

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

Ref: NET/E/TH/90

19 April 2019

Dear Sarah,

**Re: Airport Road – TNPP Approval**

Thank you for the capex TNPP submission of the 19 December 2018 regarding the Airport Road sub-station development.

We accept the case for action and 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)
2015-16	£82.1k	£82.1k
2016-17	£95.2k	£95.2k
2017-18	£195.2k	£195.2k
2018-19	£361.5k	£361.5k
2019-20	£33.6k	£33.6k
2020-21	£30.7k	£30.7k
<b>Total</b>	<b>£798.3k</b>	<b>£798.3k</b>

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.

### **Other Issues**

We welcome the detailed submission and the well-established case for need. We further appreciate the positive engagement in responding to project queries.

However, as part of this Airport Road approval process, two specific issues arose which may have cross-over implications for other projects. These include the following:

- 1) Justification of consultancy costs; and
- 2) Remuneration of 'carrying costs'.

**Consultancy Costs** – In projects with material consultancy costs, we expect the TNPP submission to provide justification for such expense. The TNPP spreadsheet is designed to capture this at a high level by linking activity to the number of external days and daily rates.

SONI has not typically completed this information. A query response further states that this detail is not readily accessible due to fixed price procurement. We recognise the restrictions within the data. However, in the absence of high-level rates / days, justification of costs is still required.

Upon request, SONI has helpfully provided detail as to the specific external work required in this project and the scope of the activity. Going forward, we would expect TNPP submissions to either include this type of detail or complete the days / daily rates information. Such will help provide the requisite level of detail required to allow the UR to approve material consultancy costs.

**Carrying Costs** – The Airport Road submission made reference to NIE Networks being responsible for paying any 'carrying costs' (unless otherwise provided for through the SSS tariff). A subsequent query response confirmed that these costs referred to the TNPP side-RAB return (*PCRt* term) as detailed in SONI's licence.

For the avoidance of doubt, we wish to provide clarity that such financing costs should not be borne by NIE Networks. These costs are already remunerated through the side-RAB in the TSO licence and hence provided for through the SSS tariff. Confirmation should be provided within the closure report that no such costs are included in the actual pre-construction cost incurred.

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**