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Utility Regulator
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TSOs regulatory instructions and guidance ("RIGs")

Moyle Interconnector Limited welcomes the opportunity to give feedback on SONI's proposed annual reporting Regulatory Instructions and Guidance (the RIGs). Our comments are set out below:

- 1. Timing:** The timing for annual submission seems reasonable. Provision of historic data for 2015/16 and 2016/17 in this timescale seems challenging however, particularly where historic data has not been recorded in the format presented in the spreadsheet. In such cases, further analysis will likely be required to recategorize the data with estimations and apportionment being necessary in order to prevent excessive administrative burden.
- 2. Reporting format:** The spreadsheet includes a number of data lines but it is not very clear what would need to be reported in each as no definitions are provided for each of the line items. Further definition of these cost lines in the RIGs would be helpful to avoid confusion or misallocation e.g. In the past Ofgem's RIGs have included a comprehensive glossary¹. The line items are very different from Moyle's cost categorisation and would not be appropriate for our business therefore it is very difficult for us to consider whether these are the appropriate categories for SONI, given the differences in our business model and cost types.
- 3. Forecasting:** It is not clear from the RIGs of the process and timing of forecasting and setting of price controls. It would be useful to identify this full timeline so that forecasting and cost reporting processes could be considered in the round. The RIGs commentary requests the inclusion of discussion on expected future changes, as well as likely future costs but we do not believe detail on forecast costs for the various lines should be included as this would be an unfair administrative burden to report forecasts on an annual basis, in addition to any submission for the full price control period.
- 4. Paragraph 2.7:** This paragraph is not very clear and could be interpreted to require the inclusion of all data on affiliates and related undertakings of the licensee which is not reasonable and we assume was not the intention. Further clarification of this paragraph would be helpful.
- 5. Reconciliation to regulatory accounts:** we are not familiar with SONI's licence and the requirements in relation to their cost reporting or regulatory reporting but based on Mutual Energy businesses we consider that this would be challenging where there are any timing differences in respect of the financial and regulatory periods, or where the basis for cost recognition differs between the licence and the relevant accounting standards. Where significant

¹ https://www.ofgem.gov.uk/sites/default/files/docs/2015/06/annex_a_glossary_0.pdf

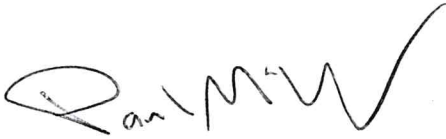


differences arise in these areas we do not consider that this would be a worthwhile exercise to justify the significant administrative burden that would be required.

6. **Licence modification:** Where the licence modifications introduce significant new requirements adequate time should be given so that these requirements and the resourcing of these can be met.
7. **Decision publication:** We note that the timing of the decision is very near the end of the regulatory period and that this does not give SONI much time if significant changes are required to the reporting of its information, particularly with the additional requirements in respect of earlier periods.
8. **Reporting template:** As noted previously the cost lines for SONI vary significantly from those relevant for Moyle so we cannot comment on every line but have set out our comments for some of the line items below:
 - a. **Staff costs - general:** As there are no definitions or detailed description for each cost line it is not clear if it is intended that the relevant proportion of staff costs charged from other group companies should also be allocated into each of these categories or included in the group recharges in T4. To separately apportion each element of these recharges would be a significant administrative burden, especially if the accounting systems and processes are not set up to allocate costs in this manner.
 - b. **Indirect staff costs -** These cost lines are much too detailed and will introduce an administration burden without adding any benefit. By identifying the cost for each line item it is not apparent what the benefit is as this will not allow analysis of, for example, the costs per night/meal, and it cannot be determined if these are excessive as there is no indication of the number of each to compare. We do not propose requiring this further detail, as any benefit would outweigh the cost of providing such detail, but instead question the need for the level of detail already included. We believe one line for travel and subsistence is all that should be required. For the other indirect costs (excluding travel and subsistence) we expect that much of this cost is recorded at group level (as is the case for Moyle) and therefore apportionment of each line item at company level is not likely to be readily available, as these may be recharged as part of a larger staff recharge.
 - c. **Pension –** The detailed information requested for defined contribution scheme is excessive and is not relevant as contribution rates of members is entirely at their discretion and will vary by person. Apart from the total cost the remaining details are not helpful and, if considered necessary, could be easily satisfied by provision of a table of potential employee contribution rates and related employer contributions. This section appears to be a copy from the defined benefit section but as there are no deficits for defined contribution schemes this is not considered necessary.
 - d. **(Non-staff) Opex –** This category does not include many of the lines which we would expect to see for our business and many of those included are not relevant for Moyle so it is difficult for us to comment on most of this section. For the group recharges section it would be clearer if definitions were included to identify whether all group recharges were to be included here or if these are to be separated out into other lines where this is possible. We expect the least burden would be to include all group costs together here, but recognise that may lead to less useful information in other sections, for example where there are significant staff recharges etc.
 - e. **T5 to T8 -** We have no comments on tables 5, 7, and 8 and 9 as these are not relevant for Moyle.
 - f. **On Table 6, section D** it is not clear how customer satisfaction data is objectively gathered. From a Moyle perspective, SONI has licence obligations to perform a number of key functions

on Moyle's behalf and it is our view that performance of these obligations should be tracked in order to incentivise effective performance. We would welcome the opportunity to engage with the Utility Regulator and SONI to discuss how such performance could be monitored, reported and incentivised.

Yours faithfully,

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

Paul McGuckin

Head of Markets and Regulation

Mutual Energy Ltd

