



SRP26 Business Plan Information Requirements

Business Plan Assessment

May 2024

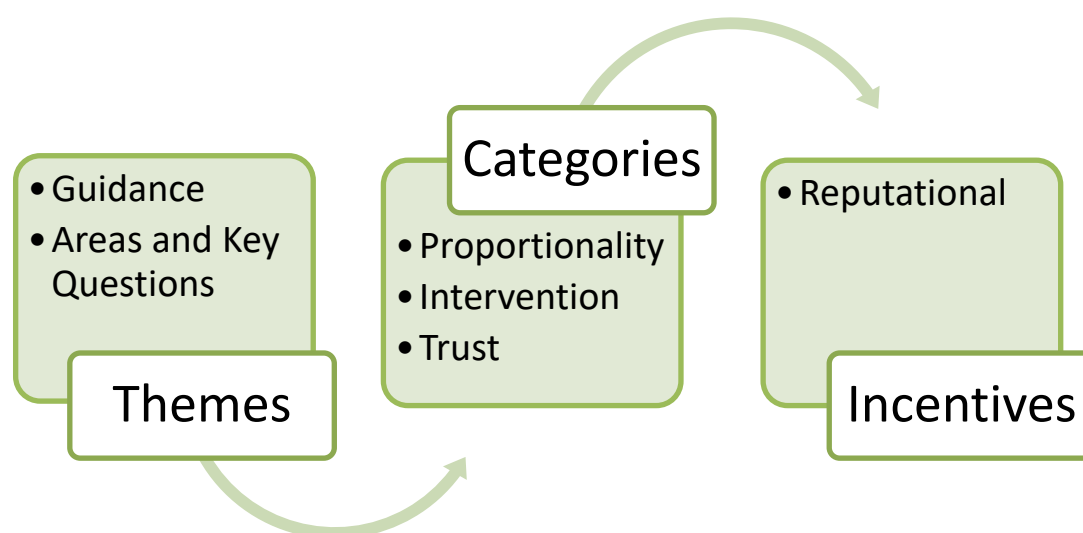
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1. Introduction

1.1 SONI Review of Prices 2026-31 (SRP26) represents the upcoming price control for the NI Transmission System Operator (TSO). This will require submission of a business plan by SONI and subsequent assessment by the Utility Regulator (UR).

1.2 We set out below our approach to assessing the TSO business plan. Our approach consists of areas which we will review (themes), categories we will consider and based upon this will inform SONI of our view on the quality of their business plan. The illustration below summarises the process and key features of the approach.



Theme areas

1.3 The themes can provide a strong basis for us to provide clear regulatory expectations and also policy priorities. They can also help us to work out how and where we dedicate assessment time when we receive the business plan. We, therefore, expect that these features will be important given the time constraints involved in the price control process.

1.4 The themes have been structured according to three areas:

- **Service contribution to good outcomes**
- **Services and costs**
- **Trust in delivery**

1.5 In coming to the number and type of theme areas, we are conscious of balancing the need of having enough distinct areas of key importance, whilst ensuring there are not too many such that overall focus is diminished. We

also recognise that, such is the cross-cutting nature of a price control and the way business functions, there will be links across many of the theme areas.

- 1.6 We have designed areas to take account of linkages, as far as is practicable and where we feel it is important to do so. We have also taken account of issues which we feel are specific to SONI and which reflect some of our policy priorities. However, we have done so to allow our approach to be sufficiently generic in many cases, so that it could also be applied to other sectors and price controls.
- 1.7 We feel that our view provides a picture of our expectations of what is important. In coming to our view, we have tailored and simplified the approach from the last price control. This aligns with the most recent approach taken for GD23 and RP7 price controls.
- 1.8 We will provide guidance for what would be an exceptional business plan, along with the accompanying questions for SONI to answer in preparing its business plan. These are listed for completeness and ease of reference below.
- 1.9 We expect these to be instructive but will leave enough flexibility for SONI to take ownership of their business plan. We reserve the right to consider different factors where necessary.

Categories

- 1.10 When we receive SONI's business plan we will assess how it has performed. This assessment is built up from the categorisation below for each of the theme areas.
- 1.11 This is structured around a number of questions which we would ask when we assess the quality of the business plan submission. These are grouped under 3 key themes and areas which are set out below:
 - **Theme 1 - Service contribution to good outcomes.**
 - Area 1: Delivering value for money for consumers.
 - **Theme 2 - Services and costs**
 - Area 2: Delivering services and outcomes.
 - Area 3: Aligning risk and return.
 - **Theme 3 - Trust in delivery**
 - Area 4: Engaging customers, consumers and other stakeholders.

