ACCOUNTABLE, TRANSPARENT, COLLABORATIVE, DILIGENT, and RESPECTFUL.

Utility Regulator

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

ACCOUNTABLE:
We take ownership of our actions.

TRANSPARENT:
Ensuring trust through openness and honesty.

COLLABORATIVE:
Connecting and working with others for a shared purpose.

DILIGENT:
Working with care and rigour.

RESPECTFUL:
Treating everyone with dignity and fairness.

ABSTRACT

In February 2025 we published a consultation to extend the current SONI price control or Review of Prices (known as SRP20) by two years. This was to allow further time to address governance issues and other concerns.

We are now publishing our decision on licence modifications which enables the two-year extension into the 2026-27 tariff year. The SRP20 extension licence modifications set the amount of revenue SONI will have to run its business for the two years beginning on 1 October 2025 and ending on 30 September 2027.

AUDIENCE

This document is likely to be of interest to the licence holder affected, consumers and consumer groups, other regulated companies in the energy industry, government and other statutory bodies.

CONSUMER IMPACT

The SRP20 price control extension aims to set an efficient revenue cap to enable SONI to deliver its functions and quality outputs that customers need. SONI's internal costs are relatively small in terms of the final electricity bill. However, SONI's decisions and performance has a significant impact on the overall electricity network and system-wide costs.

Contents

1.	Introduction.....	4
	Purpose of this document.....	4
	Background for licence modifications.....	4
	Document structure	8
2.	Modifications to Extend the SRP20 Period	10
	Proposals overview.....	10
	Reasons for and effects of extending the SRP20 period.....	12
	Effects of changes.....	13
	Consultation responses.....	14
	Final decision	17
3.	Modifications to Financial Values.....	18
	Overview of proposed modifications to financial values.....	18
	Reasons and effects of the modifications to financial values.	23
	Consultation responses.....	24
	Final decision	24
4.	Other Modifications	25
	Overview of other modifications	25
	Reason for change.....	25
	Effect of changes.....	26
	Consultation responses.....	26
	Final decision	26
5.	Next Steps	27

Annexes

Annex	Annex title
Annex A	Notice under Article 14(8)-(10) of the Electricity (NI) Order 1992 – Modifications to Annex 1 of the TSO Licence held by SONI.
Annex B	Modifications to Annex 1 of the TSO Licence (marked up version).
Annex C	Modifications to Annex 1 of the TSO Licence (clean version).
Annex D	Consolidated responses to the consultation.

1. Introduction

Purpose of this document

- 1.1 Our principal objective in carrying out the duties associated with our electricity functions is to protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission, distribution or supply of electricity, as set out more fully in the Energy (Northern Ireland) Order 2003 (**the Energy Order**)¹.
- 1.2 Utility Regulator (**UR**) must carry out its functions in the manner which it considers is best calculated to further the key objective, having regard to:
 - a) the need to secure that all reasonable demands for electricity in Northern Ireland or Ireland are met; and,
 - b) the need to secure that licence holders can finance the activities which are the subject of obligations imposed by or under Part II of the Electricity (Northern Ireland) Order 1992² (**the Electricity Order**) or the Energy Order.
- 1.3 UR must also carry out its functions consistently with several other duties set out in full at Article 12 of the Energy Order.
- 1.4 In line with these duties, this document sets out our decision to modify the Transmission System Operator (**TSO**) licence held by SONI Limited (System Operator for Northern Ireland).
- 1.5 The licence modifications set out in this decision paper will extend the duration of the current SONI price control or review of prices (**SRP20**) by two years. The effect will be to move the end date of the current price control from the 30 September 2025 to the 30 September 2027.

Background for licence modifications

- 1.6 SONI is the independent electricity TSO for Northern Ireland. It operates under a licence first granted by the Department of Enterprise, Trade and Investment (now the Department for the Economy) in July 2007. The current consolidated version of the licence including subsequent modifications is published on UR's website³.

¹ <https://www.legislation.gov.uk/nisi/2003/419/contents>

² <https://www.legislation.gov.uk/nisi/1992/231/contents>

³ <https://www.uregni.gov.uk/files/uregni/documents/2022-11/2022-11-18%20SONI%20TSO%20Consolidated.pdf>

- 1.7 In addition to licence conditions which set out SONI's rights and obligations to operate as the electricity TSO, the licence sets out the method for calculating the Maximum Core Revenue which SONI can recover from electricity suppliers and generators to fund its operations (Licence Annex 1 - Charge Restrictions). This includes, but is not limited to:
- a) Provision to pass through certain costs including ancillary services, transmission network revenues which may be recovered by NIE Networks and electricity market operation costs.
 - b) Ex-ante operational expenditure (opex) and capital expenditure (capex) allowances.
 - c) Pension deficit repair amounts.
 - d) Additional allowances related to activities determined under defined uncertainty mechanisms (UMs).
 - e) Various incentive mechanisms and financing costs.
- 1.8 The SONI licence is modified from time to time through a price control process. During the price control process, the company submits a business plan setting out its estimate of costs, including financing costs, necessary to deliver its obligations. Following a process of engagement, challenge and consultation, UR makes a determination for the price control period which is then codified in modifications to the SONI licence.
- 1.9 The most recent price control determination by UR (SRP20⁴) covers the period from 1 October 2020 to 30 September 2025. Paragraph 5.1 of Annex 1 of the current SONI licence notes that the restrictions on charges outlined in the current licence do not apply to tariff years from 1 October 2025 onward.
- 1.10 During engagement on the next price control, SONI raised concerns about the timing of the business plan submission in relation to the appointment of a new SONI Board in June 2023 under a new Licence Condition 42 (which became effective on 22 November 2022). Licence Condition 42 was introduced to better regulate the structure of the SONI Board and the sharing of management and resources between SONI and EirGrid.
- 1.11 Having considered the matter further, the company formally wrote to UR on the 27 April 2023 explaining its concerns and asking UR *"to extend SONI's current Price Control 2020-2025 by one additional year."*
- 1.12 UR consulted on the deferral of the next price control in June 2023. A final decision⁵ was made on 29 August 2023. This decision determined that a deferral was the most appropriate way to further our principal objective.

