



# Consultation on Deferral of the Start Date of the Next SONI Price Control

08 June 2023



## About the Utility Regulator

Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs, Price Controls, Markets and Networks. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.



### Our mission

To protect the short- and long-term interests of consumers of electricity, gas and water.



### Our vision

To ensure value and sustainability in energy and water.



### Our values

- Be a best practice regulator: transparent, consistent, proportionate, accountable and targeted.
- Be professional – listening, explaining and acting with integrity.
- Be a collaborative, co-operative and learning team.
- Be motivated and empowered to make a difference.



## Abstract

This consultation seeks views on a proposal to defer the start of the next SONI price control by one year. The current price control runs until the 30 September 2025. This will allow time for a new SONI Board, appointed in accordance with new SONI Licence Condition 42 (Part A), to complete an induction and familiarisation process and oversee the preparation of a medium term strategy for the SONI business which will underpin its subsequent Business Plan submission.

If after this consultation, the proposal is accepted, we will further consult on the method necessary to re-set the date for the start of the new price control

## Audience

This consultation is likely to be of interest to electricity consumers, regulated companies, government, statutory bodies, consumer representatives, the SONI EPF Panel and other key stakeholders in the electricity sector.

## Consumer impact

The decision to defer the start of the new price control will not have an immediate impact on consumers. This proposal would allow more time for the new SONI Board to develop its strategy and Business Plan submission for the next price control. This should allow it to develop robust plans which will enhance consumer benefit in the medium to long term at a time of significant change in the electricity sector.



# Contents

<b>1.</b>	<b>Introduction .....</b>	<b>1</b>
	Purpose of this consultation.....	1
	Structure of this consultation document.....	1
<b>2.</b>	<b>Consultation .....</b>	<b>3</b>
	Background .....	3
	Consultation proposals .....	5
	Consumer impact .....	6
<b>3.</b>	<b>Next Steps .....</b>	<b>7</b>
	Responding to the Consultation.....	7
	Next steps.....	8

# 1. Introduction

## Purpose of this consultation

- 1.1 Following representations from SONI (the independent electricity Transmission System Operator (TSO) for Northern Ireland), Utility Regulator (UR) is consulting on a proposal to defer the start of the next SONI price control by one year. The current SONI price control ends on the 30 September 2025. Under these proposals, the next SONI price control would commence on 1 October 2026.
- 1.2 A deferral of the start of the next SONI price control will allow time for a new SONI Board, appointed in accordance with new Licence Condition 42 (Part A), to complete an induction and familiarisation process and oversee the preparation of a medium term strategy for the SONI business which will then underpin its subsequent Business Plan submission.
- 1.3 If we decide that it is appropriate to defer the start date of the next SONI price control, we plan to:
  - a) Undertake a consultation on our approach to the next SONI price control in January 2024.
  - b) Undertake a further consultation on the appropriate methodology to deal with the interim year (that is, from October 2025 to September 2026) in the second half of 2024.

## Structure of this consultation document

- 1.4 This consultation document is structured as follows:
  - Chapter 1 Introduction (this chapter) provides an overview of the purpose of the consultation and the structure of this document.
  - Chapter 2 Consultation sets out the background to the consultation and the proposal to defer the start of the next SONI price control by one year.
  - Chapter 3 Next Steps provides details on how to respond to the consultation, the timelines for a decision, further consultations on the appropriate methodology to deal with the interim year, and the publication of an approach to the next SONI price control.

- Annex A publishes a letter from SONI to UR, in which it requests that the start of the next SONI price control should be deferred by one year, sets out its reasons for doing so and outlines its proposal to deal with the interim year including the licence modifications it considers necessary.