- Area 5: Ensuring resilience.
- Area 6: Accounting for past delivery.

1.12 SONI's business role, services and activities should be well aligned with the interests of customers, consumers, other stakeholders and the wider energy system. We feel that the categorisation, when coupled with our framework and other expectations/guidance on business plan:

- allows SONI to take ownership of its plan. It should also be answerable to stakeholders for what follows from it.
- clarifies that lesser regulatory intervention can be expected in the SONI business plan if it is of higher quality.
- gives SONI greater opportunity to shape its role over the price control period, what activities and level of service is funded through the price control, and aspects of the regulatory framework.
- clarifies that there will be a higher degree of trust in SONI if its business plan is of higher quality.

1.13 We set out our categorisation expectations in the table below. Further guidance on our view of what is an exceptional business plan (category A) is set out below.

| Category | Features |
|-------------------------------|---|
| A: Exceptional | <p>Exceptional and stretching business plan.</p> <p>Excellent responses across most test areas.</p> <p>Limited regulatory intervention to translate to price control package.</p> <p>Relatively high degree of trust in company.</p> |
| B: Good | <p>Good plan but falling short of being an exceptional and stretching plan.</p> <p>Excellent responses in some test areas.</p> <p>Some regulatory intervention and therefore less trust than category A.</p> |
| C: Meeting Basic Expectations | <p>Plan does not evidence how best to serve customers and stakeholders.</p> <p>Significant concerns and lack of excellent responses across all test areas.</p> <p>Extensive regulatory intervention and therefore less trust than category B.</p> |
| D: Poor | <p>Self-serving business plan with poor responses in multiple test areas.</p> <p>Extensive regulatory intervention to translate to price control package.</p> <p>Severe concerns about company's ability to deliver outcomes for stakeholders and consumers.</p> <p>Requirement for detailed monitoring of company during the price control period.</p> |

2. TSO Self-Assessment

2.1 We will ask SONI to complete a self-assessment against the criteria set out below as part of their business plan submission. This should include:

- A statement setting out how SONI has approached delivering an exceptional business plan in each theme area.
- A reference to the key documentation in the business plan which provides the supporting evidence to these statements.

2.2 Following feedback to the SRP26 Approach [Consultation](#), we would also ask SONI to complete a relative ranking of the six test areas. This will give the UR a view on what areas the company consider to be stronger and weaker within its business plan.

2.3 When completing the self-assessment, the following questions should be addressed:

3. Business Plan Assessment Questions

| | Questions organised by Themes | Further guidance on question where applicable | Guidance on potential features of an exceptional plan |
|---|---|---|--|
| Area 1: Delivering value for money for consumers | | | |
| Q1 | How well has the company demonstrated that its proposed services and tariffs requested for SRP26 provide value for money? | This is an overarching question that brings together different elements of the business plan. | <p>The plan offers an exceptional and compelling proposition overall.</p> <p>Clear need or rationale for any proposed changes to costs/activities for SRP26.</p> |
| Area 2: Delivering services and outcomes | | | |
| Q2 | To what extent has the company set out and clearly described, in an accessible way, the full range of services that it proposes to provide? | Should include any services provided by SONI to its customers. | <p>Focus on services rather than simply activities.</p> <p>Clear and comprehensive explanation of what services are covered by SONI, and what activities of the company fall outside its scope.</p> <p>Accessible explanations of SONI services which are tailored for different audiences (e.g. domestic energy consumers).</p> |

| | Questions organised by Themes | Further guidance on question where applicable | Guidance on potential features of an exceptional plan |
|---|---|---|---|
| | | | <p>A high degree of granularity provided in the explanation of proposed services.</p> <p>Demonstrate that company has a plan in place to check/verify delivery of the right outcome.</p> |
| Area 3: Aligning risk and return | | | |
| Q3 | To what extent has the company explained and justified its proposed rate of return? | Response should include explanation of its proposed mix of equity and debt finance. | <p>Fresh perspective on rate of return, with clear and comprehensive explanation of assumptions.</p> <p>Evidence that proposed rate of return structure has been tested against possible alternatives, taking account of cost to customers and other factors.</p> <p>Well-presented and understandable supporting analysis as part of the submission.</p> |
| Q4 | What confidence has the company given about its financial resilience under its business plan proposals? | Should include explanation of how planned financial structure differs | Clear explanation of planned structure for 2026-31 period. |