⁴ <https://www.uregni.gov.uk/news-centre/soni-2020-2025-price-control-decision-published>

⁵ <https://www.uregni.gov.uk/news-centre/decision-published-deferral-start-date-next-soni-price-control>

However, it was recognised in the decision that UR would have to consult on the methodology for addressing the interim year.

- 1.13 Subsequent to this, on 20 December 2024, SONI requested an extension of the price control by a further year, so that there would be a two-year extension period overall. The further extension was to facilitate additional work associated with the governance programme and other key projects such as FASS (Future Arrangements for System Services).
- 1.14 Under the current licence there is an option to roll-over tariffs in nominal terms if modifications are not in place. However, SONI has noted various problems with this approach including:
 - a) The Conditional Cost Sharing (CCS) methodology would be void (as inputs to the calculation would not be defined in Annex 1).
 - b) SONI envisages significant complications with K_t factor (over / under recovery) calculations and closing out the price control.
- 1.15 SONI's preference was for UR to consult on changes to Annex 1 of the licence i.e. Charge Restrictions. SONI noted that a submission for proposed 2025-26 and 2026-27 values would likely be set at a similar level to the previous years for pragmatic reasons and to avoid lengthy negotiation between the two parties.
- 1.16 UR agreed with this position and published the two-year extension consultation on 19 February 2025.⁶ The modifications proposed in the consultation related to Annex 1 (Charge Restrictions) of the SONI TSO licence. We stated the reasons and effects of the proposed modifications.
- 1.17 The licence modifications set out in this decision paper and itemised in Table 1.1 **Error! Reference source not found.** below, are intended to:
 - a) Extend the duration of the SRP20 price control by two years by modifying the end date from the 30 September 2025 to the 30 September 2027.
 - b) Extend the definition of various terms to include the year ending 30 September 2027.
 - c) Introduce allowances for the SRP20 extension years including values for opex, capex, network planning and pension deficit repair.
 - d) Correct values for base opex which were incorrectly applied in the price control, in order that CCS decisions can be taken on appropriate allowances.

⁶ <https://www.uregni.gov.uk/consultations/consultation-two-year-extension-current-soni-price-control-srp20>

- e) Address some other minor licence changes to provide clarity.
- 1.18 These modifications allow the maximum regulated revenue to be calculated for the additional years of the SRP20 price control period (i.e. 1 October 2025 to 30 September 2027) for the purpose of setting TSO tariffs.
- 1.19 For certain financial considerations (i.e. cost of debt and equity) we have determined to maintain the existing values for the SRP20 extension years necessary to calculate the rate of return amount and associated financial parameters.

Table 1.1: Overview of licence modifications

Type of Licence Modification	Reference
Modifications to extend the SRP20 period	
Definition of the price control decision paper	Annex 1, Paragraph 1.1 (definitions)
Relevant year definition table	Annex 1, Paragraph 1.2
Extension of the RAB model	Annex 1, Paragraph 2.4
Duration of SSS/TUoS charge restrictions	Annex 1, Paragraph 5.1
Modifications for extension year allowances	
Base ($B0t$) and enhancement ($U0t$) opex which make up most of the Bt opex allowances ($t=6$ and $t=7$)	Annex 1, Paragraph 2.2(b)(iii) Table A
Pension deficit repair allowance ($PDRt$) set at price control stage which feeds into the PRt revenue ($t=6$ and $t=7$)	Annex 1, Paragraph 2.2(c)(ii) Table B
Network planning and scoping allowance ($SFPt$) which feeds into the SFt revenue term ($t=6$ and $t=7$)	Annex 1, Paragraph 2.2(h)(ii)(B) Table C
Base and enhancement capex for both the buildings and non-buildings regulatory asset base (RAB) ($t=6$ and $t=7$)	Annex 1, Paragraph 2.3(d)(ii)(C) Table E
Modifications for CCS allowances	
Base ($B0t$) and enhancement ($U0t$) opex which make up most of the Bt opex allowances ($t=1$ to $t=5$)	Annex 1, Paragraph 2.2(b)(iii) Table A
Minor modifications	
Definition of the Average Specified Rate	Annex 1, Paragraph 1.1 (definitions)

- 1.20 The closing date for responses to the licence consultation was 2 April 2025. In preparing this decision paper we have carefully considered the four responses received from SONI, NIE Networks, Renewables NI (RNI) and the Consumer Council (CCNI). We have considered whether any amendment to the proposals made in our consultation paper was merited.
- 1.21 Having considered the responses to the consultation, UR considers that the licence modifications now set out in this document are those which are best

calculated to comply with our statutory duties. Those modifications are substantially the same as those on which we consulted.

