

Rowan Tunnicliffe
SONI Limited
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12 Manse Road
Belfast
BT6 9RT

Ref: NET/E/JBM/1375

16 October 2025

Dear Rowan,

Re: Margins Tool – Final Et / Vt Decision

Thank you for the opex (Dt) / capex (Zt) submission of the 11 July 2024 regarding costs for an upgrade of the Margins Tool IT application.

Need is well established, and some of the cost is additional to existing price control allowances. Having reviewed the submission and SONI 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) From responses, scope and costs seem relatively clear at this juncture.
- 3) Cost-sharing should be typical for this type of IT application update.

We have subsequently determined a final allowance of **£279k** (April 2024 prices), which represents an uplift from the provisional position. For confirmation, total amounts finally approved under the Et and Vt mechanisms 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 2024 prices)	UR Allowance (April 2024 prices)	UR Allowance (April 2019 prices)
2024-25	£221k	£183k	£149k
2025-26	£96k	£96k	£78k
Total	£318k	£279k	£227k

Unresolved Issues

The final allowance affords approximately 88% of the request. A spreadsheet detailing our calculations is provided alongside this letter. However, the key issues are summarised below.

We have adopted a pragmatic position and reinstated internal costs given the advanced nature of the project. However, the costs and scope seem fairly certain. As such, we think this project should be subject to the typical cost sharing treatment. Consequently no provision is made for contingency (as per the UM [Guidance](#), footnote 2, p3). For purposes of clarity the split between opex and capex allowances are set out below.

Et Allowance

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].

Margins Tool – Opex Request and Final Allowance			
Tariff Year	SONI Claim (April 2024 prices)	UR Allowance (April 2024 prices)	UR Allowance (April 2019 prices)
2025-26	£96k	£96k	£78k

Vt Allowance

For the capital element, the UR now gives notice to SONI that in accordance with *paragraph 8.6(d) of Annex 1* of the TSO licence, the capex amount approved under the *Vt* term for this project is **£183k (April 2024 prices)**. Costs will be recovered via the non-buildings RAB (*V_{NBt}* term). For confirmation, amounts approved under the *Vt* term are detailed in the table below by tariff year [and in April 2019 prices for ease of comparison with the new price control].

Margins Tool – Capex Request and Final Allowance			
Tariff Year	SONI Claim (April 2024 prices)	UR Allowance (April 2024 prices)	UR Allowance (April 2019 prices)
2024-25	£221k	£183k	£149k

Reporting of actual costs incurred and progress against delivery should be included in the annual RIGS returns. I trust this satisfies your requirements at this time. Should you have any comments, queries or issues, feel free to contact Ciara Brennan.

Yours sincerely,



John Mills
Head of Electricity 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 both this project and other IT projects in general. UR views on the SONI comments are set out in the table below.

	SONI views and UR Responses
SONI Comment	In this case, taking a binary approach and classifying any IT project which is not an AIP [All-Island Project] as a “relatively small” IT project potentially leaves a gap in SONI’s ability to recover costs for larger IT projects.
UR Response	We are not taking a binary approach. Rather we are judging the IT projects on their individual merits and circumstances (including the materiality of the individual project request).
SONI Comment	SONI could have an IT project which is larger in scale than the AIP programmes but could still not be considered an AIP.
UR Response	This point is accepted. In such a circumstance backfilling would be expected and allowable.
SONI Comment	While not considered AIPs or indeed at the same scale as the likes of FASS, SDP or SMP, these projects are nevertheless significant undertakings which required additional resource on top of that allowed under the current price control for BAU operations.
UR Response	Additional external resources have been provided. The point of dispute is whether there should be an expectation that additional internal staff is needed to backfill BAU work while existing projects are implemented. Our view is that this additional resource is not required.
SONI Comment	If any resource is spending more than 4-6 weeks involved in a project, it is deemed as a larger project and this impacts their other work requirements, meaning we are required to backfill their role.
UR Response	This seems like a relatively short time limit for determining requirements to backfill. Neither does the limit reference the number of staff involved before backfilling is considered an option. Typically speaking, recruitment alone would take a couple of months from advert to appointment. Further time would be required for induction / training of new staff. This decision will be a matter for SONI, but we would anticipate that it would have to be a longer timeframe, and a fair proportion of staff impacted before backfill allowances would be considered appropriate. Going forward, it may be worthwhile for SONI to provide evidence of backfilled staff employed to support their case in their submission requests, i.e. numbers of staff, date employed, contract lengths etc.
SONI Comment	There are, however, significant benefits in terms of cost, upskilling, knowledge retention and reduction in future project costs from utilising internal IT staff to deliver larger projects, rather than relying solely on external contractors to deliver them.

UR Response	This point is accepted. The issue is whether the consumer should be asked to provide further funding for use of these internal staff given allowances that are already in place.
SONI Comment	In making disallowances for backfill of internal staff for IT projects, therefore, there is a risk of creating perverse incentives for the design of future projects and incentivising use of external contractors rather than utilising SONI's own resources.
UR Response	Regardless of the use of internal or external staff, SONI must provide adequate justification to support provision of allowances which maximise efficiency.
SONI Comment	The Margins tool is a critical tool for operational generation adequacy assessment and generator outage management, required to deliver on our core remit, maintain system security and meet Clean Energy Package obligations.
UR Response	This point is not disputed.
SONI Comment	The cost breakdown demonstrates the length of time internal resources are assigned to this project. This exceeds 4-6 weeks involvement in a project; therefore, it is deemed as a larger project and this impacts their other work requirements, meaning we are required to backfill their role.
UR Response	The total all-island internal resource is estimated at 0.7 FTEs of which the 25% SONI proportional staff is around 0.2 FTEs. This is not considered that material, though has been provided on this occasion. Going forward, we would have an expectation that internal staff should support delivery of IT upgrades where the work relates to an existing IT application.