| | Questions organised by Themes | Further guidance on question where applicable | Guidance on potential features of an exceptional plan |
|---|--|--|---|
| | | <p>from assumed notional efficient financial structure.</p> <p>Should include similar scenario risk analysis as used for notionally efficient licensee.</p> | <p>High-quality scenario analysis and stress-testing.</p> <p>Strong evidence of financial resilience under planned financial structure.</p> |
| Area 4: Engaging customers, consumers and other stakeholders | | | |
| Q5 | What is the quality of the company's engagement? | <p>Engagement expected to include, but not be limited to:</p> <ul style="list-style-type: none"> • Customers and business. • Consumer representatives. • Environmental stakeholders. • Industry representatives. • Political representatives. • NI Government. <p>In each case, engagement should recognise diversity within each broad category and develop engagement to accommodate this.</p> | <p>Demonstrates a clear understanding of different consumer groups and other stakeholders to engage with and the issues which are likely to matter most to them, and how engagement can be used effectively to influence the plan.</p> <p>Excellent engagement initiatives across a range of diverse consumer groups and other stakeholders, using a variety of approaches.</p> <p>Engagement tailored to SONI services, but drawing on tools and</p> |

| | Questions organised by Themes | Further guidance on question where applicable | Guidance on potential features of an exceptional plan |
|----|--|--|--|
| | | | <p>approaches from other regulated sectors and elsewhere.</p> <p>Engagement targeted and proportionate, which provides a platform for future improvements during the 2026-31 control period and for the subsequent control period.</p> <p>Plan(s) of how the engagement will be used to bring into effect the changes/improvements that will result in better service.</p> |
| Q6 | How well has the company demonstrated that findings from its engagement have been incorporated into its business plan proposals? | Sections of business should be informed and improved by consumer and other stakeholder engagement, and the company should provide a clear explanation of this. | <p>A clear mapping of how its proposals across its plan have been shaped by engagement.</p> <p>Compelling evidence that engagement has made a real difference across the business plan, in a way that will improve outcomes.</p> |

| | Questions organised by Themes | Further guidance on question where applicable | Guidance on potential features of an exceptional plan |
|----|--|--|---|
| | | | <p>Recognition of benefits and drawbacks of evidence from different types of engagement and demonstration of sound judgement in using engagement to inform the plan.</p> |
| Q7 | <p>How well has the company demonstrated that its engagement will be incorporated into ongoing activities?</p> | <p>Include explanation of how engagement used in the past and commitments for the incorporation of engagement as part of plans for the future.</p> | <p>Plan gives confidence that engagement with consumer and other stakeholders lies at the heart of the company's approach to providing services.</p> <p>The plan should include the following areas:</p> <ul style="list-style-type: none"> • Frequency – How often is it reviewed? • Quality – What type/depth of engagement and with who? • Output – What evidence or reports are gathered and analysed from this engagement? • Outcome – What has been put in place to ensure better services and appropriate protections? |

| | Questions organised by Themes | Further guidance on question where applicable | Guidance on potential features of an exceptional plan |
|---|---|---|---|
| | | | Ongoing engagement used in an effective way, with genuine influence on growing the customer base through deployment of engagement activities which support “actionable data”. |
| Area 5: Ensuring resilience | | | |
| Q8 | How well has the company demonstrated an understanding of the range of risks that could impact on its delivery, service quality, performance, <u>viability</u> and costs? | This question concerns the risks that the company cannot deliver on the service and cost proposals provided in response to themes 1 and 2. | High-quality risk analysis covering a diverse range of risks. Identification of potential challenges faced by the TSO in terms of successful delivery and the mitigation actions proposed by the company to ensure a quality service is maintained within cost allowances. |
| Area 6: Accounting for past delivery | | | |
| Q9 | How well has the company given evidence for, and explained, its performance over the SPR20 period? | Any such adjustments must be clearly mapped to the relevant provisions of the SRP20 control and complemented with high-quality supporting evidence. | Clear explanation and strong evidence for any adjustments / changes during the SRP20 period. Explanation of key outputs / deliverables / timings and what went well. |

| | Questions organised by Themes | Further guidance on question where applicable | Guidance on potential features of an exceptional plan |
|--|-------------------------------|---|---|
| | | | There should also be a focus on failings / projects not delivered / rationale for why this was the case and improvements that need addressed. |

4. Next Steps

- 4.1 A response to the business plan assessment questions and themes will be expected on or before the **03 March 2025**, accompanying the full SRP26 business plan submission.
- 4.2 This should include the TSO self-assessment, test area rankings and address all the questions as detailed in the previous chapter. Clear links to where the relevant detail is included in the business plan should be provided for ease of reference.