

Sarah Friedel  
 Group Regulation  
 SONI Limited  
 Castlereagh House  
 12 Manse Road  
 Belfast  
 BT6 9RT

Ref: NET/E/TH/26

16 November 2018

Dear Sarah,

**Re: Interconnector Administrator (IA) Costs – Final Dt Approval**

Thank you for the opex D<sub>t</sub> submission of the 10 July 2018 regarding costs associated with SONI's role in acting as the Interconnector Administrator (IA) for Moyle in the BETTA and SEM wholesale markets.

Having reviewed the submission and query responses, we are content to provide retrospective approval for the sums requested for tariff years 2015-16 to 2017-18.

For confirmation, amounts approved are detailed in the table below [and in April 2014 prices for ease of comparison with the current price control].

Tariff Year	SONI Claim (Nominal Prices - £k)	UR Allowance (Nominal Prices - £k)	UR Allowance (April 2014 prices - £k)
2015-16	£134k	£134k	£131k
2016-17	-£317k	-£317k	-£300k
2017-18	-£78k	-£78k	-£71k
<b>Total</b>	<b>-£261k</b>	<b>-£261k</b>	<b>-£240k</b>

The approved D<sub>t</sub> allowance of -£261k (nominal prices) is somewhat different than the amount provided for in tariffs over the same period (£536k in nominal prices). We trust that cost differentials are being captured in K-factor adjustments.

Within the submission, SONI has also sought confirmation that costs incurred in the first year of I-SEM will be recoverable in line with Annex 1 of the licence (D<sub>t</sub>

application, p4, para 2). We can confirm that 2018-19 costs can be recovered via the D<sub>t</sub> mechanism following due process and subject to review / approval by the UR.

It is however worthwhile noting that under the current guidance, while retrospective approval can be given, there is an expectation that applications should be made prior to spend being incurred. As such, we would anticipate that any future submissions should be prospective rather than retrospective as a matter of course.

Given the more complicated nature of I-SEM arrangements, we do consider a need for further engagement with SONI and Moyle in relation to SO-SO trading and the future costs associated with the IA function.

We would also expect that any future IA cost submissions should breakdown the estimated costs by function as set out in the Operation and Agency Agreement (OAA) between SONI and Moyle.

We will be in touch over the next few months to arrange engagement with SONI and Moyle on this matter. Should you have any comments, queries or issues regarding this letter, feel free to contact Jody O'Boyle.

Yours sincerely.



**Tanya Hedley**  
**Director of Compliance and Network Operations**