

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

Ref: NET/E/PR/972

17 June 2024

Dear Kevin,

**Re: CHCC remediation project – Final Vt approval**

On the 30 October 2023 SONI made an application for costs associated with the building remediation of Castlereagh House Control Centre (CHCC). The claim of **£1.77m** (April 2023 prices) includes capex costs for tariff year 2023-24.

UR provisionally allowed an amount of **£1.24m** on 13 March 2024, setting out the rationale for disallowances. SONI made representation to the UR on 12 April 2024.

Having reviewed the submission and PD responses, we are supportive of the project but remain unconvinced that this spend should be remunerated via the up-to-a-cap mechanism.

UR has subsequently determined a final allowance under Annex 1, paragraph 8.6(d) of the licence of **£1.34m (April 2023 prices)**, which represents an increase from the provisional position. Recovery of these capital costs should be undertaken via the TSO's buildings RAB over a 25-year period.

For confirmation, amounts finally approved under the *Vt* mechanism are detailed in the table below by tariff year [and in April 2019 prices for ease of 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	£1.77m	£1.34m	£1.12m
<b>Total</b>	<b>£1.77m</b>	<b>£1.34m</b>	<b>£1.12m</b>

Unresolved Issues

Need for the project has been well established. We are supportive of the activity and would encourage SONI to undertake all necessary work to ensure building safety and legislative compliance with building regulations.

However, in terms of the submission and the PD response we have some material concerns. A spreadsheet detailing our calculations is provided alongside this letter. However, in summary the remaining issues include the following:

- 1) Work should have been completed to the appropriate standard in the 2015 extension. SONI has indicated that this makes up c. 35% of the work (though not costs). We have assumed a 20% reduction to most cost lines to account for the fact that consumers have already funded the extension works. It is not clear why they should also be liable for defects in the extension.
- 2) This issue is linked to historic building work as the obligation to be fire compliant was in place in 2015 and should have been part of the original project. The decision to not fund this output twice is fully aligned with URs legal obligations.
- 3) It is unclear why contractor management should be requested separately when this is already part of the employer's requirements. The SONI response fails to explain why these costs are unique and hence not already provided for.

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**