- 1.22 When making these licence modifications, UR must, under Article 14(8) – (10) of the Electricity Order:
- a) Publish the decision and the modifications in such manner as it considers appropriate for the purpose of bringing them to the attention of persons likely to be affected by the making of the modifications.
 - b) State the effect of the modifications.
 - c) State how it has taken account of any representations duly made to the consultation.
 - d) State the reason for any differences between the modifications and those set out in the original consultation notice.
- 1.23 Decisions under Article 14(8) – (10) of the Electricity Order are being issued in respect of the modifications to the TSO licence. These are included in this document as Annex A (notice), Annex B (licence changes - markup) and Annex C (licence changes – final) respectively.

Document structure

- 1.24 This paper is structured in a number of chapters as follows:
- Chapter 1 Introduction provides an overview of the purpose and structure of this decision document and provides an overview of the licence modifications.
 - Chapter 2 Modifications to Extend the SRP20 Period sets out the changes to the licence necessary to extend the current price control by two years, including the reasons for and effects of the modifications, our consideration of the consultation responses and our final decision.
 - Chapter 3 Modifications to Financial Values sets out the changes to key tables in Annex 1 of the licence which are necessary as a result of the extension to the price control period and to correct some historical values, including the reasons for and effects of the modifications, our consideration of the consultation responses and our final decisions.
 - Chapter 4 Other Modifications sets out other licence modifications, including the reasons for and effects of those modifications, our consideration of the consultation responses and our final decisions.
 - Chapter 5 Next Steps sets out process and timelines for the remainder of the licence modification process.

- 1.25 This decision document is complemented by the following annexes:
- a) Annex A – Setting out the statutory decision under Article 14(8) – (10) of the Electricity Order for UR to modify the TSO licence.
 - b) Annex B – Showing the modified licence in tracked changes to show the changes being made to Annex 1 of the licence.
 - c) Annex C – Showing a ‘tracked changes accepted’ final version of the changes to Annex 1 of the licence.
 - d) Annex D – Publishing the responses received to the licence modification consultation by SONI, NIE Networks, Renewables NI (RNI) and the Consumer Council (CCNI).
- 1.26 We have also published the revised RAB model as required by the licence changes being implemented.

2. Modifications to Extend the SRP20 Period

Proposals overview

- 2.1 The overall purpose of the modifications to the SONI licence is to extend the SRP20 period by two years to end on the 30 September 2027. Four key licence modifications are required to extend the SRP20 price control period:
- a) Definition of price control decision paper (Annex 1, Paragraph 1.1).
 - b) Relevant year definition table (Annex 1, Paragraph 1.2).
 - c) Extension of the RAB model (Annex 1, Paragraph 2.4).
 - d) Duration of SSS/TUoS charge restrictions (Annex 1, Paragraph 5.1).
- 2.2 Each modification, the reasons/effects, consultation responses and final decisions are set out in detail below.

Price control decision paper

- 2.3 We proposed to change the definition of the term 'Price Control Decision Paper' in paragraph 1.1 of Annex 1 of the licence definitions section. This is currently defined as; (i) the 2020-25 price control final determination (21 December 2020); and (ii) the licence modifications decision paper (19 November 2021).
- 2.4 We proposed to add the following text to the current definition:
- '(iii) the decision paper issued by the Authority on 28 May 2025 in relation to the two-year extension period.'

Relevant year definition table

- 2.5 Each of the relevant tariff years of the price control are defined by numbers corresponding to time periods. We proposed to modify the table at Paragraph 1.2 of the current licence to include a t=6 and t=7 year as shown on Table 2.1 below.

Table 2.1: Definition of price control relevant years

Relevant Year t / y	Relevant Year
1	October 2020 - September 2021
2	October 2021 - September 2022
3	October 2022- September 2023
4	October 2023 - September 2024
5	October 2024 - September 2025
6	October 2025 - September 2026
7	October 2026 - September 2027

Extension of the RAB model

- 2.6 Calculation of the buildings and non-buildings depreciation and return (BNBt term) is dependent on a Regulated Asset Base (RAB) spreadsheet published on the 19 November 2021. However, this model does not cover the 2025-26 and 2026-27 tariff years. We propose to modify Annex 1 paragraph 2.4 as follows:

“where DP_{R_t} means the net RAB depreciation amount in respect of each RAB_R for Relevant Year t, where that amount shall be derived from the values for Relevant Year t calculated in row 6 (for DP_{NB_t}) and row 13 (for DP_{BD_t}) of tab “RAB Summary (2020-27)” of the spreadsheet “RAB Model 2020-27” published by the Authority on 28 May 2025 provided that:”

- 2.7 This will facilitate extension of allowances to the extension years. The original RAB spreadsheet is also referenced in paragraph 2.3(c)(i) with respect to the opening RAB values. This reference is not proposed to change as the opening RAB values for the price control in $t=1$ are not impacted by the extension year.

