Rowan Tunnicliffe
SONI Limited
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12 Manse Road
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Ref: NET/E/SL/1400

26 November 2025

Dear Rowan

Re: Operational Systems Separation Project Phase I – Final Et approval

Thank you for the opex up-to-a-cap Dt submission of the 08 October 2025 regarding Phase I of the Operational Systems Separation Project.

Having reviewed the submission and query responses, 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 power system IT expenditure (as per the current price control approach).
4) Recent experience from the corporate IT project.

We have subsequently determined a final allowance of **£489k** (Oct 2025 prices), which represents an uplift from 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 (Oct 2025 prices)	UR Allowance (Oct 2025 prices)	UR Allowance (Apr 2019 prices)
2025-26	£575k	£489k	£377k

Unresolved Issues
The final allowance affords c. 85% of the amount requested. A spreadsheet detailing our calculations is provided alongside this letter. However, in summary there are a couple of issues with the request.

Issue 1 – VFM Review
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 high-level cost scoping phase. It is also our view that the external vendors being employed should be able to ensure that IT infrastructure design meets the requisite standards.

Issue 2 – Project Management
SONI has pointed out the need for two PMs to cover technical delivery and operational readiness. However, between the HoF and internal PM, SONI has allocated 300 days to this phase from internal staff. This is the equivalent of 2.7 FTEs over a 6-month period. Given this fact, it does not appear to be the case that external PM support in this area is required.

Conclusion
In light of these issues, we have determined an allowance based on removal of the VFM review and external PM. We have however considered SONI representations in relation to the complexity of operational systems work. We acknowledge that there are aspects of data migration and system integration for the Operational Systems Separation Project which may be more complex than for the Corporate System activity. As a consequence, the final determination reinstates all costs associated with IT architecture resource.

I trust this satisfies your requirements at this time.

Yours sincerely,

Sean P Lyons

Sean Lyons
Head of Electricity Price Controls