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Dear Jody,

SONI Response to UR Consultation on the Allocation of Revenue to the GTUoS Tariff

SONI welcomes the UR consultation on the GTUoS Revenue Allocation. We agree with the principle of all-island alignment and are happy to support the process that will lead to the resolution of this issue. Having reviewed your consultation paper on the potential solutions that you have identified, we are now writing to provide our views on each of the options that you have set out.

In summary we understand the four options to be:

- **Option A:** No change
- **Option B:** 25% of all of SONI costs allocated to GTUoS. This would include the cost of system services provided by generators and the k factor.
- **Option C:** No TSO costs from either jurisdiction recovered from any generators, which would require changes to the allocation in Ireland.
- **Option D:** 25% of SONI Network related internal costs allocated to GTUoS. This means that SONI would recover 15% of the revenue related to SONI's internal costs would be collect through GTUoS.

We present our response to the four options in an order that allows for a logical presentation of our views.

Option B: allocate 25% of all TAO & TSO revenue to GUToS

We agree that, at present, it is not appropriate to charge the cost of system services to generators. Any future allocation of these costs would need to be on a "causer pays" basis therefore they are not suitable for inclusion within the current locational methodology. Consequently we concur that Option B is not consistent with SEM Committee decisions and should be discounted.

Option D: Allocate 25% of SONI's network related internal costs to GTUoS

In SONI's view, the consultation paper does not provide sufficient information to allow us to reach a firm conclusion on the workability of Option D. SONI has identified three main areas of concern around the UR's proposals for option D: the absence of information on the allocation of the risks related to under/over recovery of revenues; the codification of these changes; and the absence of a definitive

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approach to implementation. We have already expanded on the first two of these concerns in our response to the Draft Determination of our Price Control; however we include a brief summary here for completeness.

Risk Allocation

Despite this consultation overlapping with the consultation on the UR's Draft Determination of SONI's price control, there is no mention of the proposal to change the allocation of risk associated with TUoS revenue collection that was introduced in that paper or the interaction between these two proposals.

If SONI is expected to collect 15% of the revenue related to its internal costs through the GTUoS tariff, we would expect clear confirmation around how the risks of under recovery will be processed. This includes the risk inherent in contributions from generators in Ireland which are subject to currency fluctuations and shortfalls caused by delays to the connection or market entry of new units.

Codification

The UR's approach to the codification of the revised collection agent risk in both SONI and NIE Networks transmission licences is also relevant here, but absent from either consultation paper. Currently there are restrictions in both of our licences related to potential over-recovery of revenue in one year or over three years. How the reallocation of collection agent risk and income apportionment will be reflected in both licences should be set out, to ensure that there are no unintended consequences for our compliance as a result of the changes proposed across the two consultations.

Approach to Implementation

These comments on Option D are premised on the assumption that the change will be a mechanical copy and paste of the percentage split applied in Ireland. A more granular exercise would divert resources away from activities that add value for customers and would therefore be disproportionate for an interim measure.

Without further information covering these three issues, SONI is not able to support Option D. We would expect further consultation around the missing information before this proposal could be implemented.

Option C: No TSO costs recovered through GTUoS

Overall Option C remains SONI's preferred route to resolve this issue. This option is unlikely to result in a material distortion of the locational signal sent by the GTUoS tariffs. This is the most transparent of the four options, because the revenues recovered under the GTUoS tariff would be linked solely to the TAO price controls. From SONI's perspective this would be the most straightforward and fastest to implement, with no change required to SONI's current approach. However changes would have to be made to the approach in Ireland. SONI therefore urges the UR to work constructively with the CRU to deliver this outcome.

Option A: No Change

SONI agrees with the UR that the current situation is imperfect; however because the interjurisdictional inequity is of relatively low materiality, it should not be

discounted at this stage if the risk allocation and licence codification issues associated with Option D cannot be resolved in an efficient and proportionate manner and Option C cannot be realised due to interjurisdictional issues.

Conclusion

SONI's preference is to work with the UR, CRU and EirGrid to implement Option C. Option D may be a workable interim solution, however we cannot confirm this without further detail and discussion around how it interacts with the proposals set out within the Draft Determination of our Price Control.

Yours sincerely

A handwritten signature in blue ink, appearing to read "S Friedel". The signature is fluid and cursive, with the first letter "S" being particularly large and stylized.

Sarah Friedel

Senior Regulation Specialist, SONI Ltd.

CC: Kevin O'Neill, Head of Regulation & Commercial, SONI Ltd.