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Ref: NET/E/EC/1237

06 June 2025

Dear Kevin

Re: SONI Governance Phase III (Business Case for Change) – Final Et approval

Thank you for the opex cost sharing *Et* submission of the 06 August 2024 regarding Phase III of the Governance project – Track 1: Business Case for Change (BCFC).

Having reviewed the SONI response to the PD, we have determined to provide a slightly uplifted allowance to account for actual spend in TY2023-24. Under *Annex 1 – para 8.5 and 8.6* of SONI's licence, we therefore approve an allowance via the Et opex cost sharing mechanism for these costs.

For confirmation, amounts finally approved 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 (Apr 2024 prices)	UR Allowance (Apr 2024 prices)	UR Allowance (Apr 2019 prices)
2023-24	£0.53m	£0.31m	£0.26m
2024-25	£3.92m	£2.27m	£1.85m
2025-26	£3.23m	£2.26m	£1.84m
Total	£7.67m	£4.85m	£3.95m

Unresolved Issues

The final decision supports around 63% of the amount requested. Overall, we are broadly content with the high-level organisation and management structure. However, we consider that there are a few issues with the resource request as submitted.

Supporting calculations are provided separately in a spreadsheet attached with this letter. However, the key issues can be summarised as follows:

- 1) We do not think a full year resource overlap in TY2024-25 is justified. We consider a three-month staff overlap to be a more realistic handover period.

- 2) Some of the costs do not relate to the *Et* cost sharing licence mechanism and have been subsequently removed (i.e. connections and network planning staff).
- 3) Some of the costs appear to be simple work growth requests rather than LC42 compliance related (i.e. communications staff). We are minded to exclude these from this decision.
- 4) We are unconvinced by some of the justification provided for additional separation resources and have adjusted staff allowances accordingly.

Regarding resources which have been allowed, it is important to note the following:

- a) We consider that the *Networks & Innovation* power system engineers and policy manager (4 FTEs) is more reflective of new operational activity due to increasing grid complexity rather than LC42 compliance (as partially recognised by SONI in the query process – see Q21 response).
- b) Whilst a pragmatic approach has been taken to provide resource in this area, we are also of the view that these job descriptions align closely with the responsibilities of the Future Power Systems business function (as detailed in BCFC Annex 1, p42). Track 2 and OTCE submissions need to be clear on distinctive additional activity to support future allowance in this area.
- c) Provision for transformation staff should not be considered an enduring allowance. The project management function needs to be considered separately at price control stage.

Detailed responses to the individual SONI points raised to the provisional determination are set out as an annex to this letter. I trust this satisfies your requirements at this time.

Yours sincerely,



Elaine Cassidy
Director of Price Controls

Annex A – UR views on SONI’s response to the Provisional Determination

SONI provided a detailed response to the UR provisional decision regarding the SONI Governance Phase III Track 1 allowance. UR views on the SONI comments are set out in the table below.

	SONI views and UR Responses
SONI Comment	In our RIGs submission, SONI did include outturn spend for Track 1 roles, however these were included as actual FTEs within the relevant business area. They were not reported centrally as spend against the SONI Governance project.
UR Response	We are unclear why SONI did not report costs under Table 6 of the RIGS as this is the relevant business area. To report LC42 costs elsewhere does not follow the established reporting guidance.
SONI Comment	13 FTEs reported in the RIGs submission were associated with Track 1. These roles commenced at various points within the year (outlined in table below), and the total outturn cost associated with these roles in 2023/24 was £313,692. Given this, we ask UR to reconsider its decision and allow costs equal to the actual outturn cost.
UR Response	Given the fact that these costs have been incurred, and the roles largely concur with those approved in the PD (except for the communications staff), we are minded to reinstate £314k for TY2023-24.
SONI Comment	To build up sufficient expertise in house, SONI resources need to be involved in the annual processes and shadow EirGrid subject matter experts for the full year. To have less time becoming familiar with the processes would mean that SONI may not have sufficient competence to deliver on its licence obligations to the required level.
UR Response	SONI staff are already involved in the delivery of their licence obligations and an increase in resources should not negatively impact on the quality of delivery. Handover periods are common practice, but a full year overlap would be highly irregular in most industries. We are of the opinion that a 3-month handover is already somewhat generous.
SONI Comment	SONI has put arrangements in place with EirGrid for the rechargeable costs for the 2024/25 period. The delay in the UR progressing Track 1 means that SONI is now at risk of being retrospectively penalised. SONI will need to absorb £0.75m rechargeable costs that have already been agreed and are being posted throughout the year.
UR Response	How SONI chooses to operate its budget for delivery is a matter for the TSO to determine. Given that SONI has only employed 24 of the requested new staff, the ability to adjust spend accordingly exists.
SONI Comment	SONI is content that the Senior Engineer (Connections) role would more appropriately be funded via connection charges.
UR Response	Agreed.

