



Revised SONI RIGs Guidance Decision

Decision Paper
20 January 2023



About the Utility Regulator

The Utility Regulator (UR) 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, 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

Today we publish our decisions regarding the revision of the annual reporting requirements for SONI. The guidance requires updating to reflect changes made in the 2020-25 SONI price control final determination. Additional reporting will also aid transparency of understanding with respect to movement in SONI's cost base.

This document sets out the decisions for the Regulatory Instructions and Guidance (RIGs) for the annual reporting of electricity transmission system operator (TSO) costs and outputs. It details the changes from the existing guidance, consultation feedback and the UR final decision.

Audience

This document will be of interest to SONI, its customers, consumers and other stakeholders.

Consumer impact

Annual reporting has been a part of the regulatory framework for SONI for a number of years. These RIGs provide a framework for the UR to collect consistent information from SONI on an annual basis. This information will help monitor SONI's performance and, over time, will provide a bank of data that will inform SONI's subsequent price controls.

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1. Introduction

Purpose of this Document

- 1.1 A key role of the Utility Regulator (UR) is to protect the interests of current and future Northern Ireland (NI) electricity consumers. A crucial way to achieve this is by monitoring and reporting against regulated companies' cost and output performance.
- 1.2 The purpose of this paper is to set out decisions for revision of the Regulatory Instructions and Guidance (RIGs) for the annual reporting of electricity transmission system operator (TSO) costs and outputs.
- 1.3 A consultation on this issue was published in November 2022. This paper details the changes from the existing reporting guidance, consultation feedback and the UR final decision.

Process for RIGs Revisions

- 1.4 Amendments to RIGs are made via a direction being issued by the UR to SONI under Condition 41(8) of the TSO licence. However, the direction is of no effect unless the process as set out under Condition 41(10) of SONI's licence is completed. This process includes the following:
 - 1) UR must give notice to the licensee that it proposes to issue new RIGs or (as the case may be) to modify the RIGs:
 - a) Specifying the date that the provisions of the document to be issued or modified should take effect;
 - b) Setting out the text of the RIGs to be issued or modified and the UR reasons for proposing to issue or modify;
 - c) Specifying the time (which will not be less than a period of 28 days from the date of the notice) within which representations in response to such proposals may be made; and
 - 2) That UR considers any representations in response to the notice that are duly made and not withdrawn.
- 1.5 This paper provides the relevant detail required to fulfil the legal obligations under Condition 41(10). The consultation was the relevant notice required to issue new RIGs. This paper details how the UR has considered representations and made final decisions.
- 1.6 The conclusions section also includes the direction under Condition 41(8) for the new RIGs to take effect.

2. Consultation Proposals

Potential Options

- 2.1 UR identified four potential options for consideration regarding revision of the SONI guidance and reporting templates. These included:
- 1) Option 1: Do Nothing.
 - 2) Option 2: Implement 2020-25 FD Changes.
 - 3) Option 3: Enhanced Staff Reporting.
 - 4) Option 4: Enhanced Cost Reporting.
- 2.2 The options provided a range of different reporting requirements. These can be summarised as follows:
- 1) Option 1 requires no additional effort. However, it does not fulfil the basic reporting requirements and was discounted.
 - 2) Option 2 meets the fundamental reporting requirements but did not address the enhanced reporting structure as envisioned by the FD.
 - 3) Option 3 partially addressed the enhanced reporting.
 - 4) Option 4 fully implements the enhanced cost reporting requirements.
- 2.3 UR adopted Option 3 as the preferred approach for the consultation paper. UR considered this a reasonable alternative to the service cost reporting as set out by Option 4.
- 2.4 UR was also of the view that Option 3 should not be too burdensome as SONI should already have a clear idea of who is doing what across their business. In fact, such allocations should already be taking place to a certain extent as per the TSO recharge policy work.
- 2.5 Given newness and additional complexity of staff reporting by Standard Occupational Classification (SOC), UR also made provision for the possibility of allowing the TSO more time to complete this detail.
- 2.6 It was anticipated that the new reporting should be effective for the 31 January 2023 return relating to the 2021-22 tariff year. UR also requested provision of detail back to the beginning of the 2020-25 price control period. This will require two years of historic data reporting on a 'best endeavours' basis.

3. Consultation Responses

Key Issues

3.1 UR requested all relevant feedback on the annual reporting issue but also asked respondents to focus on the following questions:

- 1) Do you consider that the preferred option reporting requirements are reasonable or should be increased / decreased?
- 2) Is there other information regarding cost and performance which the TSO should be reporting?
- 3) Would additional reporting by cost area be beneficial?
- 4) Should network data and KPI reporting be included in the RIGs?
- 5) What should the publication obligations on the TSO be?

Responses

3.2 Only one response to the consultation was received. This was provided by SONI and is published alongside this decision paper. Summary TSO views and the UR response is set out in the table below.