Duration of SSS/TUoS charge restrictions

- 2.8 Paragraph 5.1 of Annex 1 determines the point at which charge restrictions no longer apply. This needs to be extended by two years. We proposed to modify paragraph 5.1 as follows:

“The restrictions on SSS/TUoS Charges outlined in paragraph 2 of this Annex do not apply to tariff years from 1 October 2027 onwards. However, if no modifications to apply any different restrictions with effect from that date are made then, until any such modifications are made, the licensee shall not increase (in nominal terms) any of the tariffs or charges contributing to its Actual Regulated Revenue above the levels applicable on 1 October 2026, except where:”

- 2.9 This will ensure that the additional allowances set out in Chapter 3 will apply when tariffs are calculated for the extension years. It also confirms that if no

modifications are in place for the next price control (SRP27), the tariff applicable in the last extension year (2026-27) will apply.

Reasons for and effects of extending the SRP20 period

- 2.10 As set out above;
- a) The most recent price control determination by UR (SRP20) covers the period from 1 October 2020 to 30 September 2025. Paragraph 5.1 of Annex 1 of the current SONI licence notes that the restrictions on charges outlined in the licence do not apply to tariff years from 1 October 2025 onward.
 - b) During engagement on the next price control, SONI raised concerns about the timing of the business plan submission in relation to the appointment of a new SONI Board in June 2023 under a new Licence Condition 42 (which became effective on 22 November 2022). Licence Condition 42 was introduced to better regulate the structure of the SONI Board and the sharing of management and resources between SONI and EirGrid.
 - c) Having considered the matter further, the TSO formally wrote to UR on the 27 April 2023 explaining its concerns and asking UR *“to extend SONI’s current Price Control 2020-2025 by one additional year.”*
 - d) Subsequently, on 20 December 2024, SONI requested that the extension period be increased by a further year to make a two-year extension period overall. The further extension was to facilitate additional work associated with the governance programme and other key projects such as FASS (Future Arrangements for System Services).
- 2.11 We provisionally concluded that it was appropriate to allow SONI a further year to implement new governance arrangements before it submitted a business plan for the next price control period. For this reason, we proposed to delay the start of the next price control for two years. This was the subject of our consultation.
- 2.12 Various revenue terms are defined in relation to the ‘Price Control Decision Paper’. Whilst it is important to retain the original definition for allowances or decisions that are not changing (i.e. cost of debt or equity), this definition change will facilitate decisions for the extension years.
- 2.13 The other changes to the relevant years, RAB model and duration of charge restrictions merely extend the scope of the current price control to cover the additional two years.

Effects of changes

- 2.14 The effect of the modifications is to extend the SRP20 period by two years. Changes will ensure that the relevant allowances for the 2025-26 and 2026-27 tariff years can be implemented accordingly. The start of the next price control will also be delayed to the 1 October 2027.
- 2.15 It is necessary to make these further modifications to define various allowances included in the licence which are used in the calculation of tariffs in the additional two years of the SRP20 period. The modifications are set out in the chapters below.
- 2.16 While not part of the licence, the programme for delivery of the next price control will be delayed by a year. We set out the programme for the next price control when we published our decision on the Approach to the next price control in May 2024. The revised programme is set out below.

Table 2.2: Revised SONI price control programme

SRP27 Key Milestones	Timeline ⁷
Publish draft approach to SONI price control	February 2024
Consultation on draft approach closes	End of March 2024
UR publishes final approach to price control and final information requirements	31 May 2024
SONI submits proposed values for licence terms for extension consultation	10 July 2024
Consultation on licence modifications for two-year extension issued	19 February 2025
Response to consultation on licence mods for two-year extension (6-week consultation)	2 April 2025
Decision on licence mods for two-year extension published	28 May 2025
Business plan submission	2 March 2026
Publish draft determination	31 August 2026
Consultation on the draft determination ends (12-week consultation)	23 November 2026
Publish final determination and proposals on licence modifications	30 March 2027
Close of representations on proposals (4-week consultation)	30 April 2027
Decision on licence modifications published	30 June 2027
Licence modifications come into effect	1 October 2027

⁷ The timings of these milestones are subject to change. They may also be impacted by other workstreams such as the TUoS collection agent risk consultation or the FASS programme etc.

Consultation responses

- 2.17 Extension of the price control by a further year was the main point of focus for consultation responses. Whilst SONI indicated general contentment, and no consultee raised a direct objection to the proposal, other stakeholders made a variety of points on the extension. These are set out in the table below alongside our views.

Table 2.3: Consultation feedback issues and UR response

	Consultation Response	UR Views
1	<p>The next two years are a critical period in the run up to 2030 and delivery of the Climate Change Act target of 80% RES-E. Thus, NIE Networks does have some reservations that this further delay in introducing a new price control for SONI will have a knock-on effect on SONI's ability to deal with the step-up in transmission investment needed for delivery of these targets in time.</p> <p>[NIEN Response]</p>	<p>During the extension of the price control period, we will continue to respond to SONI's requests for further funding to support the delivery of the Climate Change Act target of 80% RES-E and SONI's proposals in respect of Condition 42 of its licence.</p> <p>SONI already has in place separately defined uncertainty mechanisms to facilitate additional network planning work and transmission pre-construction activity. As a result, the extension itself should not be a barrier to delivery of the Climate Change Act target of 80% RES-E.</p>
2	<p>We would also ask the UR to consider the impact this extension has on the work to transfer transmission SCADA assets to NIE Networks and the associated delivery project.</p> <p>[NIEN Response]</p>	<p>As detailed in the consultation paper (para 3.14, p20) base opex allowances include an uplift for the operational telecoms network (OTN) as this functionality has not yet transferred. This decision provides more time to consider the aspects associated with the asset transfer.</p>
3	<p>RNI has no objections to the proposed extension of the SRP20 price control period, on the condition that this extension facilitates the effective implementation of the SRP27 period in a way that supports Northern Ireland's renewable electricity targets.</p> <p>[RNI Response]</p>	<p>It is our expectation and SONI's stated intention that the extension will allow submission of a high-quality business plan by March 2026.</p>

