

Stephen Miller
SONI Limited
Castlereagh House
12 Manse Road
Belfast
BT6 9RT

Ref: NET/E/PR/970

17 June 2024

Dear Stephen,

Re: CHCC physical security – Final Vt approval

Thank you for the opex / capex (*Dt / Zt*) submission of the 18 December 2023 regarding costs for updating CCTV and access control systems (ACS) at Castlereagh House Control Centre (CHCC).

Need is established and the cost is largely additional to existing price control allowances. Having reviewed the submission and query responses, we are supportive of the project but remain unconvinced that this spend should be remunerated via the up-to-a-cap mechanism. This conclusion is based on the following:

- 1) Our guidance states that use of this mechanism should be the exception rather than the rule (See UM [Guidance](#), p10, para 3.22).
- 2) From responses, scope and costs seem relatively clear at this stage.
- 3) Cost recovery via the non-buildings RAB seems the appropriate mechanism for remuneration of this type of spend.

Neither are we convinced that the opex request should be supported in this instance. Further details on allowances are set out in the *unresolved issues* section below.

Under Annex 1 – para 8.6(d) of SONI's licence, we therefore approve the following allowance via the *Vt* mechanism. Costs will be recovered over 5-years via the non-buildings RAB (*V_NBt* term). For confirmation, amounts approved are detailed in the table below by tariff year [and in April 2019 prices for comparison with the current price control].

Tariff Year	SONI Claim (April 2023 prices)	UR Allowance (April 2023 prices)	UR Allowance (April 2019 prices)
2023-24	£577.4k	£499.0k	£418.5k
Total	£577.4k	£499.0k	£418.5k

Unresolved Issues

The final allowance affords the vast majority (c.86%) of the request. A spreadsheet detailing our calculations is provided alongside this letter. However, in summary there are two main issues with the current request.

Issue 1 – Opex Costs

The recurring opex request is below the £40k per annum licence threshold for 2024-25. Whilst this does not prohibit allowance, SONI seemed to have failed to account for the savings of not hosting the physical server which AECOM state, “*can be expensive, time-consuming, and requires ongoing maintenance.*” It also appears contradictory for SONI to argue that the cloud solution will help lower IT costs but request additional funding. Moving to the cloud should not necessitate additional opex spend and as such has been rejected.

Issue 2 – Price Base

Given that contractors have agreed to hold costs, the spend is more aligned with April 2024 prices (as the mid-point of the current tariff year in which spend is expected). Adjustment has therefore been made for expected inflation to get an appropriate allowance in the price base requested.

Broad band costs have been re-instated on provision of satisfactory information. We further welcome the additional assurances around security compliance that were provided as part of the PD response letter.

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

Yours sincerely,



Peter Russell
Executive Director
Price Control, Networks, and Energy Futures