

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

Ref: NET/E/TH/136

23 August 2019

Dear Sarah,

Re: Voltage Support – Abandoned Project Approval

Thank you for the Abandoned Project (*AB_Pct*) submission of the 17 April 2019 regarding voltage support at various substation locations.

Abandoned Project revenue, once approved, is recovered via opex under the *AB_Pct* licence term. However, a corresponding amount is also removed from the closing RAB calculation for TNPP costs [as set out in Annex 1, Section 2.4 (a)(ii)].

This creates an issue as no monies for the voltage support project is currently provided for within TNPP allowances. Consequently, this letter serves both as a *TNPP approval* and subsequent *Abandoned Project approval*.

Approvals

Amounts approved are detailed in the table below [in April 2014 prices for ease of comparison with the current price control].

	SONI Claim (April 2014 prices)	UR Allowance (April 2014 prices)
Total	£346k	£281k

The allowance represents a reduction of £65k against the sum requested. Whilst the UR accepts the case for action, sufficient justification was not provided for all costs requested. Based on the detail provided, UR is content to approve actual spend on external consultants and internal direct staff costs.

However the level of internal overheads is excessive in our opinion.¹ The combined internal daily rate is materially above that which we would otherwise expect. It would

¹ Supporting calculations for allowances are provided alongside this letter.

appear that this is due to the fact these overheads account for staff time not directly related to the specific project. UR does not see why funding should be provided for such expenditure within specific project approvals.

Our decision reduces the combined internal daily rate to be more in line with UR expectations. The rate represents actual direct costs plus an allowance for overheads based on the existing price control. UR does however welcome the improvements of reporting in this area and increased accuracy of cost allocation going forward.

Costs will be recovered under the *AB_Pct* term in the 2019-20 tariff year. Given approval as an Abandoned Project, these costs should be removed from the TNPP RAB calculations for future tariff years.

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