	Consultation Response	UR Views
4	<p>This extension should allow SONI the necessary time to address key challenges in system operation, particularly in enabling increased renewable penetration and supporting grid flexibility.</p> <p>[RNI Response]</p>	<p>Addressing issues around renewable penetration and grid flexibility is a more time-consuming workstream than the additional price control extension.</p> <p>SONI published their Dispatch Down Action Plan in December 2024. They also issued their Operational Policy Roadmap 2025-35 detailing future actions in this area.</p>

	Consultation Response	UR Views
5	<p>We would take this opportunity to emphasise some of our key points that should be taken into account for SRP27, including:</p> <ul style="list-style-type: none"> • SONI must facilitate an efficient and responsive grid: The SRP27 period should ensure that SONI has the flexibility to develop the system in a way that supports increased renewable electricity connections and reduces grid constraints. This includes allowing for timely and proactive investment. • Investment ahead of need: RNI believes that the current approach, where grid investment lags behind renewable deployment, is not sustainable. The SRP27 period should enable SONI to take a more strategic, forward-looking approach to system planning to avoid delays in renewable integration. • Managing uncertainty should not delay progress: While we acknowledge the need for careful consideration of uncertainty, it must be recognised that decarbonisation will always involve evolving technologies and unforeseen challenges. The next price control should ensure that uncertainty does not become a barrier to necessary grid and market developments. • Alignment with renewable electricity support mechanisms: The SRP27 period should take into account the design of the forthcoming Renewable Electricity Support Scheme (NI RESS) and ensure that the transmission system is equipped to handle the expected increase in renewable capacity. <p>[RNI Response]</p>	<p>We note the points made by RNI and agree that these are key issues which must be considered for the SRP27 price control.</p>

	Consultation Response	UR Views
6	<p>In our response to the original consultation deferring the next SONI price control by one year (03 July 2023), we highlighted the potential risks for customers and regulated companies but agreed that the rationale put forward by SONI meant that an extension was necessary.</p> <p>[CCNI Response]</p>	<p>We welcome this agreement.</p>
7	<p>Our view remains the same – it is important that price controls are not regularly extended one year at a time, but we agree that the “additional work associated with the governance programme and other key projects such as FASS” and the UR’s analysis justifies the further extension.</p> <p>[CCNI Response]</p>	<p>We agree with CCNI's view that price controls should not be regularly extended one year and a time. We set out our reasons for extending the price control in our consultation document and we consider this the right thing to do in the circumstances.</p>
8	<p>It is important that the regulator ensures that, at the end of this extension, a full price control process is implemented, with a full business plan and assessment of costs.</p> <p>[CCNI Response]</p>	<p>When SONI sought a further extension we wrote to the company seeking assurance that the price control business plan will proceed in 2026 (taking account of the derogation process in respect of Condition 42 of the licence). The company responded providing that assurance.</p>

- 2.18 The feedback was generally supportive of the extension with RNI making further general points about the next price control. We agree with CCNI that further extensions are very unlikely to be appropriate. It is imperative that stakeholders get a chance to provide views on costs, outputs and strategic direction as afforded by the price control process.

Final decision

- 2.19 Given consultation feedback, we have determined that the extension modifications should be implemented in the same format to the consultation proposals. The only substantive change is to finalise the date of the ‘price control decision paper’ and ‘RAB model’ to be in line with the publication date of this decision paper i.e. 28 May 2025.

3. Modifications to Financial Values

Overview of proposed modifications to financial values

- 3.1 The current TSO revenue formula is defined at Paragraph 2.2 of Annex 1 of the current licence as follows:

$$MC_t = A_t + B_t + PR_t + CSB_t + EP_t + NIA_t + D_t + SF_t + K_t + N_t + BNB_t + PCR_t + AB_PC_t + Z_t - CIO_t$$

- 3.2 The calculation of the individual terms of the equation are further defined in the licence in sub-paragraphs of the same Paragraph 2.2, taking account of pass through costs, fixed allowances, uncertainty mechanisms, financing costs and incentive adjustments.
- 3.3 Within the licence there are four key financial tables which provide fixed allowances. Due to the delay to the start of the next price control, it is necessary to implement further modifications to these tables of fixed allowances. The changes extend the determined values by two years and make other minor corrections by modifying the following tables:
- a) Table A - base ($B0t$) and enhancement ($U0t$) opex which make up most of the Bt opex allowances (excluding any uncertainty mechanism provisions).
 - b) Table B – pension deficit repair allowance ($PDRt$) set at price control stage which feeds into the PRt revenue term.
 - c) Table C – network planning and scoping allowance ($SFPt$) set at price control stage which feeds into the SFt revenue term.
 - d) Table E - base and enhancement capex allowances for both the buildings and non-buildings regulatory asset base (RAB).
- 3.4 We proposed modifications following engagement with SONI on the appropriate allowance for values in the extension year. These values are generally an extension of the determined values for the current SRP20 price control period, noting that SONI's expenditure is currently reflective of these allowances.
- 3.5 The mechanisms in the current licence which allow additional allowances to be determined to address changing circumstances and new requirements will continue to apply.
- 3.6 In this section we summarise the consultation proposals for modifications to each of these tables. First, we reproduce the current licence table for the existing five-year price control. Then, we set out the amounts proposed as part of the consultation process.