## 2. Consultation

### Background

- 2.1 SONI is the independent electricity Transmission System Operator (TSO) for Northern Ireland. It operates under a licence first granted by the Department of Enterprise, Trade and Investment (now the Department for the Economy) in July 2007. The current consolidated version of the licence including subsequent modifications is published on UR's website<sup>1</sup>.
- 2.2 In addition to licence conditions which set out SONI's rights and obligations to operate as the electricity Transmission System Operator, the licence sets out the method for calculating the Maximum Core Revenue which SONI can recover from electricity suppliers and generators to fund its operations (Licence Annex 1 - Charge Restrictions). This includes, but is not limited to:
- Provision to pass through certain costs including System Support Services, transmission networks revenues which may be recovered by NIE Networks; and, electricity market operation costs.
  - Ex ante operational and capital allowances.
  - Pension deficit repair amounts.
  - Additional allowances related to additional activities determined under defined uncertainty mechanisms.
  - Various incentive and financing costs.
- 2.3 The SONI licence is amended from time to time through a price control process. During the price control process, the company submits a Business Plan setting out its estimate of costs, including financing costs, necessary to deliver its obligations. It also includes proposals for uncertainty mechanisms covering activities and costs which cannot be properly estimated at the time. Following a process of engagement, challenge and consultation, UR makes a determination for the price control period which is then codified in modifications to the SONI licence.
- 2.4 The most recent price control determination by UR<sup>2</sup> covers the period from 1 October 2020 to 30 September 2025. Paragraph 5.1 of Annex 1, of the current SONI licence notes that the restrictions on charges outlined in the

---

<sup>1</sup> <https://www.uregni.gov.uk/files/uregni/documents/2022-11/2022-11-18%20SONI%20TSO%20Consolidated.pdf>

<sup>2</sup> <https://www.uregni.gov.uk/publications/final-determination-soni-price-control-2020-2025>

licence do not apply to tariff years from 1 October 2025. Paragraph 5.1 contains provisions limiting the extent to which SONI can increase its tariffs for subsequent year(s) to certain pass through costs, except to the extent that it has UR approval to go further.

2.5 In view of this, it was necessary to begin the process to determine the next SONI price control, including licence modifications to be effective from 1 October 2025. We provided SONI with our initial thinking on the development of the new price control on 15 February 2023. During subsequent engagement on these proposals, SONI raised concerns about the timing of the Business Plan submission in March 2024 in relation to the appointment of a new SONI Board in June 2023 under a new Licence Condition 42 (which became effective on 22 November 2022). Licence Condition 42 was introduced to better regulate the structure of the SONI Board and the sharing of management and resources between SONI and EirGrid.

2.6 Having considered the matter further, the company wrote to UR on the 27 April 2023 explaining its concerns and asking UR *“to extend SONI’s current Price Control 2020-2025 by one additional year”*. The SONI letter to UR of 27 April 2023 is reproduced as Annex A of this consultation. The background to the request set out by SONI is reproduced below:

*“As discussed in our response to the UR’s draft approach Consultation (3rd March 2023<sup>3</sup>), SONI raised concerns around the timing of the Business Plan submission in March 2024. Specifically, we considered the particular actions that would need to be undertaken in preparation of the 5-year business plan. These include, but are not limited to:*

- *A new SONI Board appointed in accordance with the new Licence Condition 42 (Part A) and induction/familiarisation completed.*
- *Preparation of 5-year strategy for SONI.*
- *Wide Stakeholder engagement on SONI Strategy.*
- *Preparation of SONI Business Plan (and further associated Stakeholder engagement).*

---

<sup>3</sup> The reference to “UR’s draft Consultation” relates to a document shared with SONI on 15 Feb. 2023 and discussed with SONI on 22 February as opposed to an external Consultation. SONI’s response was 6 March 2023, as opposed to the 3 March 2023 quoted above.



- *Preparation of SONI Business Plan including detailed cost tables based on new organisational arrangements to give effect to Licence Condition 42 (Part B Managerial and Resource Separation).*

*The timeframes proposed for the submission of the 5-year business plan allows a 9-month window for the above activities to be completed. This is undoubtedly a very short window of opportunity, especially considering the requirement to appoint and establish a new SONI Board.*

*We consider a one-year extension to the existing price control to be a pragmatic solution for all. It allows for the new SONI Board to be fully in place, the new organisational arrangements to be established and ensures sufficient time for meaningful engagement with stakeholders in determining the future strategy of the business.”*

- 2.7 SONI’s letter sets out two possible options available to the UR that could facilitate their request to “extend..[the] current Price Control 2020-2025 by 1 additional year”:
- a) *Do nothing*, in which case paragraph 5.1 of Annex 1 of the licence would apply and SONI would not be able to increase any of the tariffs or charges contributing to its Actual Regulated Revenue above the levels applicable on the 1 October 2024 (subject to the qualifications and exceptions referred to in paragraph 2.4 above).
  - b) *Modifications to the licence* which maintain the underlying structure of the price control but extends the duration of the current price control and amends the terms of the maximum charge restriction as necessary to ensure that it is effective for the tariff year 2025/26.

