

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

Ref: NET/E/PR/1004

24 July 2024

Dear Kevin,

Re: Pension deficit repair – Final PTRAt approval

Thank you for the opex (*PTRAt*) submission of the 15 May 2024 regarding the request for recovery of pension deficit repair costs. Having reviewed the submission and SONI's response to the PD, we have three principal concerns with the request.

- 1) By agreeing to the employer contributions commitment, SONI do not seem to have taken account of the 10-year recovery period principle or the lower deficit.
- 2) The request is calculated based on real costs of £861k in 2019 prices. However, the query process has confirmed that the financial commitment is for contributions of £861k in nominal terms, which is significantly less.
- 3) Actual deficit payments in Years 1 – 3 of the price control are lower than price control allowances. This differential has been retained by SONI but could have legitimately been used to pay down the deficit.

For the final determination, we have adopted a pragmatic position and allowed an uplift to accommodate the nominal commitments made to pension trustees (when considering amounts already funded across SRP20). For confirmation, under *Annex 1 – para 2.2(c)(iii)* of SONI's licence, amounts approved via the *PTRAt* term are detailed in the table below by tariff year.

Tariff Year	SONI Claim (April 2019 prices)	UR Allowance (April 2019 prices)
2023-24	£603k	£329k
2024-25	£603k	£320k
Total	£1,206k	£649k

Despite the allowance, we are disappointed that SONI has failed to adhere to the pension principles established at the last price control. Even though the deficit has fallen, SONI has

made no adjustment to the level of financial contributions. This raises a concern about the robustness of the approach taken to these negotiations. Neither has the company explained why it believes that the longer recovery period may prove more costly for consumers.

We welcome the fact that SONI agrees that this decision establishes no precedent for SRP26. Despite taking the pragmatic approach on this occasion, it is worth noting that SONI runs the risk of future under-recovery should it make financial commitments in direct contradiction to price control principles.

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