3.7 UR proposals were broadly aligned with the SONI submission. We did however make an uplift to the opex allowance for enhancement staff and made a reduction in the pension deficit repair allowance to account for inflation. In summary our proposals for:

- a) Modified values for Table A (opex) can be found at Table 3.3.
- b) Modified values for Table B (pension deficit repair) can be found at Table 3.6.
- c) Modified values for Table C (network planning and scoping) can be found at Table 3.8.
- d) Modified values for Table E (capex) can be found Table 3.10.

Proposed modification of Table A - base and enhancement opex

3.8 Table A of Annex 1, which sets out the determined opex allowances for the existing price control, is reproduced in Table 3.1 below. Table A - base (*BOt*) and enhancement (*UOt*) opex makes up most of the *Bt* opex allowances (excluding any uncertainty mechanism provisions).

Table 3.1: Base and enhancement opex for each tariff year t (2019 prices)⁸

Relevant Year	t = 1	t = 2	t = 3	t = 4	t = 5
	£m	£m	£m	£m	£m
Base Opex (BOt)	12.856	12.770	12.815	13.148	11.606
Enhancement Opex (UOt)	1.626	1.608	1.771	1.871	1.901

3.9 Table 3.2 sets out the further allowances requested by SONI for the extension, based on its submission when we were considering a one-year extension. However, the TSO subsequently confirmed that its proposals for the second year (2026-27) would be similar to the figures in the first year.

Table 3.2: SONI base and enhancement opex requested allowances

Relevant Year	t = 1	t = 2	t = 3	t = 4	t = 5	t = 6	t = 7
	£m	£m	£m	£m	£m	£m	£m
Base Opex (BOt)	13.106	13.020	13.065	13.398	11.856	12.921	12.921
Enhancement Opex (UOt)	1.376	1.358	1.521	1.621	1.651	0.985	0.985

3.10 For years 1 to 5, the company proposed a movement of £250k from enhancement to base opex. This corrects a historic misallocation issue. Whilst not specifically related to the price control extension, we considered this a good

⁸ All financial values in this document are in April 2019 prices in line with the SRP20 price control decisions and current licence drafting.

opportunity to correct the allowances for base and enhancement opex which applies to years t=1 to t=5 of the price control.

- 3.11 For 2025-26 (t=6) and 2026-27 (t=7) SONI proposed a rollover of most costs from the 2024-25 tariff year. The overall operational cost request of **£13.906m** is however higher than 2024-25 for a few reasons.
- 3.12 For instance, SONI included the net costs of the new SONI Board, an additional staff member for the National Resource Adequacy Assessment (NRAA) work and an uplift for telecoms as this activity has not yet transferred to NIE Networks.
- 3.13 Our consultation position was in general agreement with the approach taken to costs and the opex allowances requested. However, we adjusted the split between base and enhancement as we were of the view that staff costs for new activity in SRP20 should continue to be treated as enhancement for the extension years. Much of this spend will become base expenditure in the next price control period.
- 3.14 We proposed an opex allowance of **£14.363m** (t=6) and **£14.374m** (t=7) which was higher than the SONI request. This reflected the fact that SONI did not seem to have made adequate provision for enhancement staff as determined in SRP20.
- 3.15 As a result of these changes, we proposed to modify Annex 1 of the licence by replacing Table A with the values in Table 3.3 below.

Table 3.3: UR base and enhancement opex proposed allowances

Relevant Year	t = 1	t = 2	t = 3	t = 4	t = 5	t = 6	t = 7
	£m	£m	£m	£m	£m	£m	£m
Base Opex (BOt)	13.106	13.020	13.065	13.398	11.856	12.668	12.678
Enhancement Opex (UOt)	1.376	1.358	1.521	1.622	1.651	1.695	1.696

Proposed modification of Table B – pension deficit repair allowance

- 3.16 Table B of Annex 1, which sets out the determined pension deficit repair allowances for the existing price control, is reproduced in Table 3.4 below. The pension deficit repair allowance (PDRt) set at the price control feeds into the PRt revenue term. Final deficit repair revenues can differ based on uncertainty mechanism decisions as a result of the triennial valuation.

Table 3.4: Pension deficit repair for each tariff year t (2019 prices)

Relevant Year	t = 1	t = 2	t = 3	t = 4	t = 5
	£m	£m	£m	£m	£m
Pension Deficit (PDRt)	0.861	0.861	0.861	0.258	0.258

3.17 Table 3.5 sets out the further allowances requested by SONI for the extension, based on its submission when we were considering a one-year extension.

Table 3.5: SONI pension deficit repair request

Relevant Year	t = 1	t = 2	t = 3	t = 4	t = 5	t = 6	t = 7
	£m	£m	£m	£m	£m	£m	£m
Pension Deficit (PDRt)	0.861	0.861	0.861	0.258	0.258	0.861	0.861

3.18 As the agreement for contributions to repair the deficit is £861k in nominal terms, we reduced the pension deficit request to be in line with expected inflation for April 2026 and April 2027. Forecast inflation has been derived by using OBR percentage increases for the consumer price index.

