

Kevin O'Neill
SONI Limited
Castlereagh House
12 Manse Road
Belfast
BT6 9RT

Ref: NET/E/TH/707

07 August 2023

Dear Kevin,

Re: SEMO System Release Costs [H & I] – Final Zt Approval

Thank you for the capex *Zt* submissions of the 01 November 2022 regarding TSO costs arising from IT system releases of the Market Management System (MMS).

UR provisionally approved no allowance on 02 June 2023, setting out the rationale for disallowance. SONI made representation to the UR on 06 June and a meeting was held on 22 June 2023. Following feedback from CRU and review of the SONI response, UR has determined a final allowance of **£543.6k** (April 2022 prices).

For confirmation, total amounts approved by tariff year are detailed in the table below [and in April 2019 prices for alignment with the current price control].

	SONI Claim (April 2022 prices)	UR Allowance (April 2022 prices)	UR Allowance (April 2019 prices)
Release H [2021-22]	£156.8k	£156.8k	£141.7k
Release I [2021-22]	£386.8k	£386.8k	£349.8k
Total	£543.6k	£543.6k	£491.5k

Zt Allowance

The UR now gives notice to SONI that:

- 1) In accordance with paragraph 8.6 of Annex 1 of the licence, the application shall be treated as Special Project Costs (i.e. a *Zt* approval).
- 2) Special Project Costs will be recovered under the *Zt* term and in accordance with paragraph 2.2(n) of Annex 1 of the licence.

UR has approved a total capital allowance of **£543.6k** for releases H and I. The capital approval set out above is subject to the following conditions:

- (a) SONI can recover the depreciation and return on actual spend up to the maximum amount approved.
- (b) Depreciation and return amounts can be recovered in tariffs from 2021-22 based on the maximum amount of **£543.6k** (April 2022 prices).
- (c) In accordance with paragraph 2.7(b)(iii) of Annex 1 of the TSO Licence, the straight-line depreciation period for the approved amount is five years, starting with relevant year 2021-22.
- (d) Return will be calculated based on the prevailing WACC.

Given the timing of this application and approval, monies for 2021-22 could not be included in tariffs. These costs should therefore be recovered via the K-factor in 2023-24. Reporting of actual costs incurred (by system release) should be included in the annual RIGS returns.

I trust this satisfies your requirements at this time. Any comments on this letter should be addressed to Ciara Brennan.

Yours sincerely,



Tanya Hedley
Director of Price Controls