

# Utility Regulator's Draft Forward Work Programme 2019/2020

A response from SONI Ltd

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20 February 2019



# Introduction

SONI is licensed as Transmission System Operator (TSO) and Market Operator (MO) for Northern Ireland. It is owned by EirGrid plc, the licensed TSO and MO in Ireland. This response is prepared in the context of the role of the Utility Regulator in regulating all aspects of the SONI business and that of its affiliates, whether specifically in Northern Ireland or across the island of Ireland through the exercise of its functions through SEM Committee.

SONI welcomes the Utility Regulator's publication of its Draft Forward Work Programme for 2019/20, bolstered by publication of the organisation's Draft Corporate Strategy for 2019-24. SONI recognises that 2019/20 is an important but uncertain year in terms of the energy transition in Northern Ireland and supports the Utility Regulator's recognition of the numerous variables which have had to be taken into account when developing a Forward Work Programme. Notwithstanding this, SONI is in agreement with the overall ethos of the Utility Regulator's Draft Forward Work Programme to progress priority projects taking into account legislative and regulatory requirements, and reacting to political and economic developments appropriately.

## Context

SONI appreciates that the Utility Regulator's Draft Forward Work Programme for 2019-20 has been prepared in the absence of an energy framework for Northern Ireland beyond 2020. SONI, like the Utility Regulator, has been an advocate for progressing such a framework and, indeed, focusing on projects and investments which extend beyond the next ten year period to aid progression of the energy transition. We are reassured that the Utility Regulator has been regularly engaging with the Department for the Economy in order to remain involved and informed of any proposals. Clear strategic direction is paramount for the regulated utility entities in Northern Ireland in order to plan and manage effective and efficient utility services.

The absence of an Executive for Northern Ireland has had a detrimental impact on planning decisions for key infrastructure projects which SONI is involved in and has been affected by. We welcome recognition of the need for key projects to maintain security of supply in Northern Ireland by the Utility Regulator when assessing the context in which its Draft Forward Work Programme is drafted, and we encourage the approach prompted by the Utility Regulator to act as an enabler of key infrastructure projects. This has also been recognised in the Utility Regulator's Corporate Strategy and we welcome further initiatives to help progress such necessary programmes of work.

We acknowledge that one of the key corporate projects of the Utility Regulator this coming year is to inform discussions regarding appropriate regulatory arrangements following on from the UK decision to leave the EU. We recognize that the Utility Regulator, like many other organisations across Northern Ireland, will need to allocate sufficient resources as necessary to react to any changes required to EU-exit outcomes. SONI has continued to engage with stakeholders on a number of energy issues, and recognises that progression with the energy transition in NI may be superseded in the short term by necessary reactivity to implement changes which a Brexit decision may dictate.

## Commonality of outcomes

We note that there is significant commonality between the outcomes of the projects which the Utility Regulator has identified in its Draft Forward Work Programme for 2019/20 and the services that SONI is mandated to provide (either through statute, our licences, or other approved codes). SONI will provide a significant contribution towards achievement of or be directly affected by the outcomes listed in the 2019/20 Draft Forward Work Programme either explicitly or implicitly. We are committed to working with the Utility Regulator in order to deliver the outcomes in the time available and remain cognisant of the political context in which we are operating.

# Key Response

In its consultation, the Utility Regulator asks for stakeholder views on:

- Whether it has prioritised the right projects;
- Any objections to its proposed projects;
- Any other comments.

SONI is of the view that key projects have been identified in the consultation, but also recognises the need to provide more detailed clarity on the indicative project timelines in order to fully assess the achievability of the Utility Regulator's desired outcomes.

We do not have any objections to the projects proposed by the Utility Regulator.

## Other comments

From a SONI-specific perspective, the next price control for the TSO element of the business commences in October 2020 but preparations for this key initiative are underway in both SONI and within the Utility Regulator. Strategic Objective 2 (Reference 1) of the Utility Regulator's Draft Forward Programme notes that development of this project: *'Provides an opportunity to address outstanding SONI licence modifications to ensure compliance including independence and compliance reporting requirements. Ensures that the company produces quality outputs at lowest cost to consumers and has sufficient revenues to run its business'*. As communicated previously, SONI is keen to progress this workstream and encourages clarity from the Utility Regulator to ensure that all licence conditions are fit for purpose. We too aim to produce quality outputs and desirable outcomes in line with customer expectations, but encourage a requirement that value be evidenced (which is not necessarily demonstrated by provision of services *'at lowest cost'*). SONI takes compliance with its licences very seriously and has never received correspondence to suggest the contrary. When finalizing the Forward Work Programme for 2019/20, we request that the Utility Regulator considers amending the narrative of Project Reference 1 to instead read *'Provides an opportunity to address outstanding SONI licence modifications ~~to ensure compliance including independence and compliance reporting requirements~~. Ensures that the company produces quality outputs at ~~lowest~~ most efficient cost to consumers and has sufficient revenues to run its business'*.

Strategic Objective 2 (Reference 2) notes that a re-shape of incentives for SONI TSO and SONI MO are also a key project for 2019/20. Both functions of SONI Ltd encourage prioritization of this workstream.

Strategic Objective 2 (Reference 5) proposes a review of network price control approach. SONI suggests that a review of non-network price controls is also considered to further achievement of the desired outcome.

The SONI TSO and MO businesses influence, input to or are affected by a number of the Utility Regulator objectives falling under either the Wholesale Markets and Networks directorates. We request that cross-directorate communications within the Utility Regulator ensure appropriate prioritization of conflicting workstreams being led by respective Directorates so that SONI can deliver to expectations. In terms of engagement on the effectiveness of the Work Programme, the introduction of cross-sectoral focus groups to discuss linkages between key themes identified in the Work Programme could help to make decisions about resource allocation, timeframes and priorities.