

## **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.

### **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.<sup>1</sup>

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 can help.

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.<sup>2</sup> This type of partnership approach has a track-record in bringing benefits.

### **Our expectations of the role of the group**

We would like the group to not only inform and help us develop our policy, but also ensure that SONI's price control business plan aligns with consumer interests, and meets the needs of SONI's users.

We see the group as initially playing an important role in helping us to develop the TSO price control policy during the approach phase. This will, in turn, also provide an appropriate steer to

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

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

SONI in its task to develop a high quality business plan. Once SONI prepares its TSO price control business plan we then see the group as playing a role in challenging and scrutinising it.

We may also use the group during the draft and final determination project phases to discuss issues. There may be a role during the TSO price control period itself, perhaps when helping develop new consumer focused metrics and incentives (this role can be further determined as the framework becomes clearer).

The group does not have a decision making role on our regulatory framework or SONI's business plan. It will be used, along with other evidence, to inform our assessment of SONI's plan and our regulatory framework.

### *UR*

The UR will chair the group and be responsible for secretariat functions. In these roles we will help support and facilitate effective stakeholder engagement.

We will not have a role in challenging or scrutinsing SONIs TSO price control business plan itself, within this forum, as we want this to be an activity led by other members in the forum who are independent of UR and SONI.

We will also lead on developing TSO price control regulatory framework issues. In particular, we will be using the group to develop our approach. UR members (or those acting on behalf of UR) will also prepare and lead aspects of policy relevant to our framework which we are developing.

The areas we currently plan to lead on during the approach phase (4 meetings from September 2018 to January 2019) are:

- SONI's Roles and Principles (what SONI does and the behaviours which are expected from it in undertaking its role)
- Remuneration and financeability
- Business plan and information requirements
- Cost analysis and uncertainty
- Outputs, Outcomes, Incentives, Innovation

### *SONI*

We would expect SONI to submit its TSO price control business plan to the Group at the same time as it submits it to us. We will expect SONI to present on this to the group.

We encourage SONI to engage with its users and customers, as is necessary and appropriate, 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.

We do not, therefore, see this group as a replacement for any stakeholder (including consumer) engagement which SONI may take to develop its business plan. This means that we do not view the group as a forum to develop and test SONI's business plan as it develops it.

In terms of developing and challenging regulatory policy, SONI may consider whether the proposed regulatory policy is in the interest of consumers and what the impacts may be (including those on SONI). We are also likely to ask SONI to present to the group on certain topics to complement this work.

#### *Other members*

As we are seeking the expertise and knowledge of the individuals we do not expect that they represent the views of their company when inputting in the forum.

In terms of challenging SONI's TSO price control business plan we offer a list of non-exhaustive items which we expect the other members to consider:

- How plan meets the interests of stakeholders engaging with SONI as well as of current and future consumers
- Long term strategy (what SONI sees itself doing, why and how it has prioritised)
- Whether predicted spend is efficient and/or improves service etc and view on evidence used in business plan.
- SONI's approach to outcomes, outputs, innovation and incentives.
- How SONI has used stakeholder (including customer) engagement in developing its business plan
- How SONI has considered uncertainty
- Clarity and ease of understanding of the business plan

We expect this to take the form of independent evidence that we will consider alongside other relevant considerations in our assessment of business plans.

In terms of developing and challenging TSO price control regulatory policy, we ask stakeholders to consider whether regulatory policy is in interests of consumers and what the impacts may be (including those on SONI). We may ask other members of the group to present to the group on certain items where appropriate.

## Deciding membership

Membership of the group will be decided on an open application basis. Applicants must respond in writing by **15 August 2018**, in the form of an email or word document to [Ciaran.maccann@uregni.gov.uk](mailto:Ciaran.maccann@uregni.gov.uk).

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

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.

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 at the onset of the first meeting 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 25<sup>th</sup> 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.<sup>3</sup>

- The second (October), third (November) and fourth (January 2019 meeting) will deep dive agreed issues as well as consider overall process/timetable fit to deliver draft and final determination stages.
- We will set up meeting(s) at beginning of Q3 2019 for group members to scrutinise 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.

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<sup>3</sup> We may provide more detail on thinking on certain issues compared to others depending on our prioritisation.