SONI Comment	One of the Senior Engineer (Future Networks) roles would be most appropriately funded through the Et term, as it does not related to <i>“transmission network planning scoping and feasibility activities”</i> , but rather supports wider development of Transmission Development Plan (TDP) NI and Transmission Investment Plan (TIP) and Tomorrows Energy Scenarios (TES) System Needs Assessment (SNA).
UR Response	It is our view that much of this work should already be subject to jurisdictional independence. We would also note the three additional system engineer roles provided are, <i>“required to support annual publications required under licence with regard to network planning i.e. TDPNI and TYTFS.”</i> Consequently, we see limited need for further allowance in this area.
SONI Comment	We agree that the other Senior Engineer (Future Networks) role should in fact be funded via the SFUt mechanism as the work will be related to Phase 1 of the SONI network planning process, which does feed more directly into TNPP submissions and therefore falls within the SFUt term. Despite being requested under the Et mechanism, there is no reason that the final determination cannot provide an equivalent allowance under the SFUt mechanism, and we would ask that the UR take this pragmatic approach rather than require an additional separate submission.
UR Response	There is a separate uncertainty mechanism for TNPP feasibility study work, which should be the vehicle for any such request. Furthermore, we note that SONI has underspend by around £320k (April 2024 prices) per annum on the SFt allowance in the first four years of the current price control. The TSO would need to demonstrate the need for increased allowance in this area before further provision is made. The Track 1 request does not fulfil this obligation.
SONI Comment	With regard to the Future Networks Manager, this role will cover all three of the above areas on an equal basis. Therefore, we request that 1/3 FTE is allowed under the Et mechanism, 1/3 under the SFUt mechanism, and we agree that the remaining 1/3 should be charged via connection charges.
UR Response	We are not minded to provide further allowance in this area. Allowance for a 1/3 FTE is not considered necessary given the fact that much of this work is already subject to jurisdictional independence and additional engineers have already been allowed in the PD analysis. SONI do not require an Et approval for connections staff and further activity for network planning and feasibility studies needs to be considered via an SFUt request.
SONI Comment	This is a disappointing approach from the Utility Regulator. SONI's programme of work implementing the new governance arrangements (Future SONI) not only looks at the minimum required to deliver compliance with LC42, but also looks to lay the foundations for SONI to be able to deliver on the UR's and the independent SONI Board's ambitions.
UR Response	It is our view that it is important to separate out the costs arising from LC42 and those being driven by the changing energy industry. For many of the costs related to increased network complexity or changing circumstances, it is our view that these should be subject to proper public consultation and determination via the price control process. It is only right and proper that other stakeholders get a chance to feedback on material changes to the TSO structure and their associated costs.

SONI Comment	<p>The proposed two communications staff would bring the SONI Communications team up to a total of four FTEs plus a head of function. This is the minimum size of a team that an organisation such as SONI could reasonably be expected to operate with and is either smaller or in line with comparator organisations (including the Utility Regulator).</p> <p>Where previously emergency and crisis communications was dealt with at an EirGrid group level, we are now in a position where this functionality must be delivered standalone. Similarly, internal communications, management of the SONI website, public policy analysis and corporate social responsibility was all previously delivered at an EirGrid group level and now must be delivered by SONI on a standalone basis.</p>
UR Response	<p>As SONI has stated, this is already an independent function. We note that SONI was provided with a specific additional staff member and capital allowance (Initiative H7) in SRP20 to both update and manage their own website and digital content. Moreover, SONI has been provided with additional GRLC funding which can support activity related to CSR or public policy analysis.</p> <p>Whilst emergency communication was not raised in the business case, this role is likely to be very limited and ad hoc in nature. In addition, SONI is provided with individual communication allowances as part of TNPP projects which provides much more resources than the base allowance stated. Consequently, we do not consider there to be a material remit increase in this area to support additional allowance.</p>
SONI Comment	<p>There has also been an increasing level of expectation in relation to stakeholder engagement, particularly from the independent panel appointed by the UR for the EPF, for example the EPF panel has stated that <i>“there are further opportunities for developing and improving their [SONI’s] engagements and potentially undertaking their actions from a more nurturing perspective, with ideas developed collaboratively”</i>. To effectively deliver this enhanced engagement requires additional resources. Without this additional resource, SONI would have to scale back on its commitments and these specific recommendations.</p>
UR Response	<p>EPF panel recommendations relate to quality of delivery. They make no comment on the need for additional resources in certain areas. We see no reason why provision of no additional resource would mean that SONI would have to scale back on its commitments.</p>
SONI Comment	<p>Due to the increasing amount of network infrastructure required to meet statutory targets, there are increased demands on SONI in terms of community consultation and engagement to support public acceptance of new network infrastructure.</p>
UR Response	<p>This activity is fully funded in staff, media, advertising and communication consultancy support via TNPP allowances. Any increase in network infrastructure activity is captured within these individual project allowances.</p>
SONI Comment	<p>The UR has disallowed the ‘Strategy and Sustainability Snr Policy Lead’ role (referred to as the EPF Lead Analyst in the URs workings) but has not made an adjustment to reflect the additional regulatory activities that SONI needs to undertake (as highlighted in our response to queries).</p>

