

SONI TSO Price Control Stakeholder Expert Challenge Group – Terms of Reference (ToR) and guidance

We have commenced work on our next SONI TSO Price Control in Northern Ireland.

To inform this work we are establishing an expert challenge group of stakeholders with an interest in the SONI TSO price control. This document is a Terms of Reference (ToR) and guidance for the establishment of SONI TSO Price Control Stakeholder Expert Challenge Group.

We will be responsible for updating this document, as is necessary, to provide guidance to the group on its role, deliverables and objectives.

Background

SONI is the independent Transmission System Operator (TSO) for Northern Ireland (NI). SONI performs a number of crucial functions but its core roles are to ensure the transmission system is operated securely, balanced efficiently, and the transmission network is planned effectively. It also carries out other important roles, for example, collecting tariffs on behalf of itself and other parties (e.g. Suppliers, DNO and Moyle Interconnector).

We periodically undertake TSO price controls which give SONI, as a monopoly provider, enough revenue to carry out its functions efficiently for the benefit of NI consumers. The existing price control runs from 2015 to 2020. This was appealed by SONI to Competition Market Authority (CMA), who made its determination and remedies last year.¹

Overarching objective

We would like to bring more accountability and transparency in setting the next TSO price control. One way of doing this is by strengthening the use of stakeholder engagement. We feel that a group of experts who can exercise a sufficient level of independent challenge on SONI and UR can help. In particular, it can ensure that SONI's price control business plan aligns with consumer interests, and meets the needs of SONI's users.

Enhanced engagement is a well-recognised feature used by other sectoral regulators, and we have used various other forms of enhanced engagement in other sectors we regulate.² This type of partnership approach has a track-record in bringing benefits.

¹ <https://assets.publishing.service.gov.uk/media/5a05b2f2ed915d0adcdf469b/soni-niaur-summary-of-final-determination.pdf>

² For example, Consumer Engagement Advisory Panel approach used in RP6 and stakeholder groups in water regulation.

Benefits SECG can bring in meeting this objective

The group can deliver a number of enhanced engagement benefits:

1. Facilitate effective regulatory policy
2. High quality and well justified SONI business plan
3. Supporting our assessment of the business plan

How we see SECG working

We set out below the role we currently see members³ playing across various aspects of the price control process and how they relate to the potential benefits stated above.

It is important to note that we do not view SECG as a replacement for any stakeholder (including consumer) engagement which SONI may take to develop its business plan. SECG's role should instead complement and not act as a substitute for SONI's business plan development.⁴

UR policy approach

We will schedule 4 meetings during September 2018 to February 2019 to cover this aspect.

The key benefit we see participants playing in this phase is to help **facilitate effective regulatory policy** by inputting and challenging the UR in developing its regulatory approach.

Input from the SECG and the UR policy approach development will, in turn, provide a steer to SONI in its task to achieve **high quality and well justified business plan**. Clear regulatory expectations from UR can also help equip the group in its role of providing insight and challenge to SONI on its business plan. Clearly communicating our expectations to SONI will also assist in this way. To facilitate a smooth process, we will provide updated guidance during this phase, as and when necessary, setting out our expectations of SECG's role and how it will operate when providing insight and challenge to SONI business plan during its development and after submission; and how SECG's outputs will be taken account of by UR in its assessment of SONI's business plan.

While not being the objective of the UR policy approach phase, we recognise that insight and challenge provided by the group to assist UR in developing its regulatory approach may also be used by SONI in developing its business plan if it so wishes. For example, we may ask the group for its expectations on what performance outcomes should be expected from SONI in

³ We use this as an umbrella term to describe active participants and observers

⁴ More generally, we encourage SONI to engage more widely as is appropriate and proportionate in developing its business plan. As this is SONI's responsibility, we do not want to prescribe how, with whom, or how often this must take place.

undertaking its role and delivering service. It will be SONI's decision as to whether and how it takes account of this in SONI in developing its business plan.

As well as leading on its approach policy development during this phase, the UR will also chair the group and be responsible for secretariat functions. The UR chair will help support and facilitate effective stakeholder engagement.

The focus of the group during the UR policy approach phase should be to:

- Help UR in setting clear and robust expectations for how we determine an appropriate approach for the SONI price control ⁵
- Feedback to UR on its expectation for SECG's role and how it will operate when providing insight and challenge to SONI business plan during its development and after submission; and how SECG's outputs will be taken account of by UR.⁶
- Provide challenge and insight to UR on whether policy is in interests of consumers and how it meets the needs of SONI's service users
- Provide challenge and insight to UR on what the impacts may be (including those on SONI and how it may respond)
- Challenging UR on how its emerging policy meet the agreed outcomes of an effective price control and guiding framework process and design principles

Business plan development and submission

SECG should have a role in encouraging SONI to create a **high quality and well justified business plan** and **supporting our assessment of the business plan**.

