

From the office of the Chief Executive

Alan Campbell
Managing Director
SONI Limited
Castlereagh House
12 Manse Road
Belfast
BT6 9RT

Ref: NET/E/CEO/944

24 June 2024

Dear Alan

Utility Regulator's decision on the Evaluative Performance Framework 2022/2023

Thank you for the letter from Kevin O'Neill to John Mills dated 10 May 2024 which responded to UR's minded to position on the Evaluative Performance Framework 2022/2023.

We set out our minded to position after our Board had received and considered the EPF Panel's Assessment of SONI's Performance for the 2022/2023 year and evidence available to us.

Having considered your response, the Utility Regulator has decided to accept the EPF Panel's recommendation and subsequent grading of **3.00** for SONI's APR phase.

We agree with the EPF Panel's grading in relation to the four roles assessed as summarised below:

- **Role 1** – System Operation & Adequacy: Assessment Grade = 3 (“baseline”)
- **Role 2** – Independent Expert: Assessment Grade = 4 (“good”)
- **Role 3** – System Planning: Assessment Grade = 2 (“lagging”)
- **Role 4** – Commercial Interface: Assessment Grade = 3 (“baseline”)

Evaluative Performance Framework (EPF) financial incentive 2022/2023

UR has taken full account of the Panel's recommendations in relation to both the Forward Work Plan (FWP) phase and the APR phase. We previously agreed with the Panel's recommended grade of **3.53** and subsequent financial incentive of £208k¹ for the FWP phase².

¹ Nominal Year = April 2023 prices

² As per section 7 of the Guidance, the EPF provides for financial incentives in relation to two phases of assessment in each financial year i.e., SONI's Forward Plan and its Performance Plan, ultimately arriving at an overall incentive outcome. A

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As the grading for the APR phase is **3.00**, the overall incentive amount equates to £208k. The calculation of this incentive amount, previously provided to you, is attached for information.

SONI's response suggested further engagement on three issues:

1. The suitability of the Imperfection Cost Savings target as a Key Performance Indicator for System Wide Costs due to the timing of publication of the relevant reports. We would welcome your suggestions on alternative measures which could be used, or how the existing measure could be applied more effectively. We look forward to further engagement on this matter.
2. Further briefing from SONI on its development process for Role 3 (System Planning: Assessment) and the various stakeholders and dependencies associate with this work. We believe that this can be best achieved through the regular cycle of engagement on the Forward Work Programme (FWP) for 2025/26. A briefing note which is shared with UR and the Panel and discussed as part of the FWP would be a useful start to this process.
3. We agree that there is merit in a review of the EFP process now a full cycle has been completed. We would be happy to engage on this at a time that would suit both organisations, taking account of our other commitments.

I would like to express my thanks for your on-going work on the EPF process including your engagement with stakeholders and the EPF Panel.

Yours sincerely



John French
Chief Executive Officer

cc Kevin O'Neill, SONI
John Mills, UR
EPF Panel

positive incentive amount, across these two phases, will lead to a corresponding increase in SONI's maximum regulation revenue from SSS/TUoS tariffs revenue under the price control framework and a negative incentive amount will lead to a corresponding decrease in SONI's maximum regulation revenue from SSS/TUoS tariffs.

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ATTACHMENT

Calculation of Incentive Amount

Stage 1: determination of final grade by role	Weights	Forward plan	Performance
System operation and adequacy	27.5%	4	3
Independent expert	25.0%	3	4
System planning	25.0%	4	2
Commercial interface	22.5%	3	3
Stage 2: Calculation of the overall grade			
Weighted-average grade for forward plan		3.53	
Weighted-average grade for performance		3.00	
Overall grade		3.26	
Stage 3: calculation of overall incentive amount before caps			
Overall incentive amount: £		£208,000	
FWP incentive amount			