Table 1 – SONI views and UR responses

	SONI comments and UR responses
Q1 – SONI Comment	The reporting requirements overall are considered reasonable by SONI. We note the significant increase in regulatory reporting obligations and have been working to ensure we have the processes in place to facilitate these new requirements
UR Response	UR welcomes the view that the reporting requirements are reasonable. Whilst there is some additional regulatory burden, UR considers this reasonable and would note that 3 additional staff were allowed in the price control to account for implementation of new aspects of the price control. (See Final Determination, Annex 4 , p5, para 2.3). This would include additional RIGs reporting. No further amendments required.
Q2 – SONI Comment	SONI considers the information regarding cost and performance being requested gives a detailed and transparent illustration of all its annual activities and costs. As such we do not believe there is any need for additional information to be provided.
UR Response	As illustrated in the consultation paper, the UR preference is that there is full cost reporting by service area. However, the preferred option 3 is a reasonable compromise for the 2020-25 period. No further amendments required.
Q3 – SONI Comment	SONI considers the extent of its reporting obligations to be satisfactory and fit-for-purpose.

UR Response	As above. No further changes required.
Q4 – SONI Comment	SONI considers that network data and KPI reporting will be facilitated via the Evaluative Performance Framework process. To include this in the RIGs will lead to duplication of effort and we consider this to be inefficient.
UR Response	UR has accepted this point and made no further changes to the RIGs guidance to include network data or KPIs. It has been considered that reporting via the EPF will be sufficient for the 2020-25 period. The issue may be revisited if this approach does not prove to be adequate.
Q5 – SONI Comment	SONI believes that a process would need to be undertaken to ensure any commercially sensitive information is redacted prior to publication.
UR Response	<p>It is recognised that commercially sensitive information will require redaction. It will be for SONI to decide what tables and commentary it wishes to put in the public domain. UR would encourage the TSO as the data owner to publish as much as is practically possible.</p> <p>From the UR perspective, our intention would be to publish Table 1 (Summary Costs and Staff) and Table 20 (Price Control Deliverables) at a minimum. This is set out in para 2.15 of the final guidance and follows the approach taken for gas TSOs. Further detail may be published as part of the Cost and Performance Report process.</p>
Other Issues – SONI Comment	SONI does not agree with the inclusion of the tab T21 – Staff Resource matrix. It is unclear what value this information will bring to the UR or stakeholders as there are limited options for any comparisons or benchmarking.
UR Response	<p>As detailed in the consultation paper, UR considers this information to be of value as it will provide the UR with clear evidence of what activities attract the most resource and changes occurring over time.</p> <p>It is recognised that there are limited options for comparisons. However, the detail has value in terms of allocation of staff resource and the need for additional costs for uncertainty mechanism requests. UR is therefore minded to retain the staff information requested.</p>
Other Issues – SONI Comment	SONI will be considering its organisational structure based on the SONI Governance decision and we recommend that this tab is not included until the changes needed to comply with Condition 42 are completed. To complete this work now would not be pragmatic.
UR Response	<p>UR recognises the ongoing governance work and associated consideration of organisation structures. The consultation paper also acknowledged the newness and additional complexity of staff reporting.</p> <p>Given that derogation applications are required by November 2023, UR is content that this table is not submitted until January 2024 for the 2022-23 tariff year. This timing is considered appropriate as organisational structures should be more certain by this date.</p>
Other Issues – SONI Comment	In addition, SONI does not recognise the value from the inclusion of the SOC codes reporting (Also tab T21). We recommend that this information should be included in the SONI Price Control Process rather than annual reporting.

UR Response	UR recognises that the value of SOC reporting each year is limited and the data is more relevant for price controls. However, the burden of such a request is in the initial assessment. Thereafter, the data should be relatively straightforward to collect and report. Consequently, UR is minded to retain this information.
Other Issues – SONI Comment	Finally, if the UR decides to include the Staff Resource Matrix tab, SONI would have concerns surrounding its ability to complete its report for the 31 st January 2023 submission deadline, as it is unclear if the guidance will be in place within this timeframe.
UR Response	As above, UR is content that the staff information is not completed for 2021-22. This requirement will be for the 2022-23 tariff year onwards.

4. Decisions and Direction

RIGs Decision

- 4.1 Based on the responses to SONI comments, UR is not minded to make any material changes to the guidance or reporting template from that consulted upon.
- 4.2 UR has however accepted SONI's comments around the achievability of staff reporting for January 2023 and the ongoing staff considerations from governance work. Consequently, the staff table is not required to be completed until January 2024 for the 2022-23 tariff year information.
- 4.3 UR has also made one final minor change to the guidance in paragraph 2.15 of Annex A. This previously referred to publication of Table 19 by the UR. This has been amended to Table 20 to reflect the relevant price control delivery report.
- 4.4 Further review of RIGs reporting may be necessary following completion of the next SONI price control.

Licence Direction

- 4.5 Under Condition 41(8) of the TSO licence, the UR hereby issues a direction to implement new RIGs as set out in the guidance and reporting template published alongside this decision paper.
- 4.6 The new guidance will take immediate effect and should be implemented for the 31 January 2023 return relating to the 2021-22 tariff year. UR accepts that such cost and activity reporting had not been agreed prior to the start of the year. UR would therefore request that the data be compiled on a 'best endeavours' basis.
- 4.7 UR would also welcome the provision of detail back to the beginning of the 2020-25 price control period. This will require two years of historic data reporting on a 'best endeavours' basis. Detail provided for the 2020-21 tariff year should however align with overall figures reported in the original submission.
- 4.8 The only exception is the staff resource matrix (Table 21). This will not be required to be completed until January 2024 for the 2022-23 tariff year.