

Dear Ms. Dowey,

Please find below the response from Jim Allister MLA on behalf of TUV:

### **SONI Governance A Call for Evidence**

I have long held profound concerns about the governance of SONI. I note with interest that as part of this call for evidence you have posed a series of seven questions to SONI in section 8.25 which are fundamental in nature including a request that they "set out the nature of the day to day interactions between it and Eirgrid, the governance structures which facilitate these interactions, together with a SONI organisation chart."

The questions in 8.25 underscore my belief that SONI is so intermeshed with EirGrid that it is difficult to argue that it is at all free standing. This is in spite of the fact that the SONI licence requires that they have full operational independence. The reality, sadly, is that SONI has become a vassal part of EirGrid.

It is most disappointing that Utility Regulator allowed it to get to this point. Why were you not challenging SONI on meeting their license requirements before now? The fact that it was left until a public call for evidence to ask SONI to clarify matters such as:

- the SONI organisational chart,
- how the structure of the Group and the composition of the various boards provide benefit to NI stakeholders,
- how the integrated structure works and is managed in practice, including: how decisions are made, and authority is delegated downwards in the organisation,
- the scope of TSO functions that are integrated with Eirgrid,
- how the current governance arrangements apply to NI-facing activities, such as planning, and the extent to which this work is wholly managed and directed within SONI and
- to set out any measures it has in place to ensure the retention of specific, detailed local knowledge relating to the NI transmission system

in my view displays a gross dereliction of duty on the part of the Regulator.

These are all key points - the answers to which should be informing detailed responses to the call for evidence. The situation is totally unacceptable and I would be obliged if you would advise what you as Regulator have done before the call for evidence to seek clarity on these points.

I am disappointed that the Regulator has not challenged SONI on its failure to comply with condition 12 of its licence and note that two of the five proposed options for the way forward involve changing condition 12.

It is my belief that there should be no question of changing any of the licensing conditions until clarity is obtained as to how SONI has complied with the conditions of its licence to date. If SONI has, on consideration of its responses to the questions put in section 8.25, been in breach of its current licensing conditions then both SONI and the Utility Regulator need to answer as to why this is the case and why the situation has been allowed to develop.

I am surprised that the consultation does not touch on the subject of the capacity auction when dealing with SONI independence. The Northern Ireland standard is 4.9 hours for security of supply yet the standard for the auction was set at 8 hours - which just so happens to be the standard for the Republic, something which put Kilroot and Ballylumford at a distinct disadvantage. The fact that the auction was set to the Republic's standard suggests that the outlook for power stations in Northern Ireland is bleak to say the least.

With the possible closure of Kilroot and Ballylumford Power Stations, will NIE revenue exporting south significantly diminish, and EIRGrid energy exporting north significantly increase? What is the predicted NIE revenue loss, from the significantly reduced I/C energy export flow north to south, and what is projected revenue gain to EIRGrid, due to increase energy flow south to north?

What consideration has the regulator given to the costs to loss of jobs and skills locally as a result of the EIRGrid link up?

The North South Interconnector would have the capacity to carry 23.8% of the 'all-island' peak demand whereas the comparable figures for the France / Spain and Norway / Sweden Interconnectors are 2.9% and 1.4% respectively and that this in turn results in the north south interconnector having a far greater level of strategic importance than those proposed interconnectors.

Surely the north south interconnectors having a far greater level of strategic importance to NIE, than any of proposed interconnectors in Europe, is reason for grave concern?

Have you examined what is total of NIE generation will be if Kilroot and Ballylumford were to close?

Have you considered what levels of NIE peak demand will have to be secured by south to north energy flow post interconnector?

In conclusion, SONI is under a Licence condition to have full operational independence and to produce regular reports showing compliance with that independence obligation - which has not been happening. SONI need to explain why this has not been happening and you, the Regulator, have a duty to the public to explain why it has got to this point.

From a meeting with SONI back in the summer of last year I know that it is their desire to have condition 12 removed or so amended as to be meaningless. I suspect that this will be the outcome of the process. However, I nonetheless note that there is an acknowledgement in your call for evidence that the Eirgrid acquisition of SONI in 2009 "gave rise to concerns as to whether consumers on the island of Ireland, and particularly in Northern Ireland, would continue to be protected, and would not be disadvantaged by the change in control of SONI. The concern was as to whether SONI would be managed purely with the objectives set out in its own licence conditions in mind, or whether SONI might be unduly influenced by Eirgrid's pursuit of its objectives. This concern is exacerbated as a consequence of Eirgrid being owned by the Irish State, with a risk of a perception that the interests of consumers and government policy in Ireland could be prioritised over the interests of consumers and government policy in Northern Ireland. Likewise, it was perceived that there is a risk that the interests of generators in Ireland could be prioritised over the interests in Northern Ireland."

Additionally I note the acknowledgment that, "Concerns had been expressed, in response to a consultation on the acquisition, that consumers in NI needed to be treated on a fair and equitable basis with consumers in Ireland."

I regret that there is no consideration of how those concerns have played out for the Northern Ireland consumer. Before the single, all-Ireland electricity market was introduced there was a trend towards Northern Ireland electricity costs converging with the lower prices in Great Britain. Since it has been introduced the trend has been towards the higher electricity prices in the Republic. Natural Gas customers in Northern Ireland have seen their bills reduced by 9%. ESB owners of NIE have increased Northern Ireland bills by 9%. At the next stage of your review I believe that this issue should be examined in detail.

Kind Regards,

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