

Jo Aston
Managing Director
SONI Limited
Castlereagh House
12 Manse Road
Belfast
BT6 9RT

Ref: NET/E/TH/134

23 August 2019

Dear Jo,

Re: I-SEM Implementation - Special Project Cost Approval

On 31 May 2019, SONI made an application to recover capital costs associated with SONI's proportion of I-SEM implementation costs. The claim of **£25.50m (forecast September 2019 prices)** was submitted in line with the Agreed Approach Document (AAD) and included an NPV neutral adjustment.

The UR now gives notice to SONI that:

1. In accordance with paragraph 9.1 of Annex 1 of the TSO licence, the application made by SONI shall be treated as Special Project Costs.
2. Special Project Costs will be recovered under the **Zt** term and in accordance with paragraph 2.2(j) of Annex 1 of the licence.

Following UR Board scrutiny, the capital cost approved by UR represents 97% of the amount originally claimed. The reduction relates to the use of monthly exchange rates when converting to sterling as opposed to values at project end. This issue has previously been raised and agreed with SONI.

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

	SONI Claim (Sept 2019 prices)	UR Allowance (Sept 2019 prices)	UR Allowance (April 2014 prices)
I-SEM Implementation Cost	£25.50m	£24.70m	£21.60m

The approval set out above is subject to the following conditions:

- (a) SONI can recover the depreciation and return on actual spend up to the maximum amount approved.
- (b) Depreciation and return amounts can be included in tariffs for 2019-20 based on the maximum amount of £24.70m (forecast Sept 2019 prices).
- (c) In accordance with paragraph 2.5(e) of Annex 1 of the TSO Licence, the straight line depreciation period for the approved amount is five years, starting with relevant year 2019-20.
- (d) Return will be calculated based on the prevailing WACC.

Given the completion of the project there is no further obligation on SONI with respect to annual reporting. Should you have any comments, queries or issues, feel free to contact either myself or Jody O'Boyle.

Yours sincerely



Tanya Hedley
Director of Networks