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

Ref: NET/E/PR/1071

06 December 2024

Dear Stephen,

Re: Telecoms request – Final Et approval

Thank you for the opex (Et) submission of the 12 June 2024 regarding recovery of telecom costs. Having reviewed the submission, we accept that an uplift is required given that transfer of this asset responsibility has not yet occurred.

UR provisionally approved a budget of **£910k** (April 2019 prices) on 27 June 2024 setting out the rationale for disallowance. SONI made representation on the issue to the UR on 23 July 2024. Following review of this response, UR has provided a final allowance of **£910k** (April 2019 prices) in line with the draft decision.

Under *Annex 1 – para 8.5 and 8.6* of SONI's licence, we therefore approve a final allowance of **£910k** (April 2019 prices) via the Et opex cost sharing mechanism. For confirmation, amounts approved are detailed in the table below by tariff year.

Tariff Year	SONI Claim (April 2019 prices)	UR Allowance (April 2019 prices)
2024-25	£1,165k	£910k
Total	**£1,165k**	**£910k**

<u>*Unresolved Issues*</u>
The final allowance affords the vast majority (c.78%) of the request. A spreadsheet detailing our calculations is provided alongside this letter. Whilst the provisional decision was based on an average of outturn expenditure, there are two main issues with the updated cost detail provided by SONI in response to the draft decision.

Issue 1 – Telecom Costs
OTN costs for 2023-24 (as evidenced by the submitted invoice) appear to include VAT expenditure. This should not be funded as SONI will be able to reclaim these costs.

Issue 2 – Growth Uplift
Whilst the 20% contract cost uplift has been accepted; we do not consider that the 10% new site growth uplift to be justified. This is because new site costs are already captured in the 2023-24 spend and such a large percentage increase has not been experienced throughout the current price control.

Removing these costs provides an allowance of £910k which coincidentally aligns with the PD position based on average outturn costs. It is for these reasons that we have determined to retain the provision allowance.

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,

PDRussell

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