

## Phoenix Energy's response to the Utility Regulator's RP7 Draft Determination

We all have a part to play in moving to a net-carbon zero society and in doing so ensure that current and future consumers are supported and protected through the transition. Phoenix Energy<sup>1</sup> therefore welcomes the opportunity to comment on this important part of the draft determination for NIE Networks' RP7 price control.

At Phoenix Energy, we are working on ways to decarbonise home heating for consumers, enabling them to enjoy all the flexibility of gas with minimum disruption by using our existing infrastructure to deliver greener gas solutions such as biomethane and hydrogen direct to consumer homes.

But we cannot do it alone.

Northern Ireland's Gas Network Operators<sup>2</sup> have come together to commit to the full decarbonisation of the regional gas network. In 2023 we announced five near-term commitments to support the sustainable introduction of renewable gases in Northern Ireland (NI)<sup>3</sup>. We believe successfully delivering these least-regret commitments will lead to a step-change in the decarbonisation of NI's homes, businesses, and wider energy system.

Phoenix Energy also recognises the key role that existing, upgraded and new electricity infrastructure will play in enabling NI's carbon reduction targets and net zero pathway, and the considerable level of investment that will be necessary to achieve such outcomes.

It is important therefore that the development of NI's electricity infrastructure continues to be informed and shaped by the holistic consideration of the requirements of an integrated net-zero energy system which both retains system resilience and offers cost-effective solutions for a consumer base with often bespoke decarbonisation requirements.

One such example of this is in the rollout of air source heat pumps across domestic and commercial markets. Whilst heat pump technology may be well placed to support properties' transition to net zero solutions, current research and trials have demonstrated that combining renewable gas with hybrid heating systems offers significant consumer and system benefits. This technology should be factored into future network planning in areas with gas network infrastructure available, with heat pumps and associated thermal efficiency retrofit targeted at off gas grid properties. For instance, in areas where hybrid heating systems can be used, future network planning and investment should take

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<sup>1</sup> Phoenix Energy Group Ltd is trading as Phoenix Energy

<sup>2</sup> Evolve, firmus energy, GNI (UK), Mutual Energy and Phoenix Energy

<sup>3</sup> <https://phoenixenergyni.com/assets/documents/017209-Phoenix-Energy-Conference-2023-Commitments-V4-1.pdf>

into consideration whether peak heating demands could be met via hybrid heating systems through existing gas infrastructure.

Phoenix Energy looks forward to continuing to work with NIE Networks in developing a NI energy strategy that seeks to economically use existing, modern, NI infrastructure assets alongside targeted investment in new infrastructure that meets the bespoke needs of domestic, industrial, and commercial energy consumers and prosumers.

Only by considering a joined-up approach will policy stakeholders such as the Utility Regulator and the Department for the Economy identify the optimal solution for NI and permit the determination of price controls that help deliver the common goal of a fair, affordable and just transition for all consumers.

Finally, we note that NIE Networks has based its central estimate of new demand to include the connection of 120,000 heat pumps by 2030 and that the Utility Regulator is seeking feedback on whether this is reasonable.

Our experience of converting homes from oil to gas is that, even armed with all the broad range of benefits associated with the introduction of a highly efficient gas system, consumers invariably either delay or avoid the decision out of apathy and a reluctance to change until such times as there is a specific driver (for example change of occupier/renovation work or boiler breakdown). Unlike gas connections, heat pumps will typically require additional retrofit of houses and behavioural change. Phoenix Energy therefore considers the NIE Networks target ambitious if c.20,000 conversions are to be delivered each year without significant engagement and financial support plus skills investment in the development of a necessary installer base.

We would however note that the need to reinforce the electricity network is a fundamental enabler for the delivery of NI's decarbonisation targets and therefore whilst we do not necessarily agree with the heat pump numbers proposed, we remain supportive of the need to enhance the capacity of our electricity network.