

Kevin O'Neill
Director of Strategy and Regulation
SONI Limited
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Ref: NET/E/JBM/1078

18 March 2025

Dear Kevin

East Tyrone Upgrade – Final UR Allowance

Thank you for SONI's TNPP¹ submission of 1 July 2024 with respect to the *East Tyrone Upgrade* project. We welcome the submission and the detail subsequently provided via the query process.

UR provisionally approved a budget of £498k (April 2023 prices) on 22 November 2024 setting out the rationale for the disallowance. SONI made representation on the issue on 10 December 2024. Following review of this response, UR has not amended the final approved allowance.

For confirmation, the total amount approved under the *AD_Pct* term (Annex 1, para 2.6 of the TSO licence) for additional TNPP costs is detailed in the table below [and in April 2019 prices for alignment with the current price control].

	SONI Claim (April 2023 prices - £m)	UR Allowance (April 2023 prices - £m)	UR Allowance (April 2019 prices - £m)
Total	£0.514m	£0.498m	£0.418m²

Most of the pre-construction budget (97%) has been approved. However, as explained in the provisional approval, we have disallowed costs associated with an external contractor writing and reviewing the PACC³ report, as it is our view that SONI staff should perform this role. The calculation of our final approved allowance is set out in spreadsheet information provided alongside this letter.

In relation to specific points raised in the SONI response, UR would reply as follows:

- 1) Our approved allowance includes costs for consultants to contribute to and provide expertise for the PACC process.

¹ TNPP = Transmission Network Pre-construction Project.

² Approval figures given in April 2019 prices in line with the price base for the 2020-25 price control.

³ Pre-Application Community Consultation

- 2) SONI has indicated it is committed to developing the in-house expertise. Given the number of past and current TNPP projects there has been opportunity for SONI to develop this learning. It is a matter for SONI to balance the use of consultants or internal staff in delivering this work.
- 3) SONI has stressed the immediacy of this activity in its response but the spend profile indicates it will be the 2025/26 year or later that this activity is carried out, which provides an opportunity and time frame to develop expertise in-house.
- 4) Our approved allowance includes a £45k contingency which is not ring-fenced to any specific purpose.

Next Steps

The approved TNPP allowance sets the cap for costs which can be recovered in relation to this project. On conclusion of pre-construction work, SONI should endeavour to provide a completion report, as per TNPP guidance.

Within the closure report, SONI should confirm the following:

- Actual SONI costs incurred (in nominal prices) by year and in totality.
- Total amount to be charged to NIE Networks (adjusted for inflation).
- Proposed timing of this payment (allowing for UR review).
- Phasing of completed activities e.g. Technical studies, Functional Specifications, TPI and Transmission Project Agreement (TPA) etc.
- Variance against budget and timescales with associated commentary.
- Any other relevant detail as required.

Separate review and approval of the closure report will be required from the UR to allow transfer of monies from NIE Networks to SONI.

I trust this satisfies your requirements at this time. Should you have any comments, queries or issues regarding this letter, feel free to contact Alan.Craig@uregni.gov.uk

Yours sincerely



John Mills
Head of Electricity Price Controls

cc: Rowan Tunnicliffe (SONI)
Raymond Smyth (SONI)
Sarah Friedel (SONI)