

Rowan Tunnicliffe
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Ref: NET/E/EC/1368

08 October 2025

Dear Rowan

Re: IT Separation Project Phase I – Final Et approval

Thank you for the opex up-to-a-cap *Dt* submission of the 08 May 2025 regarding Phase I of the IT Separation Project.

Having reviewed the submission and response to the PD, 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) Scope and costs seem relatively clear at this juncture.
- 3) Cost-sharing should be typical for corporate IT expenditure (as per the current price control approach).

We have subsequently determined a final allowance of **£674k** (May 2025 prices), which represents the provisional position. In accordance with *paragraph 8.6(c) of Annex 1* of the TSO licence, the opex amount approved under the *Et* term for this project is detailed in the table below by tariff year [and in April 2019 prices for alignment with the current control].

Tariff Year	SONI Claim (May 2025 prices)	UR Allowance (May 2025 prices)	UR Allowance (Apr 2019 prices)
2024-25	£804k	£674k	£525k

Unresolved Issues

The final allowance affords c. 84% of the amount requested. A spreadsheet detailing our calculations is provided alongside this letter. However, in summary there are a few issues with the current request.

Issue 1 – Resource Justification

The request does not provide adequate justification for the level of resources requested given the forecast outputs. SONI has not submitted details of the scoping exercise or how the resource estimates have been arrived at. Neither does the submission evidence how discussions with 3rd party experts shaped this request. The resource request of 1,233 days is the equivalent of 13.5 FTEs working on this project for the 5-month timeline, which seems in excess of the requirements given the listed outputs.

Issue 2 – Activity Justification

The request has failed to provide adequate justification for certain elements of the work. For instance, it is unclear what benefit there is with an external VFM review in this phase.

From our perspective, IT strategies are part of BAU allowances and should not be included in this activity. Whilst SONI states that the price control contained no reference to developing an IT strategy, the FD specifically asked “*SONI to develop a whole system strategy and digitalisation strategy.*” [FD, para 1.10, p10] We do not see need for further funding in this area.

Conclusion

As a consequence of these issues, we have determined a final allowance based on removal of the VFM review and a 10% reduction in external staff. The final determination results in allowance of 5 FTEs (12.2 FTEs over 5 months) to complete the outputs listed.

Reporting of actual costs incurred and progress against delivery should be included in the annual RIGS returns. Responses to detailed SONI points is captured as an annex to this letter. Should you have any comments, queries or issues, feel free to contact Ciara Brennan.

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 this project. UR views on the SONI comments are set out in the table below.

	SONI views and UR Responses
SONI Comment	Independent external value for money assurance is considered standard good practice in large, complex programmes and projects. External assurance delivers benefits in terms of ensuring that programmes are well-scoped and costs and risks are minimised.
UR Response	This point is not disputed. However, SONI is already procuring independent expertise to provide the required assurance. A further third-party review does not appear to be an efficient use of resources. Neither does a VFM review seem appropriate at this high-level planning stage.
SONI Comment	The independent external value for money assurance will reduce the overall risk of the implementation stage of the project, potentially reducing the overall cost as fewer contingencies may be required.
UR Response	The purpose of this phase is to scope and cost the separation of corporate IT systems. The benefits of a further VFM review therefore seem questionable at this stage.
SONI Comment	The provisional approval letter makes reference to a line in the SONI SRP20 Final Determination document which asked “ <i>SONI to develop a whole system strategy and digitalisation strategy.</i> ” This reference did not relate to any specific resource allowance for the development of such a strategy.
UR Response	This is incorrect. Annex 4 (para 2.24, p9) of the final determination makes it clear that 3 FTEs were provided to undertake work associated with the regulatory framework, including the production of strategy documents.
SONI Comment	The provisional approval letter also states that “ <i>From our [UR’s] perspective, IT strategies are part of BAU allowances and should not be included in this activity.</i> ” SONI disagrees with this statement. Developing an IT strategy, by definition, is not a day-to-day business as usual task. It is something that an organisation does rarely and when complete, a strategy lasts a number of years.
UR Response	Setting the strategic direction is the ongoing responsibility of SONI’s Board and senior management team. We consider this to be funded via existing allowances, which have been significantly enhanced via Track 1 funding. This includes a Director and Head of Function for both <i>Strategy & Regulation</i> and <i>Networks & Innovation</i> business directorates. No further provision is considered necessary in this area.

SONI Comment	It is important to note that SRP20 was developed, and final determination was made, on the basis of an EirGrid group model. In this case, SONI was subject to EirGrid's IT, Digital, Security and Data strategies (where these existed), and so any allowance in SRP20 was paying for SONI's share of these strategies.
UR Response	Allowances provided via Track 1 ensures that SONI has sufficient resource in place to undertake standalone strategy development. We would also note that the additional staff provided in SRP20 in this particular area was for SONI specific outputs.
SONI Comment	SONI notes that Phase 1 of the overall programme covers a number of inherently uncertain activities....The inherent uncertainty of scope is why SONI chose to utilise the up-to-a-cap Dt mechanism rather than the cost-sharing Et mechanism. This is entirely in line with the UR Guidance on Uncertainty Mechanisms.
UR Response	Uncertainty of scope does not excuse SONI from failing to fully explain its resource assumptions. From the UR perspective the scope seems relatively certain and costs have crystallised at a lower rate than requested. We would also note from the UM Guidance that costs should be, <i>"aligned with that used within the SONI price control for other similar costs."</i> As these IT costs are typically subject to cost-sharing, this should continue to be the approach going forward.