One role required of SECG participants (excluding UR, SONI and Government) during this phase will be to provide insight and expert challenge to SONI on its business plan through its development. We also envisage SECG providing a challenge on the SONI business plan once a final version has been submitted.

Our main role during this phase will be to chair the group. We will not have a role in challenging or scrutinising SONI's TSO price control business plan within SECG, as we want this to be an activity led by other participants in the forum who are independent of SONI and UR.

⁵ We set out in the September 2018 SECG the issues we will prioritise with the group. For example, methodology UR will use for assessing business plan.

⁶ For example, we may clarify the focus areas of group in challenging the business plan (e.g. by way of illustration, SONI's strategy, SONI's treatment of outcomes, outputs or deliverables etc.); further guidance/best practice/guidance on governance and transparency to ensure challenge is evidence based and independent and what form the outputs of the SECG challenge should be (minutes and/or reports); how the outcome from the engagement will be used as part of our business plan assessment.

The SECG does not have a decision making role on our regulatory framework or SONI's business plan. But its independent insight and challenge will be used, along with other evidence we gather, to inform our assessment of SONI's plan and our regulatory framework.

Membership

Membership of the group has been initiated on an open application basis. But we reserve the right to directly invite people to join the expert challenge group once the application window has elapsed to ensure the group is representative of our aims.

We would like the group to be as representative of our aims as possible. In deciding membership we, with input from SONI, will consider the overall composition of the group.

Members who are accepted onto the group (excluding government) should represent themselves as independent individuals as far as practicable during the SECG meetings.

Members must also be able to make time to attend each meeting in person

We have the discretion to invite observers to attend the expert challenge group. We also have the discretion to invite interested parties to attend the expert group on an ad hoc basis to discuss specific issues.

All applicants will be informed if they have been selected for the group as soon as possible after the deadline.

Any noted conflicts of interests will be made transparent to all members.

Logistics

We aim to hold all meetings at UR offices in Belfast.

We plan to hold 4 meetings in September, October, November and January 2019 (with more in 2019). With the first meeting being scheduled for the 25th September 2018. We expect each meeting to be over 0.5 day duration.

We see the group working as follows:

- In advance of each meeting (no less than one week before), the UR will send out slides and/or papers on the areas which are to be discussed at that meeting.
- We may set the group tasks or areas to prepare/respond to where appropriate (and will give the group enough time to consider these fully).

- The first meeting is likely to consider introductions, general background, timetable/deliverables, objectives and how the group will function. We will also introduce the scope of what we may cover in the approach phase and publications, and seek initial views.⁷
- The second (October), third (November) and fourth (January 2019 meeting) will deep dive agreed issues.
- We will set up meeting(s) after liaising with SONI for group members to provide insight and challenge SONI's business plan.

Rules of Participation

Any discussion in meetings and views expressed or implied in such discussion or associated documents are without prejudice to, and shall not limit URs discretion with regard to its proposals or final decisions.

Transparency and recording information

Agreed terms of reference, the schedule of meeting dates, agenda and agreed actions and markers from meetings will all be published by UR on the UR website. We also intend to publish material we use at the group where appropriate.

With regards to stakeholders' challenging and scrutinising of SONI's business plan, we will consider and confirm the format under which views and evidence of the group (i.e. SONI and other members excluding UR) will be captured and whether these will be published.

Summary of key member roles within SECG

UR

- Overall responsibility for SECG
- SECG chair
- Lead UR policy approach development
- Secretariat
- Responsible for membership
- Providing and updating guidance (including any good practice from other jurisdictions). For example, on its expectation for SECG during business plan development and submission phase (including governance and transparency to ensure evidence based decisions and independence).

SONI

- Inputting to and challenging the UR in developing its regulatory approach

⁷ We may provide more detail on thinking on certain issues compared to others depending on our prioritisation.

- Allow 'other member' challenge and input on its business plan during development and submission

Government

- Observer

Other members

- Inputting to and challenging the UR in developing its regulatory approach
- Inputting to and challenging SONI on its business plan

Change control

Version	Updates
October 2018 version	Updated August 2018 version: <ul style="list-style-type: none"> • Restructuring and drafting to clarify intent of August 2018 document • Recognise role of SECG to provide insight and challenge business plan during development phase • Addition of change control table • Drafting reflection that this document will be updated as when necessary.