3.19 The result was a reduction in the allowance for t=6 to **£0.668m** in 2019 prices. Extending this approach to year t=7, results in an allowance of **£0.654m** in 2019 prices. Such an approach corresponds with our UM allowance for pension deficit repair and ensures that allowances are made in the price base consistent with the current licence.

3.20 Therefore, we proposed to modify Annex 1 of the licence by replacing Table B with Table 3.6 below.

Table 3.6: UR pension deficit repair allowance

Relevant Year	t = 1	t = 2	t = 3	t = 4	t = 5	t = 6	t = 7
	£m	£m	£m	£m	£m	£m	£m
Pension Deficit (PDRt)	0.861	0.861	0.861	0.258	0.258	0.668	0.654

Proposed modification of Table C – network planning and scoping

3.21 Table C of Annex 1, which sets out the determined network planning and scoping for the existing price control, is reproduced Table 3.7 below. The network planning and scoping allowance (SFPT) set at the price control stage feeds into the SFt revenue term. The final allowance can differ based on UM decisions as a result of additional network planning work.

Table 3.7: Network planning & scoping for each tariff year t (2019 prices)

Relevant Year	t = 1	t = 2	t = 3	t = 4	t = 5
	£m	£m	£m	£m	£m
Network Planning (SFPT)	0.588	0.587	0.587	0.583	0.581

3.22 Table 3.8 sets out the further allowances requested by SONI for the extension, based on its submission when we were considering a one-year extension.

Table 3.8: UR network planning & scoping allowance

Relevant Year	t = 1	t = 2	t = 3	t = 4	t = 5	t = 6	t = 7
	£m	£m	£m	£m	£m	£m	£m
Network Planning (SFPT)	0.588	0.587	0.587	0.583	0.581	0.581	0.581

3.23 In terms of the base provision, SONI opted to roll forward the price control provision of **£581k**. We were content to accept the company proposals for network planning costs. We proposed to replace Table C of the current licence with Table 3.8 above.

Proposed modification of Table E – base and enhancement capex

3.24 Table E of Annex 1, which sets out the capex allowances for the existing control, is reproduced in Table 3.9 below. The base and enhancement capex allowances for both the buildings (BD) and non-buildings (NB) regulated asset base (RAB) contribute to the determination of the depreciation and return associated with the BNBt revenue term (excluding uncertainty mechanism provisions) after consideration of cost sharing adjustments.

Table 3.9: Capex allowance for each tariff year t (2019 prices)

Relevant Year	t = 1	t = 2	t = 3	t = 4	t = 5
	£m	£m	£m	£m	£m
Base Buildings (BC_BDt)	0.000	0.000	0.000	0.000	0.000
Base Non-Buildings (BC_NBt)	0.000	0.000	0.000	0.000	0.000
Enhance Buildings (UC_BDt)	0.048	0.048	0.010	0.010	0.010
Enhance Non-Buildings (UC_NBt)	2.593	2.231	1.743	1.553	1.480

3.25 Table 3.10 sets out the further allowances requested by SONI for the extension, based on its submission when we were considering a one-year extension.

Table 3.10: SONI capex proposed allowance (2019 prices)

Relevant Year	t = 1	t = 2	t = 3	t = 4	t = 5	t = 6	t = 7
	£m	£m	£m	£m	£m	£m	£m
Base Buildings (BC_BDt)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Base Non-Buildings (BC_NBt)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Enhance Buildings (UC_BDt)	0.048	0.048	0.010	0.010	0.010	0.010	0.010
Enhance Non-Buildings (UC_NBt)	2.593	2.231	1.743	1.553	1.480	0.516	0.516

- 3.26 The capex allowance is split by base and enhancement (as per opex) and by buildings (25-year RAB) and non-buildings (5-year RAB) expenditure. In SRP20 no provision was made for base spend as there were specific outputs associated with the cost requests.
- 3.27 For the extension years, SONI proposed to roll forward the buildings allowance of **£10k**. For non-buildings, SONI proposed an allowance of **£516k**. This represents a carry-forward of spend for various business as usual (BAU) initiatives such as replacing end of life assets, maintaining cyber security and standardising IT solutions.
- 3.28 We were content to accept the SONI proposal in relation to capex. Therefore, the consultation proposed to replace Table E of the current licence with Table 3.10 above.

Reasons and effects of the modifications to financial values.

Reasons for the modifications to financial values

- 3.29 The reasons for the two-year extension to the current price control are set out above. As a result, it becomes necessary to determine allowances for the financial parameters set out above for the additional two years of the price control to allow tariffs to be determined for those years.
- 3.30 The reason for the proposed modifications to the opex allowance in the years t=1 to t=5 is to ensure that the CCS process is implemented correctly, and the materiality threshold is based on like-for-like cost category comparisons.

Effects of the modifications to financial values

- 3.31 The modifications to the relevant financial parameters for years t=6 and t=7 set out above will allow tariffs to be determined for the additional two years of the price control period.
- 3.32 The effect of modifications to the opex allowance in years t=1 to t=5 is to correct an allocation error for base allowances. This adjustment ensures that the

correct figures are being compared when assessing the CCS materiality threshold to determine if a CCS application is feasible.