- 2.8 UR accepts that these are both possible options to address the interim year if the start of the next SONI price control is deferred. We will consult separately to determine the appropriate option, should this consultation conclude it is appropriate to defer the start date of the next SONI price control.

## **Consultation proposals**

- 2.9 Having considered the reasons for a deferral of the start date of the new price control, as set out by SONI in its letter of the 27 April 2023, we have concluded that there is merit in considering a deferred start date for the next SONI price control, to allow more time for the new SONI Board, appointed under Licence Condition 42(A) to:
- a) focus on the development of its strategy;

- b) allow the new SONI Board to consider whether to make applications for derogations in respect of the sharing of management and resources with EirGrid; and,
- c) prepare a Business Plan for the next price control period which reflects its decisions on its future strategy including decisions on the separation of management and resources.

2.10 Therefore, we are minded to defer the start date of the new price control by one year with a proposed start date of the new price control of 1 October 2026. Before making a decision on whether to do this or not, we wish to hear and consider the views of consumers, representative bodies, regulated companies and other stakeholders on this proposal.

2.11 We note SONI's assessment of the proposed options for delaying the start of the new price control. We note SONI's detailed assessment of the licence modifications which could be used. We will consult separately to determine the appropriate approach, should this consultation conclude it is appropriate to defer the start date of the next SONI price control.

### **Consumer impact**

2.12 SONI revenues in 2022/23 (excluding pass through costs such as systems services and k-factor adjustments) was forecast at £31m. This constitutes 1.35% of an annual domestic electricity bill based on regulated tariffs effective from 01 July 2023. The impact of future decisions on charges for the interim year will have a very small impact on electricity bills. If, following this consultation, we decide to defer the start of the next SONI price control, we will provide more information on the consumer impact when we consult on the appropriate way to address the interim year.

## 3. Next Steps

### Responding to the Consultation

- 3.1 We would welcome feedback on the proposal to defer the start date of the new SONI price control by one year. This is an open consultation. We have not set specific questions, allowing respondees to structure their responses as they consider appropriate. Responses should be received on or before 12 noon on Monday 3 July, addressed to:

Ryan Connolly  
Price Control Directorate  
Utility Regulator  
Queens House  
14 Queens Street  
Belfast BT1 6ER

[Electricity\\_Networks\\_responses@uregni.gov.uk](mailto:Electricity_Networks_responses@uregni.gov.uk) with cc to [ryan.connolly@uregni.gov.uk](mailto:ryan.connolly@uregni.gov.uk)

- 3.2 Our preference would be for responses to be submitted by e-mail.
- 3.3 Your response may be made public by the Utility Regulator. If you do not want all or part of your response or name made public, please state this clearly in the response by marking your response as 'CONFIDENTIAL'.
- 3.4 If you want other information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential.
- 3.5 Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 and the Data Protection Act 2018).
- 3.6 As stated in the GDPR Privacy Statement<sup>4</sup> for consumers and stakeholders, any personal data contained within your response will be deleted once the matter being consulted on has been concluded though the substance of the response may be retained.

---

<sup>4</sup> <https://www.uregni.gov.uk/privacy-notice>

3.7 Individual respondents may ask for their responses (in whole or in part) not to be published, or that their identity should be withheld from public disclosure. Where either of these is the case, we will ask respondents to supply a redacted version of the response which can be published.

3.8 This document is available in other accessible formats, such as large print, Braille, audio cassette and a variety of relevant minority languages if required. To request this, please contact Ryan Connolly, either by telephoning 028 9031 6691 or email to:

[Electricity\\_Networks\\_responses@uregni.gov.uk](mailto:Electricity_Networks_responses@uregni.gov.uk)

### **Next steps**

3.9 This consultation is seeking views on our proposal to delay the start of the upcoming price control by one year with an amended start date of 1 October 2026. Following consideration of the responses from this consultation, UR will publish its decision at the end of August 2023.

3.10 If we decide that it is appropriate to defer the start date of the new SONI price control, we plan to:

- a) Undertake a consultation on our approach to the new SONI price control in January 2024.
- b) Undertake a further consultation on the methodology to deal with the interim year (that is from October 2025 to September 2026).