

By email to:

Natalie.Dowey@uregni.gov.uk

[Electricity Networks Responses@uregni.gov.uk](mailto:Electricity_Networks_Responses@uregni.gov.uk)

1st October 2019

Dear Natalie

Re. SONI Governance call for evidence

This response is on behalf Mutual Energy which exists to own and operate energy infrastructure in the long-term interest of Northern Ireland energy consumers.

Mutual Energy owns and operates the Moyle Interconnector (Moyle) which links the electricity systems of Northern Ireland and Scotland, the Premier Transmission Pipeline System (PTPS), which consists of the Scotland to Northern Ireland natural gas transmission pipeline (SNIP), the Belfast Gas Transmission Pipeline (BGTP) and the West Transmission Pipelines (WTP) operated by Premier Transmission Limited, Belfast Gas Transmission Limited and West Transmission Limited respectively. These are strategically important energy transmission infrastructure and Mutual Energy aims to manage them to the highest standards of safety, reliability and efficiency.

SONI performs certain tasks on Moyle's behalf under a Collection Agency Agreement and Operating and Agency Agreement (both of which are required under our respective licences) and our gas businesses also have operational interaction with SONI as gas and electricity TSO's in Northern Ireland respectively. While we have not answered all questions or addressed all the potential issues raised in the consultation, we have sought to respond to those areas where we may have some insight and provide value.

Views on decision-making in SONI

We note that EirGrid has recently launched its 2020-25 Strategy and that SONI has simultaneously launched a near identical strategy document. It will be important that SONI's strategy is considered in an NI context and is revisited when the new Strategic Energy Framework for Northern Ireland becomes available. These strategy documents will need to be compatible, in particular around the extent of electrification sought versus decarbonisation by other means such as 'green gas'. The role and independence of SONI's board will be important in setting the strategic direction.

With regards to board level decision making in the best interests of NI consumers, Mutual Energy does apply the UK Corporate Governance Code and have found that this does help to deliver effective governance. If the conclusion of this call for evidence is that improvements to SONI's governance and decision making are required, the Utility Regulator may consider that modifying Condition 12 of the SONI licence to oblige the application of the appropriate aspects of the UK



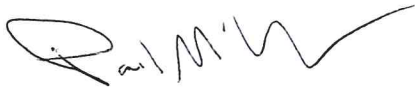
Corporate Governance Code (e.g. majority of independent non-executive directors) might provide an effective means for delivering such improvement.

With respect to cost allocation and recharge policy and contracting for services with the EirGrid Group, we do not have visibility of such matters so cannot comment on how these arrangements are operating for NI consumers. If the Utility Regulator has concerns about these areas it seems that these may be best addressed through the price control process.

Similarly, it is difficult for an external observer to comment on whether the 'functional' management model employed within SONI and EirGrid is the optimal means of delivering government and regulatory policy in NI. The appropriate management structure should be for SONI's board and senior management to determine but, if the result is that SONI does not satisfy their legal and regulatory obligations or produce the required outcomes then they should be held to account. If the management model is the underlying cause of any such underperformance, then this would be expected to trigger reorganisation rather than it being mandated.

We hope that this feedback is useful and would be happy to discuss any aspect of it.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Paul McGuckin', with a stylized flourish at the end.

Paul McGuckin