UR Response	<p>The senior policy lead role has been allowed. SONI's response to Q11 stated that, <i>"We plan to move the business planning (EPF) function to the Strategy & Sustainability team from C&R. However, the C&R team also needs to grow to reflect the wider role SONI is taking on in terms of EU related matters. We therefore need a regulatory capability for this function."</i></p> <p>The PD provided for this growth by making no decrease to the C&R staff compliment. However, no further provision was made for the EPF staff member within the S&S team as this would represent double funding given existing price control allowances for this activity.</p>
SONI Comment	<p>The decision to allow one of two Project Manager roles is unclear. The only comment provided is that 'Two managers appears excessive'. The two roles provide central project management support and expertise to the wider business and are supported at various times by SMEs from other teams depending on the specific requirements of the project.</p>
UR Response	<p>SONI has been provided 3 FTEs in this area including a HoF, manager and analyst. We would further note that the Governance Phase II allowance provided further consultancy support in the form of a programme executive, lead change manager, business process analyst, change manager and project manager support. We do not see the justification for further allowance in this area.</p>
SONI Comment	<p>Two FTEs were requested for these roles, one to cover Grid Code operations and the other to cover tariff calculation. These roles had historically been covered by EirGrid on a group basis. Should one of these roles not be allowed, then either SONI will be under resourced to fully manage the Grid Code (a licence requirement) or alternatively tariffs may not be calculated correctly and lead to under/over recovery or errors which impact on market participants.</p>
UR Response	<p>Tariff activity is limited to a short period of time. A full staff member would be excessive for this activity. This is demonstrated by the level of recharge from EirGrid in this area (0.2 FTEs). There would be no good justification for SONI requiring double the resource of EirGrid to undertake the same activity.</p>
SONI Comment	<p>The role in question is essentially the payroll administrator for SONI, and their responsibilities cover the preparation of monthly payroll and instruction to our third-party payroll provider such as new starters, leavers, promotions, salary amendments and overtime payments, as well as SONI pension co-ordination. Benchmarking and setting terms is a relatively minor part of the role – the two functions were included under one role to achieve an efficiency based on the size of SONI.</p>
UR Response	<p>SONI has been provided with additional allowance in the <i>People & Place</i> business function. Despite dependence on the EirGrid group, we see limited rationale for further staff provision in this area given that SONI already has separate rates of pay, pension arrangements and its own terms and conditions. There is no reason why the EirGrid Group should be more efficient than SONI at delivering this activity as it is already a SONI specific role.</p>

SONI Comment	SONI would welcome engagement on the UR's expectations in terms of LC42 compliance. In addition, this approach appears to contradict the rationale provided for the disallowance of the additional communications staff.
UR Response	<p>With respect to the Networks & Innovation power system engineers, we have adopted a pragmatic approach as we anticipate extra work in this area. Moreover, there appears to be an overlap with the Future Power Systems business function where some allowance would be expected.</p> <p>This is not in contradiction to the approach adopted for communications as we do not believe a material increase in communications activity would be expected (besides TNPP communications activity which is separately funded).</p>
SONI Comment	The Future Networks and Future Power Systems business functions will work closely together but are distinct teams and will require different skillsets. We will deal with this distinction more thoroughly in our submission for Track 2.
UR Response	It is important that this distinction is drawn out given the Track 1 allowance. Failure to evidence the differences may impact on the future request.
SONI Comment	While the transformation project will be discrete and time limited, there will always be projects that SONI need to deliver, for example projects outlined in the price control. Having a central programme management office to co-ordinate and manage these programmes/projects will ensure that they are completed on time, to a high standard and on budget. Therefore, it is expected that this team will continue past the implementation of the transformation project and form part of the baseline for the next price control. This was made clear in our response to query reference 10 as part of the query process.
UR Response	It is our view that the merits of the project management office need to be considered separately at price control stage. Within many individual project funding requests, SONI will make provision for PM co-ordination and management funding. We would need to consider the merits of a separate central PMO and how this would impact individual project allowances. Transformation staff should not therefore be considered an enduring allowance.