

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

Ref: NET/E/TH/83

11 April 2019

Dear Sarah,

Re: Shunt Reactors – TNPP Approval

Thank you for the capex TNPP submission of the 21 February 2019 regarding additional shunt reactors to address voltage issues.

We recognise the analysis of need and the case for action. Given SONI's written assurances around both the prohibitive cost and inadequacy of using out of merit generators, we are content with the shunt reactors proposal.

Having reviewed the submission, we accept the budget for pre-construction activity. As such, approval for the full sum requested (including contingency) is provided for. Amounts approved are detailed in the table below by year [and in April 2014 prices for ease of comparison with the current price control].

| Tariff Year | SONI Claim (April 2014 prices) | UR Allowance (April 2014 prices) |
|--------------------|---|---|
| 2018-19 | £38.9k | £38.9k |
| 2019-20 | £14.1k | £14.1k |
| Total | £53.0k | £53.0k |

The approved TNPP allowance sets the cap for costs which can be recovered in relation to this project. On conclusion of pre-construction work, SONI should endeavour to provide a completion report, as per TNPP guidance.

Within the closure report SONI should confirm the following:

- Actual SONI costs incurred (in nominal prices) by year and in totality.
- Total amount to be charged to NIE Networks (adjusted for inflation).

- Proposed timing of this payment (allowing for UR review).
- Phasing of completed activities e.g. Technical studies, Functional Specifications, TPI and Transmission Project Agreement etc.
- Variance against budget and timescales with associated commentary.
- Any other relevant detail as required.

Separate review and approval of the closure report will be required from the UR to allow transfer of monies from NIE Networks to SONI.

Should you have any comments, queries or issues regarding this letter, feel free to contact Jody O'Boyle.

Yours sincerely,



Tanya Hedley
Director of Network Operations