Utility Regulator

Rowan Tunnicliffe
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Ref: NET/E/EC/1401

04 December 2025

Dear Rowan

Re: Operational Tools & Capability Enhancement Phase I – Final Et-Vt approval

Thank you for the opex/capex up-to-a-cap submission of the 07 July 2025 regarding Phase I of the *Operational Tools & Capability Enhancement* (OTCE) project. Having reviewed the submission, query responses 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 expenditure (as per the current price control approach).

After internal scrutiny, we have subsequently determined a final allowance of **£1.337m** (April 2024 prices), which represents an uplift from the provisional position. For confirmation, amounts 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)
2024-25	£0.299m	£0.299m	£0.243m
2025-26	£1.288m	£1.038m	£0.845m
Total	**£1.587m**	**£1.337m**	**£1.088m**

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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 – Emergency Control Centre (ECC)
Provision has already been made in the SRP20 opex allowance for a scoping review of the ECC. This is a capex submission which covers some of the same scoping work already funded and some new activity (i.e. telecoms and environmental analysis). As such, an uplift to existing allowances would not seem appropriate. We suggest that SONI utilise existing funding for the scoping exercise as per price control decisions. A further capex submission for design/build/refit costs can be undertaken separately at the appropriate time when the scoping exercise is complete.

Issue 2 – Project Management Costs
The query process has revealed that PM costs have been requested as an opex allowance yet also form part of the detailed make-up of capex costs for individual projects. SONI has indicated that there is no overlap as opex costs cover internal programme management. We are not minded to accept this explanation.

If the opex PM costs requested do not manage the professional services contracts, there seems little need for any allowance in this area for internal programme management. If they do manage vendors and their quality control, then it would seem to be a double count to then provide funding for contractors to undertake the same activity.

Issue 3 – New Costs
In response to the provisional determination, SONI has asked for an uplift of £160k to the capex request. The uplift consists of two areas. £30k is related to increases in spend for 3 existing areas and £130k relates to new activity not in the original request.

New activity seems reasonable to support. However, no justification has been provided for actual spend increases. Neither did SONI report any spend on the 3 areas in question in their spend-to-date query response in October. Given cost-sharing allowances, we are not minded to provide any further uplift for existing areas where no scope change has been identified.

Conclusion
As a consequence of these issues, we have determined an allowance based on removal of some PM and all ECC costs. We have also rejected the uplift for spend in existing areas but have accepted the revised scope for Operational Policy activity and the associated costs.

We would request that for future submissions SONI provide the days and daily rates and split between internal/external staff as a matter of standard practice. In addition, we would welcome confirmation of the outputs associated with this particular phase of the funding as it can be difficult to understand what will be completed and what will require further spend.[1] This issue was not addressed in the PD response letter.

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].

OTCE Phase 1 - Opex Costs			
Tariff Year	**SONI Claim (Apr 2024 prices)**	**UR Allowance (Apr 2024 prices)**	**UR Allowance (Apr 2019 prices)**
2024-25	£0.036m	£0.036m	£0.029m
2025-26	£0.263m	£0.263m	£0.214m
Total	**£0.299m**	**£0.299m**	**£0.243m**

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 **£1.038m (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].

OTCE Phase 1 - Capex Costs			
Tariff Year	**SONI Claim (Apr 2024 prices)**	**UR Allowance (Apr 2024 prices)**	**UR Allowance (Apr 2019 prices)**
2024-25	£0.644m	£0.407m	£0.331m
2025-26	£0.644m	£0.632m	£0.514m
Total	**£1.288m**	**£1.038m**	**£0.845m**

[1] For instance, it is our understanding that the benchmarking studies will be completed in their entirety in this phase. Whereas, from the query process, we understand that the short circuit tool (output 3.1) costs only covers analysis and planning, with future funding being required to implement the tool.

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,

Elaine Cassidy
Director of Price Controls

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