- 3.33 The proposed values for the additional two years of the price control are similar to the determined values for the previous years. SONI is currently spending at or about the levels of the proposed allowances. Therefore, there should be no material impact on tariffs from these proposals compared to previous years.
- 3.34 However, it should be noted that tariff revenues can be materially different from these allowances as a result of UM decisions. This is particularly true at present with material allowances having been made to address system service auctions (FASS project), schedule and dispatch work (SDP project) and the strategic markets programme (SMP).

Consultation responses

- 3.35 Only CCNI provided a response to the financial values section and correction of historical values for CCS decisions. They stated:
- 1) We note that UR has assessed SONI's proposed modifications to financial values for the extension period and that they are broadly in agreement with the proposed allowances. The values proposed by SONI follow the trend of the current price control and align with what would be expected of a rollover.
 - 2) We agree that the extension is an appropriate time to correct the previous misallocation. We are comfortable that the consultation explains the UR's challenge process, and that SONI's proposals have been scrutinised to minimise the risk of unnecessary spend.
- 3.36 Given this broad endorsement we see no reason to implement any further changes to the financial values than that proposed in the consultation paper.

Final decision

- 3.37 Given consultation feedback, we have determined that the extension modifications should be those set out in the consultation proposals. The figures for opex, pension deficit, network planning and capex will be as set out in Table 3.3, Table 3.6, Table 3.8 and Table 3.10 respectively.

4. Other Modifications

Overview of other modifications

- 4.1 At the same time as consulting on licence modifications to extend the SONI SRP20 price control by two years, we proposed making a minor modification to the SONI licence to modify the definition of the Average Specified Rate.

Modification of the average specified rate

- 4.2 We proposed to modify the definition of the Average Specified Rate at Paragraph 1.1 of Annex 1 from LIBOR to the Bank of England Base Rate (BoEBR) as shown below.

*“means one-year **Bank of England Base Rate (BoEBR)** (or such other bank as the Authority shall specify from time to time) current from time to time during the period in respect of which the calculation falls to be made.”*

Reason for change

- 4.3 The ‘Average Specified Rate’ is an interest rate applied in the calculation of:
- a) The K_t factor term for over and under recovery of revenue as set out in paragraph 2.2(i) of Annex 1; and
 - b) SEMO financing costs which are recovered via the TSO licence (Annex 1, Paragraph 8.1(f)).
- 4.4 Previously the London Interbank Offered Rate (LIBOR) was listed as the specified rate. However, the LIBOR rate has been discontinued and is no longer in use.
- 4.5 We wrote to all licence holders on 27 January 2022 informing them of this change.⁹ The letter stated that,
- “We are writing this letter to make all relevant stakeholders aware that LIBOR is still present in a number of the utility licences as listed in Annex 1 and we intend to replace this with the Bank of England base rate.”*
- 4.6 It was anticipated that specified rate changes to each licence would be undertaken as and when new modifications are made. This paper provides the appropriate opportunity to correct this issue.

⁹ See CURL4 Letter: <https://www.uregni.gov.uk/files/uregni/documents/2022-01/libor-curl4.pdf>

Effect of changes

- 4.7 The effect of the modification is to amend the average specified interest rate. This rate change will impact on K_t factor calculations and any SEMO financing costs which are recovered via the TSO licence (Annex 1, Paragraph 8.1(f)).

Consultation responses

- 4.8 Only CCNI commented on the changes to the specified rate. They stated that, “we support the change to the Bank of England Base Rate.” No further amendments were suggested by any stakeholder.

Final decision

- 4.9 Given consultation feedback, we have determined that the change to the interest rate should be adjusted from LIBOR to BoEBR as per the consultation proposal.
- 4.10 For the purposes of clarity we consider that the applicable rate will be an average of the BoEBR over the tariff year. For example, if the rate is 5% from 1 October 2024 to 31 August 2025 and 4% from 1 September 2025 to 30 September 2025, then the average rate for 2024-25 will be 4.918%.

5. Next Steps

- 5.1 This paper sets out UR decisions on modifications to the SONI transmission licence to extend the SRP20 price control by two years. The licence modifications outlined in this decision paper will apply with effect from 23 July 2025. The next steps and associated timelines for the remainder of the licence modification process are outlined below.

Table 5.1: Revised SONI price control programme

Next Steps	Date
Decision on licence modifications published	28 May 2025
Licence modifications come into effect	23 July 2025

- 5.2 The effective date of the licence modifications is 56 days after the publication of the licence modification decision, in line with the requirements of Article 14(10) of the Electricity Order. This period provides an opportunity for SONI, any other licence holder materially affected by the decision, a qualifying body or association representing one of those licence holders, and/or CCNI to appeal the decision on the licence modifications to the Competition and Markets Authority (**CMA**).
- 5.3 An application to the CMA for permission to appeal must be made within 20 working days from the 28 May 2025. If an appeal was brought to the CMA, the CMA would in a first step decide whether to give permission for the appeal to proceed or not. If permission were granted, the CMA would have a period of 6 months in which to determine the appeal.
- 5.4 In the event of an appeal to the CMA, the CMA may decide to suspend this decision or part of this decision for the duration of the appeal.
- 5.5 This document is available in other accessible formats, such as large print, Braille, audio cassette and a variety of relevant minority languages if required.
- 5.6 Please contact John Mills on either 028 9031 6336 or email: Electricity_Networks_Responses@uregni.gov.uk with cc to john.mills@uregni.gov.uk to request alternative formats.